Royal Aspirations

Hotel Royal Limited

Annual Report 2019

Corporate Information

BOARD OF DIRECTORS
Emeritus Professor Pang Eng Fong
Non-Executive Chairman and
Lead Independent Non-Executive Director

Dr Tan Kim Song
Independent Non-Executive Director

Mr Yang Wen-Wei
Independent Non-Executive Director

Mr Lee Khin Tien
Non-Executive Director

Mr Lee Kin Hong
Non-Executive Director

Dr Lee Chu Muk
Non-Executive Director

AUDIT AND RISK COMMITTEE
Dr Tan Kim Song (Chairman)
Emeritus Professor Pang Eng Fong
Mr Yang Wen-Wei
Mr Lee Khin Tien

REMUNERATION COMMITTEE
Mr Yang Wen-Wei (Chairman)
Emeritus Professor Pang Eng Fong
Dr Tan Kim Song
Mr Lee Khin Tien

NOMINATING COMMITTEE
Emeritus Professor Pang Eng Fong (Chairman)
Dr Tan Kim Song
Mr Yang Wen-Wei
Mr Lee Khin Tien

COMPANY SECRETARY
Ms Sin Chee Mei
Mrs Wong Siew Choo

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@zicoholdings.com

REGISTERED OFFICE
36 Newton Road
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Tel : (65) 6426 0168
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AUDITORS
Deloitte & Touche LLP
Public Accountants and
Chartered Accountants Singapore
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Tel : (65) 6224 8288
Fax : (65) 6538 6166

AUDIT PARTNER-IN-CHARGE
Mr Michael Ng Wee Kiat
Appointed in 2017

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

INVESTOR RELATIONS
Mr Lee Chou Hock
chlee@hotelroyal.com.sg

Every Room A Home.

Our service credo "Every Room A Home" forms the DNA of our brand promise. It defines our guests' experiences – from the minute that they enter the hotel, right through to the comfort that our guest rooms offer as well as other service touchpoints within the hotel. It also drives the way we remember our guests' preferences, and how each staff member approaches our guests. At Hotel Royal, every guest is part of our family, and we prefer to treat them as one.

Armed with a passion to continually improve, our latest hotel to open later this year, The Baba House in Malacca - will be the test bed for our enhanced service concepts, along with the latest modern conveniences that our well-travelled guests have come to expect from us.

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- Hotel Royal Penang
  Penang, Malaysia
- The Baba House
  Melaka, Malaysia
- Hotel Royal Bangkok @ Chinatown
  Bangkok, Thailand
- Burasari Resort
  Phuket, Thailand

It also owns Grand Complex, a prime commercial complex in the central business district of Wellington, New Zealand, which has approximately 263,000 square feet of lettable office and retail space, and 323 car park lots.

The Baba House, which is strategically located in the heart of Melaka's UNESCO Heritage Zone in West Malaysia, is presently undergoing major upgrading that will transform it into a heritage boutique hotel after the Group acquired it in January 2015. The 94-room Baba House, known for its traditional Peranakan architecture, is minutes to Melaka's famed Jonker Street, and close to historical landmarks such as Stadthuys (Dutch Governor House) and A'Famosa as well as bustling shopping districts.

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

Group's Major Properties

Hotel Royal Newton Singapore

Royal Residences

Location	Name of Property	Description and area	No. of Guest Rooms	Tenure	Effective Stake
HOTELS					
Singapore	Hotel Royal 36 Newton Road	Land area of about 7,200 sq m Hotel building with built-up area of approximately 23,500 sq m	362	Freehold	100%
	Hotel Royal @ Queens 12 Queen Street	Land area of about 1,979 sq m Hotel building with built-up area of approximately 14,605 sq m	231	Freehold	100%
Malaysia	Hotel Royal Kuala Lumpur Jalan Walter Grenier 55100 Kuala Lumpur	Land area of about 773 sq m Hotel building with built-up area of approximately 20,027 sq m	285	Freehold	100%
	Hotel Royal Penang 3 Jalan Laut, Georgetown Penang	Land area of about 3,495 sq m Hotel building with built-up area of approximately 28,569 sq m	281	Freehold	100%
	The Baba House* No. 121, 123, 125,127, 129, 131, 133, 135 Jalan Tun Tan Cheng Lock, Melaka	Land area of about 4,138 sq m Hotel building with built-up area of approximately 6,838 sq m	94	Freehold	50%
Thailand	Hotel Royal Bangkok @ Chinatown Yaowaraj Road, Bangkok	Land area of about 1,480 sq m Hotel building with built-up area of approximately 19,082 sq m	290	Freehold	100%
	Burasari Resort 18/110 Ruamjai Road Phuket	Land area of about 6,722 sq m Hotel building built-up area of approximately 11,441 sq m	184	Freehold	100%
		Total Number of Guest Rooms	**1,727**		

** Baba Mansion, adjacent to Baba House, was acquired in 2019 and forms part of Baba House's redevelopment.*

Hotel Royal Kuala Lumpur, Malaysia

The Baba House Melaka Malaysia
(Artist's impression)

Hotel Royal @ Queens, Singapore

Burasari Resort, Phuket

Hotel Royal Bangkok, Chinatown

Location	Name of Property	Description and area	Tenure	Effective Stake
INVESTMENT PROPERTIES				
Singapore	Royal Residences 1A Surrey Road	Land area of about 718 sq m Residential building with total lettable area of about 1,720 sq m (The Company has a 91.63% share of the above property. The remaining 8.37% is owned by a related party)	Freehold	91.63%
	No.20 Maxwell Road #12-02 Maxwell House	Office unit Strata floor area of about 551 sq m	99 years (from 1969)	100%
	#05-14 Kapo Factory Building	Flatted factory unit Strata floor area of about 157 sq m	Freehold	100%
	#02-14, #06-02, #07-02 and #09-08 Tong Lee Building	Factory unit Strata floor area of about 277 sq m each (total of 1,108 sq m)	Freehold	100%
Malaysia	Penang Plaza 126 Jalan Burma Georgetown, Penang	Land area of about 5,498 sq m Shopping centre and offices with total lettable retail area of 5,956 sq m; total lettable office area of 2,378 sq m and 88 carpark lots	Freehold	100%
New Zealand	Grand Complex Properties 16-20 Willis Street 22-42 Willis Street 80 Boulcott Street 84 Boulcott Street Wellington	Land area of about 6,898 sq m Shopping centre and offices with lettable retail area of 4,431 sq m; lettable office area of 20,028 sq m and 323 carpark lots	Freehold	100%

Every Guest is Family

Seeing ourselves as family to our guests, we pay attention to personal preferences such as where the guest places his bedroom slippers, or whether he prefers a white light at the writing table, or simply a bookmark that is placed next to the book that he is reading.


Every Room
A Home.

Group's Financial Highlights

	2019	2018	2017	2016	2015
For the year ($'000)					
Revenue	57,690	60,080	61,483	58,704	57,280
Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA)	20,678	23,220	24,721	24,457	19,488
Gross Profit	27,325	30,244	31,157	30,888	29,187
Net Profit attributable to Owners of the Company	4,862	6,942	7,571	7,735	2,893
Finance Costs	(4,048)	(4,228)	(4,498)	(4,644)	(5,124)
Cash from Operating Activities	11,942	20,477	17,813	13,262	17,501
Capital Expenditure	16,373	9,538	10,116	5,718	14,022
At year end ($'000)					
Total Assets	838,574	807,393	744,863	725,891	724,041
Total Liabilities	150,205	138,043	186,529	183,024	188,569
Total Equity	688,369	669,350	558,334	542,867	535,472
Cash and Bank Balances	20,903	29,269	18,328	14,721	17,037
Property, Plant & Equipment	671,464	647,679	605,718	590,216	588,808
Investment Properties	102,077	93,887	91,222	94,390	93,492
Total Borrowings	115,394	105,033	152,771	151,705	157,193
Asset Revaluation Reserve	424,469	407,913	364,577	354,185	352,360
Financial Ratios					
Revenue Growth (%)	(3.98)	(2.28)	4.73	2.49	1.05
Net Profit Growth (%)	(29.96)	(8.31)	(2.12)	167.37	(74.12)
Adjusted Net Assets Value (ANAV) ($'million)[2]	843.72	829.82	708.12	704.87	691.10
Debt to ANAV (times)	0.14	0.13	0.22	0.22	0.23
Per Share Information					
Earnings per Share (cents) before Income Tax [1]	8.31	11.17	13.33	12.81	6.60
Earnings per Share (cents) after Income Tax [1]	4.82	7.52	8.88	9.07	3.39
Net Assets Value (NAV) per Share ($)	6.83	6.64	6.65	6.46	6.37
Adjusted Net Assets Value (ANAV) per Share ($) [2]	8.37	8.23	8.43	8.39	8.23
Dividend per Share - Ordinary Shares ($)	0.06	0.05	0.05	0.05	0.05
Market capitalisation ($'million)					
at year end	303.41	300.38	338.52	314.16	284.76

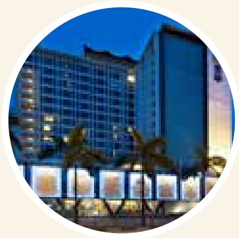
[1] The weighted average number of ordinary shares is 85.292 million for 2015 to 2017, 92.345 million for 2018 and 100.8 million for 2019.

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

Value-Added Statement

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue earned	57,690	60,080	61,483	58,704	57,280
Less: cost of sales	(30,365)	(29,836)	(30,326)	(27,816)	(28,093)
Gross value-added from operations	27,325	30,244	31,157	30,888	29,187
Other income	565	548	1,335	1,557	1,805
Other expenses	(2,206)	(2,495)	(2,933)	(2,492)	(3,330)
Net foreign exchange adjustment gain (loss)	978	276	157	271	(1,110)
Total value-added	26,662	28,573	29,716	30,224	26,552
Distribution:					
To employees in salaries and other related costs	15,757	15,387	16,114	14,262	14,127
To government in corporate and other taxes	3,515	3,370	3,629	3,191	2,740
To providers of capital:					
- Interest paid on borrowing from banks	4,048	4,228	4,498	4,644	5,124
Retained for re-investment and future growth					
- Depreciation and amortisation	8,253	8,680	9,023	8,887	8,731
- Accumulated (profits) losses	(4,844)	(3,079)	(4,299)	168	(6,741)
Non-production costs and income:					
- Allowance for doubtful receivables	12	70	77	84	235
- Bad debt expense	-	4	33	-	151
- Bad debt recovered	-	-	-	-	(2)
- Write back of allowance for doubtful receivables	(2)	(87)	(150)	(183)	(343)
- Impairment loss on avaliable-for-sale investments	-	-	16	254	317
- Allowance for diminution in value of unquoted investment	-	-	-	15	-
- Impairment loss on property, plant and equipment	-	-	-	-	829
- Impairment loss on goodwill	-	-	-	-	1,384
- Impairment loss on leasehold land and building	-	-	775	-	-
- Reversal of impairment loss on investment property	-	-	-	(285)	-
- Reversal of impairment loss on hotel building	-	-	-	(813)	-
- Write back of impairment loss on leasehold land	(77)	-	-	-	-
Total distribution	26,662	28,573	29,716	30,224	26,552
PRODUCTIVITY DATA					
Number of employees	750	756	815	772	772
Value-added per employee ($'000)	35.55	37.79	36.46	39.15	34.39
Value-added per $ of employee cost	1.69	1.86	1.84	2.12	1.88
Value-added per $ revenue earned	0.46	0.48	0.48	0.51	0.46
Value-added per $ of investment in investment properties, property, plant and equipment	0.03	0.04	0.04	0.04	0.04

Corporate Milestones



1968
Incorporated and listed on Main Board of Singapore Exchange

1969
Construction of Hotel Royal Singapore commenced

1972
Hotel Royal Singapore commenced operations

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

2010
Acquired Hotel Royal Kuala Lumpur in Kuala Lumpur, Malaysia

2011
Acquired Hotel Royal Bangkok@Chinatown in Bangkok, Thailand

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

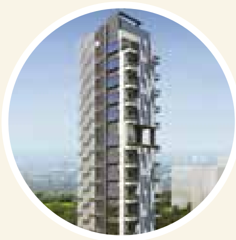
2014
Acquired Burasari Resort in Phuket, Thailand

2015
Acquired The Baba House in Melaka, Malaysia

1995
Purchased Grand Complex mixed commercial/ retail development in Wellington, New Zealand

2004
Purchased Dapanso Building at 158 Cecil Street Singapore

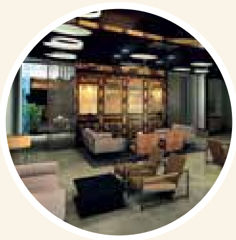
Purchased Hotel Royal @ Queens at Queen Street Singapore



2007
Disposal of Dapenso Building at Cecil Street Singapore

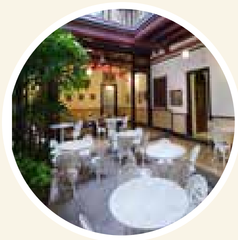
Acquired Star Mansion at 1A Surrey Road Singapore

2008
Purchased Hotel Royal Penang and Penang Plaza in Penang, Malaysia



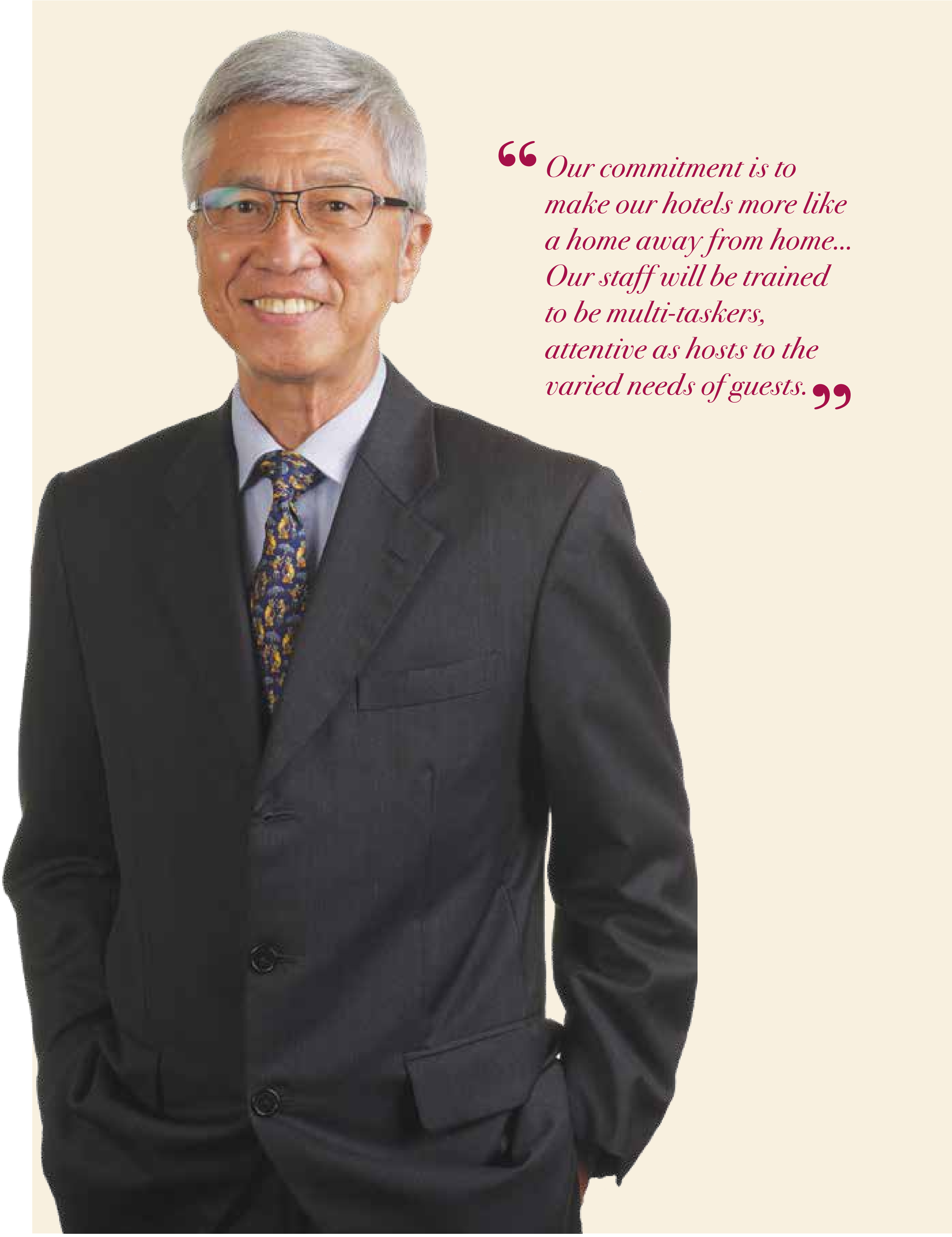
2017
Commencement of major upgrading of Baba House in Melaka into a heritage boutique hotel.

2018
Raised $50.4 million through a Rights Issue of 16.8 million ordinary shares at $3.00 each.



2019
Acquired Baba Mansion adjacent to Baba House, as part of Baba House's redevelopment

Chairman's Message



"Our commitment is to make our hotels more like a home away from home... Our staff will be trained to be multi-taskers, attentive as hosts to the varied needs of guests."

Dear Shareholders

The emergence of Covid-19 at the beginning of 2020, and its spread to more than one hundred countries by the middle of March, has darkened the outlook for the world economy. Many governments have imposed restrictions on travel and tourism, whilst disruptions to global supply chains have made it difficult to predict when business confidence will recover. Experience suggests that a rebound will eventually come and we must prepare well to take advantage of it.

The Group has in place a continuity plan covering business operations as well as our staff welfare. Our priority remains the safety and well-being of our customers and staff.

Meanwhile, we are committed to a longer-term strategy for expansion. In 2020, the opening of Baba House in Melaka will add about 94 rooms and suites to our inventory. The acquisition of Royale Chulan Bukit Bintang in Kuala Lumpur, when completed, will enlarge our room inventory by another 400 rooms. These new properties provide us an opportunity to test new service concepts and introduce innovative interior layouts. For example, we have designed the hotel lobby of Baba House to facilitate greater interaction among our guests and service staff. We plan to replicate this approach at our other properties progressively.

In addition, our housekeeping staff will take on the role of service ambassadors. They will observe the preferences of guests and look for opportunities to enhance their stay. Learning little details such as where guests place their bedroom slippers, and the light they like while reading or relaxing in their room can make a big difference to uplifting the guest experience.

Our commitment is to make our hotels more like a home away from home. To this end, our staff will be trained to be multi-taskers, attentive as hosts to the varied needs of guests.

The year 2020 will be an exceptionally challenging year for the Group as Covid-19 will deter travel to the region.

FINANCIAL PERFORMANCE

For the year ended 31 December 2019, Group revenue declined by 4.0% to \$57.7 million, due to lower rental income from our investment properties in Singapore and New Zealand as well as lower revenue from rooms, food outlets and spa. Weaker sales and higher operating expenses resulted in our net profit falling by 30% to \$4.9 million. Earnings per share for FY2019 dropped from 7.52 cents to 4.82 cents. Net asset value per share, however, rose 19 cents to \$6.83, an increase arising from the revaluation of land that the Group's hotels occupy in Singapore, Malaysia and Thailand. Our financial position remains healthy.

DIVIDEND

The Directors have proposed a one-tier tax-exempt first and final dividend of 2.5 Singapore cents per ordinary share at the forthcoming Annual General Meeting. If approved, the proposed dividend will be paid out at a date to be announced later. The proposed dividend is half the amount the Group has been paying since 2010. We think it prudent to ensure we have the cash flow to tide us over in 2020.

LOOKING AHEAD

The year 2020 will be an exceptionally challenging year for the Group as Covid-19 will deter travel to the region. We envisage that our earnings from rooms and F&B outlets will deteriorate, as will our top and bottom line numbers. Investment income from our fund portfolio will decline as the world economy slows and stock markets retreat from the highs of 2019.

APPRECIATION

Our Directors are committed to the strategic plan we have put in place to ensure the Group's long-term future. I am grateful to them for their support and advice.

I would also like to thank our dedicated management team and employees for initiating the operational changes and responding well to new and unexpected developments.

I look forward to seeing you at the forthcoming Annual General Meeting of the Company.

Emeritus Professor
Pang Eng Fong
Chairman

28 March 2020

Board of Directors

EMERITUS PROFESSOR PANG ENG FONG, 76

Emeritus Professor Pang Eng Fong was appointed to the Board of Directors on 5 December 2011. Emeritus Professor Pang is the Chairman of Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee. He was last re-elected as a director on 30 April 2016 and was appointed the Chairman of the Company on 27 April 2019.

He is a Emeritus Professor of Strategic Management (Practice), Singapore Management University.

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, 59

Associate Professor Tan Kim Song was appointed to the Board of Directors on 2 March 2015 and is the Chairman of the Audit and Risk Committee. He is also a member of the Nominating and Remuneration Committees. He was last re-appointed as a director on 29 April 2017.

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

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

MR THOMAS YANG WEN-WEI, 48

Mr Thomas Yang was appointed to the Board of Directors on 28 April 2018 as an independent non-executive director. He is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and Nominating Committee.

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

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

MR LEE KIN HONG, 66

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 28 April 2018.

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

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

MR LEE KHIN TIEN, 68

Mr Lee Khin Tien was appointed to the Board of Directors on 31 December 1996 as a non-executive director. He is a member of the Audit and Risk Committee, Nominating and Remuneration Committees. He was last re-elected as a director on 29 April 2017.

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

DR LEE CHU MUK, 40

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

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

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

Senior Management

LEE CHOU HOCK
CHIEF EXECUTIVE OFFICER

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

LEE CHU BING
GENERAL MANAGER
Hotel Royal @ Queens

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

PATRIK ILSTAM
GENERAL MANAGER
Burasari Resort, Phuket

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

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

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

SAZRUL BIN FADZIL
GENERAL MANAGER
Hotel Royal Kuala Lumpur

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

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

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

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

LEE ZONGYE ZACH
DIRECTOR OF PROJECT DEVELOPMENT

Mr. Lee Zongye Zach joined the Group in 2018. He is responsible for the supervision of re-development and upgrading works, and lease management to the Group's real estate assets. He also assists in evaluating real estate investments for the Group.

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

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.


Hotel Royal

Every Staff A Host

Our staff see themselves as not just a great service provider but hosts to our guests who are away from home. Don't be surprised when you see the front office staff checking in a guest and serving them drinks from the bar at the same time!


Every Room
a Home.

Operations And Financial Review

The Group's core activities are as follows:

A) HOTEL OPERATIONS

The Group owns and operates hotels in Singapore, Malaysia and Thailand such as the flagship Hotel Royal Singapore, Hotel Royal Kuala Lumpur, Hotel Royal Penang, Hotel Royal Bangkok @ Chinatown, and Burasari Resort in Phuket, Thailand. Its hotel in Melaka - The Baba House – is scheduled for opening in 2020 after completing a major refurbishment.

B) PROPERTY INVESTMENTS

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

C) FINANCIAL INVESTMENTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (extract)
Year ended 31 December 2019

	2019 $'000	2018 $'000	Change %
Revenue			
Hotel Operations Segment	49,619	51,190	(3.1%)
Property Investments Segment	7,682	8,406	(8.6%)
Financial Investments Segment	389	484	(19.6%)
Total revenue	**57,690**	**60,080**	**(4.0%)**
Less: Cost of sales	(30,365)	(29,836)	1.8%
Gross profit	**27,325**	**30,244**	**(9.7%)**
Less: Operating expenses	(14,237)	(14,033)	1.5%
Add: Other income	1,753	954	83.8%
Less: Other expenses	(2,416)	(2,625)	(8.0%)
Less: Finance costs	(4,048)	(4,228)	(4.3%)
Profit before income tax	**8,377**	**10,312**	**(18.8%)**
Less: Income tax expense	(3,515)	(3,370)	4.3%
Profit for the year attributable to owners of the Company	**4,862**	**6,942**	**(30.0%)**

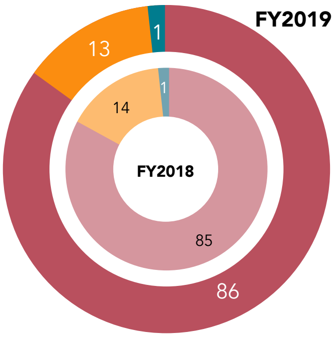
REVENUE

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

In FY2019, the Group's revenue dipped 4% to $57.7 million from lower contributions from its hotels as a result of declines in room occupancy and rates. Its investment properties in New Zealand and Malaysia similarly contributed less rental income from lower occupancy.

Operations And Financial Review

REVENUE BY SEGMENT (%)

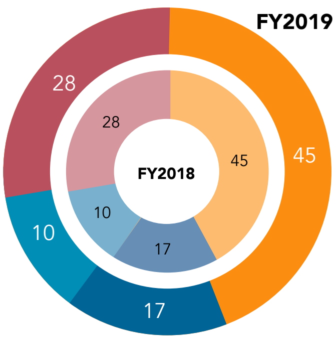


- Hotel operations segment
- Property investments segment
- Financial investments segment

	Financial year ended 31 Dec				Increase (Decrease)	
	2019		2018			
	$’000	%	$’000%		$’000	%
Hotel operations segment	49,619	86	51,190	85	(1,571)	(3.1%)
Property investments segment	7,682	13	8,406	14	(724)	(8.6%)
Financial investments segment	389	1	484	1	(95)	(19.6%)
Total	**57,690**	**100**	**60,080**	**100**	**(2,390)**	**(4.0%)**

In FY2019, the revenue from all segments - hospitality operations, rental income from investment properties, and income from financial instruments - decreased by 4% to $57.7 million, due mainly to overall economic and environment factors.

REVENUE BY GEOGRAPHICAL LOCATION (%)



- Singapore
- Malaysia
- New Zealand
- Thailand

	Financial year ended 31 Dec				Increase (Decrease)	
	2019		2018			
	$’000	%	$’000	%	$’000	%
Singapore	25,996	45	26,904	45	(908)	(3.4%)
Malaysia	9,476	17	10,033	17	(557)	(5.6%)
New Zealand	5,870	10	6,289	10	(419)	(6.7%)
Thailand	16,348	28	16,854	28	(506)	(3.0%)
Total	**57,690**	**100**	**60,080**	**100**	**(2,390)**	**(4.0%)**

On a geographical basis, sales from Singapore, Malaysia and Thailand reported lower revenue year-on-year amidst increased competition.

Sales from Singapore, which accounted for 45% of total revenue in FY2019, declined by 3.4% to $26.0 million, while Malaysia, which accounted for 17% of total sales, saw revenue contributions retreat by 5.6% to $9.5 million. Revenue from Thailand (28% of total sales) similarly slid by 3% to $16.3 million.

Softer rental income from its investment properties in New Zealand, contributed to the dip of 6.7% to $5.9 million.

PROFITABILITY

In line with the lower revenue recorded in FY2019, the Group's gross profit retreated by 9.7% to $27.3 million.

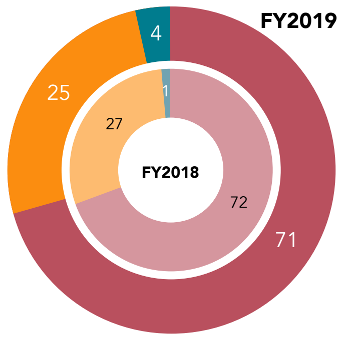
Operating income from other sources, such as foreign exchange gain, miscellaneous other income and fair value gain on financial assets at fair value through profit or loss, rose by 83.8% to $1.8 million due to higher foreign exchange and write-back of impairment loss from the previous year.

In addition, higher overhead expenses in some of the Group's hotels led the increase in administrative expenses by 1.8% to $13.1 million. Other expenses declined by 8% to $2.4 million mainly due to fair value loss on financial assets at fair value through profit or loss.

The Group's pre-tax profit for FY2019 was therefore lower by 18.8% to $8.4 million.

Operations And Financial Review

PROFITABILITY BY SEGMENT (%)

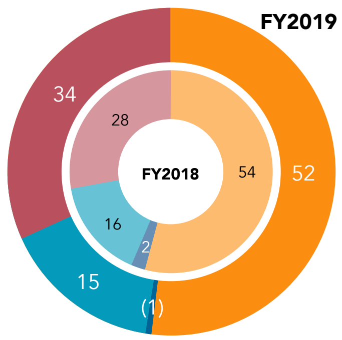


	Financial year ended 31 Dec 2019 $'000	%	2018 $'000	%	Increase (Decrease) $'000	%
Hotel operations segment	8,825	71	10,601	72	(1,776)	(16.8%)
Property investments segment	3,102	25	3,864	27	(762)	(19.7%)
Financial investments segment	498	4	75	1	423	564%
Profit before interest and income tax	**12,425**	**100**	**14,540**	**100**	**(2,115)**	**(14.5%)**

The Hotels segment, which accounted for 71% of total profit before interest and income tax in FY2019, is the largest contributor to the Group's earnings. During the year in review, the Hotels segment saw a dip of 16.8% in profit before interest and income tax to $8.8 million.

The Group's Properties segment, accounting for 25% of total profit before interest and income tax, similarly reported a decrease of 19.7% to $3.1 million, while Financial Investments surged by nearly 6 times to $498,000.

PROFITABILITY BY GEOGRAPHICAL LOCATION (%)



	Financial year ended 31 Dec 2019 $'000	%	2018 $'000	%	Increase (Decrease) $'000	%
Singapore	6,410	52	7,893	54	(1,483)	(18.8%)
Malaysia	(166)	(1)	228	2	(394)	n.m.
New Zealand	1,900	15	2,290	16	(390)	(17.0%)
Thailand	4,281	34	4,129	28	152	3.7%
Profit before interest and income tax	**12,425**	**100**	**14,540**	**100**	**(2,115)**	**(14.5%)**

The Group's profit before interest and income tax was down by 14.5% to $12.4 million, in line with overall decline in revenue. Singapore turned in 18.8% lower profit before interest and income tax to $6.4 million, impacted by the downward adjustments of room rates and lower occupancy amidst greater competition and room inventory in the industry.

Malaysia reported loss before interest and income tax of $166,000 in 2019 as opposed to profit before interest and income tax of $228,000 in 2018 due to lower rental income from investment properties. Meanwhile, Thailand reversed the trend by reporting a 3.7% gain to $4.3 million, thanks to lower operating expenses. New Zealand contributed a 17% drop in profit before interest and income tax to $1.9 million, as a result of lower occupancy in its investment properties.

CASHFLOW

In FY2019, the Group generated $11.9 million in operating cash flow from operations and operating activities, and invested a total of $22.1 million in capital expenditure for upgrading of its hotel and investment properties, as well as for expanding its hotel portfolio. The net cash of $1.6 million from financing activities was mainly due to new drawdown offset by bank loan repayment.

As at 31 December 2019, the Group's cash and cash equivalents stood at $19.9 million.

Operations And Financial Review

GROUP CASH AND BANK BALANCES

	FY 2019 $'000	FY 2018 $'000	FY 2017 $'000	FY 2016 $'000	FY 2015 $'000
Cash on hand	154	174	166	156	144
Cash at bank	18,664	15,632	16,462	13,338	15,677
Fixed deposits	2,085	13,463	1,700	1,227	1,216
Total	**20,903**	**29,269**	**18,328**	**14,721**	**17,037**

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

Fixed deposits earn interest ranging from 1.85% to 3.00% per annum, with terms ranging from 7 days to 270 days.

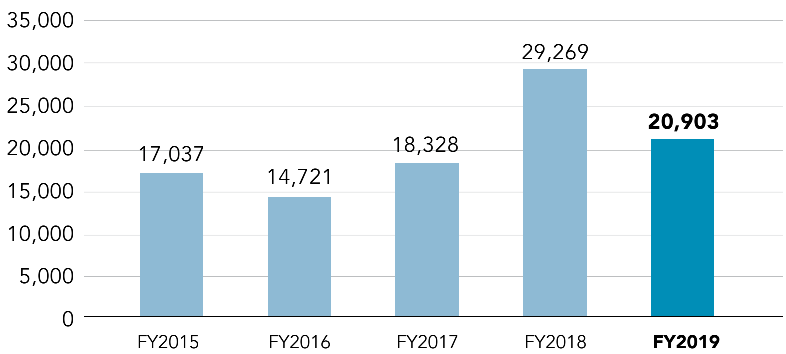
The decrease was mainly due to lower contribution from Burasari Resort, Hotel Royal Singapore and investment properties in New Zealand.

The increase was due to the proposed acquisition of Royale Chulan Bukit Bintang Hotel, and for the renovation and upgrading of hotels in Singapore and Malaysia, and investment properties in New Zealand.

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

	2019 $'000	2018 $'000
Net cash from operating activities	11,942	20,477
Net cash used in investing activities	(22,137)	(6,934)
Net cash used in financing activities	1,625	(2,529)
Net increase in cash and cash equivalents	(8,570)	11,014
Cash and bank balances at end of year	**20,903**	**29,269**

CASH AND BANK BALANCES ($'000)



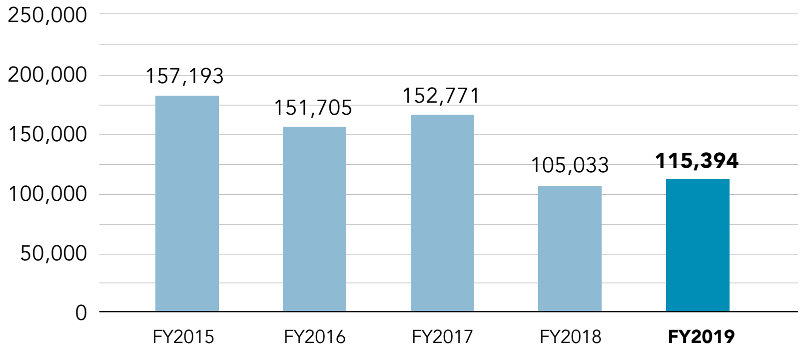
GROUP BORROWINGS

	FY 2019 $'000	FY 2018 $'000	FY 2017 $'000	FY 2016 $'000	FY 2015 $'000
Secured	115,394	105,033	152,771	151,705	157,193

The Group's borrowings comprise short-term and long-term bank loans, as well as finance leases. In FY2018, the Group's bank borrowings decreased significantly as the Group repaid part of its bank loan from the rights issue proceeds.

In FY2019, its borrowings increased from new loan drawdowns by the Company and its New Zealand subsidiary, which are offset by loan repayments by some of the Group's hotels.

BORROWINGS ($'000)



Operations And Financial Review

STATEMENTS OF FINANCIAL POSITION (extract)
31 December 2019

	2019 $'000	2018 $'000	Change %
Total Assets	**838,574**	**807,393**	**3.9**
- Property, plant and equipment	671,464	647,679	3.7
- Investment properties	102,077	93,887	8.7
- Investments	28,435	28,459	(0.1)
- Inventories	1,106	1,092	1.3
- Trade receivables and other receivables	12,025	4,541	165
- Goodwill	2,057	1,920	7.1
- Cash and bank balances	20,903	29,269	(28.6)
Total Liabilities	**150,205**	**138,043**	**8.8**
- Trade and other payables	10,670	10,221	4.4
- Tax liabilities	23,246	22,017	5.6
- Bank borrowings	115,394	105,033	9.9
Capital and reserves	**688,369**	**669,350**	**2.8**
- Share capital	150,665	150,665	-
- Asset revaluation reserve	424,469	407,913	4.1
- Employee benefit reserve	155	190	(18.4)
- Fair value reserve	16,536	16,755	(1.3)
- Translation reserve	3,789	123	2,980
- Retained earnings	92,755	93,704	(1.0)

The Group's total shareholders' equity rose by 2.8% to S$688.4 million as it sought to consolidate its core businesses and investments.

In spite of a challenging business landscape in FY2019, the Group continued to progressively upgrade its hotel properties in a bid to further its market share in these countries.

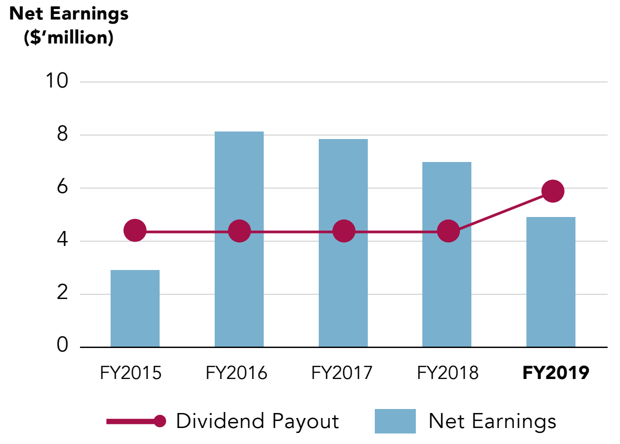
Moving ahead, the Group expects to expand its hospitality room inventory in key cities in Asia Pacific by way of acquisitions. It will also actively upgrade and increase rental income from its investment properties in New Zealand.

SHAREHOLDER RETURNS

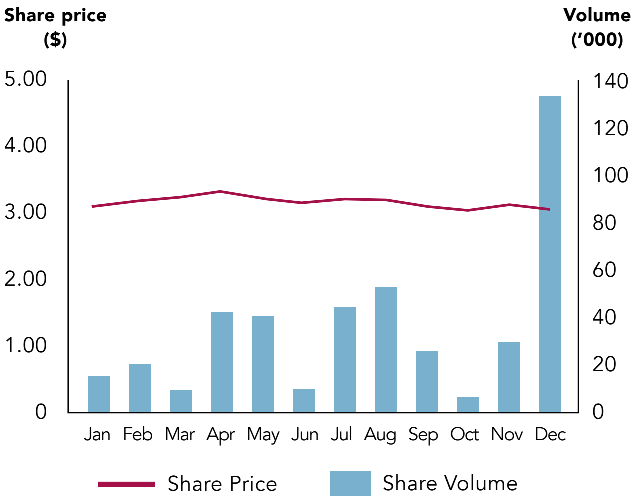
The Group's priority is to achieve long-term capital growth for shareholders. The bulk of its profits, when made, shall therefore be retained for investing in the Group's future. However, the Group will also distribute an appropriate annual dividend to reward shareholders, cash flow permitting.

In FY2019, the Directors proposed a one-tier, tax-exempt first and final dividend of 2.5 cents per ordinary share. Amounting to approximately $2.5 million, the proposed dividend, if approved by shareholders at the upcoming Annual General Meeting, will be disbursed at a date to be announced.

NET EARNINGS AND DIVIDEND PAYOUT



SHARE PRICE AND TRADING VOLUME (FY2019)



Every Experience

Something to write home about

At Hotel Royal, we are motivated by the satisfaction of knowing that our guests thoroughly enjoyed their stay with us. Some do make the effort to write us their feedback, patting us on the back for a job well done, or helping us to do better next time. Such is the wonder of family, we care for one another and look forward to being together again.


Every
Room a
Home

Sustainability Report

BOARD STATEMENT

The Board of Hotel Royal Limited considers sustainability issues to be an integral part of its business strategy. This Report gives a transparent account of the Group's environmental, social and governance (ESG) performance.

SCOPE OF THIS REPORT

Our 5th Report discusses the development and progress of our sustainability journey in FY2019, and is guided by the SGX-ST Sustainability Reporting Guide (Practice Note 7.6). In preparing the Report, we focus on communicating value creation through our ESG strategies.

This Report covers the ESG performance for all business divisions within the Group over the reporting period. Information comes mainly from internal records.

REPORTING PROCESS

The Board has assigned the responsibility for monitoring and overseeing the Company's sustainability efforts to the Chief Executive Officer.

FOREWORD BY THE CHAIRMAN

Dear Shareholders

Business organisations have many stakeholders including shareholders, employees, customers and the community. Its activities have an impact on all these stakeholders, directly and indirectly.

It is with this in mind that we submit our full Sustainability Report for FY2019 together with our Annual Report to shareholders.

The Board recognizes its role in steering the Group's efforts on sustainability. Through its management committee, it ensures risk governance and reporting on sustainability issues.

This Report reflects our strategic priorities. It provides a balanced picture of material topics and how impacts are managed. We believe close attention to sustainability issues is critical to profitability and shareholder value.

Emeritus Professor
Pang Eng Fong
Chairman

28 March 2020

Sustainability Report

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 impacts, consider stakeholder priorities, set goals and targets, as well as collect, verify, monitor and report 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 adheres to the following principles:

1 Code of conduct and business ethics

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

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

2 Health, safety and the environment

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

Please refer to the section on Corporate Social Responsibility on Page 40 of our FY2019 Annual Report.

3 Employees

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

Please refer to the People Report on Pages 42 – 45 of our FY2019 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 40 of our FY2019 Annual Report.

OUR STAKEHOLDERS

STAKEHOLDERS	HOTEL ROYAL'S COMMITMENT	ENGAGEMENT METHOD	FREQUENCY
INVESTORS	Maximise shareholder value through our corporate strategies and business fundamentals	• Annual General Meeting • IR Website • Emails	Annually/Throughout the year
CUSTOMERS	Maximise customer satisfaction through delivering quality service and products	• Ongoing operations • Collaterals • Guest feedback channels • Website	Ongoing
EMPLOYEES	Maximise the full potential of our people resources through continual employee development and training	• Induction programmes for new employees • Staff training and development • Regular emails and meetings • Recreational and wellness activities • Employee feedback channels • Appraisals	Throughout the year
PARTNERS	Build strong partnerships with regulatory and non-governmental organisations in the pursuit of the best in environmental, health and safety standards in our operations	• Regular meetings, including new policies and practices • Conferences and forums	Throughout the year
COMMUNITY	Minimise environmental impact and contribute to the communities where we operate in	• Outreach programmes • Sponsorship of events	Annually/Throughout the year

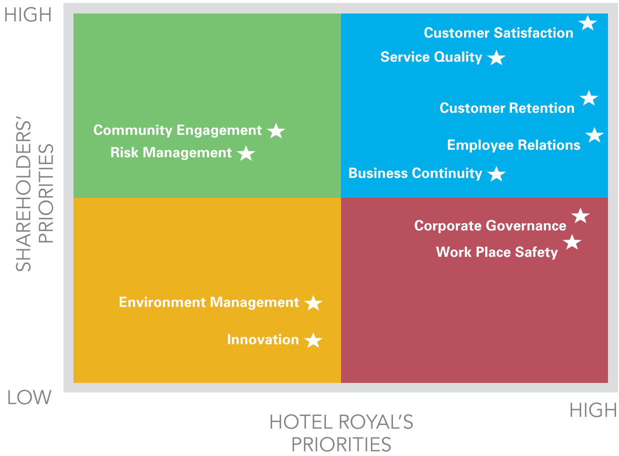
MATERIALITY MATRIX

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.

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

MANAGING SUSTAINABILITY - IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

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



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

CUSTOMER SATISFACTION, RETENTION & SERVICE QUALITY

	2019	2018
Customer Satisfaction Survey	82%	81%
Employee Satisfaction Survey	78%	75%

Customer Satisfaction

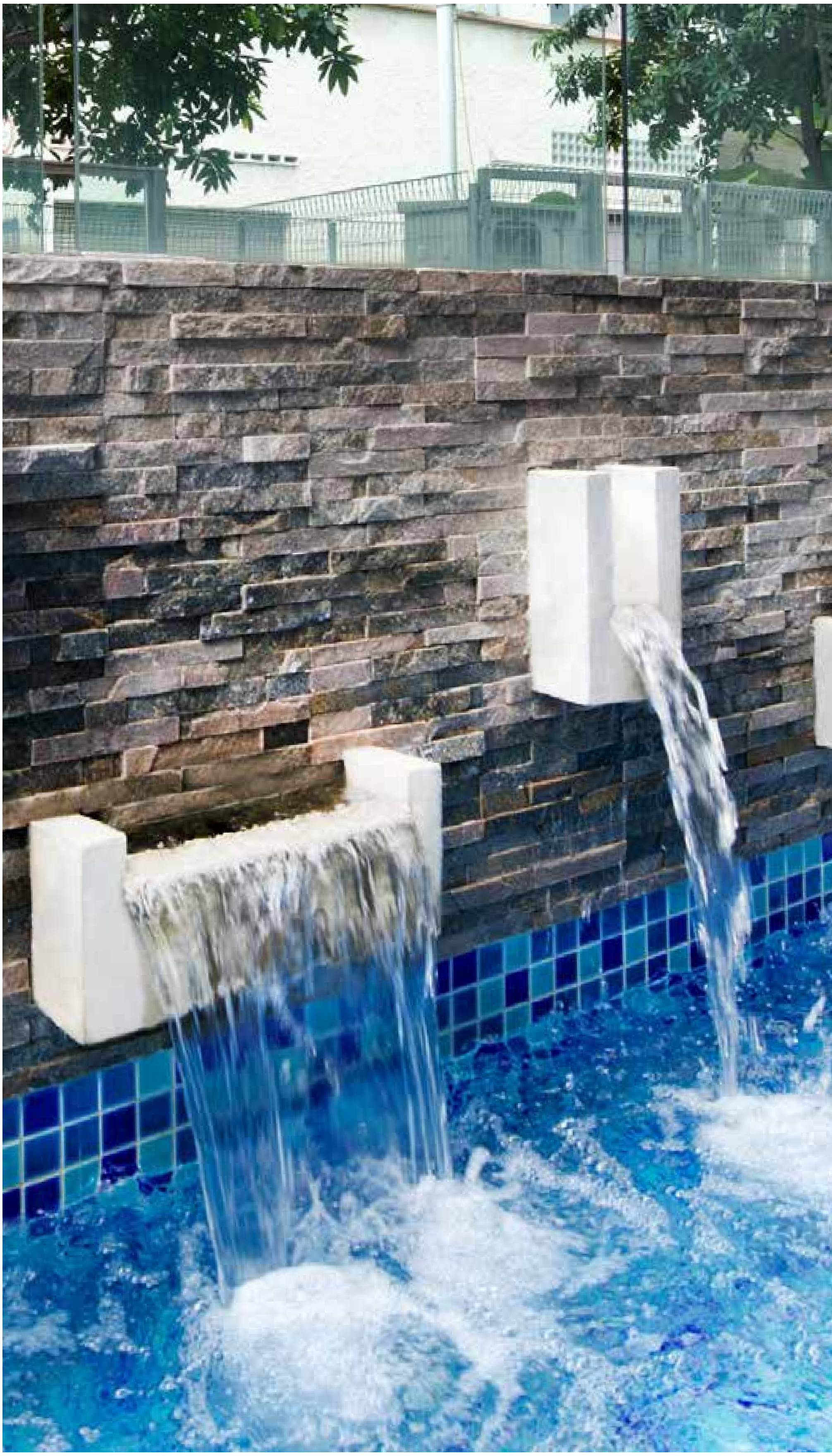
The ability to retain existing customers, while attracting new ones, is vital to the Group's business sustainability. Every year, the Group conducts two important surveys to track how our hotels are performing with regard to two of our most important stakeholders – our guests, and the people who deliver the service, our employees.

In 2019, the results of our annual Customer Satisfaction Survey places us up one percentage point to 82%. From their feedback, we gathered that, apart from a higher number of completed surveys received, our guests were very happy with the improved breakfast offerings at our hotels, and generally were impressed with the service that our staff provided them. Many also indicated that they felt at right at home at our properties.

Employee Satisfaction

At Hotel Royal, we are mindful that happy customers can only be achieved when we have well-trained and motivated staff to deliver our service promise. Our senior management takes time to read every feedback form submitted by our staff across the Group, and we aim to have a minimum score of 80% in the Employees Satisfaction Surveys.

In 2019, the Survey scored an aggregate of 78% across the Group, which was a 3-percentage point increase year-on-year. This was the result of the Group's emphasis on OJT (on-the-job training) that was initiated in our hotels, and the focus on customer service training particularly for all front-line staff. In addition, staff are also counselled and motivated towards achieving even higher levels of service excellence.



EMPLOYEE RELATIONS

As at 31 December 2019, we have a total of 750 employees (2018: 756 staff) delivering quality service to our guests and customers. The ratio of men to women is maintained around the 54:46 level, thereby achieving a healthy balance in the gender diversity.

To enable us to deliver quality service, it is imperative that we have a team of highly motivated and well-trained workforce to deliver our brand promise. To ensure this is achieved, the Group's properties have established an efficient workflow, talent management policies, and structured training programmes.

During the year in review, the number of training hours across the Group rose 10% to 29,262 hours, which translates to 39 training hours per employee. The 11% increase in training hours per employee underscores the Group's increased focus on equipping its workforce to deliver its exemplary service across its properties, driven by our aim to be the preferred hospitality group for the mid-market leisure and corporate travel segment. We are one of the few hospitality management companies that hold quality certifications such as the ISO, Singapore Quality Class Star (SQC Star) and Singapore Service Class.

The Group's training programme focuses on the four service deliverables – namely, customer service, attitude, recognition, and efficiency – as inspired by our service credo.

	2019	2018
Men	406 (54%)	420 (56%)
Women	344 (46%)	336 (44%)
Total Group staff	**750 (100%)**	**756 (100%)**

	2019	2018	Change (%)
Total training hours	29,262	26,615	10
Average training hours per employee	39.0	35.2	11

WORKPLACE SAFETY

	2019	2018
Workplace injury rate	0	0
Accident frequency rate	0	0
Accident severity rate	0	0

As with the previous year, there were no workplace incidents reported in 2019.

This may be largely due to our continual monitoring of safety procedures at the workplace, and our constant reminders to our staff about the importance of safety practices. At each of our hotels, workplace safety is overseen by the respective workplace safety and health (WSH) committees that review current procedures, and identify practices that may pose potential risks to staff and guests.

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, and are tracked by the relevant human resource department.

Our staff are also sent for training in workplace safety, first aid, handling fire hazards and evacuation exercises. In Singapore, the Company is being upgraded to Tier 1 in compliance with the Singapore Civil Defence Force's requirements.

BUSINESS CONTINUITY & RISK MANAGEMENT

Over the years, the Group has committed to the strict discipline of strategic risk management in our decision-making processes. 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, finance as well as environmental, social and governance (ESG) issues.

We deploy a robust risk and control framework that is designed to ensure that our strategic business decisions continue to enhance stakeholder value, while complying with the necessary legal and regulatory requirements.

ESG issues, which are key to sustainable growth, are in fact strategic risks that may be short, medium or long-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 well managed. The Group proactively seeks to integrate sustainability considerations into its businesses, mitigate risks and continuously improve business operations to deliver positive value to our stakeholders.

Please refer to pages 69 to 74 of this Annual Report for a more detailed discussion of our Risk Management initiatives.

CORPORATE GOVERNANCE

The Group continues to be highly committed to the best practices in corporate governance, which is a critically important factor in any company's 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 48 to 68 of this Annual Report for details of our Corporate Governance practices.

COMMUNITY ENGAGEMENT

	2019 $	2018 $	Change (%)
Community investments (S$)	46,934	103,510	(55)

As a responsible publicly listed company, Hotel Royal not only focuses on profitability and shareholder value, we are also mindful of our corporate culture to reach out to the larger community that we operate in.

Every year, we, together with our staff, contribute funds, our time and effort to support various meaningful causes.

In 2019, the Group saw its contribution to the community decrease by 55% mainly due to our inability to cope with The Theatre Practice's request for room sponsorships during the peak months of July and August 2019. Unlike previous years, there was an exceptional demand for rooms in Singapore during that period.

Notwithstanding, the extension of subsidized room rates for other arts and cultural groups grew by 5% year-on-year.

ENVIRONMENT MANAGEMENT

	2019	2018	Increase/ (Decrease) (%)
Energy usage (GJ)	59,217	72,976	(19)
Water usage (cubic metres)	274,860	394,002	(30)
Hazardous and non-hazardous waste (tonnes)	1,019	895	14

We believe in doing our part in protecting the environment and in the conserving the limited natural resources that we need for our operations. Our initiatives are focused on minimizing the wastage of energy, water, and food, as well as in the proper disposal of waste.

In 2019, the Group managed to reduce its energy usage by 19%, thanks to the concerted efforts by our properties for successfully implementing energy conserving initiatives such as installing energy saving and sensor-activated LED lightings in guest rooms and common areas, tapping solar energy to generate hot water, and installing environmentally friendly VRV air-conditioning systems.

Similarly, the Group's usage of water in its operations dipped by 30%, driven by its water-saving initiatives such as reducing water flow, and collecting rainwater to water the plants and wash common areas. Singapore water agency, the Public Utilities Board (PUB) required the appointment of Water Efficiency Managers for our two Singapore hotels. The employees identified for this role have undergone the necessary training and certifications as required by the Water Efficiency Management Practices Policy set out by PUB.

Hazardous and non-hazardous wastes increased by 14% 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. Over the last few years, we have programmes in place to continually remind our guests and staff to "Love food, not waste". Every little act makes a positive difference towards sustainability.

In Singapore, we worked with a new waste management vendor to improve the hotel's waste management system especially in the area of recycling.

In its quest to reduce the use of single-use plastics, the Group has installed hot, warm and cold-water dispensers in its properties. In our hotel in Phuket, water in plastic bottles have been replaced with glass bottles, and plastic straws have been replaced with paper straws.

INNOVATION

At Hotel Royal, we recognize that we have to think of new ways to improve our business processes, enhance our products and services, and increase productivity. A culture of innovation which raises our service level will keep the Group's business competitive.

Most of our initiatives focused on saving operating costs and reducing wastage. These included the installation of motion sensors for not just lights, but for water closets, urinals and sinks in public toilets within our properties, and water saving devices to reduce water usage in guestrooms. Our team also thought of using a timer to control Air Handling Unit (AHU) temperature in the building which helps save energy used to cool public areas. Our hotel in Bangkok came up with a preventive maintenance programme to improve equipment efficiency and reduce utility bills. Our Singapore hotel worked with a new waste management vendor to improve on recycling wastes.

The key to creating a culture of innovation in the workplace is to make innovation a part of our day-to-day life. Employees are challenged, engaged and valued when they speak out on issues that affect their work. In doing so, we believe their productivity and job satisfaction will improve.

Corporate Social Responsibility

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

THE ENVIRONMENT

The Group's hotels are committed to complying with applicable environmental laws and regulations, reviewing their operations and processes to identify opportunities to improve the use of resources, and to enhance the quality of the environment. We believe that our role as a good corporate citizen requires us to use these resources responsibly.

With increasing awareness of the destructive impact of ocean plastics, Burasari Resort in Phuket has stopped supplying plastic bottled water in its guestrooms. Instead, the hotel supplies glass-bottled drinking water.

Since 2016, Hotel Royal Singapore had installed dispensers for hot, warm and cold water on all floors, and ceased distributing bottled drinking water to the guest rooms. Burasari Resort and Hotel Royal Penang have also stopped supplying plastic straws at its food and beverage outlets, and used paper straws instead.

Hotel Royal Bangkok @ Chinatown participated in the 60+ Earth Hour campaign and actively encourages staff and visitors to take the stairs instead of using the lifts. It adopts a preventive maintenance programme to ensure that all equipment and facilities are working optimally in order to prolong their use.

Across the Group's properties, we have various initiatives in place to reduce our reliance on fossil fuels, such as tapping solar energy to generate hot water, switching to energy-saving LED lighting, motion sensors in lighting systems, and environmentally friendly VRV air-conditioning systems. Every little act, such as switching off lights during period of inactivity, collecting rainwater to wash common areas, as well as waste separation and management, goes a long way in saving the environment.

SUPPORT OF THE ARTS

An avid supporter of the arts, Hotel Royal Singapore continued with its sponsorship of 124 room nights in 2019 to the Theatre Practice for its production of "Liao Zai Rocks", "Bully Project", "A Dog's House", Project Utopia/Artist Farm, and PATCH 2019.

In addition, the Group also extended subsidized room rates for other arts groups for a total of 268 room nights in FY2019.

COMMUNITY OUTREACH

Giving back to the community has always been close to our hearts as we are passionate about improving the lives of others around us.

On National Children's Day, Hotel Royal Bangkok @ Chinatown donated stationery supplies to more than 300 children at the Wanawan Community, located in Klongsan District. At the start of the school year, our hotel in Kuala Lumpur distributed stationery items to the children of its adopted orphanage, Rumah Tunas Harapan Tengku Ampuan Rahimah. Burasari Resort Phuket donated diapers to the

more than 200 handicapped children at Panyanukul Paklok while our Bangkok hotel raised funds for Phra Pradaenga Home for Persons with Disabilities. It also organized its first blood donation drive for the Thai Red Cross Society in July.

Apart from reaching out to charities, our properties also did their part in enriching the environment around us. On 27 July 2019, Hotel Royal Bangkok @ Chinatown organised the "Big Cleaning and Landscape Improvement 2019" which was held in honour of the King's 67th birthday. Our staff cleaned the streets and painted the sidewalks of Samphanthawong District. On 10 August 2019, some 26 staff from our Bangkok hotel helped to plant trees and shrubs at Sri Nakorn Khuean Khan Park in Bangkachao, Phrapadaeng Samutprakarn.

Major festivals are also a good time to bless our community. Our Bangkok staff gave out food to the Charoenchai community in Soi Charoenkrung 23 during the Mid-Autumn Festival while our staff from Hotel Royal Kuala Lumpur distributed packed food to the homeless along Chow Kit Road.

During Chinese New Year, Hotel Royal Penang invited the children and their caretakers at Pertubuhan Kebajikan Da Zhi Jiang Tang SPPP to a buffet lunch at Grove restaurant. In addition, there were the traditional red packets that were presented to them, as well as a cash donation towards the children's tuition fees. Hotel Royal Kuala Lumpur, meanwhile, reached out to residents of Persatuan Kebajikan Rumah Victory Malaysia with gifts of food, red packets and a generous donation.

During the fasting month of Ramadan, staff of Hotel Royal Kuala Lumpur distributed bubur lambuk, a traditional Malay spiced savoury porridge, to 2,000 fire brigade personnel in the city. The hotel also hosted a "Berbuka Puasa" event for its adopted children's charity, Rumah Kasih Sayang.

At Deepavali, Hotel Royal Penang invited the children and staff at Persatuan Kebajikan Shammah in Butterworth to a buffet lunch at Grove restaurant and made a cash donation towards the home's operating expenses, while the children were treated to fun packs.

At Christmas, Hotel Royal Penang sponsored 115 sets of its delectable afternoon tea for the residents and staff at Little Sisters of the Poor, and gave a donation to the home.








People Report

The Group has 750 employees across its operations in Singapore, Malaysia and Thailand. In line with our service credo "Every Room A Home", which forms the essence of our culture, the Group ensures that our staff are motivated and empowered to deliver our brand promise to all of our guests across the Group's properties.

Our staff are our hotels' touchpoints that define the positive guest experiences that our brand promises. They are the embodiment of the Hotel Royal brand. It is with this in mind that our human resource policies are designed to ensure that our staff are groomed and nurtured to deliver these critical tasks well. Just as every guest is part of our Hotel Royal family, so too are our staff.

TRAINING

To equip our staff to deliver their job excellently, the Group has in place a structured training programme and talent management policies for all levels of staff in various roles.

In FY2019, the number of training hours across the Group increased by 10% to 29,262 hours, or 39 training hours per employee. This underscores the Group's commitment to providing the relevant support to all of its employees as they focus on delivering exceptional service across the board.

As one of the few hospitality management companies with quality certifications such as the ISO, Singapore Quality Class Star (SQC Star) and Singapore Service Class, Hotel Royal's training programme emphases four service deliverables – namely, customer service, attitude, recognition, and efficiency.

In addition, we also provide training on first aid, as well as on-the-job training (OJT) in front office, food & beverage, housekeeping and security.

Increasingly, the Group has been focusing more on OJT in a bid to cross train our staff to be multi-functional. For instance, housekeeping staff are not only taught the finer points of room cleaning, they are also training on basic customer service. Cross training involves the integration of 2 job scopes into one expanded role. It can involve various operational departments, not just limited to front office, food and beverage, and housekeeping. Take security as an example - it is closely linked to the front office operations, so front office staff can be trained in security matters along with staff from housekeeping and food services. They can all be our eyes and ears on the ground, and be able to respond quickly to security issues.

Based on the Group's values of integrity and trust, senior management plays an active role in daily operations, and engages staff regularly through quarterly feedback sessions to solicit feedback and suggestions. It also took the lead in resolving work- related issues and facilitating improvements in work areas.

MOTIVATION

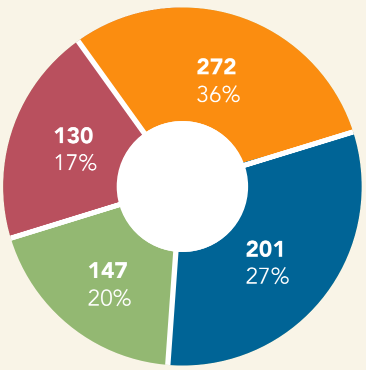
Apart from training and counselling, the Group also seeks to listen to staff feedback about their training needs, job satisfaction, quality of the work environment, benefits and welfare. We do this annually through the Employee Satisfaction Survey. In 2019, the score was 78%, a three percentage point improvement from the previous year.

In addition, we track the Company's operational performance, through the annual Customer Satisfaction Survey. In 2019, a score of 82% was achieved – a one percentage point increase over the previous year.

People Report

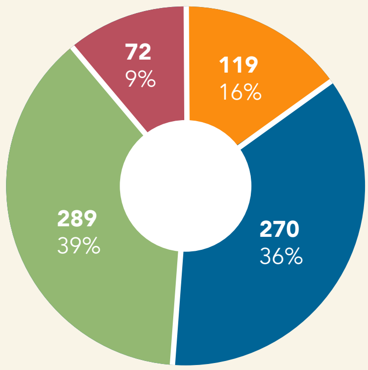
GROUP EMPLOYEE PROFILE 31 DECEMBER 2019

BY AGE



- Less than 21-30 years old
- 41-50 years old
- 31-40 years old
- Above 50 years

BY NATIONALITIES



- Singaporeans
- Thai
- Malaysians
- Others

To further motivate staff towards service excellence, we have been tracking the number of compliments received per staff and these are linked to a points system where each staff can seek to accumulate as many points to redeem for shopping vouchers. We find that such a positive reinforcement scheme very effective.

Every month we put up a poster on our TV Royal and Notice Board highlighting names of staff who received positive feedback from online travel agents. In addition, exceptional achievers are identified each month as "Outstanding Service Providers". At the end of the year, the best performing staff for the year will win the "Outstanding Service Provider of the Year" Award. Those who go out of their way to serve are nominated for the "Extra Mile Award".

First row form left to right: Samuel Chan Kheng Mian, Christopher Rivero Rojas, Daisy Woon Wai Keng.
Second row form left to right: Ainul Mardiah Lim Binti Abdullah (Peggy). Rabih EL Mustapha, Mohd Syahrulnizan Bin Mat Jusoh @ Ibrahim,
Third row: Mathanmogan Vikiramunathan.

EXCELLENT SERVICE AWARDS 2019

The Group is exceptionally proud of our seven staff from Hotel Royal Singapore who won Excellent Service Awards (EXSA) at the 2019 edition organised annually by the Singapore Hotel Association and other industry bodies, and supported by Enterprise Singapore.

Launched in 1994, EXSA is a national award that recognises individuals in the hospitality industry who have gone beyond the call of duty in delivering exceptional service and creating memorable experiences for guests.

Star Award	
Samuel Chan Kheng Mian	Senior Security Officer
Mohd Syahrulnizan Bin Mat Jusoh @ Ibrahim	Senior Housekeeping Service Agent
Gold Award	
Ainul Mardiah Lim Binti Abdullah (Peggy)	Senior Housekeeping Floor Supervisor
Silver Award	
Mathanmogan Vikiramunathan	Maintenance Helper (Electrician)
Christopher Rivero Rojas	Housekeeping Floor Supervisor
Daisy Woon Wai Keng	Outstation Cashier (Trishaw Coffee House)
Rabih EL Mustapha	Front Office Senior Duty Manager

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

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

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

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

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

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

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

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

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

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

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

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.

SGX Fast Track Program
(2018 - 2020)

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

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

Corporate Governance Report

1. CORPORATE GOVERNANCE REPORT

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SGX Fast Track
The Company was on SGX Fast Track program in April 2018 and will remain on this program until the next review cycle in 2020. SGX Fast Track recognizes the effort and achievement of listed issuers which have upheld high standard of corporate governance and maintained a good compliance track record. SGX will facilitate prioritized clearance of all submissions of corporate actions to SGX RegCo.

Preamble

The Board of Directors (the "**Board**") of Hotel Royal Limited (the "**Company**", together with its subsidiaries, the "**Group**") recognises the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company by complying with the benchmark set by the Code of Corporate Governance dated 6 August 2018 (the "**Code**") and the disclosure guide (the "**Guide**") developed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

This report describes the Group's corporate governance framework and practices that were in place throughout the financial year under review. The Board confirms that for the financial year ended 31 December 2019 ("**FY2019**") the Company had adhered to the principles and provisions of the Code and the Guide, where they are applicable, relevant and practicable to the Group. Any deviations from the provisions of the Code or areas of non-compliance have been explained accordingly.

1. BOARD MATTERS

1.1 The Board's Conduct of Affairs

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

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 values and standards including ethical standards. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. It believes that when making decisions, all Directors of the Board discharge their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company and hold Management accountable for performance.

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 strategic objectives;
- to establish and maintain 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 constructively challenge Management and review its 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;
- to approve the release of the Group's quarterly and full-year results and related party transactions of a material nature; and
- to assume the responsibilities for the corporate governance of the Group.

Each Director exercises his due diligence and independent judgement to act in good faith and in the best interest of the Company, so as to enhance the long term value of the Group to its shareholders. Any Director facing a conflict of interests will recuse himself from discussions and decisions involving the issue of conflict.

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

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

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. The terms of reference of each Board Committee set out the responsibilities of the Board Committee, conduct of meetings including quorum, voting requirements and qualifications for Board Committee membership. Any change to the terms of reference for any Board Committees requires Board approval.

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

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

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

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 on a quarterly basis to review inter alia the financial results and accounting policies. To cater to urgent substantial matters, the Board may convene meetings on an ad-hoc basis. Management has an obligation to supply the Board with complete, adequate information in a timely manner to ensure that the Board has adequate time to review the materials to facilitate constructive and effective discussions during meetings.

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

In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter in which case he will be required to recuse himself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensure that no individual influences or dominates the decision making process.

The Board is regularly updated on risk management, corporate governance and other major changes in the regulatory requirements and financial reporting standards that are relevant to the Group.

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

Director Orientation: A formal appointment letter is sent to all newly-appointed Directors upon their appointment, explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board. All new Directors are oriented by senior Management with the Company's and Group's businesses and operations, its significant financial, accounting and risk management issues, code of corporate governance, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction, its principal officers and independent auditors.

Training: Directors' training and development is an important element of good corporate governance. The newly appointed Director in FY2019, Dr Lee Chu Muk has undergone training sessions conducted by Singapore Institute of Directors ("**SID**") which place emphasis on the roles, functions and duties of a listed company director prior to his appointment as Director of the Company.

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

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

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

Number of Meetings: During FY2019, the Board held four meetings as warranted by the particular circumstances. Telephonic attendance and conference via audio-visual communication at Board's meetings are allowed by the Company's Constitution.

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

The attendance of Directors at these meetings in FY2019 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[(a)]	1	-	-	-	-	1
Dr Pang Eng Fong	4	4	1	1	1	1
Dr Tan Kim Song	4	4	1	1	1	1
Yang Wen-Wei	4	4	1	1	1	1
Lee Khin Tien	4	4	1	1	-	1
Lee Kin Hong	4	-	-	-	-	1
Dr Lee Chu Muk[(b)]	3	-	-	-	-	-
No. of Meeting Held in FY2019	**4**	**4**	**1**	**1**	**1**	**1**

(a) Dr Lee Keng Thon did not seek for re-election and retired as a Director of the Company at the Annual General Meeting ("**AGM**") on 27 April 2019. Accordingly, he has relinquished his position as the Chairman of the Board.
(b) Dr Lee Chu Muk was appointed as a Non-Independent Non-Executive Director of the Company on 27 April 2019.

Access to Information

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

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

The Management keeps the Board informed of the Group's operations and performance through regular updates and reports as well as through informal discussion. Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with Management information to enable them to participate at the meetings. As a general practice, the Chief Executive Officer is present at Board and Board Committee's meetings to address any queries which the Board may have.

In exercising their duties, the Directors have unrestricted access to the Company's Management, internal and external auditors at the Company's expenses.

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 approval of the Board as a whole.

Professional advice is 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.

1.2 Board Composition and Guidance

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

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

The size and composition of the Board is reviewed annually by the NC to ensure that the size of the Board is appropriate so as to facilitate effective making. The review will ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The Board, with the concurrence of the NC, is of the opinion that its current board size of six members is appropriate, taking into account the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

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. As at 31 December 2019, there are no Independent Directors serving more than 9 years from the date of his first appointment to the Board.

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

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

On this basis, Mr Lee Khin Tien, Mr Lee Kin Hong and Dr Lee Chu Muk are the non-executive and non-Independent Directors. All other Directors, namely Dr Pang Eng Fong, Dr Tan Kim Song and Mr Yang Wen-Wei 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 and the Guide that might impair the Directors' independence, and is satisfied that Dr Pang Eng Fong, Dr Tan Kim Song and Mr Yang Wen-Wei are independent and are able to act with independent judgement.

There is presently a strong independent element on the Board, the independence of each Director is assessed and reviewed by the NC annually. 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, Dr Pang Eng Fong, Dr Tan Kim Song and Mr Yang Wen-Wei to be independent including independence from the 5% shareholders of the Company.

Dr Pang Eng Fong, the Lead Independent Director had been appointed as the Chairman of the Board to replace Dr Lee Keng Thon who has retired as Director and Chairman of the Board on 27 April 2019. Currently, half of the Board consists of independent Directors and all Directors are non-executive. The Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging management's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and/or other complexities.

The Board enjoys open, candid and robust discussion and no individual or small group of individuals dominate the Board's decision making. All independent directors have unrestricted 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.

Director	Board Membership	Committee Membership		
		Audit and Risk	Nominating	Remuneration
Dr Pang Eng Fong	Lead Independent Director and Non-Executive Chairman	Member	Chairman	Member
Dr Tan Kim Song	Independent Non-Executive Director	Chairman	Member	Member
Yang Wen-Wei	Independent Non-Executive Director	Member	Member	Chairman
Lee Khin Tien	Non-Executive Non-Independent Director	Member	Member	Member
Lee Kin Hong	Non-Executive Non-Independent Director	-	-	-
Dr Lee Chu Muk	Non-Executive Non-Independent Director	-	-	-

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

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

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

Limit on Other Directorships in Listed Entities: Other than directorships in the Company, none of the Directors hold directorships in other listed companies during the current and preceding three years. The Board is of the view that a Director should hold no more than four directorships in listed entities for a director with full-time employment and not more than six directorships in listed entities for a Director with no full-time employment. No Director is considered to hold a significant number of other directorship and commitments which could affect their ability to diligently discharge their duties.

The profile of the Directors and other relevant information are set out under the "Board of Directors" section on pages 14 and 15 of this Annual Report.

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. Dr Pang Eng Fong has been appointed as the Lead Independent Non-Executive Chairman to co-ordinate and to lead the independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is available to shareholders or stakeholders of the Company with concerns which they cannot resolve through the normal channels of the the Chief Executive Officer ("**CEO**"), the Management or the Group Accountant ("**GA**").

There were no query or request on any matters which requires the Lead Independent Director's attention received in FY2019.

Independent Directors' Meetings: The independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, the performance of the Management, and the remuneration of the senior Management. The independent directors meet without the presence of the Management, whenever deemed necessary and at least once a year. They provided feedback to the Board after such meeting.

1.3 Chairman and Chief Executive Officer

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

Relationship Between Chairman and CEO: Dr Lee Keng Thon, the former Non-Executive Chairman of the Company had retired from the Company on 27 April 2019 and Dr Pang Eng Fong, the Lead Independent Director, was appointed as the Non-Executive Chairman of the Board to replace Dr Lee Keng Thon on the same day. The CEO, Mr Lee Chou Hock is not a Board member. The present Chairman and the CEO are two separate persons who are not related.

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

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

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

1.4 Board Membership

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

The Nominating Committee

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

NC Composition: The NC consists of four Directors; namely, Dr Pang Eng Fong (Chairman), Dr Tan Kim Song, Mr Yang Wen-Wei 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 AGM, having regard to the Director's contribution and performance;
- determine annually and as and when circumstances require if a Director is independent;
- recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director and annual assessment of the effectiveness of the Board;
- decide whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- review and make recommendations to the Board on the succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- review training and professional development programs for the Board and its Directors; and
- perform such other functions as may be assigned by the Board.

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

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

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

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

Process for Selection and Appointment of New Directors: Although the Board does not have a written policy with regards to diversity in identifying Director nominees, it will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age, ethnicity and other relevant factors. When a vacancy arises under any circumstance, either as part of the Board renewal process or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC or the Board would determine the selection criteria and sources for candidates. The NC would make reference checks, meet up with the candidates, assess their suitability, and make recommendation to the Board. Shortlisted candidates would meet up with the other Board members before the Board approves the appointment.

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

All directors will submit themselves for re-election at regular intervals of at least once every three years. Pursuant to Article 117 of the Company's Constitution, at least one-third of the directors shall retire from office at the Company's Annual General Meeting. In addition, Article 102 of the Company's Constitution provides that a newly appointed director must submit himself for re-election at the Annual General Meeting following the appointment.

The NC has recommended to the Board that Mr Lee Khin Tien and Dr Tan Kim Song (retiring pursuant to Article 117) be subject to retirement by rotation pursuant to Company's Constitution and Dr Lee Chu Muk (retiring pursuant to Article 102) be subject to retirement pursuant to Company's Constitution. Mr Lee Khin Tien, Dr Tan Kim Song and Dr Lee Chu Muk being eligible offer themselve for re-election at the forthcoming AGM of the Company. In recommending the re-election of Mr Lee Khin Tien, Dr Tan Kim Song and Dr Lee Chu Muk, the NC has considered the Directors' overall contribution and performance. The Board has accepted the NC's recommendation.

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

Details of the Directors seeking re-election are set out on pages 150 to 154 of this Annual Report.

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

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

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 together with their directorships in other listed companies are appended below:

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment	Other principal commitments	Present directorships in other listed companies
Dr Pang Eng Fong	Lead Independent Director and Non-Executive Chairman	5 December 2011	27 April 2019	Professor Emeritus of Singapore Management University	None
Dr Tan Kim Song	Independent Non-Executive Director	2 March 2015	29 April 2017	Associate Professor of Singapore Management University	None
Yang Wen-Wei	Independent Non-Executive Director	28 April 2018	27 April 2019	Executive Operating Officer of Merdeka Construction Company Pte. Ltd.	None
Lee Khin Tien	Non-Executive Director	31 December 1996	29 April 2017	Director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited	None
Lee Kin Hong	Non-Executive Director	21 June 2002	28 April 2018	Director of Singapore-Johore Express (Private) Limited, Aik Siew Tong Limited, and Melodies Limited	None
Dr Lee Chu Muk	Non-Executive Director	27 April 2019	-	General Practitioner of M Medical Clinic	None

Number of Meetings: The NC held one meeting during FY2019. The NC has ad-hoc meetings on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing.

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

1.5 Board Performance

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

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 relevant background, experience and knowledge in technology, business, finance and Management skills critical to the Company's business and that each Director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by directors to the effectiveness of the Board and the Chairman's leadership. 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 Board Committees. 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 and Chairman is evaluated annually and informally on a continual basis by the NC and the Chairman. Factors taken into account include attendance at Board and Board Committees' meetings, industry and business knowledge and acumen in the development of the Group's strategy.

Renewal or replacement of Board members, when it occurs, does not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business. The Board has taken the view that the financial indicators, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to Directors. After the NC's review of the contribution by each individual Director to the effectiveness of the Board as a whole and its Board Committees for FY2019, it is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Group.

2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

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

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

RC Composition
The RC comprises four directors; namely Mr Yang Wen-Wei (Chairman), Dr Tan Kim Song, Dr 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 package for CEO; and
- review the terms, conditions and remuneration of the key management personnel of the Company.

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

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

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

The RC has access to appropriate expert advice inside and/or outside the Company on human resources and remuneration matters of directors and key management personnel wherever there is a need to consult externally. For FY2019, 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, if any, 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 FY2019.

2.2 Level and Mix of Remuneration

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

The RC reviews annually and makes recommendation on the remuneration of the Directors and key management personnel to ensure that the level and structure of remuneration commensurate is aligned with the long-term interest and risk policies of the Company and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company and (b) key management personnel to successfully manage the Company.

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

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 of S$25,000. The Chairman of the Board will receive an additional allowance that is equivalent to 120% (FY2018: 120%) of his Director's fee for the Board. The Chairman of each sub-committee will receive an additional allowance that is 50% of his Director's fee for the respective sub-committee. The Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting. Save for the Directors' fees, the Independent Directors do not receive any other forms of remuneration from the Company. The Independent Directors do not have any service agreements with the Company.

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

Senior Executives

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

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

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

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

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

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

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

(a) The form of an ex-gratia bonus at the end of the year forms a small portion of key management personnel's total remuneration; and
(b) The Directors do not receive any variable incentive-based Directors' fee.

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

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

2.3 Disclosure on Remuneration

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

The breakdown of remuneration of the Directors of the Company for FY2019 is as follows:

Annual Remuneration Report
Remuneration of Directors for FY2019
(in $)

Name of Director	Director's Fee		Total
	Company[c]	Subsidiaries	
Dr Pang Eng Fong	69,750	-	69,750
Dr Tan Kim Song	37,000	-	37,000
Yang Wen-Wei	34,750	-	34,750
Lee Khin Tien	34,000	20,290	54,290
Lee Kin Hong	25,000	15,632	40,632
Dr Lee Chu Muk[a]	25,000	-	25,000
Dr Lee Keng Thon[b]	11,000	14,316	25,316
Total	**236,500**	**50,238**	**286,738**

(a) Dr Lee Chu Muk was appointed as a Non-Independent Non-Executive Director of the Company with effect from 27 April 2019.
(b) Dr Lee Keng Thon did not seek for re-election and retired as a Director of the Company at the AGM on 27 April 2019 and accordingly, he has also relinquished his position as Chairman of the Company.
(c) Directors' fees is subject to shareholders' approval at the Annual General Meeting.

Remuneration of Chief Executive Officer for FY2019
(in $)

Name of CEO	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chou Hock	351,311	58,929	11,538	20,290	8,371	450,439

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

Remuneration of Key Management Personnel of the Group for FY2019
(in $)

Name of Key Executive	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chu Bing	158,634	27,527	9,349	3,658	16,920	216,088
Patrik Ilstam	45,051	-	14,827	-	-	59,878
Sazrul Bin Fadzil	70,336	-	578	-	9,452	80,366
Wong Siew Choo	92,916	6,802	729	-	6,602	107,049
Lee Zongye	101,440	24,304	7,065	-	14,272	147,081

* Benefit for Mrs Wong Siew Choo was for meal. Benefits for Mr Patrik Ilsam consists mainly of housing allowance, education for children and personal income tax, and Mr Sazrul Bin Fadzil's benefits consists of meals and medical.
Patrik Ilstam joined Burasari Resort in June 2019.

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

Mr Lee Chu Bing is the brother of Dr Lee Chu Muk and Mrs Wong Siew Choo is the sister of Mr Lee Khin Tien and Mr Lee Kin Hong.

Mr. Lee Zongye was appointed as Director of Project Development on 16 July 2018. He is the son of Mr. Lee Chou Hock and grand-nephew of Mr Lee Khin Tien and Mr Lee Kin Hong and nephew of Dr Lee Chu Muk.

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, the CEO of a substantial shareholder
Other than the above-mentioned key executives, no other employees are immediate family of a Director or the CEO whose remuneration exceeding $100,000 for the year under review.

Directors Fees
The RC had recommended to the Board an amount of $236,500 as Directors' fees for the financial year ended 31 December 2019. These recommendations have been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval. No Director is involved in deciding his own remuneration.

3. ACCOUNTABILITY AND AUDIT

3.1 Risk Management and Internal Controls

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

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

(a) ensure that Management maintains a sound system of risk management and internal controls to safeguard the Company's and Group's assets and shareholders' interest;

(b) determine the nature and extent of significant risks and the level of risk tolerance and risk policies which the Board is willing to take to achieve its strategic intent;

(c) provide oversight in the design, implementation and monitoring of the risk management framework and system of internal controls, including actions to mitigate the risks identified where possible;

(d) review annually the adequacy and effectiveness of the risk management and internal control system; and

(e) promote risk awareness culture through the Company for effective risk management.

A summary of the Group Risk Management is included from Pages 69 to 74 in this Annual Report.

The Board places special emphasis in the identification of major risk factors and Management when expanding into new overseas markets, 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 is thoroughly and robustly discussed at Board meeting, with special emphasis on the input by the Independent Directors.

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

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

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

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board with the concurrence of the ARC is of the opinion that the Company's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2019.

For FY2019, the Board and the ARC have received assurance from the CEO and the GA on the adequacy and effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, as well as the information technology controls. In addition, the Company had, pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST, received undertakings from all the Directors and executive officers that they each shall, in the exercise of their powers and duties as Directors and officers, comply to the best of their abilities with the provisions of the SGX-ST's Listing Rules, the Securities and Future Act, the Code on Takeover and Mergers, and the Companies Act and will also procure the Company to do so.

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.

Accountability

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Prompt fulfilment 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 approves the results after review and authorises 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 Audit and Risk Committee

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

The Audit and Risk Committee ("**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 AC was renamed the ARC in FY2013.

ARC Composition: Members of the ARC comprise four Directors; namely Dr Tan Kim Song (Chairman), Mr Yang Wen-Wei, Dr Pang Eng Fong, 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/or related financial management expertise.

No member of the ARC is a former partner or director of the company's auditing firm nor does any of them have any financial interest in the auditing firm.

Number of Meetings
The ARC held four meetings during FY2019.

Key Terms of Reference and Activities

During FY2019, the ARC has performed its duties as guided by its key terms of reference which stipulate its principal functions.

The key terms of reference of the ARC are to:

- review with the external/internal auditors the audit plans, their evaluation of the system of internal accounting controls, and their audit report including the scope and results of the external audit, the independence and objectivity of the external auditors;
- review the consolidated financial statements and statement of financial position and statement of profit or loss of the Company including reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and Company and any announcements relating to the Group and Company's financial performance, before submission to the Board for approval;
- review the Group's financial and operating results and accounting policies;
- review the assurance from the CEO and the GA on the financial records and financial statements;
- review the internal control procedures, its scope and the results and to ensure co-ordination between the external/internal auditors and the Management; and review the assistance given by Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits;
- review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management and system of internal controls;
- review the effectiveness of the Company's internal audit function;
- review the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the ARC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriately follow-up action to be taken;
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the Management's response;
- make recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
- review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- review potential conflicts of interest, if any;
- undertake such other review and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and which requires the attention of the ARC; and
- undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made from time to time.

Access to Information

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

Financial Reporting and Key Audit Matter

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

Following discussion with the external auditors, the ARC and the external auditors have determined that the valuation of the Group's freehold land on which the hotels are sited is a key audit matter for FY2019.

Key Audit Matter	ARC's Comment on Key Audit Matter
Freehold land on which hotels are sited are stated at their fair values based on independent external valuations. The freehold land amounting to $523.1 million account for 62% of total assets at 31 December 2019. The valuation for freehold land involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Certain freehold land are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties but adjusted for differences such as location, size, configuration and accessibility. Other freehold land are valued using the residual approach. The residual value of the land is estimated after deducting depreciated replacement cost of the hotel from the value of the whole property - land and hotel. The income capitalisation approach is used by the valuer to estimate the value of each whole property. The value of the whole property is sensitive to key inputs such as occupancy rates and revenue per room (which affect the projected earnings before interest, tax, depreciation and amortisation); and the capitalisation rate. A small change to any of the inputs may have a significant impact on the valuation of each of the properties.	For FY2019, the Group recognised in other comprehensive income page 85 of this Annual Report) net valuation gain of $17.367 million for freehold land on which the hotels are sited. The freehold land amounting to $523.1 million account for 62% of total assets at 31 December 2019. The valuations for freehold land involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. A small change in the assumptions can have a significant impact to the valuation. The Group engaged reputable valuers with the necessary qualifications, competence and independence. In order to satisfy ourselves that the fair values of freehold land on which the Group's hotels are sited are not materially misstated, the ARC reviewed the various valuation methods, assumptions and inputs with Management. The ARC also obtained an understanding on the work performed by the external auditors, including their assessment of the appropriateness of the various valuation methodologies and relevance of the assumptions and inputs. Following these discussions, ARC noted that the engagement of external independent and experienced valuers; the valuation methods, assumptions and inputs used; explanations given by Management; and the work performed by the auditors provide a reasonable basis for concluding on the valuation of the freehold land at 31 December 2019. The ARC considered the comments of the Independent Auditors' Report and the disclosures in Note 14 to the financial statements. These are consistent with the results of the above discussions.

Risk Management and Internal Controls

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

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

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

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

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

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

Based on the Group's framework of internal controls put in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board with the concurrence of the ARC is of the view that the internal control systems of the Group, addressing the financial, operational, compliance, information technology controls and risk management systems are adequate and effective as at 31 December 2019.

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. Both the external and internal auditors report directly to the ARC their findings and recommendations.

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

Accordingly, the ARC, with the concurrence of the Board, had recommended the appointment of Messrs. Deloitte & Touche LLP as external auditors of the Company for FY2020 at the forthcoming annual general meeting based on their performance and the quality of their audit. Rule 716 of the Listing Manual of the SGX-ST is not applicable as the same auditing firm is appointed for the Company and its subsidiaries.

For FY2019, the Group incurred an aggregate of S$552,000 to the external auditors, of which was S$488,000 was for audit services and S$64,000 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. Allegations on serious matters relating to financial reporting, illegal or unethical conduct can be reported directly to Mr Yang Wen-Wei, the Chairman of the RC, 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 FY2019.

4. SHAREHOLDER RIGHTS AND ENGAGEMENT

4.1 Shareholder rights and conduct of general meetings

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

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

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

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

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

At the annual general meeting of the Company held on 27 April 2019, the Company put all resolutions tabled to vote by poll. All resolutions at the Company's Annual General Meeting and Extraordinary General Meeting will be by poll so as to better reflect shareholders' shareholding interest and promote greater transparency. The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced immediately at the meeting and also disclosed via SGXNET on the same day.

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

All resolutions tabled at general meetings are on each substantially separate issue and all resolutions at general meetings requiring shareholders' are proposed as separate resolutions.

4.2 Engagement with shareholders

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

4.3 Engagement with Stakeholders

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

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

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

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

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

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

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include hotel guests, employees, contractors, suppliers, government, regulators, community, shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report set out on pages 32 to 39 of this Annual Report.

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

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

Proxies and Observers
Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allows 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 be amending its Constitution to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies. However, the Company allows shareholders who hold shares through nominees to attend the Annual General Meeting as observers without being constrained by the two-proxy rule.

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

A first and final dividend of 2.5 cents per ordinary share one-tier tax exempt for FY2019 have been proposed for shareholders' approval at the forthcoming AGM.

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.

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

6. MATERIAL CONTRACTS

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

7. INTERESTED PERSON TRANSACTIONS

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

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

There were not material contracts of the Group involving the interests of any Director or controlling shareholder, either still subsisting at the end of FY2019 or it not then subsisting, entered into since the end of the previous financial year.

The Company's disclosure in interested person transactions for FY2019 as set out on page 119 of this Annual Report. There were no interested person transactions in excess of S$100,000 per transaction entered into by the Company and Group for the year under review or have been entered into since the end of the previous financial year.

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

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.

9. USE OF PROCEEDS

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

	$'000
Total rights issue proceeds (net)	50,227
Less Utilisation:	
3Q 2018	(45,242)
Balance unutilised proceeds as at 31 December 2019	4,985

$44.7 million was utilised to repay part of the Company's bank borrowings and a further amount of $0.542 million was utilised for the major upgrading and purchase of Baba House.

The unutilised balance of $4.985 million as at 31 December 2019 was set aside for working capital.

The above utilisations were in accordance with the intended use of the net proceeds and the percentages allocated as stated in the Offer Information Statement dated 26 June 2018.

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

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

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

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

BUSINESS AND STRATEGY RISKS

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

DESCRIPTION OF RISK WE FACE	WHAT WE DO TO MITIGATE THE RISKS
Strategy and investment risk • The Group is exposed to risks in its overseas expansion plan. • The investment time frame and the budgets for such expansion plans may be exceeded and that the parameters set may not be achieved.	• All new investment proposals are evaluated thoroughly and, where necessary, are supported by the advice of external professionals to ensure that they are in line with the Group's strategic focus and that they meet the relevant rate of financial returns. Other non-financial risk factors are also considered. • All new investment proposals are reviewed by the senior management and discussed in detail at the Board meetings. • They are monitored to ensure that they are able to meet the Group's strategic intent, investment objectives and returns.
Market and political risk • The Group currently operates in Singapore, Malaysia, Thailand and New Zealand. The subsidiaries in these countries are exposed to changes in government policies and regulations. Some of these changes may affect the realisation of business opportunities and investments in those countries. • Global economic uncertainties, such as trade wars and recession, will affect the Singapore economy and hence the Group's performance.	• The Group monitors the market and political landscape in these countries, so that the Group is better able to anticipate and/or respond to any adverse changes in market and political conditions in a timely manner. • As at 31 December 2019, approximately 32% of the Group's assets are located overseas, accounting for about 55% of the total revenue in FY 2019. As the Group currently operates in more than one country, it has greater geographical diversification which reduces the risk of a single market concentration.

Risk Management

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

OPERATIONAL RISKS

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

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

Risk Management

FINANCIAL RISKS

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

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Credit risk • The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables. Cash and fixed deposits (Note 6) are in the custody of creditworthy financial institutions. Trade receivables are largely from credit card companies, tour agencies, regular corporate clients, hotel and tenants at the Group's properties. The Group may suffer potential financial loss resulting from the failure of customers or counterparties to settle their financial and contractual obligations as and when they fall due.	• Standard procedures are in place which include the application of credit approvals, performing credit evaluations, setting credit limits and regular monitoring of credit risks. Cash terms or advance payments are required for customers with lower credit standing. • There is no significant concentration of credit risk to a single customer. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. • While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making provisions once trade receivables are deemed not collectible. Major collectible issues are highlighted to all concerned.
Interest rate risk • The Group is exposed to interest rate risks through the impact of rate changes on interest-bearing liabilities and assets.	• The Group actively monitors interest rate fluctuations and trends. • The Group borrows in local currencies and practices natural hedging as it receives its revenue in local currencies.
Foreign exchange risk • The Group has investments in funds under management of certain banks and cash deposits which are exposed to foreign exchange risk arising from the exchange rate movements of foreign currencies. • Exchange gain or loss may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. For FY2019, approximately 9% (2018: 7%) of the Group's net assets is denominated in Malaysian ringgit, and approximately 7% (2018: 7%) and 11% (2018: 11%) are denominated in New Zealand dollars and Thai baht respectively.	• Continuous monitoring of the exchange rates of major currencies. • Currency translation risk, which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.
Price Risk • The Group is exposed to price risks arising from its investments classified as fair value through profit or loss and fair value through other comprehensive income. These investments include equity shares, and instruments whose fair values are subject to volatility in equity and bond prices.	• Diversify the investment portfolio to manage risks.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Liquidity risk • Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due.	• Monitor working capital requirements and maintain a level of cash and cash equivalents deemed adequate to mitigate the effects of fluctuations in cash flows, as well as to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. • Management assesses the availability of credit facilities and compliance with loan covenants on an on-going basis and no matters have been drawn to its attention that the roll-over of the short-term financing may not be forthcoming or that covenants have been breached. The Group and the Company have unutilised credit facilities totalling $183.9 million (2018: $213.1 million) and $112.2 million (2018: $117.5 million) respectively. From time to time, management evaluates the tenure of credit facilities including the need for longer term credit facilities. • Enhance ability to generate cash from operating activities so as to improve the Group's cash position, thereby, reduce liquidity risk.
Capital structure risk • Inefficient capital structure could impact the Group's ability to provide appropriate returns to the shareholders.	• The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and returns to shareholders are optimised through a mix of equity, short-term and long-term debts. The capital structure of the Group consists of equity comprising share capital discloses in Note 21, reserves and retained earnings; and debts which comprise bank borrowing disclosed in Notes 16 and 19. Regular review are performed to ensure optimal capital structure taking into consideration future capital requirements and capital efficiency, prevailing operating cash flow and profitability as well as projected capital expenditure. • In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new bank borrowings, sell assets to reduce external borrowings, pay or adjust the amount of dividend payout or return capital to shareholders.
Financial management risk • Rely on self-assessment, review and reporting process to ensure that transactions are carried out in conformity with accounting standards and the Group's accounting policies, and that the internal controls are adequate and effective. • The system may not prevent or detect all frauds or misstatements in a timely manner, especially with changes in conditions and operations which may cause the system effectiveness to vary from time to time.	• Formalised operating manuals and standard operating procedures. • Internal controls on financial reporting are reviewed regularly to ensure proper financial discipline and compliance with established Group's policies and guidelines are adhered. • External and internal audit reviews carried out annually on the controls and procedures in place also serve as a platform to highlight any irregularities.

Risk Management

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Derivative financial instrument risk • Market conditions may move against the Group's assumptions at the time of hedging the transactions.	• The Group does not hold or issue derivative financial instruments for trading purposes.

COMPLIANCE RISKS

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

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

INFORMATION TECHNOLOGY RISKS

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

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

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 2019.

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 82 to 143 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 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Dr Tan Kim Song
Lee Khin Tien
Lee Kin Hong
Emeritus Professor Pang Eng Fong
Yang Wen-Wei
Dr Lee Chu Muk (Appointed on 27 April 2019)

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 company in which interests are held	Name of directors and company in which interests are held		Name of directors and company in which interests are held	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company	Ordinary shares		Ordinary shares	
Lee Khin Tien	282,240	282,240	-	-
Lee Kin Hong	92,736	92,736	403,200	403,200

The directors' interests as disclosed above remained unchanged at 21 January 2020.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

5 AUDIT AND RISK COMMITTEE

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

The Audit and Risk Committee ("ARC") held four meetings during the financial year ended 31 December 2019 and performed the following functions:

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

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

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

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

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

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

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

(h) Make recommendation to the Board of Directors on the proposals to the shareholders on the appointment, re-appointment 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 of Directors, and report to the Board of Directors its findings from time to time on matters arising and which requires the attention of the ARC; and

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

5 AUDIT AND RISK COMMITTEE (cont'd)

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Emeritus Professor Pang Eng Fong

....
Lee Khin Tien

28 March 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hotel Royal Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 82 to 143.

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Valuation of properties (Note 14 to the financial statements)

Freehold land on which hotels are sited are stated at their fair values based on independent external valuations. The freehold land amounting to $523.1 million account for 62% of total assets at 31 December 2019.

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

Certain freehold land are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties but adjusted for differences such as location, size, configuration and accessibility.

Other freehold land are valued using the residual approach. The residual value of the land is estimated after deducting depreciated replacement cost of the hotel from the value of the whole property - land and hotel. The income capitalisation approach is used by the valuer to estimate the value of each whole property. The value of the whole property is sensitive to key inputs such as occupancy rates and revenue per room (which affect the projected earnings before interest, tax, depreciation and amortisation); and the capitalisation rate.

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

How our audit addressed the Key Audit Matter

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

We considered the valuation methodologies used and evaluated the basis and assumptions for the above inputs and sought explanations from the valuers. We considered whether they appear to be in line with the individual hotel's performance or industry norms.

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

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Michael Ng Wee Kiat.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2020

Statements of Financial Position

31 December 2019

	Note	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
ASSETS					
Current assets					
Cash and bank balances	6	20,903	29,269	7,732	15,654
Financial assets at fair value through profit or loss	7	3,725	2,987	1,566	978
Financial assets at fair value through other comprehensive income	8	6,378	5,623	1,068	1,540
Trade receivables	9	2,755	3,083	647	978
Other receivables, deposits and prepaid expenses	10	9,270	1,458	352	101
Inventories		1,106	1,092	276	240
Income tax recoverable		4	3	-	-
Total current assets		44,141	43,515	11,641	19,491
Non-current assets					
Subsidiaries	11	-	-	198,956	184,315
Financial assets at fair value through other comprehensive income	8	18,332	19,849	15,470	17,066
Other assets	12	503	543	74	-
Goodwill	13	2,057	1,920	-	-
Property, plant and equipment	14	671,464	647,679	273,975	265,498
Investment properties	15	102,077	93,887	22,876	23,253
Total non-current assets		794,433	763,878	511,351	490,132
Total assets		838,574	807,393	522,992	509,623
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	16	9,374	7,875	-	-
Trade payables		5,837	3,987	2,206	1,726
Other payables	17	4,780	6,185	2,781	3,713
Income tax payable		2,796	2,716	1,543	1,618
Total current liabilities		22,787	20,763	6,530	7,057

See accompanying notes to financial statements.

	Note	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
Non-current liabilities					
Other payables	17	53	49	28,070	27,498
Retirement benefit obligations	18	895	772	-	-
Long-term bank loans	19	106,020	97,158	37,601	32,281
Deferred tax liabilities	20	20,450	19,301	1,020	989
Total non-current liabilities		127,418	117,280	66,691	60,768
Capital and reserves					
Share capital	21	150,665	150,665	150,665	150,665
Asset revaluation reserve		424,469	407,913	244,108	234,208
Employee benefit reserve		155	190	-	-
Fair value reserve		16,536	16,755	14,082	15,608
Translation reserve		3,789	123	-	-
Retained earnings		92,755	93,704	40,916	41,317
Total equity		688,369	669,350	449,771	441,798
Total liabilities and equity		838,574	807,393	522,992	509,623

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Note	The Group 2019 $'000	The Group 2018 $'000
Revenue	22	57,690	60,080
Cost of sales		(30,365)	(29,836)
Gross profit		27,325	30,244
Distribution costs		(1,185)	(1,218)
Administrative expenses		(13,052)	(12,815)
Other income	23	1,753	954
Other expenses		(2,416)	(2,625)
Finance costs	24	(4,048)	(4,228)
Profit before income tax	25	8,377	10,312
Income tax expense	26	(3,515)	(3,370)
Profit for the year attributable to owners of the Company		4,862	6,942
Basic earnings per share	27	4.82 cents	7.52 cents

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income Year ended 31 December 2019

	Note	The Group 2019 $'000	The Group 2018 $'000
Profit for the year		4,862	6,942
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Net fair value loss on investments in equity instruments Designated as at Fair Value Through Other Comprehensive Income		12	(208)
Re-measurement of defined benefit obligation		(35)	10
Increase in valuation of freehold land - hotels	14	17,367	43,336
Deferred tax relating to revaluation on freehold land	20	(811)	-
Total		16,533	43,138
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		3,666	33
Other comprehensive income for the year, net of tax		20,199	43,171
Total comprehensive income for the year attributable to owners of the Company		25,061	50,113

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2019

	Share capital	Asset revaluation reserve	Employee benefit reserve	Fair value reserve	Translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group							
Balance at 1 January 2018	100,438	364,577	180	17,791	90	90,134	573,210
Total comprehensive income (loss) for the year:							
Profit for the year	-	-	-	-	-	6,942	6,942
Other comprehensive income (loss) for the year	-	43,336	10	(1,036)	33	828	43,171
Total	-	43,336	10	(1,036)	33	7,770	50,113
Transactions with owners, recognised directly in equity:							
Issuance of share capital (Note 21)	50,227	-	-	-	-	-	50,227
Final dividends (Note 32)	-	-	-	-	-	(4,200)	(4,200)
Total	50,227	-	-	-	-	(4,200)	46,027
Balance at 31 December 2018	150,665	407,913	190	16,755	123	93,704	669,350
Total comprehensive income (loss) for the year:							
Profit for the year	-	-	-	-	-	4,862	4,862
Other comprehensive income (loss) for the year	-	16,556	(35)	(219)	3,666	231	20,199
Total	-	16,556	(35)	(219)	3,666	5,093	25,061
Transactions with owners, recognised directly in equity:							
Final dividends (Note 32)	-	-	-	-	-	(6,042)	(6,042)
Balance at 31 December 2019	150,665	424,469	155	16,536	3,789	92,755	688,369

See accompanying notes to financial statements.

	Share capital $'000	Asset revaluation reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
The Company					
Balance as at 1 January 2018	100,438	213,108	15,237	38,753	367,536
Total comprehensive income for the year:					
Profit for the year	-	-	-	6,206	6,206
Other comprehensive income for the year	-	21,100	371	558	22,029
Total	-	21,100	371	6,764	28,235
Transactions with owners, recognised directly in equity:					
Issuance of share capital (Note 21)	50,227	-	-	-	50,227
Final dividends (Note 32)	-	-	-	(4,200)	(4,200)
Total	50,227	-	-	(4,200)	46,027
Balance at 31 December 2018	150,665	234,208	15,608	41,317	441,798
Total comprehensive income (loss) for the year:					
Profit for the year	-	-	-	5,409	5,409
Other comprehensive income (loss) for the year	-	9,900	(1,526)	232	8,606
Total	-	9,900	(1,526)	5,641	14,015
Transactions with owners, recognised directly in equity:					
Final dividends (Note 32)	-	-	-	(6,042)	(6,042)
Balance at 31 December 2019	150,665	244,108	14,082	40,916	449,771

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	The Group	
	2019	2018
	$'000	$'000
Operating activities		
Profit before income tax	8,377	10,312
Adjustments for:		
Allowance for expected credit losses	12	70
Bad debt expense	-	4
Depreciation expense	8,253	8,680
Dividend income	(319)	(415)
Net fair value (gain) loss on financial assets at fair value through profit or loss	(93)	433
Loss (Gain) on disposal of property, plant and equipment	2	(21)
Write back of prior years' impairment loss on leasehold land	(77)	-
Interest expense	4,048	4,228
Interest income	(69)	(69)
Write back of allowance for doubtful receivables	(2)	(87)
Operating cash flows before movements in working capital	20,132	23,135
Financial assets at fair value through other comprehensive income	-	(10)
Financial assets at fair value through profit or loss	(645)	4,286
Trade and other receivables	(794)	777
Inventories	(13)	(232)
Trade and other payables	236	(797)
Cash generated from operations	18,916	27,159
Dividend received	319	415
Interest paid	(4,048)	(4,228)
Interest received	69	69
Income tax paid	(3,314)	(2,938)
Net cash from operating activities	11,942	20,477

See accompanying notes to financial statements.

	The Group	
	2019	2018
	$'000	$'000
Investing activities		
Deposit payment for the proposed acquisition of a hotel (Note 10)	(6,540)	-
Additions to investment properties	(10,008)	(5,845)
Additions to property, plant and equipment	(6,365)	(3,693)
Proceeds from disposal of financial assets held at fair value through other comprehensive income	1,139	7,135
Proceeds from disposal of property, plant and equipment	7	77
Purchase of financial assets held at fair value through other comprehensive income	(370)	(4,608)
Net cash used in investing activities	(22,137)	(6,934)
Financing activities		
Dividends paid	(6,042)	(4,200)
Proceeds from bank loans	12,543	3,000
Repayment of bank loans	(4,903)	(51,556)
Fixed deposit pledged to banks	27	-
Proceeds from rights issue	-	50,227
Net cash from (used in) financing activities	1,625	(2,529)
Net (decrease) increase in cash and cash equivalents	(8,570)	11,014
Cash and cash equivalents at beginning of year	28,189	17,248
Effect of currency exchange adjustment	231	(73)
Cash and cash equivalents at end of year (Note 6)	19,850	28,189

See accompanying notes to financial statements.

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 consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the board of directors on 28 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

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

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

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

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

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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 SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Financial assets

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

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

<u>Classification of financial assets</u>

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

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

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

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

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

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

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

Amortised cost and effective interest method

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

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

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

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

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

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

Foreign exchange gains and losses

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

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income or other expenses" line item;

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income or other expenses" line item; and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Impairment of financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant increase in credit risk

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

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

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

Definition of default

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Definition of default (cont'd)

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

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement and recognition of expected credit losses (cont'd)

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial guarantee contracts

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

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

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

Offsetting arrangements

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

INVENTORIES - Inventories comprising mainly consumables are stated at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses except for freehold land on which certain hotels are sited, which are stated at revalued amounts.

Revaluations of freehold hotel land is performed with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Properties, plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

On subsequent sale or retirement of a revalued freehold hotel land, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method except for linen, china, glassware, silver and uniforms where the original expenditure has been written down to approximately one-half of the original cost and all subsequent purchases have been written off as replacements. The estimated useful lives are as follows:

	Number of years
Leasehold land	Over the remaining terms of the leases (92 to 96)
Hotel buildings	45 to 92
Building improvements - hotels	10 to 25
Plant and equipment	3 to 10

Depreciation is not provided on freehold land, which is recorded at fair value.

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

LEASES

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment property.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

REVENUE RECOGNITION - The Group recognises revenue from the following major sources:

- Hotel; and
- Investment properties.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Revenue from hotel operations

Revenue from operations of a hotel is recognised from the following major sources: hotel stays, carpark and spa services, and sales of food and beverages.

Revenue for hotel operations is recognised at a point in time when the services are rendered. This is also the point where the Group is entitled to payment.

Revenue from sales of food and beverages are recognised when control of the goods has transferred, being at the point in time when the food and beverages are consumed. This is also the point where the Group is entitled to payment.

Other hotel related revenue like spa and car park revenue are recognised when the services are rendered to the customers. Payment is due immediately when the customer consumes the service.

Rental income

Rental income recognition is described above in LEASES note.

Financial investment income

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

Dividend income from investments is recognised when the right to receive payment is established.

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

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, namely assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets until such time as the assets are substantially ready for their intended use or sale.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense in profit or loss as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and Malaysia Employee Provident Fund are dealt with as payments to defined contribution plans.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefits expense. Curtailment gains or losses are accounted for as past service costs.

Subsidiaries in Thailand and Malaysia operate unfunded, defined benefit Retirement Benefit Schemes ("the Schemes") for their eligible employees. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement gains and losses are recognised in other comprehensive income and accumulated in employee benefit reserve. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

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

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

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

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

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

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

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

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.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOW - Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

Critical judgements in applying accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimates which are dealt with below).

Key sources of estimation uncertainty

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

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

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

Freehold hotel land at revalued amounts (Note 14)

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

Certain freehold land are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties but adjusted for differences such as location, size, configuration and accessibility.

Other freehold land are valued using the residual approach. The residual value of the land is estimated after deducting depreciated replacement cost of the hotel from the value of the whole property - land and hotel. The income capitalisation approach is used by the valuer to estimate the value of each whole property. The value of the whole property is sensitive to key inputs such as occupancy rates and revenue per room (which affect the projected earnings before interest, tax, depreciation and amortisation); and the capitalisation rate.

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

Key sources of estimation uncertainty (cont'd)

Freehold hotel land at revalued amounts (Note 14) (cont'd)

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets at amortised cost	31,009	32,772	98,437	111,609
Financial assets designated as at FVTPL	3,725	2,987	1,566	978
Equity instruments designated as at FVTOCI	24,710	25,472	16,538	18,606
Financial liabilities				
Financial liabilities at amortised cost	126,064	115,254	67,961	61,824
Financial guarantee	-	-	2,697	3,394

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

The Group and the Company do not have financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

(c) *Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group arising from exposure to financial risks such as changes in foreign currency exchange rates, interest rates and equity prices. There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risks.

The investments in bonds, fixed income funds and equity shares as disclosed in Notes 7 and 8 are subject to a variety of financial risks, including credit risk of counterparties, liquidity risk, interest rate risk, foreign currency risk, and other market risks related to prices of equity. The Group engages professional investment managers from banks to manage the risks and returns from certain financial investments classified as held for trading. All investment accounts opened with professional investment managers from banks are approved by the board of directors. Investment managers from the banks are given discretionary powers to make investment decisions on behalf of management based on specified guidelines for managed funds.

(d) *Exposure to financial risks*

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

(i) Credit risk management (cont'd)

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2019						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	2,949	(194)	2,755
Other receivables and refundable deposits	10	Performing	12-month ECL	7,351	-	7,351
					(194)	
2018						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	3,279	(196)	3,083
Other receivables and refundable deposits	10	Performing	12-month ECL	727	-	727
					(196)	

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

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

(i) Credit risk management (cont'd)

Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2019						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	684	(37)	647
Other receivables and refundable deposits	10	Performing	12-month ECL	265	-	265
					(37)	
2018						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	1,023	(45)	978
Other receivables and refundable deposits	10	Performing	12-month ECL	70	-	70
					(45)	

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 9 includes further details on the loss allowance for these trade receivables.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above and investments in these instruments, where the counterparties have minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, management assesses the potential customer's credit quality and defines credit limits by customer. The review of customer credit limits is conducted annually. There is no single customer who accounts for 10% or more of the Group's trade receivables.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

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

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

(i) Credit risk management (cont'd)

The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables. Cash and fixed deposits (Note 6) are in the custody of creditworthy financial institutions. Trade receivables are largely from credit card companies, tour agencies, regular corporate clients, hotels and tenants at the properties of the Group. Deposits may be collected to mitigate the credit risks.

The Group has no significant concentration of credit risk.

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

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

ii) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. Information on variable interest rate instruments are in section (v) below, and in Notes 16 and 19.

Interest rate sensitivity

The sensitivity analyses below is based on the exposure to variable interest rates for financial assets and financial liabilities at the end of the reporting period.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit would decrease/increase by approximately $0.6 million (2018: decrease/increase by approximately $0.5 million).

The above analysis excludes the effects that changes in interest rates would have on the fair value of fixed rate bonds, fixed income funds and money market funds. Generally, increases and decreases in interest rates will have inverse impact on the fair value of investments which have fixed interest rates.

(iii) Foreign currency risk management

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

	The Group		The Company	
	Assets		Assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States dollar	6,184	4,967	2,688	2,267
Euro	647	528	-	-
Malaysian ringgit	287	287	-	-
Hong Kong dollar	107	86	-	-
Thai baht	105	98	105	98

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.

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

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

(iii) Foreign currency risk management (cont'd)

There are no significant financial liabilities denominated in currencies other than the functional currency of the respective entities.

Foreign currency sensitivity

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

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

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

	The Group	
	2019	2018
	$'000	$'000
Impact arising from		
Thai baht	5	5
United States dollar	135	101

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

	The Group	
	2019	2018
	$'000	$'000
Impact arising from		
United States dollar	174	147
Euro	32	26
Hong Kong dollar	5	4
Malaysian ringgit	14	14

Changes in exchange rates of other currencies do not have a significant effect on profit or loss, and other comprehensive income.

Additionally, the Group is exposed to currency translation risk arising from net assets of subsidiaries operating in Malaysia, New Zealand and Thailand which are denominated in their respective domestic currencies which is also their functional currencies.

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

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

(iii) Foreign currency risk management (cont'd)

At the end of the year, net assets in the following countries, expressed as a percentage of net assets of the Group were as follows:

	The Group	
	2019	**2018**
	%	**%**
Malaysia	9	7
New Zealand	7	7
Thailand	11	11

(iv) Equity price risk management

The Group is exposed to equity risks arising from equity investments at FVTPL and at FVTOCI Equity investments measured at FVTOCI are held for strategies rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Notes 7 and 8.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of equity instruments at FVTOCI, if equity price had been 10% higher/lower while all other variables were held constant, the Group's fair value reserves would increase/decrease by approximately $2.5 million (2018: $2.6 million).

In respect of equity investments at FVTPL, if equity price had been 10% higher/lower while all other variables were held constant, the Group's net profit for the year ended 31 December 2019 would have been increased or decreased by approximately $0.4 million (2018: $0.3 million).

(v) Liquidity risk management

At the end of the year, the Group and the Company have unutilised credit facilities totaling $183.9 million (2018: $213.1 million) and $112.2 million (2018: $117.5 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 MANAGEMENT (cont'd)

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

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Financial liabilities

The following table details the remaining contractual maturity for financial liabilities. The undiscounted cash flows of financial liabilities stated below are based on the earliest date on which the Group and Company can be required to pay interest and principal cash flows. The adjustment column represents future interest which is not included in the carrying amounts of the financial liabilities in the statements of financial position.

	Weighted average effective interest rate		On demand or within 1 year		Within 2 to 5 years		Adjustment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	% p.a.	% p.a.	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities										
The Group										
Non-interest bearing	NA	NA	10,617	10,172	53	49	-	-	10,670	10,221
Variable interest rate instruments	3.51	2.88	10,318	8,487	108,516	99,065	(3,440)	(2,519)	115,394	105,033
			20,935	18,659	108,569	99,114	(3,440)	(2,519)	126,064	115,254
The Company										
Non-interest bearing	NA	NA	5,508	8,463	-	-	-	-	5,508	8,463
Variable interest rate instruments	2.73	2.20	1,664	1,381	71,540	62,080	(8,054)	(6,706)	65,150	56,755
			7,172	9,844	71,540	62,080	(8,054)	(6,706)	70,658	65,218

NA: not applicable.

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

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

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Financial assets

The following table details the expected maturity for financial assets. The amounts are based on the contractual maturities of the financial assets including future interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents future interest which is not included in the carrying amounts of the financial assets on the statements of financial position.

	Weighted average effective interest rate		On demand or within 1 year		Within 2 to 5 years		Adjustment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	% p.a.	% p.a.	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets										
The Group										
Non-interest bearing	NA	NA	39,026	27,919	18,333	19,849	-	-	57,359	47,768
Fixed interest rate instruments	2.58	1.75	2,109	13,488	-	-	(24)	(25)	2,085	13,463
			41,135	41,407	18,333	19,849	(24)	(25)	59,444	61,231
The Company										
Non-interest bearing	NA	NA	11,337	7,531	15,470	17,066	-	-	26,807	24,597
Fixed interest rate instruments	-	1.59	-	11,833	-	-	-	(97)	-	11,736
Variable interest rate instruments	3.59	3.42	2,038	1,842	97,885	102,228	(10,189)	(9,210)	89,734	94,860
			13,375	21,206	113,355	119,294	(10,189)	(9,307)	116,541	131,193

(vi) Fair value of financial assets and financial liabilities

The Group and the Company determines fair values of financial assets and financial liabilities in the following manner:

(a) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments. The carrying amounts of long term borrowings approximate their fair values as interest rates float with market rates.

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

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

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

(b) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

The following financial assets are measured at fair value at the end of each reporting period. Fair values belong to the following levels in the fair value hierarchy.

	Level 1		Level 3	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
The Group				
Financial assets at fair value through profit or loss				
- Quoted bonds	3,720	2,955	-	-
- Unquoted managed funds	-	-	5	32
Financial assets at fair value through other comprehensive income				
- Quoted equity shares	9,879	9,010	-	-
- Unquoted equity shares	-	-	14,831	16,462
The Company				
Financial assets at fair value through profit or loss				
- Quoted bonds	1,565	949	-	-
- Unquoted managed funds	-	-	1	29
Financial assets at fair value through other comprehensive income				
- Quoted equity shares	1,707	2,144	-	-
- Unquoted equity shares	-	-	14,831	16,462

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

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

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

(b) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (cont'd)

Fair values of investments classified as Level 1 of the fair value hierarchy are based on publicly available quoted prices. Level 3 investments are measured based on net assets of the unquoted funds as provided by the fund managers and measured based on adjusted net assets of the unquoted equity shares. There is no investment falling within Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair value measurement:

	Financial assets at FVTPL (Unquoted managed funds)	Financial assets at FVTOCI (Unquoted equity shares)	Total
	$'000	$'000	$'000
2019			
Group			
Opening balance	32	16,462	16,494
Purchases	73	-	73
Disposals	(35)	-	(35)
Total gains or loss:			
- In profit or loss *	(65)	-	(65)
- In other comprehensive income	-	(1,631)	(1,631)
Closing balance	5	14,831	14,836
Company			
Opening balance	29	16,462	16,491
Purchases	73	-	73
Disposals	(35)	-	(35)
Total gains or loss:			
- In profit or loss *	(66)	-	(66)
- In other comprehensive income	-	(1,631)	(1,631)
Closing balance	1	14,831	14,832

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

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

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

(b) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (cont'd)

Reconciliation of Level 3 fair value measurement: (cont'd)

	Financial assets at FVTPL (Unquoted managed funds) $'000	Financial assets at FVTOCI (Unquoted equity shares) $'000	Total $'000
2018			
Group			
Opening balance	36	496	532
Purchases	55	-	55
Disposals	(90)	-	(90)
Total gains or loss:			
- In profit or loss *	31	-	31
- In other comprehensive income	-	15,966	15,966
Closing balance	32	16,462	16,494
Company			
Opening balance	33	496	529
Purchases	55	-	55
Disposals	(90)	-	(90)
Total gains or loss:			
- In profit or loss *	31	-	31
- In other comprehensive income	-	15,966	15,966
Closing balance	29	16,462	16,491

* Included as part of "other income or other expense" in profit or loss.

All gains and losses included in other comprehensive income relate to unlisted shares held at the end of the reporting period and are reported as changes of "fair value reserves".

(e) Capital management policies and objectives

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

The capital structure of the Group consists of equity comprising share capital (Note 21), reserves and retained earnings; and debt which comprise bank loans. (Notes 16 and 19).

Management reviews the capital structure at least once a year, taking into consideration the cost of capital, the risks and tenure associated with each class of capital. The bank loans require the Group to comply with certain covenants such as debt to security ratio. The Group is in compliance with these covenants.

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

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

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

	The Group	
	2019	2018
	$'000	$'000
Total debt	115,394	105,033
Total assets	838,574	807,393
Total equity	688,369	669,350
Debt-to-total assets ratio	14%	13%
Debt-to-total equity ratio	17%	16%

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	
	2019	2018
	$'000	$'000
Short-term benefits	984	952
Post-employment benefits	8	10
	992	962

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	
	2019	2018
	$'000	$'000
Fees paid to a medical practice owned by a director	16	33
Commission paid to a related party for property management services	33	27
Sales of food and beverage to a related party *	(10)	(11)
Advertising expenses paid to a related party *	11	11

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

6 CASH AND BANK BALANCES

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash on hand	154	174	53	62
Cash at bank	18,664	15,632	7,679	3,856
Fixed deposits	2,085	13,463	-	11,736
Total	20,903	29,269	7,732	15,654
Less: Fixed deposits pledged	(1,053)	(1,080)	-	-
Cash and cash equivalents	19,850	28,189	7,732	15,654

Fixed deposits of a subsidiary are pledged for a loan facility (Note 19).

The Group and the Company fixed deposits earn interest ranging from 1.85% to 3.00% and Nil (2018: 1.38% to 3.25% and 1.38% to 1.73%) per annum respectively and for terms ranging from 7 days to 270 days and Nil (2018: 30 to 270 days and 30 to 90 days) respectively.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group designated the investments shown below as at FVTPL because these represent investments that offer the Group the opportunity for return through dividend income and fair value gains.

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Quoted bonds	3,720	2,955	1,565	949
Unquoted managed funds	5	32	1	29
	3,725	2,987	1,566	978

The investments above offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Unquoted managed funds are measured at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*, as they represent an identified portfolio of investments which the group manages together with an intention of profit taking when the opportunity arises.

Changes in the fair value of financial assets at fair value through profit or loss, amounting to net gain of $93,000 (2018: net loss of $433,000) have been included in profit or loss for the year as part of "other income" (2018: "other expenses").

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group designated the investments shown below as equity investments as at FVTOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes.

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets				
Quoted equity shares	6,378	5,623	1,068	1,540
Non-current assets				
Quoted equity shares	3,501	3,387	639	604
Unquoted equity share	14,831	16,462	14,831	16,462
	18,332	19,849	15,470	17,066
Total	24,710	25,472	16,538	18,606

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

The financial assets held at fair value through other comprehensive income presented as current assets are those held in investment accounts managed on behalf of the Group by professional fund managers and subject to changes in components of investments within the portfolio. The financial assets held at fair value through other comprehensive income presented as non-current assets are those managed directly by the Group and are held for long term investments.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

9 TRADE RECEIVABLES

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables	2,948	3,279	684	1,023
Related parties [(1)]	1	-	-	-
Total	2,949	3,279	684	1,023
Less: Loss allowance	(194)	(196)	(37)	(45)
	2,755	3,083	647	978

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

The credit period granted to customers is generally 30 days (2018: 30 days). No interest is charged on any overdue trade receivables. No interest is charged on the outstanding trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over a year past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

9 TRADE RECEIVABLES (cont'd)

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The age of receivables past due but not impaired amounted to $0.7 million (2018: $0.9 million) and ranges from 31 to 60 days (2018: 31 to 60 days). The Group has recognised a loss allowance of 100% against all receivables over a year past due of $194,000 (2018: $196,000) because historical experience has indicated that these receivables are generally not recoverable.

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at beginning of the year	196	213	45	37
Loss allowance recognised in profit or loss during the year:				
- Assets originated	12	70	-	8
- No longer required (write-off)	(12)	-	-	-
- No longer required (write-back)	(2)	(87)	(8)	-
Balance at end of the year	194	196	37	45

10 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Outside parties	416	339	244	70
Refundable deposits	6,935	388	21	-
Prepaid expenses	1,919	731	87	31
	9,270	1,458	352	101

Included in the refundable deposits pertaining to a refundable deposit paid of RM19.7 million (approximately $6.54 million) for the proposed acquisition of Royale Chulan Bukit Bintang Hotel and its business in Kuala Lumpur, Malaysia. The acquisition has yet to be completed as at 31 December 2019.

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

11 SUBSIDIARIES

	The Company 2019 $'000	The Company 2018 $'000
Unquoted equity shares - at cost	97,703	77,980
Additional funds provided to subsidiaries	89,793	94,907
Deemed investment in subsidiaries arising from fair value of corporate guarantees given to banks which extend credit facilities to the subsidiaries	11,460	11,428
	198,956	184,315

The details of the Company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Proportion of voting power held 2019 %	Proportion of voting power held 2018 %	Principal activities
Royal Properties Investment Pte Ltd	Singapore	100	100	100	100	Investment in properties and subsidiaries.
Royal Capital Pte Ltd	Singapore	100	100	100	100	Investment in financial assets.
Castle Mall Properties Pte Ltd (wholly owned subsidiary of Royal Properties Investment Pte Ltd)	Singapore	100	100	100	100	Provision of intercompany loans.
Hotel Royal @ Queens (Singapore) Pte Ltd (wholly owned subsidiary of Royal Properties Investment Pte Ltd)	Singapore	100	100	100	100	Owns and manages a hotel.
Hotel Royal (Thailand) Private Limited	Singapore	100	100	100	100	Investment in subsidiaries.
Prestige Properties Sdn. Bhd. (1)	Malaysia	100	100	100	100	Investment in subsidiaries.
Faber Kompleks Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel and commercial properties.
Premium Lodge Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel.
Baba Residences Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel.

11 SUBSIDIARIES (cont'd)

The details of the Company's subsidiaries are as follows: (cont'd)

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		2019	2018	2019	2018	
		%	%	%	%	
Every Room a Home Sdn. Bhd. [1] (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	-	100	-	Owns and manages a hotel.
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. The outstanding amount of $89.8 million (2018: $94.9 million) bear interest ranging from 2.50% to 3.70% (2018: 2.42% to 3.55%) per annum which approximate market interest rate. Hence, the carrying amounts approximate their respective fair values.

The Company undertakes to provide financial support to certain subsidiaries with net current liabilities to ensure that subsidiaries can meet their contractual obligations when they fall due.

12 OTHER ASSET

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Lease incentives	567	778	74	-
Less: Current portion included in trade receivables	(148)	(307)	-	-
Non-current portion	419	471	74	-
Deposits	84	72	-	-
	503	543	74	-

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	
	2019	2018
	$'000	$'000
At beginning of the year	1,920	1,875
Exchange adjustment	137	45
At end of the year	2,057	1,920

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the respective hotel operations.

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

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 for the next 10 years and extrapolates cash flows for the following years based on long term growth rate of 3.00% (2018: ranging from 2.00% to 3.00%) per annum.

The rate used to discount the forecast cash flows to present values range from 9.00% to 10.50% (2018: ranging from 10.00% to 10.50%) per annum.

As at 31 December 2019, any reasonably possible change to the key assumptions applied not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land - hotels $'000	Leasehold land $'000	Hotel buildings $'000	Building improvements - hotels $'000	Plant and equipment $'000	Linen, china glassware, silver and uniform $'000	Construction in progress $'000	Total $'000
The Group								
Cost or valuation:								
As at 1 January 2018	456,683	3,467	138,805	19,089	48,550	971	-	667,565
Additions	171	671	121	1,013	1,253	82	382	3,693
Disposals	-	-	-	(10)	(415)	(11)	-	(436)
Reclassification	1,371	(1,425)	-	-	(460)	-	-	(514)
Revaluation gain	43,336	-	-	-	-	-	-	43,336
Exchange adjustment	995	10	1,241	144	161	11	-	2,562
As at 31 December 2018	502,556	2,723	140,167	20,236	49,089	1,053	382	716,206
Additions	1	118	1,212	703	2,730	9	1,592	6,365
Disposals	-	-	-	(3)	(268)	(22)	-	(293)
Reclassification	-	-	-	616	(532)	-	(84)	-
Revaluation gain	17,367	-	-	-	-	-	-	17,367
Exchange adjustment	3,131	(8)	3,596	454	481	34	(2)	7,686
As at 31 December 2019	523,055	2,833	144,975	22,006	51,500	1,074	1,888	747,331
Comprising:								
31 December 2019								
At valuation	523,055	-	-	-	-	-	-	523,055
At cost	-	2,833	144,975	22,006	51,500	1,074	1,888	224,276
Total	523,055	2,833	144,975	22,006	51,500	1,074	1,888	747,331
31 December 2018								
At valuation	502,556	-	-	-	-	-	-	502,556
At cost	-	2,723	140,167	20,236	49,089	1,053	382	213,650
Total	502,556	2,723	140,167	20,236	49,089	1,053	382	716,206

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land - hotels	Leasehold land	Hotel buildings	Building improvements - hotels	Plant and equipment	Linen, china glassware, silver and uniform	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Accumulated depreciation:								
As at 1 January 2018	-	75	20,691	7,209	32,573	503	-	61,051
Charge for the year	-	38	1,765	1,160	4,212	234	-	7,409
Disposals	-	-	-	-	(369)	(11)	-	(380)
Reclassification	-	(54)	-	-	(460)	-	-	(514)
Exchange adjustment	-	1	46	25	87	6	-	165
As at 31 December 2018	-	60	22,502	8,394	36,043	732	-	67,731
Charge for the year	-	25	1,777	1,222	3,847	130	-	7,001
Disposals	-	-	-	(1)	(261)	(22)	-	(284)
Exchange adjustment	-	-	184	127	358	33	-	702
As at 31 December 2019	-	85	24,463	9,742	39,987	873	-	75,150
Accumulated impairment loss:								
As at 1 January 2018 and 31 December 2018	-	401	395	-	-	-	-	796
Reversal of impairment	-	(77)	-	-	-	-	-	(77)
Exchange adjustment	-	(1)	(1)	-	-	-	-	(2)
As at 31 December 2019	-	323	394	-	-	-	-	717
Carrying amount:								
As at 31 December 2019	523,055	2,425	120,118	12,264	11,513	201	1,888	671,464
As at 31 December 2018	502,556	2,262	117,270	11,842	13,046	321	382	647,679

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land - hotels	Hotel buildings	Building improvements - hotels	Plant and equipment	Linen, china glassware, silver and uniform	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Company							
Cost or valuation:							
As at 1 January 2018	235,000	7,985	3,249	24,792	398	-	271,424
Additions	-	-	-	234	-	141	375
Disposals	-	-	-	(115)	-	-	(115)
Revaluation gain	21,100	-	-	-	-	-	21,100
As at 31 December 2018	256,100	7,985	3,249	24,911	398	141	292,784
Additions	-	-	163	56	-	-	219
Disposals	-	-	-	(121)	-	-	(121)
Reclassification	-	-	141	-	-	(141)	-
Revaluation gain	9,900	-	-	-	-	-	9,900
As at 31 December 2019	266,000	7,985	3,553	24,846	398	-	302,782
Comprising:							
31 December 2019							
At valuation	266,000	-	-	-	-	-	266,000
At cost	-	7,985	3,553	24,846	398	-	36,782
Total	266,000	7,985	3,553	24,846	398	-	302,782
31 December 2018							
At valuation	256,100	-	-	-	-	-	256,100
At cost	-	7,985	3,249	24,911	398	141	36,684
Total	256,100	7,985	3,249	24,911	398	141	292,784
Accumulated depreciation:							
As at 1 January 2018	-	7,097	3,134	15,366	217	-	25,814
Charge for the year	-	28	13	1,537	-	-	1,578
Disposals	-	-	-	(106)	-	-	(106)
As at 31 December 2018	-	7,125	3,147	16,797	217	-	27,286
Charge for the year	-	28	44	1,566	-	-	1,638
Disposals	-	-	-	(117)	-	-	(117)
As at 31 December 2019	-	7,153	3,191	18,246	217	-	28,807
Carrying amount:							
As at 31 December 2019	266,000	832	362	6,600	181	-	273,975
As at 31 December 2018	256,100	860	102	8,114	181	141	265,498

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. The right-of-use asset relating to leasehold land is presented under property, plant and equipment.

Property, plant and equipment of the Group and the Company with carrying amounts of $658.3 million and $267.2 million (2018: $633.9 million and $257.1 million) respectively are pledged as securities for the Group's and the Company's bank loans as disclosed in Notes 16 and 19.

In 2018, certain leasehold land has been reclassified to freehold land as the revised title deed issued has been converted to freehold.

In 2019, the Group carried out a review of the recoverable amount of its leasehold land and building. The review led to the write back of an impairment loss of $77,000 based on valuation performed by independent appraiser, Henry Butcher Malaysia on open market basis as at 31 December 2019.

Fair value measurement of freehold land

Revaluation increase/decrease is recognised only for freehold hotel land in accordance with the Group's accounting policies.

The Group engaged independent professional valuers to assist management in assessing the fair values of freehold land. Information relating to significant estimates involved in valuation of freehold land are provided in Note 3. The estimated fair values as at the end of each reporting period of the Group's freehold land are as follows:

	2019 $'000	2018 $'000
The Group		
Freehold land:		
- Singapore	443,100	428,900
- Malaysia	29,705	28,590
- Thailand	50,250	45,066
The Company		
Freehold land	266,000	256,100

As at 31 December 2019, had freehold hotel land been carried at historical cost, their aggregate carrying amount would have been approximately $73.1 million (2018: $73.1 million) for the Group and $1.0 million (2018: $1.0 million) for the Company.

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Fair values of the Group's freehold and leasehold land and hotel buildings were estimated using inputs which are considered as Level 3 in the fair value hierarchy. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

	Valuation Methodology	Significant unobservable inputs (Level 3)	Inputs 2019	Inputs 2018
Freehold land and hotel buildings in Singapore	Income capitalisation for land and building.	Occupancy rate (1)	80% to 90%	80% to 90%
		Room rate per day (1)	\$109 to \$134	\$106 to \$110
		Capitalisation rate (2)	4.00% to 4.25%	4.25% to 4.50%
	Residual method for land.	Depreciated replacement cost per room (1)	\$245,000 to \$330,000	\$230,000 to \$330,000
Freehold and leasehold land in Malaysia	Direct Comparison Method for land.	Price per square metre - after adjustment for differences such as location and size (1)		
		- Hotel Royal Kuala Lumpur	\$13,832	\$13,875
		- Penang	\$2,723	\$2,517
		- Baba Residences (including Baba Mansion)	\$3,768	\$2,669
Freehold land in Thailand	Direct Comparison Method for land.	Price per square metre - after adjustment for differences such as location, size, configuration and accessibility (1)		
		- Bangkok	\$16,875	\$14,700
		- Phuket	\$3,760	\$3,469

(1) Any significant isolated increases (decreases) in these inputs can result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs can result in a significantly lower (higher) fair value measurement.

15 INVESTMENT PROPERTIES

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
The Group				
Cost:				
As at 1 January 2018	30,798	75,451	1,456	107,705
Additions	-	5,845	-	5,845
Exchange adjustment	(402)	(1,938)	-	(2,340)
As at 31 December 2018	30,396	79,358	1,456	111,210
Additions	-	10,008	-	10,008
Exchange adjustment	(127)	(576)	-	(703)
As at 31 December 2019	30,269	88,790	1,456	120,515
Accumulated depreciation:				
As at 1 January 2018	-	15,916	567	16,483
Charge for the year	-	1,253	18	1,271
Exchange adjustment	-	(431)	-	(431)
As at 31 December 2018	-	16,738	585	17,323
Charge for the year	-	1,234	18	1,252
Exchange adjustment	-	(137)	-	(137)
As at 31 December 2019	-	17,835	603	18,438
Carrying amount:				
As at 31 December 2019	30,269	70,955	853	102,077
As at 31 December 2018	30,396	62,620	871	93,887

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. The right-of-use asset relating to leasehold building is presented under investment property.

Certain investment properties of the Group with carrying amounts of $80.6 million (2018: $71.8 million) are pledged as securities for the Group's bank loans (Notes 16 and 19).

The property rental income from the Group's investment properties amounted to $7.0 million (2018: $7.7 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating properties amounted to $4.7 million (2018: $4.7 million).

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

15 INVESTMENT PROPERTIES (cont'd)

Estimated fair values of investment properties

	2019 $'000	2018 $'000
Freehold land and buildings in New Zealand	64,265	60,568
Freehold land and buildings in Malaysia	28,294	27,661
Freehold buildings in Singapore	7,360	7,300
Leasehold buildings in Singapore	8,400	8,290
Freehold land and building in Singapore	36,500	36,500
	144,819	140,319

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.

Fair values of the Group's investment properties (disclosed above but not used as a basis of accounting in the statement of financial position) were estimated using inputs which are considered as Level 3 in the fair value hierarchy. The fair values for the properties were estimated after considering the results of various valuation techniques. Details of valuation techniques and significant unobservable inputs used in the fair value measurement were as follows:

	Valuation Methodology	Significant unobservable inputs (Level 3)
Freehold land and buildings in New Zealand	Investment Method	Capitalisation rate on adopted market rental profile (2) Growth rate (1) Rates to discount cash flows to present value (2)
Freehold land and buildings in Malaysia	Direct Comparison Method	Price per square metre of gross floor area (1)
Freehold and leasehold land and buildings in Singapore	Direct Comparison Method	Price per square metre of strata floor area (1)

(1) Any significant isolated increases (decreases) in these inputs can result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs can result in a significantly lower (higher) fair value measurement.

15 INVESTMENT PROPERTIES (cont'd)

The Company	Freehold land $'000	Freehold buildings $'000	Total $'000
Cost:			
As at 1 January 2018 and 31 December 2018	15,080	10,911	25,991
Additions	-	9	9
As at 31 December 2019	15,080	10,920	26,000
Accumulated depreciation:			
As at 1 January 2018	-	2,353	2,353
Charge for the year	-	385	385
As at 31 December 2018	-	2,738	2,738
Charge for the year	-	386	386
As at 31 December 2019	-	3,124	3,124
Carrying amount:			
As at 31 December 2019	15,080	7,796	22,876
As at 31 December 2018	15,080	8,173	23,253

16 BANK LOANS

	The Group	
	2019 $'000	2018 $'000
Short-term bank loans (secured)	3,857	3,700
Long-term bank loans (secured)		
- current portion (Note 19)	5,517	4,175
	9,374	7,875

Short term bank loans of the Group bear variable interest ranging from approximately 2.73% to 4.96% (2018: 2.25% to 4.82%) per annum. The above bank facilities are secured on mortgages of subsidiaries' freehold land and buildings, leasehold land, and certain investment properties with aggregate carrying amounts as disclosed in Notes 14 and 15.

Reconciliation of liabilities arising from financing activities

Group	As at 1 January $'000	Financing cash flows (i) $'000	Non-cash changes: Foreign exchange movement $'000	As at December 31 $'000
Bank loans and long-term bank loans (Notes 16 and 19)				
2019	105,033	7,640	2,721	115,394
2018	152,771	(48,556)	818	105,033

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

17 OTHER PAYABLES

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Outside parties	4,833	6,234	84	319
Subsidiaries	-	-	28,070	27,498
Financial guarantee contract liabilities	-	-	2,697	3,394
Total	4,833	6,234	30,851	31,211
Less: Amount payable within 12 months (shown under current liabilities)	(4,780)	(6,185)	(2,781)	(3,713)
Amount payable after 12 months	53	49	28,070	27,498

Other payables comprise mainly amounts outstanding for ongoing costs.

Amounts owing to subsidiaries are unsecured and bear interest at 2.60% (2018: 2.42%) per annum.

18 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	
	2019	2018
	$'000	$'000
Present value of unfunded defined benefit obligations	895	772
Payable:		
Within 1 year	70	45
Later than 1 year but not later than 2 years	84	65
Later than 2 years but not later than 5 years	313	357
Later than 5 years	428	305
	895	772

Changes in the present values of the defined benefit obligations since the beginning of year arise from changes in current service costs incurred, less benefits paid. Such changes are recorded in the statement of profit or loss.

Defined benefit obligations for subsidiaries in Malaysia and Thailand have been valued by qualified independent actuaries. The projected unit credit method is used in the valuations.

Principal actuarial assumptions used for the purpose of the actuarial valuations were as follows:

	The Group	
	2019	2018
	%	%
Discount rate	1.5 to 4.4	2.75 to 5.25
Expected rate of salary increases	4.0 to 6.0	3.0 to 6.0

19 LONG-TERM BANK LOANS

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Outside parties	111,537	101,333	37,601	32,281
Less: Amount due for settlement within 12 months (Note 16)	(5,517)	(4,175)	-	-
Amount due for settlement after 12 months	106,020	97,158	37,601	32,281

During the year, the Group's and the Company's long term bank loans bear interest ranging from 2.73% to 4.96% and 2.56% to 2.95% (2018: 2.25% to 4.91% and 2.26% to 2.90%) per annum respectively.

The Group's and the Company's long term bank loans are secured against the land and buildings (Note 14) and investment properties (Note 15).

The borrowing rates for the bank loans are repriced monthly or quarterly based on benchmark market rates. Management is of the view that the carrying amounts of these bank loans approximate their fair values.

20 DEFERRED TAX LIABILITIES

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Movement in deferred tax balance during the year				
Balance at beginning of year	19,301	19,450	989	750
Arising from revaluation of freehold hotel land	811	-	-	-
Charge to profit or loss for the year	17	91	-	11
Under provision in prior year	160	181	31	228
Exchange adjustment	161	(421)	-	-
Balance at end of year	20,450	19,301	1,020	989

Components of deferred tax balance	Accelerated tax depreciation	Others	Total
	$'000	$'000	$'000
The Group			
At 1 January 2018	14,738	4,712	19,450
Charge to profit or loss for the year	91	181	272
Exchange adjustment	-	(421)	(421)
At 31 December 2018	14,829	4,472	19,301
Arising from revaluation of freehold hotel land	-	811	811
Charge to profit or loss for the year	17	160	177
Exchange adjustment	-	161	161
At 31 December 2019	14,846	5,604	20,450

20 DEFERRED TAX LIABILITIES (cont'd)

	Accelerated tax Depreciation & Others
	$'000
The Company	
At 1 January 2018	750
Charge to profit or loss for the year	239
At 31 December 2018	989
Charge to profit or loss for the year	31
At 31 December 2019	1,020

Subsidiaries have unutilised tax losses and capital allowances carryforward of approximately $47.1 million (31 December 2018: $44.6 million) which are available for offset against future taxable profits of the subsidiaries, subject to the approval by the Malaysian and Thailand tax authorities. As at 31 December 2019 and 31 December 2018, no deferred tax asset is recorded as there is no reasonable assurance of the ability to utilise the tax losses in the foreseeable future.

No deferred tax liability has been recognised in respect of undistributed earnings of foreign subsidiaries which would be subject to withholding tax if transferred out of the country. The Group is in a position to control the timing of the transfer of these retained earnings and do not expect the retained earnings to be remitted such as to attract withholding tax in the foreseeable future.

21 SHARE CAPITAL

	The Group and the Company			
	2019	2018	2019	2018
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
At beginning of year	100,800	84,000	150,665	100,438
Issue of new ordinary shares under rights issue	-	16,800	-	50,227
At end of year	100,800	100,800	150,665	150,665

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

In 2018, an aggregate rights issue of 16,800,000 new ordinary shares at an issue price of $3.00 for each rights share on the basis of one rights share for every five shares in the capital of the Company held by the Shareholders was completed.

The rights shares rank *pari passu* in all respects with the then existing shares for any dividends, rights, allotments or other distributions.

22 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 *Operating Segments* (see Note 28).

	The Group	
	2019	2018
	$'000	$'000
Hotel operations:		
- Room revenue	35,907	36,502
- Food and beverage revenue	8,913	9,422
- Spa revenue	971	1,218
- Car park revenue	1,305	1,217
Properties investments - Rental income from:		
- Investment properties	6,964	7,689
- Premises within hotels	2,770	2,904
Financial investments:		
- Interest income from investments	69	69
- Dividend income from:		
- Quoted equity investments	224	371
- Unquoted equity investments	95	44
Others	472	644
	57,690	60,080

Room revenue, food and beverage revenue, spa revenue, and car park revenue are recorded at a point in time.

As of 31 December 2019, and 31 December 2018, there was no performance obligation that was unsatisfied or partially satisfied, other than performance obligations to be rendered during the remaining period, which generally cover a period of a year.

23 OTHER INCOME

	The Group	
	2019	2018
	$'000	$'000
Gain on disposal of property, plant and equipment	-	21
Fair value gain on financial assets at FVTPL	151	-
Foreign exchange adjustment gain	1,188	406
Allowance for expected credit losses no longer required	2	87
Write back of prior years' impairment loss on leasehold land	77	-
Other income	335	440
	1,753	954

24 FINANCE COSTS

	The Group	
	2019	2018
	$'000	$'000
Interest on bank loans	4,048	4,228

25 PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

	The Group	
	2019	2018
	$'000	$'000
Staff costs (including directors' remuneration)	15,757	15,387
Cost of defined contribution plans included in staff costs	960	888
Directors' remuneration:		
- Directors of the subsidiaries (key management personnel)	626	607
Proposed directors' fee:		
- Directors of the Company	237	233
- Directors of the subsidiaries (key management personnel)	130	122
Audit fees paid to:		
- Auditors of the Company	317	280
- Other auditors	171	179
Non-audit fees paid to:		
- Auditors of the Company	44	35
- Other auditors	20	10
Depreciation of property, plant and equipment	7,001	7,409
Depreciation of investment properties	1,252	1,271
Loss (Gain) on disposal of property, plant and equipment *	2	(21)
Allowance for expected credit losses *	12	70
Net fair value (gain) loss on financial assets at FVTPL *	(93)	433
Net foreign exchange adjustment gain *	(978)	(276)
Bad debt expense *	-	4

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

26 INCOME TAX EXPENSE

	The Group	
	2019	2018
	$'000	$'000
Current tax	3,037	3,155
Withholding tax	208	190
Deferred tax	17	91
	3,262	3,436
Under (Over) provision in prior years:		
- current tax	93	(247)
- deferred tax	160	181
	253	(66)
Total income tax expense	3,515	3,370

26 INCOME TAX EXPENSE (cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

	The Group	
	2019	2018
	$'000	$'000
Income tax expense at 17% rate	1,424	1,753
Difference due to foreign tax rates	83	92
Non-deductible items	1,208	1,058
Withholding tax	208	190
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	377	436
Under (Over) provision in prior years	253	(66)
Tax exemption and rebate	(56)	(112)
Other items	18	19
Total income tax expense	3,515	3,370

27 EARNINGS PER SHARE

Basic earnings per share is calculated on the Group profit after tax of $4.862 million (2018: $6.942 million) divided by weighted average number of 100,800,000 (2018: 92,345,000) ordinary shares.

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

28 SEGMENT INFORMATION

Products and services of the Group

The Group is primarily engaged in the following operations:

- Owning and operating hotels and providing ancillary services ("hotel operations").
- Owning and letting out investment properties ("property investments").
- Holding financial investments such as shares, bonds and funds to generate income through interest and dividends, and also for potential capital appreciation ("financial investments").

Definition of operating segments and reportable segments of the Group

For the purpose of reporting to the Group's chief operating decision-maker for resource allocation and assessment of operational performance, the information is organised in the following manner:

- Hotel operations - information is reported on individual hotel basis.
- Property investments - information is reported on individual property basis.
- Financial investments - information is reported on overall performance of the investment portfolio.

The above forms the basis of determining an operating segment of the Group. For the purpose of reporting segment information externally, the following reportable segments are identified:

- Hotel operations
  - Singapore
  - Malaysia
  - Thailand

- Property investments
  - Singapore
  - New Zealand
  - Malaysia

- Financial investments

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

I Revenue

	External		Inter-segment		Total	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Hotel operations						
Singapore	24,757	25,348	-	-	24,757	25,348
Malaysia	8,514	9,000	-	-	8,514	9,000
Thailand	16,348	16,842	-	-	16,348	16,842
	49,619	51,190	-	-	49,619	51,190
Property investments						
Singapore	850	1,118	108	112	958	1,230
New Zealand	5,870	6,282	-	-	5,870	6,282
Malaysia	962	1,006	-	-	962	1,006
	7,682	8,406	108	112	7,790	8,518
Financial investments	389	484	2,494	1,475	2,883	1,959
Segments total	57,690	60,080	2,602	1,587	60,292	61,667

II Net profit

	Total	
	2019	2018
	$'000	$'000
Hotel operations		
Singapore	5,505	7,111
Malaysia	(961)	(628)
Thailand	4,281	4,118
	8,825	10,601
Property investments		
Singapore	407	753
New Zealand	1,900	2,283
Malaysia	795	828
	3,102	3,864
Financial investments	498	75
Segments total	12,425	14,540
Finance costs	(4,048)	(4,228)
Profit before income tax	8,377	10,312
Income tax expense	(3,515)	(3,370)
Profit after income tax	4,862	6,942

28 SEGMENT INFORMATION (cont'd)

III Segment assets and liabilities

	Segment assets		Segment liabilities	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Hotel operations				
Singapore	514,872	500,994	3,300	2,416
Malaysia	67,155	58,473	1,611	3,107
Thailand	116,818	107,565	3,243	3,329
	698,845	667,032	8,154	8,852
Property investments				
Singapore	28,037	26,724	155	174
New Zealand	69,016	59,718	2,420	1,112
Malaysia	11,406	11,407	809	835
	108,459	97,849	3,384	2,121
Financial investments	29,181	29,046	27	20
Segments total	836,485	793,927	11,565	10,993
Unallocated items	2,089	13,466	138,640	127,050
Consolidated total	838,574	807,393	150,205	138,043

IV Other segment information

	Depreciation		Additions to non-current assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Hotel operations				
Singapore	2,867	3,023	1,418	775
Malaysia	1,982	2,119	3,640	2,298
Thailand	2,152	2,267	1,307	620
	7,001	7,409	6,365	3,693
Property investments				
Singapore	446	444	9	-
New Zealand	628	646	9,999	5,845
Malaysia	178	181	-	-
	1,252	1,271	10,008	5,845
Consolidated total	8,253	8,680	16,373	9,538

28 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore	25,996	26,904	524,825	513,957
Malaysia	9,476	10,033	92,192	89,710
New Zealand	5,870	6,289	65,289	56,577
Thailand	16,348	16,854	112,127	103,634
	57,690	60,080	794,433	763,878

29 OPERATING LEASE ARRANGEMENTS

The Group and Company as lessor

Disclosure required by SFRS(I) 16

Operating leases, in which the group is the lessor, relate to investment property owned by the Group with lease terms of between 1 to 8 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The unguaranteed residual values do not represent a significant risk for the group, as they relate to property which is located in a location with a constant increase in value over the last 8 years. The group did not identify any indications that this situation will change.

Maturity analysis of operating lease payments:

	2019	
	The Group	The Company
	$'000	$'000
Year 1	8,008	2,024
Year 2	3,785	1,356
Year 3	2,590	880
Year 4	2,362	840
Year 5	1,600	564
Year 6 and onwards	2,591	-
	20,936	5,664

Disclosure required by SFRS(I) 1-17

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

29 OPERATING LEASE ARRANGEMENTS (cont'd)

The Group and Company as lessor (cont'd)

Disclosure required by SFRS(I) 1-17 (cont'd)

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:

	2018	
	The Group	The Company
	$'000	$'000
Within one year	7,441	798
In the second to fifth years inclusive	9,723	1,046
After fifth year	3,345	-
	20,509	1,844

30 CONTINGENT LIABILITIES

Guarantees given

The Company is a guarantor for banking facilities totaling $102.5 million (2018: $98.7 million) obtained by subsidiaries. The fair values of the financial guarantee is about $2.7 million (2018: $3.4 million). The maximum amount that the Company could be obliged to settle in the event that the guarantees are called upon is $71.4 million (2018: $72.7 million) based on facilities used by the subsidiaries at the end of the year.

31 CAPITAL EXPENDITURE COMMITMENTS

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	10,120	10,389	-	-

32 DIVIDENDS

In 2019, the Company declared and paid a first and final tax-exempt and special dividend of $0.050 and $0.010 per ordinary share respectively totaling $6.042 million in respect of the financial year ended 31 December 2018.

In 2018, the Company declared and paid a first and final tax-exempt dividend of $0.050 per share on the ordinary shares of the Company totaling $4.200 million in respect of the financial year ended 31 December 2017.

Subsequent to 31 December 2019, the directors of the Company recommended that a first and final tax-exempt dividend be paid at $0.025 per ordinary share respectively totaling $2.520 million for the financial year just ended on the ordinary shares of the Company. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

33 SUBSEQUENT EVENT

Coronavirus outbreak subsequent to the reporting period is expected to have a significant impact on the business and operation of the Group. Given the dynamic nature of the circumstances, the related impact on the Group's financial statements could not be reasonably estimated at this stage. The related impacts will be reflected in the Group's 2020 financial statements.

Statistics of Shareholdings

As at 18 March 2020

ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020

Issued and fully paid-up capital	:	S$151,129,496
No. of shares issued	:	100,800,000
Class of shares	:	Ordinary Shares
Voting rights	:	One Vote Per Share
No. of treasury shares and subsidiary holdings	:	Nil

** This is based on records kept with the Accounting & Corporate Regulatory Authority ("ACRA") and differs from the accounting records of the Company which is S$150,665,201 due to certain share issue expenses.

Size of Shareholdings			No. of Shareholders	% of Holders	No. of Shares	% of Shares
1	-	99	61	4.58	348	0.00
100	-	1,000	290	21.75	116,631	0.12
1,001	-	10,000	665	49.89	2,864,212	2.84
10,001	-	1,000,000	306	22.96	20,323,267	20.16
1,000,001 AND ABOVE			11	0.82	77,495,542	76.88
TOTAL:			**1,333**	**100.00**	**100,800,000**	**100.00**

Based on the information provided and to the best knowledge of the Directors, approximately 26.41% of the issued ordinary shares of the Company is held in the hands of the public as at 18 March 2020 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 18 MARCH 2020

No.	Name of Shareholders	No. of Shares	% of Shares
1	Aik Siew Tong Ltd	24,343,200	24.15
2	Great Eastern Life Assurance Co Ltd - Participating Fund	11,168,414	11.08
3	Hock Tart Pte Ltd	10,979,680	10.89
4	Melodies Limited	9,576,000	9.50
5	Asia Building Berhad	8,250,480	8.19
6	Singapore-Johore Express Pte Ltd	4,289,040	4.26
7	Citibank Nominees Singapore Pte Ltd	3,063,499	3.04
8	Hong Leong Finance Nominees Pte Ltd	1,674,900	1.66
9	Chan Tai Moy	1,653,500	1.64
10	Chip Keng Holding Berhad	1,386,000	1.38
11	DBS Nominees Pte Ltd	1,110,829	1.10
12	Wee Aik Koon Pte Ltd	991,500	0.98
13	The Great Eastern Trust Private Limited	889,279	0.88
14	Morph Investments Ltd	762,000	0.76
15	Season Holdings Pte Ltd	720,960	0.72
16	OCBC Securities Private Ltd	685,211	0.68
17	Tan Cheh Tian (Chen Jingzhen)	508,000	0.50
18	Liu Ping-Nan Phyllis	505,500	0.50
19	Tan Hock Teng	468,500	0.46
20	Mellford Pte Ltd	466,800	0.46
		83,493,292	**82.83**

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2020 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	0.04	12,993,680	12.89
Lee Chou Tart (2)	-	-	12,979,680	12.88
Aik Siew Tong Ltd (3)	24,343,200	24.15	13,865,040	13.76
Hock Tart Pte Ltd (4)	10,979,680	10.89	26,343,200	26.13
The Great Eastern Life Assurance Co Ltd (5)	11,172,446	11.08	-	-
Great Eastern Holdings Limited (6)	-	-	12,065,757	11.97
Oversea-Chinese Banking Corporation Limited (7)	-	-	12,065,757	11.97
Asia Building Bhd (8)	8,250,480	8.19	1,386,000	1.38
Melodies Limited (3)	9,576,000	9.50	-	-
Other Shareholders				
The Singapore-Johore Express (Private) Limited (3)	4,289,040	4.26	-	-
Chip Keng Holding Bhd (8)	1,386,000	1.38	-	-

Note:

(1) Lee Chou Hor George owns 24.84% of the share capital of Hock Tart Pte Ltd ("**Hock Tart**"). He is deemed interested in the shares held by Hock Tart. Additionally, Lee Chou Hor George is deemed interested in the shares held by his spouse.

(2) Lee Chou Tart owns 24.84% of the share capital of Hock Tart. He is deemed interested in the shares held by Hock Tart.

(3) Aik Siew Tong Ltd ("**AST**") holds 83.4% and 69.1% of the share capital of Melodies Limited ("**Melodies**") and The Singapore-Johore Express (Private) Limited ("**S-J Express**") respectively and is deemed to be interested in the 9,576,000 shares and 4,289,040 shares held by Melodies and S-J Express respectively.

(4) Hock Tart Pte Ltd holds 31.7% of the share capital of AST and is therefore deemed interested in the shares held by AST. Hock Tart is also deemed to have an interest of 2,000,000 shares held by its nominee, Oversea-Chinese Bank Nominees Pte Ltd.

(5) The Great Eastern Life Assurance Co Ltd is the wholly-owned subsidiary of Great Eastern Holdings Limited. Great Eastern Holdings Limited is therefore deemed interested in the 11,172,446 shares (of which 4,032 shares are registered in the name of DBS Nominees (Private) Limited).

(6) Great Eastern Holdings Limited is deemed interested in the 12,065,757 shares which made up of 11,172,446 shares as aforementioned; 889,279 shares registered in the name of its subsidiary, The Great Eastern Trust Private Limited; and 4,032 shares registered in the name of DBS Nominees (Private) Limited (for the beneficial interest of The Great Eastern Trust Private Limited).

(7) Oversea-Chinese Banking Corporation Limited is deemed to be interested in the shares held by Great Eastern Life Assurance Company Ltd through Great Eastern Holdings Ltd.

(8) Chip Keng Holding Bhd is the wholly-owned subsidiary of Asia Building Bhd. Asia Building Bhd is deemed interested in the 1,386,000 shares held by Chip Keng Holding Bhd.

Notice of Annual General Meeting

Notice is hereby given that the 51st Annual General Meeting of Hotel Royal Limited will be held at the Hotel Royal @ Queens, Royal Ballroom, Level 3, 12 Queen Street, Singapore 188553 on Saturday, 27 June 2020 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend of 2.5 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2019. (FY2018: 5 cents per ordinary share) **(Resolution 2)**

3. To approve the payment of Directors' fees of S$236,500 for the financial year ended 31 December 2019. (FY2018: S$233,250) **(Resolution 3)**

4. To re-elect Mr Lee Khin Tien who is retiring in accordance with Article 117 of the Company's Constitution and who, being eligible, offers himself for re-election, as Director of the Company. **[See Explanatory Note (i)]** **(Resolution 4)**

5. To re-elect Dr Tan Kim Song who is retiring in accordance with Article 117 of the Company's Constitution and who, being eligible, offers himself for re-election, as Director of the Company. **[See Explanatory Note (ii)]** **(Resolution 5**)

6. To re-elect Dr Lee Chu Muk who is retiring in accordance with Article 102 of the Company's Constitution and who, being eligible, offers himself for re-election, as Director of the Company. **[See Explanatory Note (iii)]** **(Resolution 6)**

7. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

8. To transact any other ordinary business of an Annual General Meeting of which due notice shall have been given.

AS SPECIAL BUSINESS

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

9. **Authority to Issue Shares**

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

(A) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro rata basis, then the aggregate number of shares to be issued under such circumstances (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below); and

(b) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Sin Chee Mei
Company Secretary

Singapore,
9 April 2020

Notice of Annual General Meeting

EXPLANATORY NOTES:

(i) Mr Lee Khin Tien will, upon re-election as a Director of the Company, remain as a member of the Audit and Risk Committee, Remuneration Committee and Nominating Committee. Mr Lee Khin Tien is a Non-Executive and Non-Independent Director. Detailed information on Mr Lee Khin Tien can be found under the "Board of Directors", "Corporate Governance Report" and "Disclosure of information on Directors seeking re-election" sections in the Company's Annual Report.

(ii) Dr Tan Kim Song will, upon re-election as a Director of the Company, remain as the Chairman of Audit and Risk Committee and a member of the Remuneration Committee and Nominating Committee. He is considered to be independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Detailed information on Dr Tan Kim Song can be found under the "Board of Directors", "Corporate Governance Report" and "Disclosure of information on Directors seeking re-election" sections in the Company's Annual Report.

(iii) Dr Lee Chu Muk will, upon re-election as a Director of the Company remain as a Non-Executive and Non-Independent Director of the Company. Detailed information on Dr Lee Chu Muk can be found under the "Board of Directors", "Corporate Governance Report" and "Disclosure of information on Directors seeking re-election" sections in the Company's Annual Report.

(iv) Ordinary Resolution 8, if passed, will authorize and empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting, to issue further shares and to make or grant convertible securities convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50 per cent of the total number of issued shares excluding treasury shares and subsidiary holdings of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 per cent of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTES:

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

2. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated. "Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore.

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

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.

PRECAUTIONARY MEASURES AGAINST COVID-19

In view of the COVID-19 situation, we may be required to change our AGM arrangements at short notice. For any subsequent changes to the AGM, we will provide an update via announcement. The Company reserves the right to take such precautionary measures as may be required or recommended by government agencies and SGX at the AGM, in order to minimize the risk of community spread of COVID-19. The following steps will be taken for shareholders and others attending the AGM to minimize the risk of community spread of the COVID-19:

1. All persons attending the AGM will be required to undergo a temperature check and submit a health and travel declaration which will be used for the purpose of contact tracing, if required.
2. Any person who is placed under quarantine order or stay-home notice, irrespective of nationality will be declined entry to the AGM.
3. Any person who has fever will be declined entry to the AGM. We may also at our discretion deny entry to persons exhibiting flu-like symptoms.
4. To reduce close contact, there will not be any food served at the AGM.

Shareholders who are feeling unwell on the date of the AGM are advised not to attend the AGM. Shareholders are also advised to arrive at the AGM venue early given that the above-mentioned measures may cause delay in the registration process.

Shareholders who wish to exercise their vote without physically attending the AGM are encouraged to send in their votes in advance by proxy. They can consider appoint the Chairman as their proxy to vote on their behalf as the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimize any risk to shareholders and others attending the AGM.

The Company seeks the understanding and cooperation of all shareholders to minimize the risk of community spread of the COVID-19.

Disclosure Of Information On Directors Seeking Re-Election

Mr Lee Khin Tien, Dr Tan Kim Song and Dr Lee Chu Muk are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR LEE KHIN TIEN	DR TAN KIM SONG	DR LEE CHU MUK
Date of Appointment	31 December 1996	2 March 2015	27 April 2019
Date of last re-appointment	29 April 2017	29 April 2017	N.A.
Age	68	59	40
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lee Khin Tien for re-appointment as Non-Independent and Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Lee Khin Tien possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Dr Tan Kim Song for re-appointment as an Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Dr Tan Kim Song possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Dr Lee Chu Muk for re-appointment as Non-Executive and Non-Independent Director of the Company. The Board have reviewed and concluded that Dr Lee Chu Muk possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g.) Lead ID, AC Chairman, AC Member etc.)	Non-Executive Director and a member of the Audit and Risk Committee, Remuneration Committee and Nominating Committee	Independent Non-Executive Director, Chairman of the Audit and Risk Committee and a member of Remuneration Committee and Nominating Committee	Non-Executive and Non-Independent Director
Professional qualifications	Bachelor of Science (Biology) from Nanyang University	Bachelor of Arts (First Class Honours) in Economics from Adelaide University Ph.D from Yale University	Bachelor of Medicine and Bacherlor of Surgery (MBBS) from National University of Singapore

	MR LEE KHIN TIEN	DR TAN KIM SONG	DR LEE CHU MUK
Working experience and occupation(s) during the past 10 years	Director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited with businesses ranging from real estate, bus transportation and plantation.	A faculty member in the School of Economics in Singapore Management University. Associate Professor of Singapore Management University	General Practitioner in M Medical Clinic (2013 – Present) Freelance General Practitioner (2012 – 2013) Freelance Medical Officer in Changi General Hospital (2009 – 2012)
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 282,240 ordinary shares Deemed Interest: Nil ordinary shares	Nil Nil	Nil Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries.	Brother of Mr Lee Kin Hong, the Non-Executive and Non-Independent Director. Uncle of Dr Lee Chu Muk, the Non-Executive and Non-Independent Director, Mr Lee Chou Hock, the Chief Executive Officer and Mr Lee Chou Hor George and Mr Lee Chou Tart, the substantial shareholders.	No	Nephew of Mr Lee Khin Tien and Mr Lee Kin Hong, the Non-Executive and Non-Independent Directors. Cousin of Mr Lee Chou Hock, the Chief Executive Officer and Mr Lee Chou Hor George and Mr Lee Chou Tart, the substantial shareholders.
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships	Director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited	Associate Professor of Singapore Management University	General Practitioner in M Medical Clinic
Past (for the last 5 years)	Nil	Nil	Nil
Present	Director of Aik Siew Tong Limited Director of Melodies Limited Director of Singapore-Johore Express (Private) Limited	Nil	Director – Hong Ching Private Limited Alternate Director – The Singapore – Johore Express (Private) Limited

Disclosure Of Information On Directors Seeking Re-Election

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

		MR LEE KHIN TIEN	DR TAN KIM SONG	DR LEE CHU MUK
a)	Whether at any time during the last 10 years, an application or petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or any time within 2 years from the date he ceased to be a partner?	No	No	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or whether that entity is the trustee of a business trust, that business trust, on the group of insolvency?	No	No	No
c)	Whether there is any unsatisfied judgement against him?	No	No	No
d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud of dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

		MR LEE KHIN TIEN	DR TAN KIM SONG	DR LEE CHU MUK
f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law of regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation of dishonesty on his part?	No	No	No
g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

		MR LEE KHIN TIEN	DR TAN KIM SONG	DR LEE CHU MUK
j)	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

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

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

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 51st Annual General Meeting ("AGM") of the Company, to be held at the Hotel Royal @ Queens, Royal Ballroom, Level 3, 12 Queen Street, Singapore 188553 on Saturday, 27 June 2020 at 2.30 p.m. and at any adjournment thereof.

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

No.	Resolutions	For*	Against*
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 31 December 2019		
2.	Declaration of First and Final Dividend		
3.	Approval of payment of Directors' Fees		
4.	Re-election of Mr Lee Khin Tien as Director		
5.	Re-election of Dr Tan Kim Song as Director		
6.	Re-election of Dr Lee Chu Muk as Director		
7.	Re-appointment of Auditors and fixing their remuneration		
8.	Authority to Issue Shares		

* NOTES: If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes "For" or "Against" for each resolution.

Dated this __________ day of ____________________ 2020

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

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

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

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

   "Relevant Intermediary" means:

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

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

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

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

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

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

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

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Seal or under the hand of its attorney or a duly authorised officer. The dispensation of the use of common seal pursuant to the Companies Act, Chapter 50 of Singapore effective from 30 March 2017 is applicable at this Annual General Meeting.

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

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

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2020.

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Hotel Royal

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