A ROYAL WELCOME

京华
Hotel Royal

ANNUAL REPORT 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT AND RISK COMMITTEE

Prof. Pang Eng Fong *(Chairman)*
COL (Ret) Rodney How Seen Shing
Mr Ng Kok Lip
Mr Lee Khin Tien

REMUNERATION COMMITTEE

Mr Ng Kok Lip *(Chairman)*
COL (Ret) Rodney How Seen Shing
Prof. Pang Eng Fong
Mr Lee Khin Tien

NOMINATING COMMITTEE

COL (Ret) Rodney How Seen Shing *(Chairman)*
Prof. Pang Eng Fong
Mr Ng Kok Lip
Mr Lee Khin Tien

COMPANY SECRETARY

Sharon Yeoh (Ms)
Wong Siew Choo (Mrs)

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel : (65) 6593 4848
Fax : (65) 6593 4847
Email : main@bacs.com.sg

REGISTERED OFFICE

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

AUDITORS

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants Singapore
6 Shenton Way
OUE Downtown 2, #32-00
Singapore 068809
Tel : (65) 6224 8288
Fax : (65) 6538 6166

AUDIT PARTNER-IN-CHARGE

Mrs Wong-Yeo Siew Eng
Appointed in 2012

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

Mr Lee Chou Hock
chlee@hotelroyal.com.sg

HOME IS WHERE THE HEART IS.

Our heart's desire is to make every guest feel right at home whenever they stay with us. We see it as an honour to serve each guest with our unique brand of Asian hospitality where a little thoughtfulness goes a long way. We have the experience, the passion and commitment to make every hospitality room a home for our guests. This is our Royal welcome.

CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange in 1968, the Group owns and operates the flagship 356-room Hotel Royal on Singapore's Newton Road, and the 231-room Hotel Royal @ Queens, located in the heart of Singapore's civic district.

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

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

The 186-room Burasari Resort, on Phuket's famous Patong Beach, received TripAdvisor's Certificate of Excellence in 2014 and HotelClub Awards 2008 for "Best Boutique Hotel" and "Best Superior Hotel".

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

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

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

GROUP'S MAJOR PROPERTIES

Location	Name of Property	Description and area	No. of Guest Rooms	Tenure	Effective Stake
HOTELS					
Singapore	Hotel Royal 36 Newton Road	Land area of about 7,200 sq m Hotel building with built-up area of approximately 23,500 sq m	356	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	276	Freehold	100%
	The Baba House No. 121, 123, 125,127 Jalan Tun Tan Cheng Lock Melaka	Land area of about 1.984 sq m of which 84% is freehold Hotel building with built-up area of approximately 3,926 sq m	97	Freehold / Leasehold	100%
Thailand	Hotel Royal Bangkok @ Chinatown Yaowaraj Road Bangkok	Land area of about 1,480 sq m Hotel building with built-up area of approximately 19,802 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	**1,719**		
INVESTMENT PROPERTIES					
Singapore	Royal Residences 1A Surrey Road	Land area of about 718 sq m Residential building with total lettable area of about 1720 sq m (The Company has a 91.63% share of the above property. The remaining 8.37% is owned by a related party)		Freehold	91.63%
	No.20 Maxwell Road #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 5,786 sq m; total lettable office area of 2,714 sq m and 88 carpark lots		Freehold	97%
New Zealand	Grand Complex Properties 16 Willis Street 22-42 Willis Street 80 Boulcott Street 84 Boulcott Street Wellington	Land area of about 6,898 sq m Shopping centre and offices with lettable retail area of 4,431 sq m; lettable office area of 20,028 sq m and 323 carpark lots		Freehold	100%


Hotel Royal Kuala Lumpur


Baba House


Royal Residences


Burasari Resort


Hotel Royal@Queens

Hotel Royal Penang

Hotel Royal Bangkok@Chinatown

GROUP'S FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
For the year ($'000)					
Revenue	56,687	51,208	52,541	48,807	39,951
Earnings before interest, taxation, depreciation and amortization (EBITDA)	24,747	21,702	25,269	16,169	16,447
Gross Profit	30,004	26,001	27,767	25,625	21,104
Net Profit attributable to owners of the Company	11,178	9,642	13,745	5,890	5,048
Finance Costs	(3,627)	(3,003)	(3,211)	(2,529)	(1,528)
Cash from Operating Activities	14,709	15,132	12,749	12,910	10,611
Capital Expenditure	24,549	10,165	6,639	33,657	56,951
At year end ($'000)					
Total Assets	725,750	629,946	504,982	455,807	407,177
Total Liabilities	187,810	122,071	121,792	121,389	99,799
Total Equity	537,940	507,875	383,190	334,418	307,378
Cash and Cash Equivalents	17,834	20,100	21,725	19,436	25,841
Property, Plant & Equipment	577,840	485,494	365,311	325,987	279,144
Investment Properties	97,310	96,687	93,770	90,436	84,377
Total Borrowings	154,839	93,910	95,738	95,701	78,399
Asset Revaluation Reserve	339,497	317,502	198,177	158,977	132,077
Financial Ratios (SGD)					
Revenue growth (%)	10.70	(2.54)	7.65	22.17	12.52
Net Profit growth (%)	15.93	(29.85)	133.36	16.68	(52.45)
Adjusted Net Assets Value (ANAV)($'million)[2]	701.57	659.86	532.69	468.02	407.58
Debt to ANAV (times)	0.22	0.14	0.18	0.20	0.19
Per Share Information					
Earnings per share (cents) before Income Tax [1]	16.98	15.87	20.43	11.28	15.27
Earnings per share (cents) after Income Tax [1]	13.31	11.48	16.36	7.01	6.72
Net Assets Value (NAV) per share ($)[2]	6.40	6.05	4.56	3.98	3.66
Adjusted Net Assets Value (ANAV) per share ($)[2]	8.35	7.86	6.34	5.57	4.85
Dividend per share - Ordinary shares ($)	0.05	0.05	0.05	0.05	0.05
Market capitalisation ($'million) at year end	319.20	264.60	236.88	166.32	170.50

(1) The weighted average number of ordinary shares of 84,000,000 for 2011 to 2014 and 75,108,932 for 2010 have been adjusted to reflect the rights issue during 2010.

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

VALUE-ADDED STATEMENT

	2014 $'000	2013 $'000
Revenue earned	56,687	51,208
Less: cost of sales	(26,683)	(25,207)
Gross value-added from operations	**30,004**	**26,001**
Other income	3,406	2,956
Other expenses	(2,575)	(1,702)
Net foreign exchange adjustment gain (loss)	155	(367)
Total value-added	**30,990**	**26,888**
Distribution:		
To employees in salaries and other related costs	12,008	9,857
To government in corporate and other taxes	3,089	3,688
To providers of capital:		
- Interest paid on borrowing from banks	3,627	3,003
Retained for re-investment and future growth		
- Depreciation and amortisation	6,853	5,369
- Accumulated profits	5,762	4,866
Non-production costs and income:		
- Bad debts written off	29	-
- Bad debt recovered	(12)	-
- Allowance for doubtful receivables	201	578
- Write back of allowance for doubtful receivables	(712)	(114)
- Impairment loss on available-for-sale investments	145	55
- Allowance for diminution in value of unquoted investment	-	270
- Reversal of impairment loss on an investment property	-	(684)
Total distribution	**30,990**	**26,888**
PRODUCTIVITY DATA		
Number of employees	557	563
Value-added per employee ($'000)	55.64	47.76
Value-added per $ of employee cost	2.58	2.73
Value-added per $ revenue earned	0.55	0.53
Value-added per $ of investment in investment properties, property, plant and equipment	0.04	0.04

CORPORATE MILESTONES

1968

Incorporated and listed on Main Board of Stock Exchange

1969

Construction of hotel commenced

1972

Hotel commenced operations

1992

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

1995

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

2004

Purchased Dapenso Building at 158 Cecil Street Singapore

Purchased Hotel Royal @ Queens at Queen Street Singapore

2007

Disposal of Dapenso Building at Cecil Street Singapore

Acquired Star Mansion at 1A Surrey Road Singapore

2008

Purchased Hotel Royal Penang and Penang Plaza at Penang, Malaysia

2010

Acquired Hotel Royal Kuala Lumpur in Kuala Lumpur, Malaysia

2011

Acquired Hotel Royal Bangkok@Chinatown at Bangkok, Thailand

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

2014

Acquired Burasari Resort in Phuket, Thailand

2015

Acquired The Baba House at Melaka, Malaysia

CHAIRMAN'S MESSAGE

Dear Shareholders,

Despite a challenging year, the Group achieved a creditable performance, with net profit rising 15.9% to $11.2 million in FY2014, on the back of a 10.7% increase in Group revenue to $56.7 million. This was boosted by the maiden contribution from our newly-acquired Burasari Resort in Phuket, improved room and occupancy rates at our hotels in Malaysia, and higher rental income from our investment properties in New Zealand, Singapore and Malaysia. Our Singapore hotels experienced lower occupancy rates and downward adjustments of room rates to counter keen competition.

As a result, the Group's earnings per share for the year rose from 11.48 cents to 13.31 cents in 2014 while net assets value per share increased from $6.05 to $6.40 as at 31 December 2014.

Professional valuation has placed the total market value of the Group's hotel and investment properties at $836.3 million as at 31 December 2014 against a total net book value of $649.8 million, thereby resulting in a revaluation surplus (net of tax effect) of $163.6 million. The Group only recognized valuation surplus on freehold hotel land. Had the revaluation surplus (net of tax effect) arising from investment properties and freehold hotel buildings been included in the net assets value, the net assets value per share (after revaluation) would have surged from $6.40 to $8.35 as at 31 December 2014.

DIVIDEND

Grateful, as always, for the support of our shareholders, the Directors are pleased to recommend a one-tier tax-exempt first and final dividend of five cents per ordinary share – amounting to $4.2 million in dividend payout. This proposed dividend, if approved by shareholders at the forthcoming Annual General Meeting to be held on 25 April 2015, will be paid out in May 2015.

GROWTH BY ACQUISITIONS

Moving ahead, the Group intends to continue its strategy of growth through acquisitions, particularly in the Asia-Pacific region. FY2014 was a busy year for us – in July, we acquired the Burasari Resort in Phuket and more recently, the 97-room heritage boutique hotel - The Baba House – located in the heart of Melaka, Malaysia.


Moving ahead, the Group intends to continue its strategy of growth through acquisitions, particularly in the Asia-Pacific region.

The Group is financially healthy with adjusted net assets value as at 31 December 2014 amounting to approximately $701.57 million, and net gearing ratio hovering around 22.1%. We envisage that we have sufficient headroom to execute further acquisitions.

OUTLOOK FOR 2015

Recent estimates from the Singapore Tourism Board indicated that international visitor arrivals to Singapore declined by 3.1% to 15.1 million in 2014 year-on-year, particularly from the top 4 markets - Indonesia, China, Malaysia and Australia. Amongst these, visitors from China recorded the biggest decline – at 24% year-on-year, largely due to the implementation of China's Tourism Law, regional socio-political issues and recent aviation incidents in the region.

With slower growth in tourist arrivals to Singapore, exacerbated by the strengthening of the Singapore dollar against regional currencies and the volatility of the global economy, along with the increased room inventory and shortage of manpower in Singapore, the Group expects a more challenging year ahead.

Notwithstanding, we will continue to focus on improving service quality and enhancing our value proposition in order to retain existing customers and widen our customer base. We look forward to higher contributions from Hotel Royal Bangkok @ Chinatown which recently completed a major upgrading and soft-opened in December 2014.

The Group will also continue to actively market its investment properties in New Zealand so as to maximize rental income. The Group's profitability will continue to be influenced by the foreign exchange fluctuations such as NZD, USD, RM and THB against the SGD as well as changes in our investment portfolio.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to taking better care of the physical and social environment that our hotels operate in. We hope to further align our long-term business strategies with the universal values of achieving positive and sustainable outcomes for all of our stakeholders. Some of the initiatives that we initiated include tapping solar energy to generate hot water for Hotel Royal (Newton) in Singapore and the Burasari Resort in Phuket. These projects generated good savings in energy costs for the two hotels, and we intend to extend this programme to the other properties in the Group. Another project pertaining to the collection of used newspapers and magazines for recycling has proven successful and will be expanded to the other hotels as well.

A WORD OF APPRECIATION

We would like to express our appreciation and gratitude to Mr Ng Kok Lip who will retire following the conclusion of the forthcoming Annual General meeting on 25 April 2015. Mr Ng has been our Independent Non-Executive Director since 2003 and contributed significantly to the Group's expansion and growth in the last twelve years.

A warm welcome to Associate Professor Tan Kim Song, a full-time faculty member of Singapore Management University's School of Economics since 2003, who joined the Board on 2 March 2015 as an Independent Non-Executive Director.

We also wish to thank all of our valued shareholders, loyal customers and business partners for their support during a most arduous year. In addition, I would like to thank my fellow directors for their invaluable counsel and contributions as we steer the Group towards higher levels of growth. To the Management and all of our staff – thank you for your tireless dedication and uncompromising professionalism as you go all out to make every guest feel at home.

Dr Lee Keng Thon
Chairman

28 March 2015

BOARD OF DIRECTORS

DR LEE KENG THON, 71

Dr Lee Keng Thon was appointed to the Board of Directors on 8 September 1971. He was last re-appointed as a director on 26 April 2014 and was appointed the Chairman of the Company on 29 April 2006.

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

COL (RET) HOW SEEN SHING, 72

COLONEL (Ret) Rodney How was appointed to the Board on 26 February 1986 and is currently the Chairman of the Nominating Committee and a member of the Audit and Risk and Remuneration Committees. He was last re-appointed as a director on 26 April 2014.

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

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

BOARD OF DIRECTORS

MR NG KOK LIP, 73

Mr Ng Kok Lip was appointed to the Board of Directors on 1 January 2003 and is the Chairman of the Remuneration Committee and a member of the Audit and Risk, and Nominating Committees. He was last re-appointed as a director on 26 April 2014.

He is the Managing Director of Beng Kim Holdings Pte Ltd.

He graduated from the University of California, Berkeley with a M.A. and from the University of Singapore with a Bachelor of Science (Hons). Before joining the Group, Mr. Ng was with the University of Singapore as a lecturer and was the Managing Director of National Kap Ltd from 1970 – 1999.

PROFESSOR PANG ENG FONG, 71

Professor Pang Eng Fong was appointed to the Board of Directors on 5 December 2011 and is the Chairman of Audit and Risk Committee and a member of the Nominating and Remuneration Committees. He was last re-elected as a director on 26 April 2014.

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

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

DR TAN KIM SONG, 54

Associate Professor Tan Kim Song was appointed to the Board of Directors on 2 March 2015. Dr Tan is currently a faculty member in the School of Economics, Singapore Management University. He has previously worked in Chase, Fleet Boston and other investment banks, primarily in the fixed income market, as well as the Singapore Press Holdings.

He 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.

BOARD OF DIRECTORS

MR LEE KHIN TIEN, 63

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 27 April 2013.

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 20 years of experience in real estate and plantation business. He graduated from Nanyang University with a Bachelor of Science (Biology).

MR LEE KIN HONG, 61

Mr Lee Kin Hong was appointed to the Board of Directors on 21 June 2002 as a non-executive director. He was last re-appointed as a director on 26 April 2014.

He is currently the Managing Director of Singapore-Johore Express (Private) Limited and has more than 20 years of experience in managing commercial, industrial and residential projects.

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

SENIOR MANAGEMENT

LEE CHIN CHUAN
ADVISER

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

LEE CHOU HOCK
CHIEF EXECUTIVE OFFICER

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

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

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

TAY KOK LIANG
GROUP FINANCIAL CONTROLLER

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

WONG SIEW CHOO
GROUP REVENUE CONTROLLER

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

LEE CHU BING
GENERAL MANAGER

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


Hotel Royal@Newton Road

OPERATIONS AND FINANCIAL REVIEW

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

A) HOTEL OPERATIONS
Owning and operating hotels and providing ancillary services

The Group started the first hotel in Singapore, followed by hotels in Penang and Kuala Lumpur in Malaysia. It had expanded its hotel influence to Bangkok in Thailand and added the Burasari Resort in Phuket to its list. The latest addition to the group hotels chain is the acquisition of Baba House in Melaka, Malaysia.

B) PROPERTY INVESTMENT
Owning and letting out investment properties

The Group holds investment properties in Singapore, Malaysia and New Zealand.

C) FINANCIAL INVESTMENT
Holding financial investments which comprise financial assets such as shares, bonds, funds and other financial products, to generate a stable stream of income through interest and dividends, and also for potential capital appreciation.

Consolidated Statement of Profit or Loss (extract)
Year ended 31 December 2014

	2014 $'000	2013 $'000	Change %
Revenue			
Hotel Segment	46,800	42,721	9.5%
Properties Segment	9,260	7,920	16.9%
Investment segment	627	567	10.6%
Total revenue	**56,687**	**51,208**	**10.7%**
Less: Cost of sales	(26,683)	(25,207)	5.9%
Gross profit	**30,004**	**26,001**	**15.4%**
Less: Operating expenses	(13,096)	(10,555)	24.1%
Add: Other income	3,561	2,956	20.5%
Less: Other expenses	(2,575)	(2,069)	24.5%
Less: Finance costs	(3,627)	(3,003)	20.8%
Profit before income tax	**14,267**	**13,330**	**7.0%**
Less: Income tax expense	(3,089)	(3,688)	(16.2%)
Profit for the year attributable to owners of the Company	**11,178**	**9,642**	**15.9%**

REVENUE

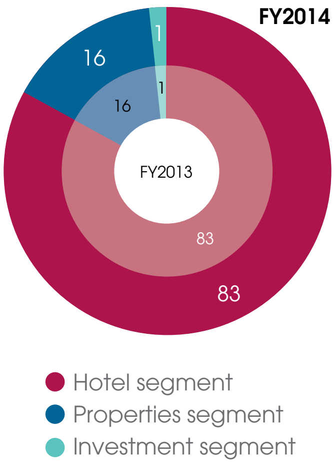
The Group's revenue comprises mainly of sales from rooms, food and beverage, rental income from investment properties, and income from financial instruments.

In FY2014 ended 31 December, the Group posted a 10.7% increase in revenue to $56.7 million, boosted by the maiden contribution from recently-acquired Burasari Resort, Phuket; improved occupancy at our Malaysia hotels and higher rental income from the Group's investment properties in New Zealand, Singapore and Malaysia. Our hotels in Singapore reported lower occupancy and room rates as a result of keen competition.

Overall, the Hotel segment performed well in 2014, rising 9.5% to $46.8 million despite the slow down in tourist arrivals in Singapore, especially from China, deterred by the political uncertainties in Thailand, the strong Singapore dollar and the unfortunate MH370 incident. The Group's Properties segment jumped by 16.9% to $9.3 million on higher occupancy of its rental properties in New Zealand, Singapore and Malaysia while its Investment portfolio benefited from the improved stock market conditions which resulted in higher fair value increase, surging 10.6% to $627,000.

Geographically, revenue from Singapore (which accounts for 56.4% of total revenue in FY2014) decreased marginally by 1.8% to $32.0 million while Malaysia (accounting for 23.1% of total revenue) improved 6.7% to $13.1 million. Thailand, accounting for 8.7% of total revenue, saw a 1,452.4% rise to $4.9 million. New Zealand, accounts for 11.8% of total revenue, show a 10.5% increase to $6.7 million.

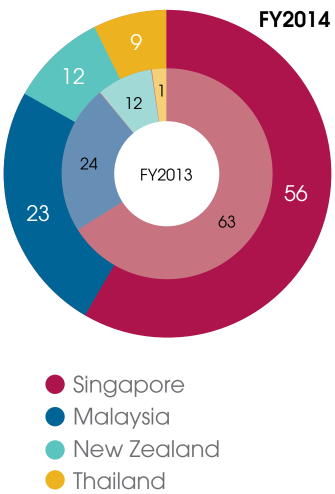
REVENUE BY SEGMENT (%)



	Financial year ended 31 Dec		Increase (Decrease)	
	2014 $'000	2013 $'000	$'000	%
Hotel segment	46,800	42,721	4,079	9.5%
Properties segment	9,260	7,920	1,340	16.9%
Investment segment	627	567	60	10.6%
	56,687	**51,208**	**5,479**	**10.7%**

The Group's revenue consists mainly of income from hospitality operations, rental income from investment properties and income from financial instruments. In 2014, the revenue from all segments increased by 10.7%, from $51.2 million to $56.7 million in 2014, due mainly to higher contribution from the increase in occupancy rate of rental properties in New Zealand, Singapore and Malaysia. The hotel segment performed well in 2014 due to upward adjustment of room rates in Malaysia and increase in food and beverage revenue. Improved stock market conditions also resulted in higher fair value increase from the investment portfolio in 2014.

REVENUE BY GEOGRAPHICAL LOCATION (%)



	Financial year ended 31 Dec		Increase (Decrease)	
	2014 $'000	2013 $'000	$'000	%
Singapore	31,966	32,549	(583)	(1.8%)
Malaysia	13,086	12,268	818	6.7%
New Zealand	6,714	6,074	640	10.5.%
Thailand	4,921	317	4,604	1,452.4%
	56,687	**51,208**	**5,479**	**10.7%**

The decrease in revenue in Singapore was due mainly to lower room, food and beverage sales resulting from downward adjustment of room rates and lower occupancy.

The increase in revenue in Malaysia was due to higher room revenue and food and beverage sales and higher rental income from Penang Plaza.

The increase in revenue in New Zealand was due to higher rental income from its investment properties.

The increase in revenue in Thailand was due to additional contribution from its newly acquired Burasari Resort in Phuket, Thailand.

PROFITABILITY

During the year in review, higher revenue from the Group's hotels helped to boost the Group's gross profit by 15.4% to $30.0 million.

Operating income from other sources rose 20.5% to $3.6 million as a result of write back of allowance for doubtful receivables no longer required, which amounted to $0.7 million by subsidiaries in Thailand, New Zealand and Malaysia, as well as higher foreign exchange gain from Malaysia subsidiaries.

Administrative expenses increased by 20.0% due to additional expenses from the acquisition of Burasari Resort and higher overhead expenses incurred by its hotels in Malaysia.

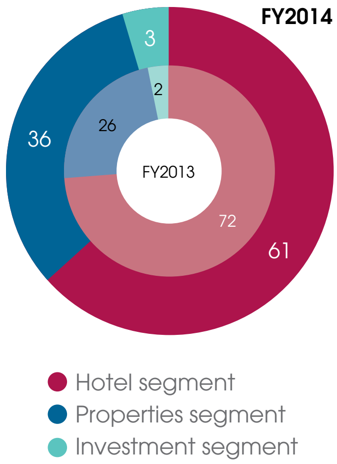
Other expenses, which comprise mainly of foreign exchange loss, allowance for doubtful receivables, bad debts and impairment loss on available-for-sale investments. The 24.5% increase in other expenses was a result of higher expenses relating to higher impairment loss on available-for-sale investments and higher foreign exchange loss from Thailand subsidiaries.

This resulted in the Group's pre-tax profit gaining 7.0% to $14.3 million. The Hotel segment, which experienced a decline of 7.1%, contributed 60.6% of profit before interest and income tax. The Properties segment, which accounted for 35.9%, saw a jump of 48.7% in pre-tax profit due to improved rental income and higher occupancy rate. Profit attributable to financial investments also increased by 82.6% due to the strengthening of the equities markets.

Geographically, profitability of our Singapore operations (which accounted for 68.0% of profit before interest and income tax in FY2014) dipped 6.4% to $12.2 million due to a decrease in room revenue and food/beverage sales as a result of lower room rates and occupancy amidst keen competitive environment and increased room inventory while Malaysia (accounting for 12.0% of pre-tax profit) declined 18.3% to $2.1 million due to higher operating expenses from its hotels offset by higher rental income from its investment properties. Thailand, accounting for 3.2% of profit contribution, surged 124.8% rise to $576,000.

With a 16.2% lower income tax expense of $3.1 million, the Group closed the year with an increase of 15.9% in net profit attributable to shareholders to $11.2 million.

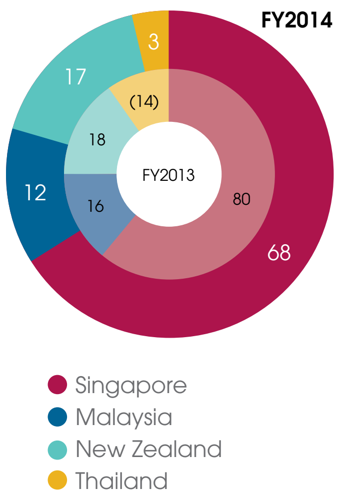
PROFITABILITY BY SEGMENT (%)



	Financial year ended 31 Dec 2014 $'000	2013 $'000	Increase (Decrease) $'000	%
Hotel segment	10,846	11,673	(827)	(7.1%)
Properties segment	6,420	4,316	2,104	48.7%
Investment segment	628	344	284	82.6%
Profit before interest and income tax	**17,894**	**16,333**	**1,561**	**9.6%**

The Group's profit before interest and income tax improved by 9.6% from $16.3 million in 2013 to $17.9 million in 2014. Major activities came from the Group's hotel operations. The property segment showed improvement of 48.7% as compared to 2013 due to improved rental income and higher occupancy rate. Profit attributable to financial investment also increased by 82.6% due to the strengthening of the stock markets that the Group invested in.

PROFITABILITY BY GEOGRAPHICAL LOCATION (%)



	Financial year ended 31 Dec 2014 $'000	2013 $'000	Increase (Decrease) $'000	%
Singapore	12,172	13,003	(831)	(6.4%)
Malaysia	2,139	2,617	(478)	(18.3%)
New Zealand	3,007	3,037	(30)	(1.0%)
Thailand	576	(2,324)	2,900	124.8%
Profit before interest and income tax	**17,894**	**16,333**	**1,561**	**9.6%**

The decrease in profit before interest and income tax in Singapore decreased mainly due to a decrease in room revenue and food and beverage sales with the downward adjustment of room rates and lower room occupancy resulting from keen competition and increase in room inventory.

The decrease in profit before interest and income tax in Malaysia was mainly due to higher operating expenses from its hotels offset by higher rental income from its investment properties.

The profit before interest and income tax in New Zealand remained constant.

The increase in profit before interest and income tax in Thailand was attributable to the write back of allowance for doubtful debts no longer needed by a Thai subsidiary of $0.7 million and the additional contribution from the newly acquired Burasari Resort in Phuket, Thailand.

CASHFLOW

In FY2014, the Group generated a net cash flow from operating activities, amounting to $14.7 million which was 2.8% lower than FY2013. This provides the Group with the necessary capital for growth and expansion.

The Group invested a total of $59.7 million in capital expenditure for acquisition of Bursari Resort in Thailand and for renovating and upgrading hotels in Singapore, Malaysia and Thailand. The net cash used for financing activities of $43.8 million was attributable to the acquisition of Bursari Resort and upgrading existing properties in Singapore and Thailand.

As at 31 December 2014, the Group posted cash and cash equivalents amounting to $17.8 million.

GROUP CASH AND CASH EQUIVALENTS

	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000	FY 2011 $'000	FY 2010 $'000
Cash on hand	154	144	148	123	126
Cash at bank	16,053	18,106	17,511	12,028	10,302
Fixed deposits	1,627	1,850	4,066	7,285	15,413
Total	**17,834**	**20,100**	**21,725**	**19,436**	**25,841**

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

Fixed deposits earn interest ranging from 2.20% to 3.30% per annum and for terms ranging from 30 to 210 days for the Group.

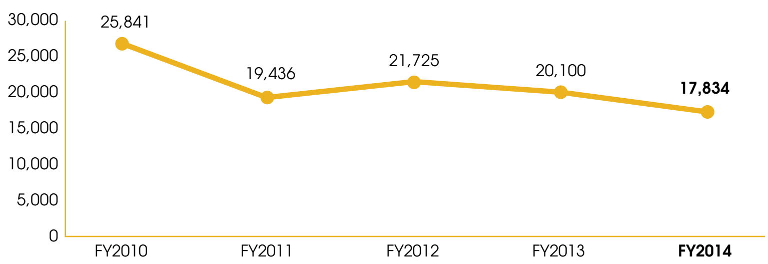
Decrease due to higher finance costs offset by additional contribution from the newly acquired Burasari Resort in Thailand and improved performance from hotels in Malaysia and investment properties in New Zealand.

Increase due to acquisition of Burasari Resort in Thailand and capital expenditure for renovation and upgrading of hotels in Singapore, Malaysia and Hotel Royal Bangkok@Chinatown in Thailand.

Increase due to additional loans to finance the acquisition of Burasari Resort in Thailand and for renovations and upgrading of existing properties in Singapore, Malaysia and Thailand.

	2014 $'000	2013 $'000
Net cash from operating activities	14,709	15,132
Net cash used in investing activities	(59,685)	(13,212)
Net cash used in financing activities	43,792	(4,640)
Net increase in cash and cash equivalents	(1,184)	(2,720)
Cash and cash equivalents at end of year	**17,834**	**20,100**

CASH AND CASH EQUIVALENTS ($'000)



GROUP BORROWINGS

	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000	FY 2011 $'000	FY 2010 $'000
Secured	154,839	93,910	95,738	95,701	78,399

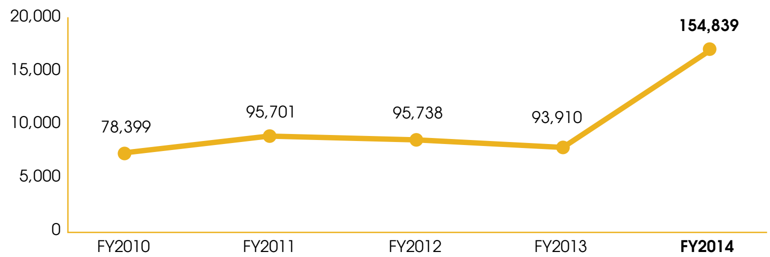
Borrowings consists of short-term bank loans, long-term bank loans and finance lease. Over the years from 2010 to 2014, the bank borrowings have increased as the Group had expanded its businesses in the Asean region with acquisitions in Malaysia and Thailand.

In 2014, the Group's long-term bank loans have increased due mainly to restructuring from some of the short-term bank loans and additional bank loans for renovations and upgrading to improve the hotel's guest rooms, food and beverage outlets, function rooms and public areas. The increase in bank loans was also attributable to the newly acquired Burasari Resort in Phuket, Thailand in July 2014.

The bank borrowings are secured by mortgages of the Company's and subsidiaries' freehold land and buildings and investment properties, including the assignment of rental proceeds of certain investment properties of certain subsidiaries and a floating charge on all the Company's and subsidiaries' assets.

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

BORROWINGS ($'000)



Statements of Financial Position (extract)
31 December 2014

	2014 $'000	2013 $'000	Change %
Total Assets	**725,750**	**629,946**	**15.2%**
- Property, plant and equipment	577,840	485,494	19.0%
- Investment properties	97,310	96,687	0.6%
- Investments	19,292	17,108	12.8%
- Inventories	587	494	18.8%
- Trade receivables and other receivables	7,617	6,136	24.1%
- Goodwill	1,829	123	1,387.0%
- Cash and bank balances	17,834	20,100	(11.3%)
Total Liabilities	**187,810**	**122,071**	**53.9%**
- Trade and other payables	8,905	8,468	5.2%
- Tax liabilities	22,857	19,330	18.2%
- Bank borrowings	154,839	93,910	64.9%
Capital and reserves	**537,940**	**507,875**	**5.9%**
- Share capital	100,438	100,438	-
- Asset revaluation reserve	339,497	317,502	6.9%
- Employee benefit reserve	171	171	-
- Fair value reserve	3,228	2,760	17.0%
- Translation reserve	(2,097)	(2,721)	(22.9%)
- Retained earnings	96,703	89,725	7.8%

The Group's total shareholders' equity grew by 5.9% to S$537.9 million as we positioned ourselves for a better performance in our core businesses and investments.

Despite the challenges that the Group faced in FY2014, it continued to progressively upgrade its hotel properties as it geared itself up to increase its market share in these key markets.

In July 2014, the Group acquired the Burasari Resort in Phuket, Thailand located in the prime tourist belt, just three minutes' walk to the famous Patong beach.

The Resort has 186 rooms and is a 4-star property that sits on freehold land of about 6,722 square metres, and gross floor area of about 11,441 square metres. The Resort comprises three main blocks of 3 to 4-storey low-rise buildings and has two swimming pools, two restaurants, lobby lounge, pool lounge and a spa.

The bulk of the capital expenditure incurred in FY2014 was for the acquisition of Burasari Resort.

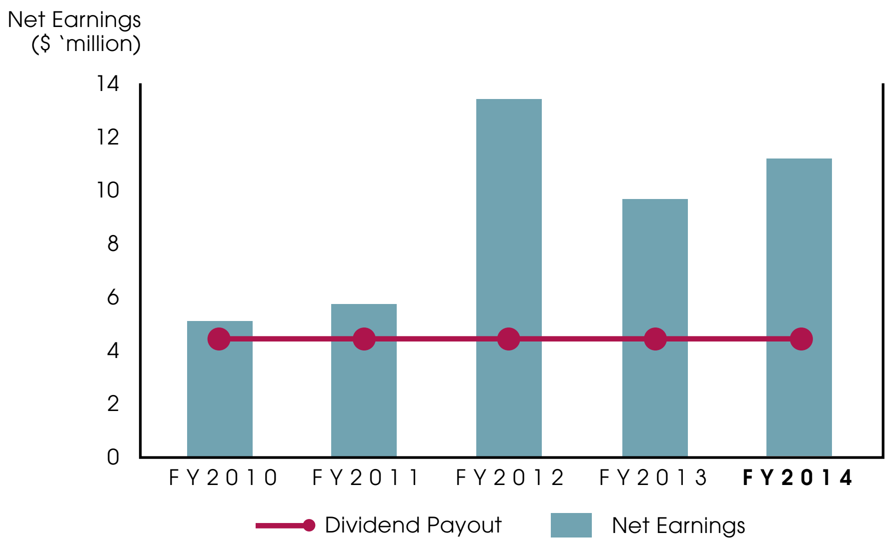
Moving ahead, the Group expects to expand its hospitality room inventory in key cities in the Asia Pacific by way of acquisitions. It will also actively upgrade and maximize rental income from its investment properties in New Zealand.

SHAREHOLDER RETURNS

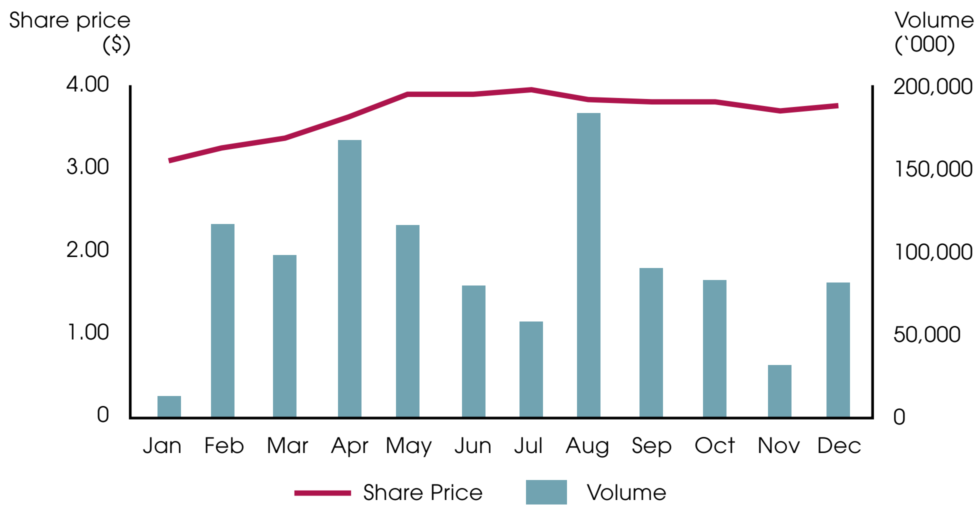
The Group's priority is to achieve long-term capital growth for shareholders. The bulk of its profits, when made, shall therefore be retained for investing in the Group's future. However, the Group will also distribute, year after year – cash flow permitting – an appropriate dividend to reward shareholders.

In 2014, the Directors are pleased to declare a one-tier, tax-exempt first and final dividend of five cents per ordinary share – amounting to $4.2 million in dividend payout. This proposed dividend, if approved by shareholders at the upcoming Annual General Meeting to be held on 25 April 2015, will be paid out in May 2015.

NET EARNINGS AND DIVIDEND PAYOUT



SHARE PRICE AND TRADING VOLUME (FY2014)



CORPORATE SOCIAL RESPONSIBILITY

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

DOING OUR PART FOR THE ENVIRONMENT

In 2014, the Group had initiated environmentally friendly activities such as:-

- Collection of used newspapers and periodicals for recycling (Hotel Royal collected more than 2,000 kg in 2014)
- Participation in `World No Tobacco Day' which falls on 31 May every year
- Collection of rainwater to water the plants and wash the bin centres

SUPPORT OF THE ARTS AND EDUCATION

During the year, we part-sponsored the printing of the book "Places of Interest and National Monuments in Singapore" by Mr Goh Ngan Hong. We also contributed complimentary hotel rooms to The Practice Theatre's overseas artistes and were appointed as its official hotel since 2004.

AN ORGANISATION WITH A HEART

Extending care and concern to the community is an important extension of Hotel Royal's service culture - which is about making Every Room A Home. We see it as part of our business to extend this sense of family to the underprivileged in our society. Every year, we, together with our employees, contribute funds and time to support various meaningful causes.

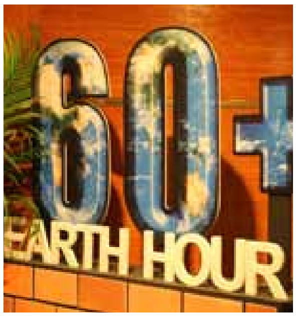
Hotel Royal Kuala Lumpur made efforts to engage in various charitable activities such as the "Back to School CSR Project" and a visit to Rumah Victory, a home for the elderly in Petaling Jaya, Malaysia.

MEDIA PREVIEW OF ORGANIC CYBER HORSE CHEONGSAM COLLECTION

Venue	Orkid Room, Hotel Royal Kuala Lumpur
Sponsorship	Media Hi-Tea at RM2,500.00 for total of 50 pax and about RM30,000 worth of sponsorship from others
Other Partners	Hideaki Fashion, 4 Models, Pee-Ka Boo, Sankom, LS (Stem Cell Series), EJS and Deli
Month	February 2014

EARTH HOUR 2014

Venue	Makan2 Restaurant, Hotel Royal Kuala Lumpur
Sponsorship	RM15,000 (Entertainer Kelly Azman as host plus Lansano Acoustic group performance for one hour)
Other Partners	Lansano Acoustic and Free Lance Entertainer Kelly Azman
Month	March 2014



A PLAYGROUND TO CALL THEIR OWN" – FOR RUMAH TUNAS HARAPAN

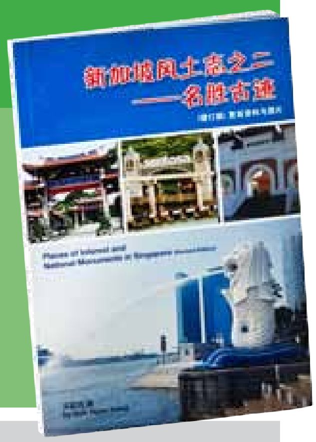
Venue	Hotel Royal Kuala Lumpur, PJ Live Art Centre at Jaya One, Rumah Tunas Harapan Tengku Ampuan Rahimah in Kuala Selangor
Sponsorship	RM10,080 (RM180.00 x 14 days x 4) complimentary room for 14 days of stay by cast of 4 for the theatre show "Do Not Let the Pigeon Drive the Bus", including all meals in Return for One show on Saturday, 11 October 2014)
Other Partners	Super Bikers Club Malaysia (SBCM), Gardner & Wife Production
Month	Ongoing from now till end of 2014

GENERATING HOT WATER THROUGH SOLAR POWER

Two of our hotels - Hotel Royal (Newton) in Singapore and Burasari Resort in Phuket initiated pilot projects to generate substantial energy savings by tapping clean power from the sun to run hot water.

PARTIAL SPONSORSHIP OF BOOK PRINTING

Part sponsorship for the printing of "Places of Interest and National Monuments in Singapore" by Mr Goh Ngan Hong.



PEOPLE REPORT

In the hospitality business, people constitutes our most valuable asset, and at Hotel Royal Group, we do not take this lightly because we know that as a hotel management company, our ability to deliver superlative service and products to our guests lies in the delivery skills and motivation of our employees who number 809 across the Group.

We place top priority in improving the critical success factors that define the Royal Welcome - positive service attitude, sincere and courteous service, well-appointed rooms, competitive room rates, security/safety – deliverables that set us apart from the competition. To ensure that these factors are continually maintained and improved, the Group has put in place a clear strategy to develop and nurture our human capital.

Over the years, we have inculcated a quality culture that defines a positive work environment that focuses on productivity for the business, personal development for our people and most importantly, memorable experiences for our guests. Apart from motivating and rewarding our employees with competitive compensation, we motivate them through various training and mentorship programmes. Our employees are provided with the appropriate training in-house as well as selected external courses to be better equipped and aligned with the Group's performance objectives and standards. Through deploying progressive workplace policies and processes, we strive to create a positive and conducive work environment for employees to contribute and grow their career paths.

In so doing, we help develop and reinforce the right service attitudes, while empowering them to deliver a service that appropriately defines the Hotel Royal brand of hospitality. Our aim is to train our employees to achieve optimal level of performance, aligning their personal goals with the Group's performance and creating a culture that is in sync with our service motto of making "Every Room A Home". We are aware that we can only live up to our credo by empowering our staff to go the extra mile and to deliver exceptional service to our guests.

H

It is our
HONOUR
to serve
every guest

O

We seize every
OPPORTUNITY
to serve with
excellence and
professionalism

M

The
MOMENT
of truth comes
when we deliver
our service well

E

We desire to
EXCEED
the expectations
of our
guests

The Group's medium-term goal is to be the preferred hotel in the mid-market segment, particularly in the corporate market as well as travel agents, training, sports, shipping, incentives, online travel and performance groups. We benchmark our performance against the best in the industry - Hotel Royal is one of the few hotel management companies with ISO, Singapore Quality Class (Star) and Singapore Service Class certifications.

360 DEGREE FEEDBACK

Regular communications session held with senior management are integral to effective flow of information and alignment of business goals and objectives across all levels of the workforce.

It is important to continually monitor how we are faring in all facets of our operations. Internally, we aim to achieve 85% in our Customer Satisfaction Surveys and a minimum of 12 compliments for every complaint received. Management is committed to reading every feedback form submitted by our guests.

Not only are we concerned about how our customers feel about our service, we are equally committed to know how our staff feel about the Company and their work environment. In our annual Employee Satisfaction Surveys – an exercise to solicit feedback about their training needs, job satisfaction, quality of the work environment, benefits and welfare – we aim to achieve a minimum of 80%.

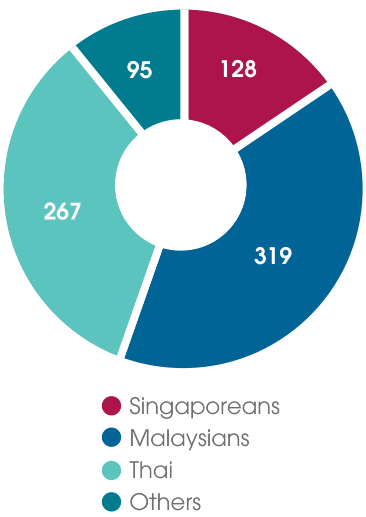
STAFF MOTIVATION

Hotel Royal motivates and rewards employees with a comprehensive and competitive compensation and benefits programmes.

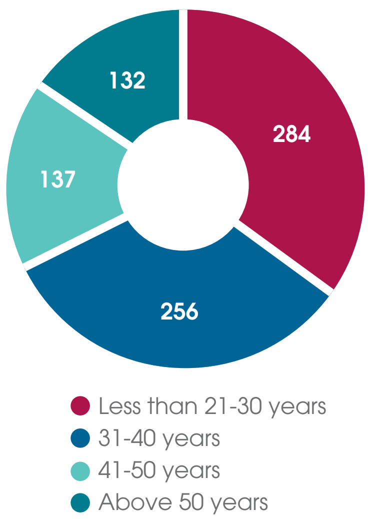
In addition, we also take extra effort to foster a positive work environment that will motivate and retain talent. Exemplary staff are singled out each month as "Outstanding Service Provider" and at the end of the year, Management will select the best performing staff amongst the 12 outstanding employees of the months as the "Outstanding Service Provider of the Year". Exceptional service providers who went out of their way to serve are identified for the "Extra Mile Awards".

GROUP EMPLOYEE PROFILE

BY NATIONALITIES



BY AGE



GOING THE EXTRA MILE FOR OUR GUESTS

Guest Relations Officer Alice Lau Yin Fun, 64, is one such employee who makes going the extra mile a regular part of her role in Hotel Royal. Her job is to look after international artistes who stay at the hotel such as The Jersey Boys who were in Singapore to perform at the Marina Bay Sands for 10 weeks in 2012. The artistes and production crew – numbering 45 – stayed at Hotel Royal Newton. During that stay, one of its production managers, Ms Yolanda, had a fall and sustained a bad bruise on her back. Alice attended to her immediately and recommended medical attention but Ms Yolanda declined because of her tight performance schedule. Alice purchased some ointment and helped her apply it on the difficult-to-reach bruise on her back. She also made arrangements to have breakfast sent to her room every morning.

On another occasion, an acrobat from Le Noir had twisted his hand during practice. Alice found out about it and immediately made arrangements to take him to a traditional chinese physician and she felt much better after that.

Backed by 7 years in the hotel trade, Alice is always intuitive when in comes to discerning the guests' needs even when they do not articulate them. On one occasion, she noticed that The Jersey Boys did not touch the dragon fruit that were in their fruit baskets. She quickly suggested that grapes and strawberries be replaced instead as she had noticed during breakfast that the artistes preferred these fruits. Remembering guests' birthdays is always an appreciated gesture, particularly when they are away from their families. Alice would have the hotel staff sign their birthday cards and have them sing to the guests when cakes are sent to their rooms.

For her outstanding service excellence, Ms Alice Lau received the Singapore Hotel Association Outstanding Star Award in 2013.

AWARDS & ACCOLADES

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

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

1997
Awarded ISO 9002 certification by Spring Singapore

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE HIGHLIGHTS

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. In compliance with the most recent revision of the Code introduced in May 2012, the Group has made more disclosures with regard to:

BOARD COMPOSITION

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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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.

BOARD MEMBERSHIP

Dr Tan Kim Song was identified by the Nominating Committee as a potential candidate for directorship at the Company. The nomination process was followed and the Board endorsed the NC's recommendation and appointed Dr Tan Kim Song as a director with effect from 2 March 2015.

Mr Ng Kok Lip will not seek re-election and will retire following the conclusion of the Annual General Meeting to be held on 25 April 2015. This allows the Board to refresh itself in an orderly and progressive manner while retaining institutional memory.

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.

CORPORATE GOVERNANCE REPORT

Preamble

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

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

1. BOARD MATTERS

1.1 The Board's Conduct of Its Affairs

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

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

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

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

Board Committees: To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit and Risk Committee ("ARC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees are chaired by independent directors and function within clearly defined terms of reference and operating procedures.

CORPORATE GOVERNANCE REPORT

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

- approval of the Group strategic objectives;
- approvals of the annual operating and capital expenditure budgets and any material changes to them;
- review of performance in the light of the Group strategic objectives and business plans;
- changes relating to the Group capital structure including reduction of capital, share issues and share buy backs;
- review of performance in the light of the Group strategic objectives, business plans;
- approval of the quarterly/half-yearly/full year's results announcements, annual reports and accounts, 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;
- approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting including approval of all circulars and prospectuses etc;
- approval of press releases concerning matters decided by the board;
- changes to the structure, size and composition of the board, including following recommendations from the NC regarding appointment, cessation of directors, members of board committees;
- determine the remuneration policy for the directors, and other senior executives including the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval;
- establish board committees and approving their terms of reference, and approving material changes thereto;
- approval of policies, including, code of conduct, share dealing code, whistle blowing policy, environment and sustainability policy, corporate social responsibility policy etc; and
- any decision likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

Board Meetings: Each Board member exercises equal responsibility in overseeing the business and affairs of the Company and objectively takes decision in the interest of the Company.

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

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

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

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

Director Orientation: A formal appointment letter is sent to all newly-appointed directors upon their appointment, explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board. All new directors are oriented by senior management with the Company's and Group's businesses and operations, its significant financial, accounting and risk management issues, its principal officers and its independent auditors.

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

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

Number of Meetings: During the financial year ended 31 December 2014, the Board held five meetings as warranted by the particular circumstances. Telephonic attendance and conference via audio-visual communication at Board's meetings are allowed by the Company's Articles of Association.

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

CORPORATE GOVERNANCE REPORT

The attendance of directors at these meetings is shown below:

Director	Board Meeting	Board Committee Meetings			Non-Executive Directors' Meeting (without presence of Management)	AGM
		Audit & Risk	Nominating	Remuneration		
Dr Lee Keng Thon	5	-	-	-	-	1
COL (Ret) Rodney How Seen Shing	5	4	1	1	1	1
Professor Pang Eng Fong	5	4	1	1	1	1
Ng Kok Lip [(a)]	4	4	1	1	1	1
Lee Khin Tien	5	4	1	1	1	1
Lee Kin Hong	5	-	-	-	-	1
Dr Tan Kim Song [(b)]	-	-	-	-	-	-
No. of Meeting Held in 2014	**5**	**4**	**1**	**1**	**1**	**1**

(a) Mr Ng Kok Lip will retire following the conclusion of the AGM to be held on 25 April 2015.

(b) Dr Tan Kim Song was appointed to the Board on 2 March 2015.

1.2 Board Composition and Guidance

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

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

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

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

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

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

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

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

57% of the Board consists of independent directors and all directors are non-executive.

The Board recognises that independent directors with long period of service on the Board will over time develop significant insights in the Group's business and operation. They can provide significant contribution to the Board. COL (Ret) How Seen Shing and Mr Ng Kok Lip have been with the Board for more than nine years and have demonstrated strong independent view in challenging management's assumptions, especially for new investment proposals and in reviewing the performance of management in creating long term value for the Company and Group. They have direct access to management so that they can seek clarifications before or after Board meetings.

Taking into consideration all of the above, the Board is of the view that both COL (Ret) How Seen Shing and Mr Ng Kok Lip are considered to be independent. The Board also recognises the need to refresh itself periodically and Mr Ng Kok Lip has expressed that he will not seek re-election and will retire following the conclusion of the AGM to be held on 25 April 2015.

The Board enjoys open, candid and robust discussion and no individual or small group of individuals dominate the Board's decision making. With 57% of the directors deemed to be independent, the Board is able to exercise independent and objective judgement on Board affairs.

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

CORPORATE GOVERNANCE REPORT

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

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

Limit on Other Directorships in Listed Entities: Other than directorships in the Company, none of the directors hold directorships in other listed company during the current and preceding three years. The Board is of the view that a director should hold no more than four directorships in listed entities for a director with full-time employment and not more than six directorships in listed entities for a director with no full-time employment.

The profile of the directors and other relevant information are set out under the Board of Directors on pages 13 to 15.

The shareholdings of the individual directors of the Company are set on page 64 of this Annual Report. None of the directors hold shares in the Company's subsidiaries.

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

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

1.3 Chairman and Chief Executive Officer

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

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

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

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

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

1.4 Board Membership

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

The Nominating Committee

NC Composition: The NC consists of four directors; namely, COL (Ret) Rodney How Seen Shing (Chairman of the NC for 2014), Mr Ng Kok Lip, Professor Pang Eng Fong and Mr Lee Khin Tien. The NC's Chairman is an independent director.

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

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

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

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

Process For Selection and Appointment of New Directors: When a vacancy arises under any circumstance, either as part of the Board renewal process or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC or the Board would determine the selection criteria and sources for candidates. The NC would make reference checks, meet up with the candidates, assess their suitability, and make recommendation to the Board. Shortlisted candidates would meet up with the other Board members before the Board approves the appointment.

Dr Tan Kim Song was identified by the NC as a potential candidate for directorship at the Company. The process above was followed and the Board endorsed the NC's recommendation and appointed Dr Tan Kim Song as a director with effect from 2 March 2015. Please refer to page 14 of this annual report for Dr Tan's profile.

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

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

The NC has recommended to the Board that Mr Lee Khin Tien (retiring pursuant to Article 117), Dr Tan Kim Song, Independent Non-Executive Director (retiring pursuant to Article 102), Dr Lee Keng Thon, Non-Executive Chairman (retiring and seeking re-election pursuant to Section 153(6) of the Companies Act), COL (Ret) Rodney How Seen Shing and Professor Pang Eng Fong, all two independent directors (retiring and seeking re-election pursuant to Section 153(6) of the Companies Act) be nominated for re-appointment at the forthcoming AGM pursuant to Article 117, Article 102 of the Company's Articles of Association and Section 153(6) of the Companies Act.

Mr Ng Kok Lip will not seek re-election and will retire following the conclusion of the AGM to be held on 25 April 2015. This allows the Board to refresh itself in an orderly and progressive manner while retaining institutional memory.

Annual Review of Directors' Independence: In recommending the above directors for re-appointment, the NC has given regard to the results of the board assessment (please refer to paragraphs under Board Performance regarding assessment of Board performance) in respect of their competencies in fulfilling their responsibilities as directors to the Board. In respect of the nomination of Dr Lee Keng Thon, Non-Executive Chairman for re-appointment as director, the NC took note that Dr Lee Keng Thon is the brother of Mr Lee Khin Tien and Mr Lee Kin Hong. The NC has also reviewed the independence of COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song. In assessing their independence, the NC having considered the guidelines set out in the Code, is of the view that COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song are independent. There are no relationships identified in the Code which would deem them not to be independent. COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong, Mr Ng Kok Lip and Dr Tan Kim Song have also declared that they are independent. Please also refer to the above paragraphs under Board Composition and Guidance on more information about the Board's view on the independence of COL (Ret) Rodney How Seen Shing and Mr Ng Kok Lip who have served more than nine years on the Board.

The Board recognises the Independent Directors' contribution and that they have over time developed an in-depth understanding of the Group's business and operations. The Independent Directors provide invaluable contributions to the Group. As such, the Board has not set a maximum term of office for each of the Independent Directors so as to allow the Board to be able to retain their service as necessary.

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

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

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment
Dr Lee Keng Thon	Non-Executive Group Chairman	8 August 1971	26 April 2014
COL (Ret) Rodney How Seen Shing	Lead Independent Non-Executive Director	26 February1986	26 April 2014
Ng Kok Lip	Independent Non-Executive Director	1 January 2003	26 April 2014
Professor Pang Eng Fong	Independent Non-Executive Director	5 December 2011	26April 2014
Dr Tan Kim Song	Independent Non-Executive Director	2 March 2015	-
Lee Khin Tien	Non-Executive Director	31 December 1996	27 April 2013
Lee Kin Hong	Non-Executive Director	21 June 2002	26 April 2014

Number of Meetings: The NC held one meeting during the financial year ended 31 December 2014.

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

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

CORPORATE GOVERNANCE REPORT

1.5 Board Performance

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

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

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

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

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

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

The performance of individual directors is evaluated annually and informally on a continual basis by the NC and the Chairman. Factors taken into account are include attendance at Board and Board Committees' meetings, industry and business knowledge and acumen in the development of the Group's strategy.

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

1.6 Access to Information

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

The Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in exercising its duties. As such, the Board expects management to report the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner.

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

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

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

Directors also have separate and independent access to the Company Secretary. The Company Secretary is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. Her responsibilities also include advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

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

2. Remuneration Matters

2.1 Procedures for Developing Remuneration Policies

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

RC Composition: The RC comprises four directors; namely Mr Ng Kok Lip (Chairman of the RC for 2014), COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Mr Lee Khin Tien. Where necessary, the Committee can engage professional help from external consultants in areas of executive compensation.

75% of the members of the Remuneration, including its Chairman, are independent, and all its members are non-executive directors.

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

- recommend to the Board a framework of remuneration for Board members as well as key executives;
- determine specific remuneration packages for each Non-Executive Director and the Chief Executive Officer; and
- review the terms, conditions and remuneration of the senior executives 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.

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

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

The RC has access to appropriate expert advice inside and/or outside the Company on remuneration of directors. For the financial year ended 31 December 2014, the RC has not consulted any external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Number of Meetings: The RC held one meeting during the financial year ended 31 December 2014.

2.2 Level and Mix of Remuneration

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

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

Board Members

The directors' fees paid to the directors are based on the number of meetings attended during the year, subject to a minimum sum. The Chairman of the Board will receive an additional allowance that is equivalent to 100% of his director's fee for the Board. The Chairman of each sub-committee will receive an additional allowance that is 50% of his director's fee for the respective sub-committee. The directors' fees are recommended by the Board for approval at the Company's Annual General Meeting. Save for the directors' fees, the Independent Directors do not receive any other forms of remuneration from the Company. The Independent Directors do not have any service agreements with the Company.

The RC is of the view that the remuneration policy and amounts paid to directors and key management personnel are adequate and in line with present market conditions.

Senior Executives
The remuneration package of senior executives consists of four parts:

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

2. *Variable for performance related income/bonuses*
   This is paid depending on the contribution of the senior executives of the Company and its subsidiaries. It usually takes the form of an end of the year ex-gratia payment.

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

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

Incentive payment to the CEO and key management personnel takes the form of an ex-gratia payment at the end of the year and forms a small portion of their total remuneration. Hence, the Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the CEO and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

2.3 Disclosure on Remuneration

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

The breakdown of remuneration of the directors of the Company for the financial year ended 31 December 2014 is as follows:

Annual Remuneration Report
Remuneration of Directors for the Year Ended 31 December 2014
(in $)

Name of Director	Director's Fee		Total
	Company*	Subsidiaries	
Dr Lee Keng Thon	48,000	14,648	62,648
COL (Ret) Rodney How Seen Shing	35,500	-	35,500
Ng Kok Lip	30,500	-	30,500
Professor Pang Eng Fong	32,000	-	32,000
Lee Khin Tien	30,000	20,197	50,197
Lee Kin Hong	24,000	16,197	40,197
Total	**200,000**	**51,042**	**251,042**

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

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Remuneration of Chief Executive Officer for the Year Ended 31 December 2014 (in $)

Name of CEO	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chou Hock	307,134	40,767	8,581	16,197	6,475	379,154

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

Remuneration of Senior Executives of the Group for the Year Ended 31 December 2014 (in $)

Name of Key Executive	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chin Chuan Group Adviser	122,057	14,340	13,183	-	5,527	155,107
Lee Chou Hor George General Manager (Key Subsidiaries)	274,966	39,154	4,649	19,424	20,650	358,843
Lee Chu Bing General Manager of Hotel Royal @ Queens	124,570	18,671	-	-	13,601	156,842
Tay Kok Liang, Group Accounts Controller	115,272	7,684	739	-	5,951	129,646
Wong Siew Choo Group Revenue Controller	85,167	-	767	-	4,847	90,781

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

Mr Lee Chou Hock (Chief Executive Officer) and Mr Lee Chou Hor George (General Manager, Key Subsidiaries) are the nephews of the Non-Executive Chairman, Dr Lee Keng Thon and Non-Executive Directors, Mr Lee Khin Tien and Mr Lee Kin Hong.

Mr Lee Chu Bing is the son of Dr Lee Keng Thon. Mdm Tay Kok Liang is the niece and Mrs Wong Siew Choo is the sister of Dr Lee Keng Thon respectively.

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

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

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

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

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

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

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

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

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

Monthly management accounts of the Company and key subsidiaries are provided to the Board on a monthly basis.

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

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

3.2 Risk Management and Internal Control

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

(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 Factor and Risk Management is included in Page 61 in this Annual Report.

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

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

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

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

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Board with the concurrence of the ARC is of the opinion that the Company's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2014.

For the financial year ended 31 December 2014, the Board and the ARC have received assurance from the CEO and the GFC on the adequacy and effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

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

3.3 Audit and Risk Committee

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

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

ARC Composition: Members of the ARC comprise four directors; namely Professor Pang Eng Fong (Chairman of the ARC), COL (Ret) Rodney How Seen Shing, Mr Ng Kok Lip, and Mr Lee Khin Tien. 75% of the members of the Audit and Risk Management, including its Chairman, are independent.

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

Number of Meetings: The ARC held four meetings during the financial year ended 31 December 2014.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

Based on Group's framework of internal controls put in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board with the concurrence of the ARC is of the view that the internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate as at 31 December 2014.

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

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

The ARC is satisfied that the appointment of external auditors is in compliance with the requirements of Rule 712 and 715 of the SGX-ST Listing Manual. Accordingly, the ARC has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming annual general meeting. Rule 716 of the Listing Manual of the SGX-ST is not applicable as the same auditing firm is appointed for the Company and its subsidiaries.

For the year ended 31 December 2014, the Group incurred an aggregate of $433,000 to the external auditors, of which was $370,000 was for audit services and $63,000 was for non audit services.

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

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

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

Whistle-Blowing: The ARC has established a whistle-blowing policy. Allegatlions on serious matters relating to financial reporting, illegal or unethical conduct can be reported directly to COL (Ret) Rodney How Seen Shing, current Chairman of the NC and Mr Ng Kok Lip, current 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 the financial year ended 31 December 2014.

3.4 Internal Audit

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

The Company has engaged a public accounting company, Philip Liew & Co., to perform the internal audit function. The internal audit work carried out by the internal auditors in the financial year ended 31 December 2014 was guided by the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors.

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

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

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

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

CORPORATE GOVERNANCE REPORT

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

4.1 Communication with Shareholders

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

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

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

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

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

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

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

All materials on the quarterly and full year financial results, annual report and announcements are also available on the Company's website (www.hotelroyal.com.sg). The website also contains other useful investor-related information.

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

Proxies and Observers: Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs. Subject to legislative amendment to the Companies Act of the relevant provision regarding appointment of proxies, the Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies. However, the Company allows shareholders who hold shares through nominees to attend the Annual General Meeting as observers without being constrained by the two-proxy rule.

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

A first and final dividend of 5 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2014 has been proposed for shareholders' approval at the coming AGM on 25 April 2015.

4.2 Greater Shareholder Participation

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Group has adopted an internal code which prohibits the directors and key executives of the Group from dealing in the Company's share during the period of two weeks and one month immediately preceding the announcement of the Company's quarterly and full-year results respectively or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

6. MATERIAL CONTRACTS

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

7. INTERESTED PERSON TRANSACTIONS

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

The Company's disclosure in interested person transactions for the financial year ended 31 December 2014 is set out on page 102 of this Annual Report. There were no interested person transactions in excess of $100,000 per transaction entered into by the Company and Group for the year under review or have been entered into since the end of the previous financial year ended 31 December 2014.

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

8. CODE OF CONDUCT AND ETHICS FOR EMPLOYEES

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

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

RISK FACTORS AND RISK MANAGEMENT

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

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

Financial Risks

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

1. **Credit Risk**

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

   The Group has no significant concentration of credit risk.

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

2. **Interest Rate Risk**

   The Group is exposed to interest rate risk through the impact of rate changes on interest rate bearing liabilities and assets. Those exposures are managed as far as possible by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

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

3. **Foreign Currency Risk**

   The Group has investments in funds under management of certain banks and cash deposits which are exposed to foreign exchange risk arising from the exchange rate movements of the United States dollar, the Euro, the Australian dollar, the British pound, the Malaysian ringgit, the Hong Kong dollar and the Thai baht vis-à-vis the Singapore dollar. In addition, the Group is exposed to currency translation risk as it has significant subsidiaries operating in New Zealand, Malaysia and Thailand. For the year ended 31 December 2014, approximately 8% (2013: 10%) of the Group's net assets is denominated in Malaysian ringgit and approximately 9% (2013: 10%) and 14% (2013: 4%) are denominated in New Zealand dollars and Thai baht respectively.

4. **Price Risk**

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

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

RISK FACTORS AND RISK MANAGEMENT

5. Liquidity Risk

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

As at 31 December 2014, the Company has net current assets of $0.7 million due to restructuring of short-term bank loans to long-term bank loans during the year. In 2013 the total current liabilities exceeded total current assets by $26.3 million for the Company.

The Group's net current asset of 31 December 2014 was $3.1 million (2013: $1.8 million).

Management assesses the availability of credit facilities and compliance with loan covenants on an on-going basis and no matters have been drawn to its attention that the roll-over of the short-term financing may not be forthcoming or that covenants have been breached. The Group and the Company have unutilised credit facilities totaling $151.9 million (2013: $152.9 million) and $106.3 million (2013: $96.0 million) respectively.

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

6. Capital Risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity comprising share capital disclosed in Note 22, reserves and retained earnings; and debt which comprise bank borrowings and leases disclosed in Note 16, 18 and 20.

The Group reviews the capital structure on an annual basis. As a part of this review, the Group considers the cost of capital and the risks associated with each class of capital. The Group seeks to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the obtaining of new debts, refinancing or redemption of existing debts.

The Group's overall strategy remains unchanged from 2013. The bank loans require the Group to comply with certain covenants such as debt to security ratio. The Group is compliant with these covenants.

General Business Risks

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

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

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

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

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

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

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors present their report 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 2014.

1 DIRECTORS

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

Dr Lee Keng Thon
Col (Ret) Rodney How Seen Shing
Ng Kok Lip
Professor Pang Eng Fong
Lee Khin Tien
Lee Kin Hong
Dr Tan Kim Song (Appointed on 2 March 2015)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors and companies in which interests are held	*Shareholdings registered in name of directors*		*Shareholdings in which directors are deemed to have an interest*	
	At beginning of year	*At end of year*	*At beginning of year*	*At end of year*
The Company	*Ordinary shares*		*Ordinary shares*	
Dr Lee Keng Thon	534,800	534,800	-	-
Lee Khin Tien	235,200	235,200	-	-
Lee Kin Hong	77,280	77,280	336,000	336,000

The directors' interests as disclosed above remained unchanged at 21 January 2015.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations as disclosed in the financial statements.

5 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.

6 AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee comprise four directors, namely Professor Pang Eng Fong (Chairman of the Audit and Risk Committee), COL (Ret) Rodney How Seen Shing, Ng Kok Lip, and Lee Khin Tien.

The Audit and Risk Committee held four meetings during the financial year ended 31 December 2014 and performed the following functions:

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

(b) Review the financial statements and balance sheet and profit and loss accounts including reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance, before submission to the Board for approval;

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS (cont'd)

6 AUDIT AND RISK COMMITTEE (cont'd)

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

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

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

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

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

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

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Dr Lee Keng Thon

....
Lee Khin Tien

28 March 2015

STATEMENT OF DIRECTORS

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 set out on pages 69 to 130 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, 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.

ON BEHALF OF THE DIRECTORS

....
Dr Lee Keng Thon

....
Lee Khin Tien

28 March 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HOTEL ROYAL LIMITED AND ITS SUBSIDIARIES

Report on the Financial Statements

We have audited the consolidated financial statements of Hotel Royal Limited (the "Company") and its subsidiaries (the "Group") which comprise the statement of financial position of the Group and of the Company as at 31 December 2014, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 69 to 130.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Public Accountants and
Chartered Accountants
Singapore

28 March 2015

STATEMENTS OF FINANCIAL POSITION

31 December 2014

	Note	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
ASSETS					
Current assets					
Cash and bank balances	6	17,834	20,100	3,073	3,061
Held-for-trading investments	7	6,267	5,144	798	534
Available-for-sale investments	8	8,702	7,940	1,601	2,028
Trade receivables	9	5,046	4,018	1,653	1,239
Other receivables, deposits and prepaid expenses	10	2,571	2,118	339	683
Inventories		587	494	258	258
Income tax recoverable		7	-	-	-
Total current assets		41,014	39,814	7,722	7,803
Non-current assets					
Deferred tax assets	21	104	53	-	-
Subsidiaries	11	-	-	142,154	97,912
Available-for-sale investments	8	4,323	4,024	1,413	1,348
Other asset	12	3,330	3,751	-	-
Goodwill	13	1,829	123	-	-
Property, plant and equipment	14	577,840	485,494	237,347	236,336
Investment properties	15	97,310	96,687	24,832	24,529
Total non-current assets		684,736	590,132	405,746	360,125
Total assets		725,750	629,946	413,468	367,928
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	16	26,567	26,678	-	18,750
Trade payables		4,983	5,519	2,083	3,220
Other payables	17	3,922	2,949	3,728	10,737
Current portion of finance lease	18	35	12	-	-
Income tax payable		2,376	2,812	1,178	1,351
Total current liabilities		37,883	37,970	6,989	34,058

STATEMENTS OF FINANCIAL POSITION (cont'd)

31 December 2014

	Note	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Non-current liabilities					
Other payables	17	668	-	24,484	-
Retirement benefit obligations	19	541	363	-	-
Long-term bank loans	20	128,192	67,206	43,488	-
Finance lease	18	45	14	-	-
Deferred tax liabilities	21	20,481	16,518	432	432
Total non-current liabilities		149,927	84,101	68,404	432
Capital and reserves					
Share capital	22	100,438	100,438	100,438	100,438
Asset revaluation reserve		339,497	317,502	206,108	206,108
Employee benefit reserve		171	171	-	-
Fair value reserve		3,228	2,760	642	656
Translation reserve		(2,097)	(2,721)	-	-
Retained earnings		96,703	89,725	30,887	26,236
Total equity		537,940	507,875	338,075	333,438
Total liabilities and equity		725,750	629,946	413,468	367,928

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Note	The Group	
		2014	2013
		$'000	$'000
Revenue	23	56,687	51,208
Cost of sales		(26,683)	(25,207)
Gross profit		30,004	26,001
Distribution costs		(1,291)	(714)
Administrative expenses		(11,805)	(9,841)
Other income	24	3,561	2,956
Other expenses		(2,575)	(2,069)
Finance costs	25	(3,627)	(3,003)
Profit before income tax	26	14,267	13,330
Income tax expense	27	(3,089)	(3,688)
Profit for the year attributable to owners of the Company		11,178	9,642
Basic earnings per share (cents)	28	13.31 cents	11.48 cents

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	The Group 2014 $'000	2013 $'000
Profit for the year		11,178	9,642
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		-	171
Increase in valuation of freehold land - hotels	14	22,108	119,942
Deferred tax relating to revaluation gains on land		(113)	(617)
Total		21,995	119,496
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments:			
Fair value gain recognised in fair value reserve		236	379
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments		232	(152)
Exchange differences on translation of foreign operations		624	(480)
Total		1,092	(253)
Other comprehensive income for the year, net of tax		23,087	119,243
Total comprehensive income for the year attributable to owners of the Company		34,265	128,885

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital $'000	Asset revaluation reserve $'000	Employee benefit reserve $'000	Fair value reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
The Group							
Balance at 1 January 2013	100,438	198,177	-	2,533	(2,241)	84,283	383,190
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	9,642	9,642
Other comprehensive income for the year	-	119,325	171	227	(480)	-	119,243
Total	-	119,325	171	227	(480)	9,642	128,885
Transactions with owners, recognised directly in equity							
Final dividends (Note 33)	-	-	-	-	-	(4,200)	(4,200)
Balance at 31 December 2013	100,438	317,502	171	2,760	(2,721)	89,725	507,875
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	11,178	11,178
Other comprehensive income for the year	-	21,995	-	468	624	-	23,087
Total	-	21,995	-	468	624	11,178	34,265
Transactions with owners, recognised directly in equity							
Final dividends (Note 33)	-	-	-	-	-	(4,200)	(4,200)
Balance at 31 December 2014	100,438	339,497	171	3,228	(2,097)	96,703	537,940

	Share capital $'000	Asset revaluation reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
The Company					
Balance at 1 January 2013	100,438	123,108	683	23,809	248,038
Profit for the year, representing total comprehensive income for the year	-	83,000	(27)	6,627	89,600
Transactions with owners, recognised directly in equity					
Final dividends (Note 33)	-	-	-	(4,200)	(4,200)
Balance at 31 December 2013	100,438	206,108	656	26,236	333,438
Profit for the year, representing total comprehensive income for the year	-	-	(14)	8,851	8,837
Transactions with owners, recognised directly in equity					
Final dividends (Note 33)	-	-	-	(4,200)	(4,200)
Balance at 31 December 2014	100,438	206,108	642	30,887	338,075

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	The Group	
	2014	2013
	$'000	$'000
Operating activities		
Profit before income tax	14,267	13,330
Adjustments for:		
Depreciation expense	6,853	5,369
Impairment loss on available-for-sale investments	145	55
Dividend income	(434)	(364)
Interest income	(193)	(203)
Allowance for doubtful receivables	201	578
Bad debt written off	29	-
Interest expense	3,627	3,003
Gain on disposal of available-for-sale investments	(232)	(229)
Write back of past years' impairment an investment property	-	(684)
Allowance for diminution in value of unquoted investment	-	270
Write back of allowance for doubtful receivables	(712)	(114)
Bad debt recovered	(12)	-
Fair value gain on held-for-trading investments	(110)	(102)
Operating cash flows before movements in working capital	23,429	20,909
Available-for-sale investments	(351)	(97)
Held-for-trading investments	(1,013)	989
Trade and other receivables	(194)	(2,219)
Inventories	196	41
Trade and other payables	(1,361)	738
Cash generated from operations	20,706	20,361
Interest paid	(3,627)	(3,003)
Interest received	193	203
Dividend received	434	364
Income tax paid	(2,997)	(2,793)
Net cash from operating activities	14,709	15,132

	The Group	
	2014	2013
	$'000	$'000
Investing activities		
Acquisition of a subsidiary (Note 34)	(35,046)	-
Purchase of available-for-sale investments	(5,715)	(7,520)
Proceeds from disposal of property, plant and equipment	-	2
Proceeds from disposal of available-for-sale investments	5,560	4,458
Additions to property, plant and equipment (Note A)	(22,142)	(8,010)
Additions to investment properties	(2,342)	(2,142)
Net cash used in investing activities	(59,685)	(13,212)
Financing activities		
Proceeds from bank loans	107,721	3,183
Repayment of bank loans	(59,726)	(3,677)
Fixed deposits pledged to banks	8	64
Repayment of finance lease	(11)	(10)
Dividends paid	(4,200)	(4,200)
Net cash from (used in) financing activities	43,792	(4,640)
Net decrease in cash and cash equivalents	(1,184)	(2,720)
Cash and cash equivalents at beginning of year	19,365	20,926
Effect of currency exchange adjustment	(1,074)	1,159
Cash and cash equivalents at end of year (Note 6)	17,107	19,365

Note A

During the year, the Group acquired property, plant and equipment with aggregate cost of $22.207 million (2013 : $8.023 million) of which $65,000 (2013 : $13,000) was acquired under finance lease agreement.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
31 December 2014

1 GENERAL

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

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

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

The financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2014 were authorised for issue by the board of directors on 28 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2014, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs has no material effect on the amounts reported for the current or prior years except as disclosed below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 112 and FRS 27 (as revised in 2011) together with the amendments to FRS 110 and FRS 112 regarding the transitional guidance.

The application of the new and revised standards has no impact on the amounts recognised in the consolidated financial statements.

Impact of the application of FRS 112

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. Disclosures in Note 11 in the consolidated financial statements are consistent with the requirements in FRS 112.

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

- FRS 109 *Financial Instruments*(4)
- FRS 115 *Revenue from Contracts with Customers*(3)
- Amendments to FRS 19 (2011) *Employee Benefits: Defined Benefit Plans: Employee Contributions*(1)
- Improvements to Financial Reporting Standards (January 2014) (1)
- Improvements to Financial Reporting Standards (February 2014) (1)
- Improvements to Financial Reporting Standards (November 2014) (2)

(1) Applies to annual periods beginning on or after 1 July 2014, with early application permitted
(2) Applies to annual periods beginning on or after 1 January 2016, with early application permitted.
(3) Applies to annual periods beginning on or after 1 January 2017, with early application permitted.
(4) Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

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

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Key requirements of FRS 109:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows comprising solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each accounting period. Debt instruments that are held within a business model whose objective is achieved both by selling financial assets and by collecting contractual cash flows comprising solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of each accounting period. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Consequently, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Prior to the effective date of application of these changes, management will evaluate the potential impact of the application of the amendments to FRS 109 on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

FRS 115 introduces a 5-step approach to revenue recognition:

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

Under FRS 115, an entity recognises revenue as and when performance obligation for services is satisfied, or when control of the goods is transferred to the customer. Depending on the nature of the business, additional disclosures may be required by FRS 115.

Management is evaluating the potential impact of the application of these amendments to FRS 115 on the financial statements of the Group and of the Company in the period of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments to FRS 19 (2011) Employee Benefits: Defined Benefit Plans: Employee Contributions

The amendments permit contributions made by employees or third parties to defined benefit plans that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not solely linked to current year service are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

Management does not expect the application FRS 19 to have an impact on the financial statements of the Group.

Improvements to Financial Reporting Standards (January 2014)

The following amendments apply for annual periods beginning on or after 1 July 2014.

Standard	Topic	Key amendment
FRS 108 *Operating Segments*	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
FRS 24 *Related Party Disclosures*	Key Management Personnel	Clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

Management does not expect the application of the above Improvements to Financial Reporting Standards (January 2014) to have a significant impact on the financial statements of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (February 2014)

The following amendment applies for annual periods beginning on or after 1 July 2014.

Standard	Topic	Key amendment
FRS 113 *Fair Value Measurement*	Scope of portfolio exception	The scope of the portfolio exception for measuring the fair value of a Group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32.
		The amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.

The management is evaluating the impact of the above amendment on the financial statements of the Group and the Company.

Improvements to Financial Reporting Standards (November 2014)

The following amendment applies for annual periods beginning on or after 1 January 2016.

Standard	Topic	Key amendment
FRS 19 *Employee Benefits*	Discount rate: regional market issue	Clarifies that the depth of the market for high quality corporate bonds used in estimating the discount rate for post-employment benefits should be assessed at the currency level instead of at country level.

Management is evaluating the impact of the above amendment on the financial statements of the Group.

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

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

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

The Company has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally or through rights arising from other contractual arrangements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, 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 FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition and considered as the cost on initial recognition of an investment in an associate or a joint venture.

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date;and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets* Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2011.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effective interest method

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

Financial assets

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

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

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

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

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

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

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

Derecognition of financial assets

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

Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described below.

Derecognition of financial liabilities

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

Offsetting arrangements

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

	Number of years
Freehold buildings - hotels	45 to 80
Building improvement - hotels	10 to 25
Plant and equipment	3 to 10

Depreciation is not provided on freehold land.

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

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

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

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

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

Investment properties in the course of construction are carried at cost, less any recognised 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 commences when the assets are ready for their intended use.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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.

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

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

The Group as lessor

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

The Group as lessee

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

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.

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

Hotel room revenue is recognised based on room occupancy while other hotel related revenue is recognised when the goods are delivered or the services are rendered to the customers.

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

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

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense in profit or loss as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and Malaysia Employee Provident Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The subsidiaries operate unfunded, defined benefit Retirement Benefit Schemes ("the Schemes") for their eligible employees. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement 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. 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 in the line item employee benefits expense. Curtailment gains or losses are accounted for as past service costs.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

Recording of fair valuation gains on properties

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

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

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

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

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

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

Key sources of estimation uncertainty

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

Freehold hotel land at revalued amounts (Note 14)

Management engages independent professional valuers to assess the market values of freehold hotel land on a regular basis to ensure that their revalued carrying amounts are not materially different from their fair values as at end of the reporting period. The market values as at 31 December 2014 were assessed by independent professional valuers, taking into account open market values of similar properties in the respective countries in Singapore, Malaysia and Thailand; and the occupancy rates, room rates and rental rates of hotel premises. The valuation methods and the significant inputs impacting the estimates of fair values are described in Note 14.

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

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

Useful lives of investment properties and property, plant and equipment

Management exercises their judgement in estimating the useful lives of the depreciable assets which takes into consideration the physical conditions of the assets and their legal useful lives. Depreciation is provided to write off the cost of investment properties (Note 15) and property, plant and equipment (Note 14) over their estimated useful lives, using the straight-line method.

Unutilised tax losses and capital allowances carry forward (Note 21)

The subsidiary, Faber Kompleks Sdn. Bhd., has unutilised tax losses and capital allowances of approximately $25.2 million (2013 : $26.8 million) which is available for offset against future taxable profits of the subsidiary, subject to the approval by tax authorities. As at 31 December 2014, deferred tax asset of $0.5 million (2013 : $0.4 million) has been recognised based on expectation of realisation in the foreseeable future.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	The Group		*The Company*	
	2014	*2013*	*2014*	*2013*
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Fair value through profit or loss (FVTPL):				
Held-for-trading investments	6,267	5,144	798	534
Loans and receivables (including cash and bank balances)	24,867	27,277	82,455	39,538
Available-for-sale investments	13,025	11,964	3,014	3,376
Financial liabilities				
Amortised cost	164,412	102,378	71,652	28,327
Financial guarantee	-	-	2,131	4,380

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

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

(c) *Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

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

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

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

The Group invests in a variety of financial instruments such as bonds, fixed income funds, equity shares and structured notes with embedded derivatives as disclosed in Notes 7 and 8. These investments are subject to a variety of financial risks, including credit risk of counterparties, liquidity risk, interest rate risk, foreign currency risk, and other market risks related to prices of equity.

The Group engages professional investment managers from banks to manage the risks and returns from these investments. All investment accounts opened with professional investment managers from banks are approved by the board of directors.

For certain investment accounts (managed funds), the professional investment managers from the banks are given discretionary powers to make investment decisions on behalf of management based on specified guidelines. The risks and performance of such managed funds are measured and evaluated by the fair values of the underlying investments on an overall portfolio basis.

The maximum exposure on the investments is limited to the carrying amounts recognised in the financial statements.

There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risks. Financial risk exposures, to the extent practicable, are described below.

(d) *Exposure to financial risks*

(i) *Credit risk*

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

The Group has no significant concentration of credit risk.

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

(ii) *Interest rate risk*

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (v) below. The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets.

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

Interest rate sensitivity

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

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

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

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by approximately \$0.8 million (2013 : decrease/increase by \$0.5 million). This is mainly attributable to the Group's exposure to interest rate risk on its variable rate borrowings and its investments in quoted bonds and fixed income funds measured at fair value through profit or loss.

The above analysis may not be fully reflective of the Group's exposure to interest rate risk as the extent of interest rate sensitivity of the Group's investments may vary given the dynamic management of the portfolio and the variety of the instruments involved.

(iii) Foreign currency risk

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

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

	The Group				*The Company*			
	Assets		*Liabilities*		*Assets*		*Liabilities*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	\$'000	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*	*\$'000*
United States dollar	4,452	4,566	-	-	963	1,106	-	-
Euro	808	466	-	-	-	-	-	-
Australian dollar	544	923	-	-	-	-	-	-
British pound	167	175	-	-	-	-	-	-
Malaysian ringgit	460	-	-	-	-	-	-	-
Hong Kong dollar	451	727	-	-	316	304	-	-
Thai baht	90	611	-	-	90	611	-	-

The above amounts include balances of subsidiaries which are eliminated on consolidation in the statement of financial position but will continue to contribute to foreign currency exposures in the statement of profit or loss and other comprehensive income.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each entity in the Group. 5% is the sensitivity rate used when management assesses foreign currency risk. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their translation at the period end for a 5% change in foreign currency rates.

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

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

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

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

- Profit will increase/decrease respectively by approximately:

	The Group	
	2014	***2013***
	$'000	***$'000***
Impact arising from		
United States dollar	59	52
Euro	4	18
Australian dollar	20	20
British pound	1	-
Hong Kong dollar	18	6
Thai baht	4	31
	106	127

- Other comprehensive income will increase/decrease respectively by approximately:

	The Group	
	2014	***2013***
	$'000	***$'000***
Impact arising from		
United States dollar	164	176
Euro	36	5
Australian dollar	7	26
British pound	7	9
Hong Kong dollar	4	30
Malaysian ringgit	23	-
	241	246

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

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

	The Group	
	2014	***2013***
	%	***%***
Malaysia	8	10
New Zealand	9	10
Thailand	14	4

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

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

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

(iv) Price risk

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

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

Price sensitivity

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

- the Group's profit for the year ended 31 December 2014 would increase or decrease by approximately \$0.6 million (2013 : \$0.5 million) respectively for price changes affecting held-for-trading investments; and
- the Group's other comprehensive income would increase or decrease by approximately \$1.3 million (2013 : \$1.1 million) respectively for price changes affecting available-for-sale investments.

(v) Liquidity risk

As at 31 December 2014, the Company has net current assets of \$0.7 million due to restructuring of short-term bank loans to long-term bank loans during the year. In 2013, the total current liabilities exceeded total current assets by \$26.3 million for the Company.

The Group's net current assets at 31 December 2014 was \$3,131,000 (2013 : \$1,844,000).

Management has assessed the availability of bank credit facilities and compliance with financial covenants. At the end of the year, the Group and the Company have unutilised credit facilities totalling \$151.9 million (2013 : \$152.9 million) and \$106.3 million (2013 : \$96.0 million) respectively.

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

Liquidity and interest risk analyses

Financial liabilities

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

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

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

	Weighted average effective interest rate		*On demand or within 1 year*		*Within 2 to 5 years*		*After 5 years*		*Adjustment*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	%p.a.	*%p.a.*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Financial Liabilities												
The Group												
Non-interest bearing	NA	NA	8,905	8,468	668	-	-	-	-	-	9,573	8,468
Finance lease liability (Fixed rate)	6.98	3.80	41	13	50	15	-	-	(11)	(2)	80	26
Variable interest rate instruments	2.76	2.96	30,840	29,459	137,570	53,080	-	25,537	(13,651)	(14,192)	154,759	93,884
The Company												
Non-interest bearing	NA	NA	5,811	13,957	-	-	-	-	-	-	5,811	13,957
Variable interest rate instruments	1.60	1.63	1,087	19,054	71,626	-	-	-	(4,741)	(304)	67,972	18,750

NA: not applicable.

Financial assets

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

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

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

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

	Weighted average effective interest rate		*On demand or within 1 year*		*Within 2 to 5 years*		*Adjustment*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	% p.a.	*% p.a.*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Financial Assets										
The Group										
Non-interest bearing	NA	NA	38,209	37,068	4,323	5,467	-	-	42,532	42,535
Fixed interest rate instruments	2.33	2.08	1,666	1,888	-	-	(39)	(38)	1,627	1,850
The Company										
Non-interest bearing	NA	NA	7,364	7,526	1,413	1,348	-	-	8,777	8,874
Fixed interest rate instruments	1.66	-	349	-	22,496	-	(1,748)	-	21,097	-
Variable interest rate instruments	1.36	1.37	767	-	59,461	35,048	(3,835)	(474)	56,393	34,574

(vi) *Fair value of financial assets and financial liabilities*

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

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

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments. The long term borrowing are floating rate loans based on market interest rates and their carrying amounts approximate their fair values.

- 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. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Fair values belong to the following levels in the fair value hierarchy.

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

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

	Level 1		Level 3	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
The Group				
Held-for-trading investments				
- Quoted bonds	4,073	1,008	-	-
- Quoted fixed income funds	1,276	3,340	-	-
- Quoted money market fund	437	228	-	-
- Quoted commodity index	94	180	-	-
- Unquoted managed funds	-	-	387	388
Available-for sale investments				
- Quoted equity shares	12,252	11,454	-	-
- Unquoted equity shares	-	-	262	-

	Level 1		Level 3	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
The Company				
Held-for-trading investments				
- Quoted bonds	523	266	-	-
- Unquoted managed funds	-	-	275	268
Available-for sale investments				
- Quoted equity shares	2,503	2,865	-	-

All Level 1 investments are measured based on publicly available quoted prices. Level 3 investments are measured based on net assets of the unquoted funds. There is no investment falling within Level 2 of the fair value hierarchy.

(e) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity comprising share capital disclosed in Note 22, reserves and retained earnings; and debt which comprise bank loans and leases disclosed in Notes 16, 18 and 20.

The Group reviews the capital structure at least once a year. As a part of this review, the Group considers the cost of capital and the risks associated with each class of capital including tenure of loans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

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

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

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

	The Group	
	2014 $'000	2013 $'000
Total debt	154,839	93,910
Total assets	725,750	629,946
Total equity	537,940	507,875
Debt-to-total assets ratio (times)	0.2	0.1
Debt-to-total equity ratio (times)	0.3	0.2

The Group's overall strategy remains unchanged from 2013. The bank loans require the Group to comply with certain covenants such as debt to security ratio. The Group is compliant with these covenants.

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	
	2014 $'000	2013 $'000
Short-term benefits	978	890
Post-employment benefits	21	32
	999	922

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	
	2014 $'000	2013 $'000
Fees paid to a medical practice owned by a director	47	72
Rental paid to key management personnel for staff housing	22	22
Commission paid to a related party for property management services	37	36
Sales of food and beverage	2	1
Advertising expenses	11	13

6 CASH AND BANK BALANCES

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash on hand	154	144	78	86
Cash at bank	16,053	18,106	2,995	2,975
Fixed deposits	1,627	1,850	-	-
Total	17,834	20,100	3,073	3,061
Less: Fixed deposits pledged	(727)	(735)	-	-
Cash and cash equivalents	17,107	19,365	3,073	3,061

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

Fixed deposits earn interest ranging from 2.20% to 3.30% (2013 : 1.95% to 3.15%) per annum and for terms ranging from 30 to 210 days (2013 : 10 to 270 days) for the Group.

7 HELD-FOR-TRADING INVESTMENTS

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Quoted bonds	4,073	1,008	523	266
Quoted fixed income funds	1,276	3,340	-	-
Quoted money market fund	437	228	-	-
Quoted commodity index	94	180	-	-
Unquoted managed funds	387	388	275	268
	6,267	5,144	798	534

8 AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current assets				
Quoted equity shares	8,440	7,940	1,601	2,028
Unquoted equity share	262	-	-	-
	8,702	7,940	1,601	2,028
Non-current assets				
Quoted equity shares	3,812	3,514	902	837
Unquoted equity share - at cost	511	510	511	511
	4,323	4,024	1,413	1,348
Total	13,025	11,964	3,014	3,376

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

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

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

9 TRADE RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	5,563	4,782	1,932	1,405
Related parties [(1)]	39	41	-	-
	5,602	4,823	1,932	1,405
Less: Allowance for doubtful receivables	(556)	(805)	(279)	(166)
	5,046	4,018	1,653	1,239

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

The average credit period granted to customers is 30 days (2013 : 30 days). No interest is charged on the trade receivables.

Before accepting any new customer, the Group 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 which accounts for 10% or more of the Group's trade receivables.

The allowance for estimated irrecoverable amount has been determined based on on-going evaluation of recoverability and aging analysis of individual receivables. The Group does not hold any collateral over these balances. The age of receivables past due but not impaired amounting to $0.7 million (2013 : $0.3 million) ranges from 31 to 60 days (2013 : 31 to 60 days). In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that no further allowance is required.

Movement in the allowance for doubtful trade receivables:

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance at beginning of the year	805	836	166	218
Increase in allowance	201	96	130	62
Amounts written off during the year	(221)	-	(17)	-
Write-back of allowance	(230)	(114)	-	(114)
Exchange adjustment	1	(13)	-	-
Balance at end of the year	556	805	279	166

10 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		*The Company*	
	2014	***2013***	***2014***	***2013***
	$'000	***$'000***	***$'000***	***$'000***
Outside parties	1,683	381	238	115
Refundable deposits	304	1,817	-	549
Prepaid expenses	584	402	101	19
	2,571	2,600	339	683
Less: Allowance for doubtful receivables	-	(482)	-	-
	2,571	2,118	339	683

Movement in the allowance for doubtful other receivables:

	The Group		*The Company*	
	2014	***2013***	***2014***	***2013***
	$'000	***$'000***	***$'000***	***$'000***
Balance at beginning of the year	482	-	-	-
Increase in allowances	-	482	-	-
Write-back of allowance	(482)	-	-	-
Charge as expenses	-	482	-	-

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

In 2014, the former contractor appealed against the favourable judgement of $2.04 million awarded to the subsidiary. The case remains open and none of the claimed amount is recorded as a receivable as of 31 December 2014.

Management has in the meantime recorded the amount of $482,000 as cost of the subsidiary's hotel.

11 SUBSIDIARIES

	The Company	
	2014	***2013***
	$'000	***$'000***
Unquoted equity shares - at cost	56,564	56,564
Advances to subsidiaries	77,491	34,574
Deemed investment in subsidiaries arising from fair value of corporate guarantees given to banks which extend credit facilities to the subsidiaries	8,099	6,774
	142,154	97,912

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

11 SUBSIDIARIES (cont'd)

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

Name of subsidiary	*Country of incorporation and operation*	*Proportion of of ownership interest*		*Proportion of voting power held*		*Principal activities*
		2014	*2013*	*2014*	*2013*	
		%	*%*	*%*	*%*	
Royal Properties Investment Pte Ltd	Singapore	100	100	100	100	Investment in properties and subsidiaries within the Group
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 within the Group
Prestige Properties Sdn. Bhd. (1)	Malaysia	100	100	100	100	Investment in subsidiaries within the Group
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
Grand Complex Properties Ltd (1) (wholly owned subsidiary of Royal Properties Investment Pte Ltd)	New Zealand	100	100	100	100	Investment in commercial properties

11 SUBSIDIARIES (cont'd)

Name of subsidiary	*Country of incorporation and operation*	*Proportion of of ownership interest*		*Proportion of voting power held*		*Principal activities*
		2014	*2013*	*2014*	*2013*	
		%	*%*	*%*	*%*	
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	-	91	-	Investment in subsidiary within the Group
Panali Co., Ltd. [1][4]	Thailand	74	-	100	-	Owns a hotel

All the subsidiaries are audited by Deloitte & Touche LLP, Singapore except for the subsidiaries that are indicated as follows:

(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. 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. The Articles of Association of Excellent Hotel (Thailand) Co., Ltd specifies that Hotel Royal (Thailand) Private Limited is responsible for all liabilities, assets and retained earnings of Excellent Hotel (Thailand) Co., Ltd. The consolidated financial statements of the Group thus includes all liabilities, assets and retained earnings of Excellent Hotel (Thailand) Co., Ltd.

(4) The Company's subsidiaries, Hotel Royal (Thailand) Private Limited and Excellent Hotel (Thailand) Co., Ltd hold an aggregate of 100% of the equity shares of Panali Co., Ltd.

The amounts owing by subsidiaries to the Company are unsecured, not expected to be repaid within the next 12 months and bear interest ranging from 1.34% to 2.13% (2013 : 1.31% to 2.19%) per annum which approximate market interest rate. Hence, the carrying amounts approximate their respective fair values.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

12 OTHER ASSET

	The Group 2014 $'000	The Group 2013 $'000
Lease incentives	1,732	1,785
Less: Current portion included in trade receivables	-	(342)
Non-current portion	1,732	1,443
Deposits	1,598	2,308
	3,330	3,751

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 $'000
At 1 January 2013 and 2014	123
Arising from acquisition of subsidiary (Note 34)	1,623
Exchange adjustment	83
At 31 December 2014	1,829

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

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

The recoverable amounts of the CGU are determined from 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 future changes specific to the CGU as well as the industry at large.

The Group prepares cash flow forecasts derived from budgets approved by management and extrapolates cash flows for the following years based on long term growth rate of 3% to 3.75% (2013 : 4% to 5%) per annum.

The rate used to discount the forecast cash flows to present values range from 11.25% to 12% (2013 : 11.25%) per annum.

14 PROPERTY, PLANT AND EQUIPMENT

The Group	*Freehold land - hotels $'000*	*Freehold building - hotels $'000*	*Building Improvements - hotels $'000*	*Plant and equipment $'000*	*Linen, china glassware, silver and uniform $'000*	*Total $'000*
Cost or valuation:						
As at 1 January 2013	267,861	97,695	4,156	26,463	432	396,607
Additions	-	2,215	-	5,808	-	8,023
Disposal	-	-	-	(10)	-	(10)
Revaluation gain	119,942	-	-	-	-	119,942
Exchange adjustment	(827)	(2,776)	(29)	(219)	(1)	(3,852)
As at 31 December 2013	386,976	97,134	4,127	32,042	431	520,710
Arising from acquisition of subsidiary (Note 34)	19,950	25,231	5,163	956	-	51,300
Additions	-	14,077	5	7,545	580	22,207
Disposal	-	-	(1)	(27)	-	(28)
Revaluation gain	22,108	-	-	-	-	22,108
Exchange adjustment	932	1,515	(44)	(102)	14	2,315
As at 31 December 2014	429,966	137,957	9,250	40,414	1,025	618,612
Comprising:						
31 December 2014						
At valuation	429,966	-	-	-	-	429,966
At cost	-	137,957	9,250	40,414	1,025	188,646
Total	429,966	137,957	9,250	40,414	1,025	618,612
31 December 2013						
At valuation	386,976	-	-	-	-	386,976
At cost	-	97,134	4,127	32,042	431	133,734
Total	386,976	97,134	4,127	32,042	431	520,710

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group	Freehold land - hotels $'000	Freehold building - hotels $'000	Building Improvements - hotels $'000	Plant and equipment $'000	Linen, china glassware, silver and uniform $'000	Total $'000
Accumulated depreciation:						
As at 1 January 2013	-	12,689	3,453	14,933	221	31,296
Charge for the year	-	1,301	28	2,750	-	4,079
Disposal	-	-	-	(8)	-	(8)
Exchange adjustment	-	(91)	(6)	(54)	-	(151)
As at 31 December 2013	-	13,899	3,475	17,621	221	35,216
Charge for the year	-	1,513	146	3,728	161	5,548
Disposal	-	-	(1)	(27)	-	(28)
Exchange adjustment	-	(19)	54	(4)	5	36
As at 31 December 2014	-	15,393	3,674	21,318	387	40,772
Carrying amount:						
As at 31 December 2014	429,966	122,564	5,576	19,096	638	577,840
As at 31 December 2013	386,976	83,235	652	14,421	210	485,494

The Company

	Freehold land - hotels $'000	Freehold building - hotels $'000	Building Improvements - hotels $'000	Plant and equipment $'000	Linen, china glassware, silver and uniform $'000	Total $'000
Cost or valuation:						
As at 1 January 2013	145,000	7,985	3,344	13,253	398	169,980
Additions	-	-	-	3,599	-	3,599
Disposal	-	-	-	(10)	-	(10)
Revaluation gain	83,000	-	-	-	-	83,000
As at 31 December 2013	228,000	7,985	3,344	16,842	398	256,569
Additions	-	-	-	2,261	-	2,261
As at 31 December 2014	228,000	7,985	3,344	19,103	398	258,830
Comprising:						
31 December 2014						
At valuation	228,000	-	-	-	-	228,000
At cost	-	7,985	3,344	19,103	398	30,830
Total	228,000	7,985	3,344	19,103	398	258,830
31 December 2013						
At valuation	228,000	-	-	-	-	228,000
At cost	-	7,985	3,344	16,842	398	28,569
Total	228,000	7,985	3,344	16,842	398	256,569

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company	*Freehold land - hotels $'000*	*Freehold building - hotels $'000*	*Building Improvements - hotels $'000*	*Plant and equipment $'000*	*Linen, china glassware, silver and uniform $'000*	*Total $'000*
Accumulated depreciation:						
As at 1 January 2013	-	6,959	3,276	8,843	217	19,295
Charge for the year	-	27	29	890	-	946
Disposal	-	-	-	(8)	-	(8)
As at 31 December 2013	-	6,986	3,305	9,725	217	20,233
Charge for the year	-	28	23	1,199	-	1,250
As at 31 December 2014	-	7,014	3,328	10,924	217	21,483
Carrying amount:						
As at 31 December 2014	228,000	971	16	8,179	181	237,347
As at 31 December 2013	228,000	999	39	7,117	181	236,336

Property, plant and equipment of the Group and the Company with carrying amount of $558.1 million and $229.0 million (2013: $470.9 million and $229.0 million) respectively are pledged as securities for the Group's and the Company's bank loans as disclosed in Notes 16 and 20.

The carrying amount of the Group's plant and equipment includes an amount of $90,983 (2013 : $38,633) in respect of assets held under finance lease.

Fair value measurement of freehold land and hotel building

The Group engages independent professional valuers to assess the fair values of the freehold land and hotels on a regular basis. The fair values are estimated by reference to open market values of similar properties on existing use basis, and also considering the current occupancy rates, room rates and rental rates for hotel premises prevailing at or around the end of the reporting period. The estimated fair values as at the end of each reporting period of the Group's freehold land and hotels are as follows:

	2014 $'000	*2013 $'000*
The Group		
Freehold land:		
Singapore	367,000	349,000
Malaysia	25,326	23,546
Thailand	37,640	15,873
Freehold hotel buildings and equipment:		
Singapore	148,000	146,000
Malaysia	66,074	65,041
Thailand	57,600	9,165
The Company		
Freehold land	228,000	228,000
Freehold hotel building and equipment	72,000	72,000

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Each property comprising land and existing building sited on the land is valued in its entirety. For accounting purposes, the value of the land is independently assessed and the difference between the land value and the entire property value is assigned to the building.

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

As at 31 December 2014, had freehold hotel land been carried at historical cost, their aggregate carrying amount would have been approximately $67.8 million (2013 : $47.8 million) for the Group and $1.0 million (2013 : $1.0 million) for the Company.

At 31 December 2014, fair values of the Group's freehold land and hotel building were estimated using inputs which are considered as Level 3 in the fair value hierarchy. Inputs were similarly classified as Level 3 inputs in the previous year. The fair values for the properties were estimated after considering the results of various valuation techniques. Details of valuation techniques and significant unobservable inputs used in the fair value measurement as at 31 December 2014 and 2013 were as follows:

	Valuation Methodology	Significant unobservable inputs (Level 3)	Inputs	
			2014	2013
Freehold land, hotel buildings and equipment in Singapore	Direct Comparison Method for land and building	Price per square metre of gross floor area (1)	$14,798 to $15,000	$13,400 to $15,000
	Investment Method for land and building	Occupancy rate (1)	81% to 83.6%	86% to 87%
		Room rate per day (1)	$126 to $175	$132 to $171
	Replacement Cost Method for building (for determining residual value of land)	Depreciated replacement cost per square metre (1)	$3,866 to $5,370	$3,600 to $5,100

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Valuation Methodology	Significant unobservable inputs (Level 3)	Inputs 2014	Inputs 2013
Freehold land, hotel buildings and equipment in Malaysia	Direct Comparison Method for land and building	Price per square metre of gross floor area [(1)]	$1,390	$1,300
		Price per room [(1)]	$181,440	$182,000
	Replacement Cost Method for building (for determining residual value of land)	Depreciated replacement cost per square metre [(1)]	$662	$649
Freehold land, hotel buildings and equipment in Thailand	Investment Method for land and building	Occupancy rate [(1)]	72%	72%
		Room rate per day [(1)]	$84	$55
	Discounted Cash Flow Method	Terminal yield rate [(2)]	7% - 8%	-

(1) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs would result in a significantly lower (higher) fair value measurement.

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

15 INVESTMENT PROPERTIES

	Freehold land $'000	*Freehold buildings $'000*	*Leasehold buildings $'000*	*Total $'000*
The Group				
Cost:				
As at 1 January 2013	31,902	72,654	1,456	106,012
Additions	-	2,142	-	2,142
Exchange adjustment	318	1,268	-	1,586
As at 31 December 2013	32,220	76,064	1,456	109,740
Additions	-	2,342	-	2,342
Exchange adjustment	(85)	(435)	-	(520)
As at 31 December 2014	32,135	77,971	1,456	111,562
Accumulated depreciation:				
As at 1 January 2013	-	10,796	477	11,273
Charge for the year	-	1,272	18	1,290
Exchange adjustment	-	205	-	205
As at 31 December 2013	-	12,273	495	12,768
Charge for the year	-	1,287	18	1,305
Exchange adjustment	-	(106)	-	(106)
As at 31 December 2014	-	13,454	513	13,967
Impairment:				
As at 1 January 2013	-	969	-	969
Reversal for the year	-	(684)	-	(684)
As at 31 December 2013 and 2014	-	285	-	285
Carrying amount:				
As at 31 December 2014	32,135	64,232	943	97,310
As at 31 December 2013	32,220	63,506	961	96,687

Certain investment properties of the Group with carrying amounts of $73.5 million (2013 : $97.6 million) are pledged as securities for the Group's bank loans as disclosed in Notes 16 and 20.

The property rental income from the Group's investment properties amounted to $8.5 million (2013 : $7.2 million). Direct operating expenses (including repairs and maintenance) from the rental-generating investment properties and non-rental generating investment properties amounted to $3.8 million (2013 : $3.6 million) and $1.0 million (2013 : $1.3 million) respectively.

15 INVESTMENT PROPERTIES (cont'd)

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

Estimated fair values of investment properties

	2014 *$'000*	*2013* *$'000*
Freehold land and buildings in New Zealand	62,937	60,522
Freehold land and buildings in Malaysia	26,173	24,764
Freehold buildings in Singapore	7,750	7,700
Leasehold buildings in Singapore	8,500	7,750
Freehold land and building in Singapore	29,322	29,750
	134,682	130,486

Fair values of investment properties are generally assessed with reference to open market values of comparable properties and making adjustments for differences between the investment properties and the comparable properties.

At 31 December 2014, fair values of the Group's investment properties were estimated using inputs which are considered as Level 3 in the fair value hierarchy. Inputs were similarly classified as Level 3 inputs in the previous year. The fair values for the properties were estimated after considering the results of various valuation techniques. Details of valuation techniques and significant unobservable inputs used in the fair value measurement as at 31 December 2014 and 2013 were as follows:

	Valuation Methodology	**Significant unobservable inputs (Level 3)**	**Inputs**	
			2014	**2013**
Freehold land and buildings in New Zealand	Investment Method	Capitalisation rate on adopted market rental profile (1)	7.3% - 10.0%	7.3% - 10.0%
		Growth rate (1)	2.07% - 2.26%	1.3% - 2.5%
		Discount rate to obtain discounted present value (1)	10.23% - 10.75%	9.0% - 10.5%
Freehold land and buildings in Malaysia	Direct Comparison Method	Price per square metre of gross floor area (1)	$2,100	$1,900
	Replacement Cost Method for building (for determining residual value of land)	Depreciated replacement cost per square metre (1)	$602	$600
Freehold and leasehold buildings in Singapore	Direct Comparison Method	Price per square metre of strata floor area (1)	$6,000 - $18,605	$6,000 - $20,000

(1) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

15 INVESTMENT PROPERTIES (cont'd)

	Freehold land $'000	*Freehold buildings $'000*	*Total $'000*
The Company			
Cost:			
As at 1 January 2013	15,080	10,001	25,081
Additions	-	247	247
As at 31 December 2013	15,080	10,248	25,328
Additions	-	665	665
As at 31 December 2014	15,080	10,913	25,993
Accumulated depreciation:			
As at 1 January 2013	-	378	378
Charge for the year	-	421	421
As at 31 December 2013	-	799	799
Charge for the year	-	362	362
As at 31 December 2014	-	1,161	1,161
Carrying amount:			
As at 31 December 2014	15,080	9,752	24,832
As at 31 December 2013	15,080	9,449	24,529

16 BANK LOANS

	The Group		*The Company*	
	2014 $'000	*2013 $'000*	*2014 $'000*	*2013 $'000*
Short-term bank loans (secured)	16,575	18,933	-	18,750
Long-term bank loans (secured)				
- current portion (Note 20)	9,992	7,745	-	-
	26,567	26,678	-	18,750

Short term bank loans of the Group bear variable interest ranging from approximately 1.25% to 4.1% (2013 : 1.15% to 5.13%) per annum. The above bank facilities are secured on mortgages of subsidiaries' freehold land and buildings with aggregate carrying amounts of $214.5 million (2013 : $141.9 million)

In 2013, the Company has short-term bank loans totaling $18.75 million which were secured by the Company investment property and freehold hotel land and building. These short-term bank loans were restructured to long-term bank loans during the year (Note 20).

17 OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Outside parties	4,590	2,949	1,597	250
Subsidiaries	-	-	24,484	6,107
Financial guarantee contract liabilities	-	-	2,131	4,380
	4,590	2,949	28,212	10,737
Less: Amount payable within 12 months (shown under current liabilities)	(3,922)	(2,949)	(3,728)	(10,737)
Amount payable after 12 months	668	-	24,484	-

Other payables comprise mainly amounts outstanding for ongoing costs.

Amounts owing to subsidiaries are unsecured, bear interest at 1.36% (2013 : 1.37%) per annum.

Amounts repayable on demand are classified as current liabilities. Amounts not expected to be repaid within the next financial year are classified as non-current liabilities.

18 FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amount payable under finance lease:				
Within one year	39	13	35	12
In the second to fifth year inclusive	49	15	45	14
	88	28	80	26
Less: Future finance charges	(8)	(2)	NA	NA
Present value of lease obligations	80	26	80	26
Less: Amount due for settlement within 12 months (shown under current liabilities)			(35)	(12)
Amount due for settlement after 12 months			45	14

The lease terms range from 3 to 5 years. Average effective interest rate approximates 5.12% (2013 : 3.92%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into contingent rental payments.

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

19 RETIREMENT BENEFIT OBLIGATIONS

The subsidiaries operate unfunded, defined benefit retirement benefit schemes (the "Schemes") in Malaysia and Thailand. Under the Schemes, eligible employee of the subsidiaries are entitled to retirement benefits based on 83% to 100% of their last drawn basic salary multiplied by the years of service on attainment of the normal retirement age of 55 to 60.

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

	The Group	
	2014	2013
	$'000	$'000
Present value of unfunded defined benefit obligations	541	363
Payable:		
Within 1 year	9	26
Later than 1 year but not later than 2 years	13	3
Later than 2 years but not later than 5 years	95	14
Later than 5 years	424	320
	541	363

Changes in the present values of the defined benefit obligations since the beginning of year arise from changes in current service costs incurred, less benefits paid. Such changes are recorded in the statement of profit or loss.

Defined benefit obligations as at 31 December 2014 for subsidiaries in Malaysia and Thailand have been valued by projecting forward the most recent actuarial valuations performed by qualified independent actuaries in January 2013 and January 2014 respectively. 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	
	2014	2013
	%	%
Discount rate	3.0 to 5.25	3.3 to 5.25
Expected rate of salary increases	3.0 to 6.0	2.5 to 4.0

20 LONG-TERM BANK LOANS

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Bank Loans	138,184	74,951	43,488	-
Less: Amount due for settlement within 12 months (Note 16)	(9,992)	(7,745)	-	-
Amount due for settlement after 12 months	128,192	67,206	43,488	-

20 LONG-TERM BANK LOANS (cont'd)

The Group's and the Company's long term bank loans bear interest ranging from 1.14% to 5.83% (2013: 1.15% to 5.13%) per annum.

The Group's and the Company's long term bank loans are secured against the freehold land and buildings (Note 14) and investment properties (Note 15).

The borrowing rates for the bank loans are repriced periodically based on benchmark market rates. Management is of the view that the carrying amounts of these bank loans approximate their fair values.

21 DEFERRED TAX (ASSETS) LIABILITIES

	The Group		*The Company*	
	2014	***2013***	***2014***	***2013***
	$'000	***$'000***	***$'000***	***$'000***
Deferred tax assets	(104)	(53)	-	-
Deferred tax liabilities	20,481	16,518	432	432
	20,377	16,465	432	432

	The Group		*The Company*	
	2014	***2013***	***2014***	***2013***
	$'000	***$'000***	***$'000***	***$'000***
Movement in deferred tax balance during the year				
Balance at beginning of year	16,465	14,546	432	339
Arising from acquisition of subsidiary (Note 34)	3,554	-	-	-
Arising from revaluation increase of freehold hotel land	116	617	-	-
Origination of temporary differences	144	647	-	93
(Over) Under provision in prior year	(46)	2	-	-
Exchange adjustment	144	653	-	-
Balance at end of year	20,377	16,465	432	432

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

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

Components of deferred tax balance	*Accelerated tax depreciation* *$'000*	*Others* *$'000*	*Total* *$'000*
The Group			
At 1 January 2013	13,401	1,145	14,546
Arising from revaluation increase of freehold hotel land	-	617	617
Debit (Credit) to profit or loss for the year	672	(23)	649
Exchange adjustment	-	653	653
At 31 December 2013	14,073	2,392	16,465
Arising from acquisition of subsidiary (Note 34)	-	3,554	3,554
Arising from revaluation increase of freehold hotel land	-	116	116
Debit (Credit) to profit or loss for the year	153	(55)	98
Exchange adjustment	-	144	144
At 31 December 2014	14,226	6,151	20,377

	Accelerated tax depreciation *$'000*	*Others* *$'000*	*Total* *$'000*
The Company			
At 1 January 2013	339	-	339
Debit to profit or loss for the year	93	-	93
At 31 December 2013 and 2014	432	-	432

A subsidiary has unutilised tax losses and capital allowances carryforward of approximately $25.2 million (2013 : $26.8 million), in respect of which management has recognised deferred tax benefits of $0.5 million (2013 : $0.4 million) based on expectation of realisation in the foreseeable future.

No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22 SHARE CAPITAL

	The Group and the Company			
	2014	2013	2014	2013
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
At beginning and end of year	84,000	84,000	100,438	100,438

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

23 REVENUE

	The Group	
	2014	2013
	$'000	$'000
Room revenue	34,477	31,720
Food and beverage revenue	8,469	7,503
Spa revenue	424	-
Rental income from:		
Investment properties	8,515	7,195
Other properties	2,788	2,680
Car park revenue	1,256	1,204
Interest income from outside parties	193	203
Dividend income from:		
Quoted equity investments	406	340
Unquoted equity investments	28	24
Others	131	339
	56,687	51,208

24 OTHER INCOME

	The Group	
	2014	2013
	$'000	$'000
Gain on disposal of available-for-sale investments	232	229
Fair value gain on held-for-trading investments	110	102
Reversal of impairment loss on an investment property	-	684
Net foreign exchange adjustment gain	2,359	910
Refund for utility bills overcharged in prior years	-	747
Bad debt recovered	12	-
Write back of allowance for doubtful receivables	712	-
Other income	136	284
	3,561	2,956

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

25 FINANCE COSTS

	The Group	
	2014	2013
	$'000	$'000
Interest on bank loans	3,627	3,003

26 PROFIT BEFORE INCOME TAX

Profit before income tax includes:

	The Group	
	2014	2013
	$'000	$'000
Staff costs (including directors' remuneration)	12,008	9,857
Cost of defined contribution plans included in staff costs	411	396
Directors' remuneration:		
Directors of the subsidiaries (key management personnel)	309	986
Proposed directors' fee:		
Directors of the Company	200	233
Directors of the subsidiaries (key management personnel)	81	35
Audit fees paid to:		
Auditors of the Company	239	204
Other auditors	131	108
Non-audit fees paid to:		
Auditors of the Company	8	8
Other auditors	55	44
Depreciation of property, plant and equipment	5,548	4,079
Depreciation of investment properties	1,305	1,290
Allowance for doubtful receivables *	201	578
Write back of allowance for doubtful receivables *	(712)	(114)
Impairment loss on available-for-sale investments *	145	55
Reversal of impairment on investment property *	-	(684)
Fair value gain on held-for-trading investments *	(110)	(102)
Gain on disposal of available-for-sale investments *	(232)	(229)
Allowance for diminution in value of unquoted investment	-	270
Net foreign exchange adjustment (gain) loss *	(155)	367
Bad debt written off *	29	-

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

27 INCOME TAX EXPENSE

	The Group	
	2014	2013
	$'000	$'000
Current tax	3,066	3,218
Withholding tax	71	-
Deferred tax	144	647
	3,281	3,865
(Over) Under provision in prior years		
- current tax	(146)	(179)
- deferred tax	(46)	2
Total income tax expense	3,089	3,688

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2013 : 17%) to profit before income tax as a result of the following differences:

	The Group	
	2014	2013
	$'000	$'000
Income tax expense at 17% rate	2,425	2,266
Difference due to foreign tax rates	282	72
Non-deductible items	678	1,648
Withholding tax	71	-
Overprovision in prior years	(192)	(177)
Tax exemption and rebate	(161)	(121)
Other items	(14)	-
Total income tax expense	3,089	3,688

28 EARNINGS PER SHARE

Basic earnings per share is calculated on the Group profit after tax of $11.178 million (2013 : $9.642 million) divided by 84,000,000 (2013 : 84,000,000) ordinary shares.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

29 SEGMENT INFORMATION

Products and services of the Group

The Group is primarily engaged in the following operations:

- Owning and operating hotels and providing ancillary services ("hotel operation")
- Owning and letting out investment properties ("property investment")
- Holding financial investments which comprise financial assets such as shares, bonds, funds and other financial products and cash held by investment companies, to generate a stable stream of income through interest and dividends, and also for potential capital appreciation ("financial investment")

Definition of operating segments and reportable segments of the Group

For the purpose of reporting to the Group's chief operating decision-maker for resource allocation and assessment of operational performance, the information is organised in the following manner:

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

The above forms the basis of determining an operating segment of the Group. For the purpose of reporting segment information externally, the following reportable segments are identified:

- Hotel operation
  - Singapore
  - Malaysia
  - Thailand

- Property investment
  - Singapore
  - New Zealand
  - Malaysia

- Financial investment

29 SEGMENT INFORMATION (cont'd)

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

I Revenue

	External		*Inter-segment*		*Total*	
	2014	***2013***	***2014***	***2013***	***2014***	***2013***
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Hotel operation						
Singapore	29,814	30,834	-	-	29,814	30,834
Malaysia	12,090	11,573	-	-	12,090	11,573
Thailand	4,896	314	-	-	4,896	314
	46,800	42,721	-	-	46,800	42,721
Property investment						
Singapore	1,587	1,202	126	122	1,713	1,324
New Zealand	6,706	6,062	-	-	6,706	6,062
Malaysia	967	656	-	-	967	656
	9,260	7,920	126	122	9,386	8,042
Financial investment	627	567	2,272	1,286	2,899	1,853
Segments total	56,687	51,208	2,398	1,408	59,085	52,616

NOTES TO FINANCIAL STATEMENTS (cont'd)
31 December 2014

29 SEGMENT INFORMATION (cont'd)

II Net profit

	Total 2014 $'000	Total 2013 $'000
Hotel operation		
Singapore	9,068	11,492
Malaysia	1,226	1,591
Thailand	552	(1,410)
	10,846	11,673
Property investment		
Singapore	2,538	982
New Zealand	2,998	2,716
Malaysia	884	618
	6,420	4,316
Financial investment	628	344
Segments total	17,894	16,333
Finance costs	(3,627)	(3,003)
Profit before income tax	14,267	13,330
Income tax expense	(3,089)	(3,688)
Profit after income tax	11,178	9,642

III Segment assets and liabilities

	Segment assets 2014 $'000	Segment assets 2013 $'000	Segment liabilities 2014 $'000	Segment liabilities 2013 $'000
Hotel operation				
Singapore	442,152	422,240	3,132	4,354
Malaysia	51,700	48,743	1,058	931
Thailand	104,231	25,706	3,503	599
	598,083	496,689	7,693	5,884
Property investment				
Singapore	30,607	37,892	214	216
New Zealand	61,323	60,416	1,273	1,379
Malaysia	14,375	14,680	757	1,173
	106,305	112,988	2,244	2,768
Financial investment	19,623	18,366	177	179
Segments total	724,011	628,043	10,114	8,831
Unallocated items	1,739	1,903	177,696	113,240
Consolidated total	725,750	629,946	187,810	122,071

29 SEGMENT INFORMATION (cont'd)

IV Other segment information

	Depreciation		*Write back of impairment loss*		*Additions to non-current assets*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Hotel operation						
Singapore	2,796	2,436	-	-	3,623	3,821
Malaysia	1,665	1,495	-	-	2,694	1,982
Thailand	1,087	148	-	-	15,890	2,220
	5,548	4,079	-	-	22,207	8,023
Property investment						
Singapore	421	480	-	-	664	247
New Zealand	734	661	-	684	1,678	1,895
Malaysia	150	149	-	-	-	-
	1,305	1,290	-	684	2,342	2,142
Consolidated total	6,853	5,369	-	684	24,549	10,165

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*	
	2014	*2013*	*2014*	*2013*
	$'000	*$'000*	*$'000*	*$'000*
Singapore	31,966	32,549	442,977	446,017
Malaysia	13,086	12,268	84,421	60,605
New Zealand	6,714	6,074	59,940	58,884
Thailand	4,921	317	97,398	24,626
	56,687	51,208	684,736	590,132

NOTES TO FINANCIAL STATEMENTS (cont'd)
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30 OPERATING LEASE ARRANGEMENTS

The Group and Company as lessor

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

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

	The Group		*The Company*	
	2014	***2013***	***2014***	***2013***
	$'000	***$'000***	***$'000***	***$'000***
Within one year	9,292	11,054	989	1,116
In the second to fifth years inclusive	21,124	15,799	181	281
After fifth year	4,865	99	-	-
	35,281	26,952	1,170	1,397

31 CONTINGENT LIABILITIES

(a) Guarantees given

In 2013, the Company and a subsidiary provided guarantee amounting to $4.97 million (NZ$4.78 million) to banks for banking facilities granted to another subsidiary which are secured as disclosed in Note 20.

The Company is a guarantor for banking facilities totaling $117.7 million (2013 : $113.7 million) obtained by subsidiaries. The fair values of the financial guarantee is about $3.5 million (2013: $4.4 million). The maximum amount that the Company could be obliged to settle in the event that the guarantees are called upon is $91.3 million (2013 : $ 75.0 million) based on facilities used by the subsidiaries at the end of the year.

(b) Legal claims - civil suit initiated by former hotel operator

In January 2009, Faber Kompleks Sdn. Bhd., a wholly-owned subsidiary of the Company was served with a notice of civil suit by the former hotel operator of Hotel Royal Penang, for alleged wrongly termination of its services. The former hotel operator sought injunctive relief, specific performance and general damages. Faber Kompleks Sdn. Bhd. maintains that there is no valid claim as the former hotel operator had operated solely on an interim arrangement which ceased on 31 December 2008. No formal management contract had been entered between Faber Kompleks Sdn. Bhd. and the former hotel operator.

Management consulted a legal adviser in Malaysia and is of the view that the claims are without merit and there is no liability to be provided for. The case remains open and management intends to and will defend vigorously the civil suit.

32 CAPITAL EXPENDITURE COMMITMENTS

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	9,878	17,070	4,000	-

33 DIVIDENDS

In 2013, the Company declared and paid a first and final one-tier tax exempt dividend of $0.05 per share on the ordinary shares of the Company totaling $4.2 million in respect of the financial year ended 31 December 2012.

In 2014, the Company declared and paid a first and final one-tier tax exempt dividend of $0.05 per share on the ordinary shares of the Company totaling $4.2 million in respect of the financial year ended 31 December 2013.

Subsequent to 31 December 2014, the directors of the Company recommended that a first and final one-tier tax exempt dividend be paid at $0.05 per ordinary share totaling $4.2 million for the financial year just ended on the ordinary shares of the Company. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as liability in these financial statements.

34 ACQUISITION OF SUBSIDIARY

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

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

a) Purchase consideration

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2014

34 ACQUISITION OF SUBSIDIARY (cont'd)

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

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

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

c) Impact on acquisition on the results of the Group

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

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

35 SUBSEQUENT EVENT

The Group incorporated a wholly-owned subsidiary, Baba Residences Sdn. Bhd. in Malaysia in 2014. The subsidiary completed the acquisition of The Baba House and its business in Melaka, Malaysia on 9 January 2015. The Baba House is a 97-room boutique hotel.

The purchase consideration of RM26.1 million (approximately $9.9 million) was financed by internal funds and bank borrowings.

Statistics of Shareholdings

20 MARCH 2015

Issued and fully paid-up capital	:	$100,729,496.00**
No. of shares issued	:	84,000,000
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per share
No. of treasury shares	:	NIL

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1-99	67	5.28	483	0.00
100-1,000	254	20.01	103,425	0.12
1,001-10,000	679	53.51	2,933,150	3.49
10,001-1,000,000	254	20.02	16,496,433	19.64
1,000,001 & above	15	1.18	64,466,509	76.75
Total	**1,269**	**100.00**	**84,000,000**	**100.00**

Based on the information provided and to the best knowledge of the Directors, approximately 25.42% of the issued ordinary shares of the Company is held in the hands of the public as at 20 March 2015 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 20 MARCH 2015

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
The Great Eastern Life Assurance Co Ltd - Participating Fund	9,307,012	11.08
Oversea-Chinese Bank Nominees Pte Ltd	8,880,500	10.57
Aik Siew Tong Ltd	8,246,000	9.82
Asia Building Berhad	6,875,400	8.19
Hock Tart Pte Ltd	5,292,000	6.30
Melodies Limited	4,060,000	4.83
United Overseas Bank Nominees Pte Ltd	3,754,297	4.47
Maybank Nominees (S) Pte Ltd	3,360,000	4.00
SIB Nominees Pte. Ltd.	3,360,000	4.00
The Singapore-Johore Express Private Limited	3,154,200	3.75
Mellford Pte Ltd	2,287,100	2.72
Lee Chin Chuan	2,164,400	2.58
Chan Tai Moy	1,377,600	1.64
Hong Leong Finance Nominees Pte Ltd	1,193,000	1.42
Chip Keng Holding Berhad	1,155,000	1.38
The Great Eastern Trust Private Limited	741,066	0.88
Wee Aik Koon Pte Ltd	689,460	0.82
Morph Investments Ltd	635,000	0.76
Season Holdings Pte Ltd	600,800	0.71
Bank of Singapore Nominees Pte Ltd	544,800	0.65
	67,677,635	**80.57**

Statistics of Shareholdings (cont'd)

20 MARCH 2015

Substantial Shareholders as at 20 March 2015 as shown in the Register of Substantial Shareholders:-

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Lee Chou Hor George [1]	42,000	0.05	8,666,000	10.32
Lee Chou Tart [2]	-	-	8,652,000	10.30
Aik Siew Tong Ltd [3]	20,286,000	24.15	10,714,200	12.76
Hock Tart Pte Ltd [4]	8,652,000	10.30	20,286,000	24.15
The Great Eastern Life Assurance Co Ltd [5]	9,310,372	11.08	-	-
Great Eastern Holdings Limited [5]	-	-	10,054,798	11.97
Oversea-Chinese Banking Corporation Limited [6]	-	-	10,054,798	11.97
Asia Building Bhd [7]	6,875,400	8.19	1,155,000	1.38
Melodies Limited [3]	7,560,000	9.00	-	-
Other Shareholders				
The Singapore-Johore Express (Private) Limited [3]	3,154,200	3.76	-	-
Chip Keng Holding Bhd [7]	1,155,000	1.38	-	-

Note:

(1) Lee Chou Hor George owns 23.8% of the share capital of Hock Tart Pte Ltd ("Hock Tart"). He is deemed interested in the shares held by Hock Tart. Additionally, Lee Chou Hor George is deemed interested in the shares held by his spouse.

(2) Lee Chou Tart owns 23.8% of the share capital of Hock Tart. He is deemed interested in the shares held by Hock Tart.

(3) Aik Siew Tong Ltd ("AST") holds 83.4% and 69.1% of the share capital of Melodies Limited ("Melodies") and The Singapore-Johore Express (Private) Limited ("S-J Express") respectively and is deemed to be interested in the 7,560,000 shares and 3,154,200 shares which are 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.

(5) The Great Eastern Life Assurance Co Ltd is the wholly-owned subsidiary of Great Eastern Holdings Limited. Great Eastern Holdings Limited is therefore deemed interested in the 9,310,372 shares (of which 3,360 shares are registered in the name of United Overseas Bank Nominees Pte Ltd).

(6) Great Eastern Holdings Limited is deemed interested in the 10,054,798 shares which made up of 9,310,372 shares as aforementioned; 741,066 shares registered in the name of its subsidiary, The Great Eastern Trust Private Limited and 3,360 shares registered in the name of United Overseas Bank Nominees Pte Ltd.

(7) Oversea-Chinese Banking Corporation Limited is deemed to be interested in the shares held by Great Eastern Life Assurance Company Ltd through Great Eastern Holdings Ltd.

(8) Chip Keng Holding Bhd is the wholly-owned subsidiary of Asia Building Bhd. Asia Building Bhd is deemed interested in the 1,155,000 shares held by Chip Keng Holding Bhd.

Notice Of Annual General Meeting

Notice is hereby given that the 46th Annual General Meeting of Hotel Royal Limited will be held at the Hotel Royal @ Queens, Queen's Room, Level 3, 12 Queen Street, Singapore 188553 on 25 April 2015 at 2.30 p.m. for the following purposes:-

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend of 5 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2014. **(Resolution 2)**

3. To approve the sum of $200,000.00 as Directors' Fees for the financial year ended 31 December 2014. (FY2013: $184,800.00) **(Resolution 3)**

4. To re-elect Mr Lee Khin Tien who is retiring in accordance with Article 117 of the Company's Articles of Association, as Director of the Company. **(Resolution 4)**

5. To re-elect Dr Tan Kim Song who is retiring in accordance with Article 102 of the Company's Articles of Association, as Director of the Company. **(Resolution 5)**

6. To re-appoint Dr Lee Keng Thon as Director who will retire and seek re-appointment under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 6)**

7. To re-appoint Col (Ret) Rodney How Seen Shing as Director who will retire and seek re-appointment under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 7)**

   (Note: Col (Ret) Rodney How Seen Shing will, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee and will be considered independent.)

8. To re-appoint Professor Pang Eng Fong as Director who will retire and seek re-appointment under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 8)**

   (Note: Professor Pang Eng Fong will, upon re-election as Director of the Company, remain as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent.)

9. To note that Mr Ng Kok Lip as Director who will retire and seek re-appointment under Section 153(6) of the Companies Act, Cap. 50, will not stand for re-election.

   (Note: Mr Ng Kok Lip, will cease to be a member of the Audit and Risk Committee and Nominating Committee and will also cease to be the Chairman of the Remuneration Committee.)

10. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

Notice Of Annual General Meeting (cont'd)

Special Business

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

11. **Authority to issue shares**

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

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

(ii) make or grant offers, agreements, or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

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

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

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

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and

2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution, after adjusting for:-

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

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

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

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

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
(See Explanatory Note (a)) **(Resolution 10)**

12. **Renewal of Share Purchase Mandate**
"That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued Shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of the Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the section entitled "Definitions" set out on Page 4 of the Circular dated 9 April 2009 to the Shareholders of the Company and in accordance with the "Guidelines on Share Purchases" set out in Appendix I of the said Circular and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
(See Explanatory Note (b)) **(Resolution 11)**

Any Other Business

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

BY ORDER OF THE BOARD

Sharon Yeoh
Company Secretary

Singapore,
10 April 2015

Notice Of Annual General Meeting (cont'd)

Explanatory Notes:-

(a) Resolution 11, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting, to issue Shares and convertible securities in the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed 50% of the total number of issued Shares (excluding treasury shares) of the Company at the time of the passing of this Resolution. For issue of Shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 5% of the total number of issued Shares (excluding treasury shares) of the Company.

(b) Resolution 12, if passed, will renew the Share Purchase Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 are set out in greater detail in the Appendix enclosed together with the Annual Report. The authority will expire at the next Annual General Meeting of the Company, unless previously revoked or waived at a general meeting.

NOTES:-

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

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

3. The instrument appointing a proxy 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.

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

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy shares of Hotel Royal Limited, the Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We*______________________________(Name),NRIC/Passport No. __________________ of ____(Address) being a ________________________________

member/members of **HOTEL ROYAL LIMITED** 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 46th Annual General Meeting ("AGM") of the Company, to be held at the Hotel Royal @ Queens, Queen's Room, Level 3, 12 Queen Street, Singapore 188553 on 25 April 2015, 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' Report, Audited Financial Statements and Auditors' Report for the financial year ended 31 December 2014.		
2.	Declaration of First and Final Dividend.		
3.	Approval of Directors' Fees.		
4.	Re-election of Mr Lee Khin Thien.		
5.	Re-election of Dr Tan Kim Song.		
6.	Re-appointment of Dr Lee Keng Thon.		
7.	Re-appointment of Col (Ret) Rodney How Seen Shing.		
8.	Re-appointment of Professor Pang Eng Fong.		
9.	Re-appointment of Auditors and fixing their remuneration.		
10.	Authority to issue new shares.		
11.	Renewal of Share Purchase Mandate.		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this ______________ day of __________________ 2015

____
Signature(s) of Member(s)/Common Seal

Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

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

2. 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.

3. 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 130A of the Companies Act, Cap. 50 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.

4. 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.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. 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.

7. 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.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

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Hotel Royal

36 Newton Road Singapore 307964

Fax : +65 62538668

Phone : +65 64260168

Email :

royal@hotelroyal.com.sg

ir@hotelroyal.com.sg

Company Reg. No. 196800298G