HOTEL GRAND CENTRAL LIMITED

2017
ANNUAL REPORT

1968 – 2018

50 YEARS
of our journey

CONTENTS

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board of Directors of Hotel Grand Central Limited, I would like to present the Annual Report and Financial Statements of the Group for the year ended 31 December 2017, the Balance Sheet and the Statement of Changes in Equity of the Company as at 31 December 2017.

OPERATIONS AND FINANCIAL REVIEW

GROUP REVENUE

The Group's revenue for the year ended 31 December 2017 increased 8% to $163.0 million (2016: $151.4 million). The increase was largely due to two main factors. Firstly, there was an increase in revenue from investment properties in New Zealand; Grand Central Building and PWC Centre in Christchurch, and the Fonterra House in Hamilton. Secondly, there was an increase in hotel revenue from the Singapore, New Zealand and China hotels.

This increase was however, partly offset by the loss in revenue contribution from Hotel Grand Chancellor Surfers Paradise which was sold on 13 July 2016.

Increase in Singapore Revenue
The increase in the Singapore turnover was largely due to improved performance of the two Singapore hotels. Both hotels recorded higher room occupancies in 2017.

Increase in New Zealand Revenue
The increase in the New Zealand revenue was mainly due to the marked improvement in performance of the James Cook Hotel Grand Chancellor, Wellington. This was due to guests returning to the hotel after the completion of a major seismic upgrading exercise. Investment revenue also increased because of the maiden contribution from the Grand Central Building, Christchurch and two new additional office buildings which were purchased in New Zealand during the year namely PWC Centre, Christchurch and Fonterra House, Hamilton.

Decrease in Australia Revenue
Overall, the Australia hotels and investment property performed better in 2017 compared to last year. Additionally, the new purchase of the 200 room Hotel Grand Chancellor, Townsville completed on 29 June 2016 contributed positively to the top line.

The overall improvement was however, negated by the loss in revenue contribution from the 408 room Surfers Paradise Hotel which was sold in the 3rd quarter of 2016.

Increase in China Revenue
The increase in the China revenue was due to the improving economic environment in Sihui, China during the year.

Decrease in Malaysia Revenue
The Malaysia revenue decreased during the year due to the weak economy and lower Ringgit exchange rates.

GROUP EARNINGS

Although the Group's hotels and investment properties turned in an increase of 32% in profit at the operational level over 2016, net profit decreased compared to last year. This decrease was mainly due to the non-recurrent gain of $28.4 million in 2016 arising from the disposal of Hotel Grand Chancellor Surfers Paradise.

Overall, the Earnings per Share of the Group was 5.68 cents compared to 7.97 cents in 2016.

FINANCIAL POSITION

The Group's financial position remained stable as at year-end 2017.

CHAIRMAN'S STATEMENT

The Group's total assets at year-end amounted to $1.61 billion (2016: $1.64 billion) and net gearing ratio was effectively Nil (2016: Nil) as at year end.

The Group's net asset per share as at 31 December 2017 was $1.92 compared with $1.97 as at 31 December 2016.

DIVIDENDS

Your Board recommends for your approval, a final one-tier ordinary dividend of 5.0 cents and final one-tier special dividend of 3.0 cents (2016: final one-tier ordinary dividend of 5.0 cents and final one-tier special dividend of 1.0 cent) per ordinary share, in respect of the financial year ended 31 December 2017.

OTHER MATTERS DURING THE YEAR

a) Purchase of PWC Centre, Christchurch
The purchase of PWC Centre, Christchurch for NZ$49.0 million was completed on 20 July 2017.

b) Purchase of Fonterra House, Hamilton
The purchase of Fonterra for NZ$22.0 million was completed on 8 September 2017.

PROSPECTS

Subject to the sustained improvement in the global economic growth and barring unforeseen circumstances including the prospect of a trade war between the United States and China, the hotel markets where the Group operate are generally expected to improve in 2018.

Whilst the outlook in the Australia and New Zealand hotels are expected to be sanguine in 2018, the Singapore hotels are expected to operate in an increasingly competitive market due to the increase in Singapore hotel room stock in recent years.

The Group's new investment properties in New Zealand will contribute a full year's contribution to the 2018 earnings compared to part contribution to the 2017 earnings.

GOLDEN JUBILEE

2018 marks the 50th anniversary of Hotel Grand Central Limited which was incorporated on 13 June 1968. To commemorate this eventful milestone in our Group's journey, we shall be setting aside a sum of $200,000 as contributions to various charitable organizations in Singapore in 2018. This sum may vary in the future depending on the performance of the Group.

CONCLUSION

In conclusion, I would like, on behalf of the Board of Directors, to thank our shareholders, valued customers and all business associates for their continuing support in the last 50 years. Last, but not least, I would also like to express my sincere thanks to our management and staff for their dedication and hard work throughout the year.

Tan Eng Teong
Chairman
6 April 2018

CORPORATE DATA

BOARD OF DIRECTORS
Tan Eng Teong (Executive Chairman/Managing Director)
Tan Teck Lin (Executive Director)
Tan Hwa Lian (Executive Director)
Tan Eng How (Non-Independent Non-Executive Director)
Tan Kok Aun (Lead Independent Non-Executive Director)
Fang Swee Peng (Independent Non-Executive Director)
Chng Beng Siong (Independent Non-Executive Director)
Lim Thian Loong (Independent Non-Executive Director)

AUDIT COMMITTEE
Tan Kok Aun (Chairman)
Fang Swee Peng
Chng Beng Siong
Lim Thian Loong

NOMINATING COMMITTEE
Fang Swee Peng (Chairman)
Chng Beng Siong
Tan Teck Lin
Tan Kok Aun

REMUNERATION COMMITTEE
Chng Beng Siong (Chairman)
Fang Swee Peng
Tan Kok Aun
Lim Thian Loong

COMPANY SECRETARY
Eliza Lim Bee Lian, ACIS

REGISTERED OFFICE
22 Cavenagh Road
Singapore 229617
Tel : 65 6737 9944
Fax : 65 6737 3175
Email: chairman@grandcentral.com.sg
Company No: 196800243H

BANKERS
Australia and New Zealand Banking Group Limited
Hong Kong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
The Development Bank of Singapore Limited

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner in charge: Ken Ong (since financial year ended 31 December 2015)

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

BOARD OF DIRECTORS

Tan Eng Teong is the Chairman and Managing Director of the Company. He has been with the Group since the inception of the Company. Mr. Tan has, over the years, accumulated vast experience in the hotel and travel, property development and investment and manufacturing industries. He is currently the Executive Chairman of Grand Central Enterprises Bhd, a company listed on the Malaysia Securities Exchange Berhad as well as various private companies in Australia, New Zealand and Malaysia.

Tan Teck Lin is an Executive Director of the Company. He has been with the Group since the inception of the Company. Mr. Tan is involved in the day to day operations of the Australia and New Zealand operations and the property development business in Malaysia. He is currently the Deputy Executive Chairman and Managing Director of Grand Central Enterprises Bhd and sits on the Board of various companies relating to property development, travel and hospitality and manufacturing industries.

Tan Hwa Lian is an Executive Director of the Company. She joined the Board on 26 August 2003. After graduating from the National University of Singapore with a Bachelor in Business Administration (Hons), she joined the banking & finance sector. Working initially in corporate banking in a local bank, she later joined a large financial institution where she was responsible for real estate lending and long term treasury investments. In total, she gathered 15 years of experience before leaving the sector in 2000.

Tan Eng How has been with the Group since the inception of the Company. He is an Executive Director of Grand Central Enterprises Bhd and is involved in the day to day operations of the Malaysian hotels. Mr. Tan is a member of the Hotel Catering and Institutional Management Association, United Kingdom and obtained a post graduate diploma in hotel and catering administration from the Council for National Academic Awards, United Kingdom.

Fang Swee Peng is a Non-Executive Director of the Company. He was appointed as a director of the Company on 28 April 2000. Mr. Fang is a professional electrical engineer and a fellow of the Singapore Institution of Engineers. He is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee of the Company.

Chng Beng Siong is a Non-Executive Director of the Company. He joined the Board on 29 June 2000. He has business interests in the building, property investment and hospitality industries. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee and Nominating Committee of the Company.

Tan Kok Aun is a Non-Executive Director of the Company. He was appointed as a director of the Company on 10 November 2011. Mr Tan has more than 25 years of experience as a corporate secretary and taxation practitioner in private practice in Malaysia. He is a member of the Malaysian Association of Company Secretaries and holds a MBA from the Southern Cross University, Australia. Mr Tan is the Chairman of the Audit Committee and is a member of the Nominating Committee and Remuneration Committee of the Company.

Lim Thian Loong is a Non-Executive Director of the Company. He was appointed as a director of the Company on 26 September 2017. Mr Lim has more than 13 years of experience in accounts, audit and tax. He is a member of The Chartered Institute of Management Accountants (CIMA), Chartered Global Management Accountants (CGMA), Malaysian Institute of Accountants (MIA) and Chartered Tax Institute of Malaysia (CTIM). Mr Lim is a member of the Audit Committee and Remuneration Committee of the Company.

Tan Eng Teong, Tan Teck Lin and Tan Eng How are brothers and are each deemed to have an interest in Tan Chee Hoe & Sons Holdings Pte Ltd, the substantial shareholder of the Company. Tan Eng Teong is the father of Tan Hwa Lian.

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

MANAGEMENT

Tan Hwa Lam, Hellen is the Financial Controller of the Group. She has more than 35 years of experience in finance and accounting in the hotel industry. She has a MBA from the University of Leeds, United Kingdom. She also holds a Bachelor's degree in Management Studies from the University of Hull, United Kingdom, a diploma in Management Accounting from the then National Productivity Board and a London Chamber Commerce and Industry Higher Diploma in Accounting.

Tan Hwa Imm, Michelle is the Financial Controller of the Group's operations in Malaysia. She worked in an international accounting firm in London for 5 years and later as a Financial Controller of a commercial company. She graduated from the London School of Economics with a Bachelor of Science Degree in Management Sciences (Second Upper Honours) and is also an associate member of the Institute of Chartered Accountants in England and Wales. Ms. Tan is an Executive Director of Grand Central Enterprises Bhd.

Poh Teik Heng, Anthony is the Group Accountant (Finance & Investments) of the Group. He has more than 25 years of experience in finance, accounting and auditing including more than 25 years in the hotel and property industries. He has a MBA from the University of Hull, United Kingdom and is a member of the Association of Chartered Certified Accountants. His responsibilities include the overseeing of the Group's accounting and finance functions primarily in Australia and New Zealand and other corporate matters of the Group.

Frank Delli Cicchi is the Group General Manager of Australia and New Zealand. He graduated from the University of New South Wales with a Bachelor of Commerce in Accounting. Mr. Delli Cicchi has more than 35 years of experience in the hotel and property industry in Australia, New Zealand and Asia. His current responsibilities include the overseeing of the Group's operations in Australia and New Zealand.

Tan Eng Teong is the father of Tan Hwa Lam, Hellen. Tan Teck Lin is the father of Tan Hwa Imm, Michelle.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering the Group's long-term strategic objectives. The Board of Directors (Board) is responsible for the Company's corporate governance standards and policies, underscoring their importance to the Group and in ensuring that they are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2017 with reference to the principles of the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report. The Company has reviewed its best practices and ensured continued transparency and accountability in line with the principles of the Code.

BOARD MATTERS

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.

Principal duties of the Board
The Board has diversity of skills and knowledge, experience, educational background and gender. Each Director brings to the Board skills, experience, insights and sound judgement which, together with his or her strategic networking relationships, serve to further the interests of the Group.

Apart from its fiduciary duties and statutory responsibilities, the Board oversees the strategic direction, performance and affairs of the Group and is collectively responsible for its long-term success. The duties and responsibilities include approving the Group's broad policies, strategies, objectives, annual budgets, and major funding, including capital management proposals, investments and divestments. The Board has reserved authority to approve certain matters and these include:
(a) material acquisitions, investments and divestments;
(b) share issuances, dividends and other returns to shareholders; and
(c) matters which involve a conflict of interest for a controlling shareholder or a Director.

The Board also oversees and provides guidance to Management. The Board delegates the formulation of business policies and day-to-day management to the Executive Chairman/Managing Director and the two other Executive Directors.

It regularly approves the adequacy of internal controls, risk management, financial reporting and compliance and is also charged with the responsibility of approving the appointment of the CEO, directors and succession planning process.

Independent judgement
All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Company. In determining the independence of directors, our concept of independence adheres to the definition of the Code. Each independent director is required to make annual declaration of Director's Independence based on guidelines as set out in the Code.

In addition, consideration is given to Guideline 2.4 of the Code which requires that the independence of any director who has served on the Board beyond nine years, from the date of first appointment, be subject to particularly rigorous review. The review process is elaborated under Board Composition and Guidance Principle 2.

Delegation by the Board
To assist the Board in the execution of its duties, the Board has delegated specific functions to the Audit Committee ("AC"), the Nominating Committee ("NC"), and the Remuneration Committee ("RC"). Each of these Board Committees

CORPORATE GOVERNANCE REPORT

operates within written terms of reference approved by the Board with the Board retaining overall oversight. The establishment of the AC, RC, and NC is consistent with the recommendations in the Code. The composition of the various Board Committees is set out on page 4 of this Annual Report.

The Board may form other Board Committees as dictated by business imperatives. The Board regularly undertakes a review of its Board Committees structure, their membership and terms of reference to ensure that the Board continues to be effective.

Key Features of Board Processes
The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year.

Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Company (Constitution) permits the Director to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. Except where a Director is required to recuse himself or herself due to a potential conflict of interest situation and is thus excused from participation, in each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

A total of five Board meetings were held in FY2017. A table showing the attendance record of the Directors at meetings of Board and Board Committees in FY2017 is set out on page 10 of this Annual Report. The Company believes in the manifest contributions of its Directors beyond attendance at formal Board and Board Committee meetings. To judge a Director's contribution based on his or her attendance at formal meetings alone would not do justice to his or her overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committee meetings.

Board Orientation and Training
A formal letter of appointment is provided to every new director. The formal letter of appointment indicates the time commitment required and the role of directors (including directors' responsibilities). The new director will also receive a manual containing Board and the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. All newly appointed Directors will be given comprehensive induction, including a briefing by Management on the business operations and strategic plans of the Group to enable the Directors to discharge their duties effectively. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

In view of the increasingly demanding, complex and multi-dimensional role of a Director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors of the Company to the best of their abilities.

Briefings and updates provided for directors
The Company will, if necessary, organise briefing sessions and/or training for, or circulate memoranda to the Directors to enable them to keep pace with regulatory changes, where such changes have a material bearing on the Group. The Directors were also briefed on developments in accounting by the Financial Controller, Group Accountant and the external auditors, on developments in corporate governance standards by the Company Secretary and the external auditors as appropriate, and on developments in business and strategy by the Executive Chairman/Managing Director and the Executive Directors.

The directors also attend other appropriate courses, conferences and seminars and these include programmes run by the Singapore Institute of Directors. The costs of training are borne by the Company.

CORPORATE GOVERNANCE REPORT

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.

The Board comprises eight Directors, four of whom are non-executive independent Directors and one non-executive Director. The remaining three directors are executive directors. This is in line with the recommendations in the Code.

Key Information on Directors
A brief profile of the directors is shown under 'Board of Directors' section of the Annual Report.

Board Independence
Of the current eight-member Board, four are independent.

In light of Guideline 2.4 of Code which requires that the independence of any director who has served on the board beyond nine years, from the date of first appointment, be subject to particularly rigorous review, the Board, taking into account the views of the NC, has assessed the independence of these Directors during the financial year. Such review is reported under "Board Membership". The following directors have served on the board for nine years or more:

a) Tan Eng Teong, Chairman and Managing Director, who was appointed on 10 July 1968;
b) Tan Teck Lin, Executive Director, who was appointed on 10 July 1968;
c) Tan Eng How, Non-Executive Non-Independent Director, who was appointed on 17 February 1978;
d) Fang Swee Peng, Independent Non-Executive Director, who was appointed on 28 April 2000;
e) Mr. Chng Beng Siong, Independent Non-Executive Director, who was appointed on 29 June 2000; and
f) Ms. Tan Hwa Lian, Executive Director, who was appointed on 26 August 2003.

Lead Independent Director
Mr. Tan Kok Aun, Independent Non-Executive Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the non-executive Directors in circumstances where it would be inappropriate for the Executive Chairman to serve in such capacity. He also assists the Executive Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Company.

The role of the Lead Independent Director includes meeting with the Non-Executive Directors without the presence of the Executive Chairman/Managing Director and Executive Directors at least once annually and on such other occasions as are deemed appropriate. He will also be available to shareholders if they have concerns relating to matters that contact through the Chairman has failed to resolve, or where such contact is inappropriate.

Board composition and size
Each year, the NC reviews and examines the size and the composition of the Board and each Board committee in order to evaluate the Board's effectiveness in carrying out its duties. Taking into consideration the nature of the Group's businesses, the Board believes that its current board size and composition effectively serves the Group.

The NC also examines the core competencies of its members to ensure an appropriate balance and diversity of skill and experience. Core competencies include experience and knowledge in business, finance, accounting, and technical and management skills. The NC is satisfied that the Board collectively not only reflect a diverse wealth of experience and knowledge in business, finance, accounting, technical and management skills, but they also possess independence in decision-making at Board level.

The Board, taking into account the views of the NC, considers that its directors possess the appropriate mix of expertise, experience and necessary competencies and knowledge to lead and govern the Company effectively.

CORPORATE GOVERNANCE REPORT

The number of board meetings held in the financial year 2017 by the Board and meetings of Board Committees including the attendance of the Members are set out below: -

	Main Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	**5**	**4**	**2**	**1**
Executive Director				
Tan Eng Teong	5	N.A.	N. A.	N.A.
Tan Teck Lin	5	N.A.	2	N.A.
Tan Hwa Lian	5	N.A.	N.A.	N.A.
Independent Director				
Fang Swee Peng	5	4	2	1
Chng Beng Siong	5	4	2	1
Tan Kok Aun	5	4	2	1
Lim Thian Loong*	1	N.A.	N.A.	N.A.
Non-Executive Director				
Tan Eng How	4	3	N.A.	N.A.

* Lim Thian Loong was appointed on 26 September 2017.

Board Guidance
The Board, in particular Non-Executive Directors (NEDs), is kept well informed of the Company's businesses and is knowledgeable about the industry in which the Group operates in. To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management. NEDs also receive periodic information papers and board briefings on latest market developments and trends, and key business initiatives. Regular meetings are held for management to brief directors on prospective deals and potential developments in the early stages, before formal board approval is sought. Board papers are provided to directors one week in advance of the meeting to afford the directors sufficient time to review the board papers prior to the meeting. If a director is unable to attend a board or board committee meeting, the director may nevertheless provide his/her comments separately to the Chairman or relevant board committee chairman.

EXECUTIVE CHAIRMAN/MANAGING DIRECTOR

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.

Segregation of the Role of Chairman and the Managing Director
As Chairman of the Company, Mr. Tan Eng Teong plays a pivotal role in steering the strategic direction and growth of the Group's business, sets the agenda for each Board meeting and ensures information flow between management and the Board. As the Managing Director, Mr. Tan Eng Teong oversees the day to day running of the business in Singapore, Malaysia, China, Australia and New Zealand. In carrying out his responsibilities as the Managing Director, Mr. Tan Eng Teong works closely with Mr. Tan Teck Lin, an Executive Director and Mr. Tan Eng How, a non-executive Director of the Company. Mr. Tan Teck Lin is involved in the day to day running of the business in Australia and New Zealand and the property development business in Malaysia and makes all major operational decisions with the concurrence of Mr. Tan Eng Teong. Mr. Tan Eng How is involved in the day to day running of the hotel business in Malaysia and makes all major operational decisions with the concurrence of Mr. Tan Teck Lin. Mr. Tan Eng Teong is kept informed of all significant operational decisions in Malaysia by Mr. Tan Teck Lin. Ms. Tan Hwa Lian is involved in the operations of the hotel business in Singapore, Australia, New Zealand and China.

Currently, the Company adopts a single leadership structure whereby the roles of the Chairman of the Board and the Managing Director are assumed by the same person such that the decision-making process of the Company would not be unnecessarily hindered. The Board is mindful of the desirability of separating the two functional positions. However, it believes that vulnerability of the dual roles, if any, is considerably lessened by the checks and balances energetically exercised by the board. The balance of power and authority is also provided by three committees, namely AC, NC and RC which are all chaired by the Independent Directors. The Chairman ensures that Board meetings are held when necessary and sets the meeting agenda in consultation with the executive directors. He reviews Board papers before they are presented to the Board and ensures that Board members are provided with adequate and timely information. He also assists in ensuring that the Company complies with the Code of Corporate Governance.

BOARD MEMBERSHIP

PRINCIPLE 4:
There should be a formal and transparent process for the appointment and reappointment of Directors to the Board.

Continuous Board Renewal
On Board renewal, the Company believes that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the Group's business; renewal or replacement of a Director therefore does not necessarily reflect his or her performance or contributions to date.

The Board, in conjunction with the NC has carried out the assessment of each of its Directors for FY2017 taking into account the performance and contribution of each individual director. Board composition is also evaluated to ensure diversity of skills and experience is maintained within the Board and Board committees. Based on the NC's assessment of independence of each individual director and his or her relevant expertise, and with the aim of ensuring compliance with the requirements of the Code, the Board reviews, and reconstitutes as appropriate, the membership of the Board committees.

Recommendation of Directors
The NC is responsible for identifying candidates and reviewing all nominations for the appointment, re-appointment or termination of directors and Board committee members, taking into account the proper criteria for such appointments, the director's independence status, his or her participation and contributions during and outside Board meetings, the Code of Corporate Governance and other relevant factors as may be determined by the NC.

On the bases of the declarations of independence provided by the Non-Executive Independent Directors and the guidance in the Code, the Board has determined that Mr. Fang Swee Peng, Mr. Chng Beng Siong, Mr. Tan Kok Aun and Mr. Lim Thian Loong are Non-Executive Independent Directors as defined under the Code. Each Non-Executive Independent member of the NC and Board had recused himself or herself from the NC's and the Board's deliberations respectively on his or her own independence.

Election of Board members is the prerogative and right of shareholders. The Constitution requires one-third of its Directors (prioritised by length of service since the previous re-election or appointment and who are not otherwise required to retire) to retire and subject themselves to re-election by shareholders (one-third rotation rule) at every Annual General Meeting (AGM). In addition, any newly appointed Director (whether as an additional Director or to fill a casual vacancy) will submit himself or herself for retirement and election at the AGM immediately following his or her appointment. Thereafter, he or she is subject to the one-third rotation rule.

With regard to the re-election of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the provisions of the Constitution. The NC makes recommendations to the Board as to whether the Board should support the re-election of a Director who is retiring. In making recommendations, the NC will undertake a process of review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board. Each member of the NC will recuse himself or herself from deliberations on his or her own re-election. Shareholders are provided with relevant information in the Notice of Annual General Meeting on the candidates for election or re-election. The NC had reviewed the performance and contribution of the directors retiring at this Annual General Meeting and recommended their re-elections. All these directors have consented to be re-appointed.

CORPORATE GOVERNANCE REPORT

Directors' Time Commitments
Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board appointments which any Director may hold. In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A Director with multiple directorships is expected to ensure that sufficient attention can be and is given to the affairs of the Company.

The Board believes that each Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. In considering the nomination of any individual for appointment or re-election and in its annual review of each Director's ability to commit time to the affairs of the Company, the NC takes into account, among other things, the attendance record of the Directors at meetings of the Board and Board Committees, the competing time commitments faced by any such individual with multiple board memberships as well as his or her other principal commitments.

All Directors had confirmed that notwithstanding the number of their individual listed company board appointments and other principal commitments which each of them held, they were able to devote sufficient time and attention to the affairs of the Company. The Board also notes that, as at the date of this Report, none of the independent Directors serves on more than four listed company boards.

Taking into account also the attendance record of the Directors at meetings of the Board and Board Committees in FY2017 (set out on page 10 of this Annual Report) and contributions to the Board's deliberations as well as availability outside formal Board meetings, the Board is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his or her duties.

Continuous Review of Directors' Independence
It also rigorously reviews the independence of any director who has served on the Board beyond nine years, from the date of first appointment in light of Guideline 2.4 of Code. The NC recognizes the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations. It also takes into consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board. For now, the NC believes that the Company's qualitative assessment and the existing practice, which requires each director to confirm annually to the NC, his/her ability to devote sufficient time and attention to the Company's affairs, having regard to his/her other commitments, are effective. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.

The NC had concurred that Mr. Fang Swee Peng, Mr. Chng Beng Siong, Mr. Tan Kok Aun and Mr. Lim Thian Loong continue to provide impartial and autonomous judgment in the discharge of their responsibilities as directors of the Company. They have continued to express their individual viewpoints and objectively debated issues presented by management. The NC is satisfied that Mr. Fang Swee Peng, Mr. Chng Beng Siong, Mr. Tan Kok Aun and Mr. Lim Thian Loong have remained independent in their judgment and continued to discharge their duties objectively.

The Board is satisfied that all directors have discharged their duties adequately for FY2017. The Board also expects that the directors will continue to discharge their duties adequately in FY2018.

BOARD PERFORMANCE

PRINCIPLE 5:
There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

Board Evaluation Policy
The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole.

CORPORATE GOVERNANCE REPORT

Board Evaluation Process
The Board, through the NC, strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to the Group's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of the Group.

Whilst Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of self-assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

Each year, the NC undertakes a process to evaluate the effectiveness of the Board as a whole and the Board Committees. As part of the process, questionnaires were sent by the Company Secretary to the Directors and the findings were summarised by the Company Secretary and reported, together with the weighted ratings, to the Chairman of the NC and also Chairman of the Board. Where necessary, one-on-one interviews were also conducted to seek clarifications to the feedback obtained from the responses in the questionnaires, and broader questions were raised to help validate certain survey findings. The evaluation categories covered in the questionnaire included Board composition, information management, Board processes, corporate integrity and social responsibility, managing company performance, strategy review, Board Committee effectiveness, Managing Director's performance and succession planning, Director development and management, and managing risk and adversity. The Board has considered and followed up with the findings and recommendations of the NC.

The Board further believes that the collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering the Company in the appropriate direction, as well as the long-term performance of the Company whether under favourable or challenging market conditions.

For FY2017, the NC is of the view that the Board's current size and composition is appropriate, taking into account the nature and scope of the Group's operations and the diversity of the Board members' experience and attributes; and no individual or small group of individuals dominates the Board's decision-making process.

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 ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Complete, Adequate and Timely Information
The Company recognises the importance of providing the Board with relevant information on a timely basis prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on the Group's performance are also provided to the Board on a regular basis.

The Board meets regularly for Board meetings. The Chairperson of each Board Committee provides an update on the significant matters discussed at the Board Committee meetings, the Executive Directors provides updates on the Group's business and operations and the Group Accountant (Finance and Investments) presents the financial performance. Presentations in relation to specific business areas are also made by senior executives and external consultants or experts; this allows the Board to develop a good understanding of the progress of the Group's business as well as the issues and challenges facing the Group, and also promotes active engagement with the key executives of the Group.

The quarterly and year-end financial statements are reviewed and recommended by the AC to the Board for approval. To enable the Board to fulfil its responsibilities, management provides Board members with quarterly management accounts and other financial statements. As a general rule, Board papers are sent to Board members at least five working days prior to each Board meeting, to allow the members of the Board to prepare for the Board meetings and to enable discussions to focus on any questions that they may have. If a Director is unable to attend a Board or Board Committee meeting, he will still receive all the papers and materials for discussion at that meeting. He will review them

CORPORATE GOVERNANCE REPORT

and advise the Chairman or Board Committee Chairman of his views and comments on the matters to be discussed so that they may be conveyed to other members at the meeting.

In addition to providing complete, adequate and timely information to the Board on Board affairs and issues requiring the Board's decision, Management also provides ongoing reports relating to the operational and financial performance of the Company, such as monthly management reports.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

The Board has separate and independent access to Management, including the Company Secretary, at all times. Directors are provided with the names and contact details of the management team.

The Board sets aside time at scheduled meeting to meet without the presence of Management. The AC also meets the internal and external auditors separately at least once a year without the presence of the Management. The Board has unfettered access to any Management staff for any information that it may require. Through the training framework adopted for the professional development of the Directors, Directors also receive on a regular basis reading materials on topical matters or subjects and regulatory updates and implications. In addition, where appropriate, briefings from industry players or consultants are also arranged.

Company Secretary
The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends all Board meetings and assists the Chairman and in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Independent Professional Advice
The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, at the Company's expense.

REMUNERATION MATTERS

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.

LEVEL AND MIX OF REMUNERATION

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

DISCLOSURE ON REMUNERATION

PRINCIPLE 9:
Every 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.

CORPORATE GOVERNANCE REPORT

The Board sets the remuneration policies in line with the Company's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has established the RC to oversee executive compensation and development. In carrying out this role, the RC also aims to build capable and committed management teams through competitive compensation and progressive policies which are aligned to the long-term interests and risk policies of the Group. The RC plays a crucial role in helping to ensure that the Company is able to attract, motivate and retain the best talents to drive the Group's business forward.

All the RC members, including the Chairman of the RC, are Non-Executive Independent Directors. The RC met one time in the year under review.

The RC is guided by its terms of reference. In particular, the RC recommends to the Board for approval a general framework of remuneration for the entire organisation and also approves the annual salary increment pool and market adjustments for staff of all grades, including key management personnel of the Group, and fees payable to the Non-Executive Directors. Its recommendations are submitted for the Board's discussion or, as the case may be, approval. For FY2017, the RC has reviewed and ascertained that the remuneration packages of Executive Directors are fair, linking rewards with performance.

The Board and the RC have access to independent remuneration consultants to advise as required.

The directors are paid only directors' fees. The compensation policy for is based on a scale of fees divided into basic fees for serving as Director and additional fees for serving on Board Committees. The compensation package is market benchmarked, taking into account the demanding responsibilities on the part of the Directors in light of the scale, complexity and the international nature of the business, the level of contributions and time spent. They do not receive an attendance fee for attending meetings. In respect of fees for directors, approval of shareholders is requested at each Annual General Meeting of the Company.

The level of each director's remuneration for the year ended 2017 are shown below:

	FEE ($)	SALARY ($)	BONUS ($)	BENEFITS ($)	TOTAL ($)
	$'000	$'000	$'000	$'000	$'000
Mr. Tan Eng Teong	53.0	240.0	260.0	–	553.0
Ms. Tan Hwa Lian	46.4	141.2	51.1	–	238.7
Mr. Tan Teck Lin	50.8	–	–	–	50.8
Mr. Tan Eng How	46.4	–	–	–	46.4
Mr. Fang Swee Peng	45.7	–	–	–	45.7
Mr. Chng Beng Siong	40.2	–	–	–	40.2
Mr. Tan Kok Aun	40.2	–	–	–	40.2
Mr. Lim Thian Loong	6.0	–	–	–	6.0

a) The top key executives are Frank Delli Cicchi, Ralph Freckelton, Peter Yared, Haydn Grant and John Plenca. Each of these key executive's remuneration falls below the S$250,000 band. The aggregate total remuneration paid to the top five key executives (who are not Directors or MD) for the financial year ended 31 December 2017 was $1,049,383. The Company believes that the disclosure of the remuneration of each individual top five key management personnel, on a named basis would not be in the interest of the Group's business, given the highly competitive nature of the core hotel business of the Group and the commercial sensitivity and confidentiality of remuneration. Furthermore, the Board also responds to questions, if any, from the shareholders on remuneration matters in the annual general meeting.

CORPORATE GOVERNANCE REPORT

b) There is no employee of the Group who is an immediate family member of a director or the Chairman with remuneration exceeding S$50,000 during the year except as disclosed below:

Remuneration of immediate family members of the Chairman and directors
Remuneration of employees who are immediate family members of the Chairman/Managing Director and the Executive Directors of the Company for the year ended 31 December 2017 is set out below:

Remuneration bands	**Name of employees**	**Employee's relationship**
$100,000 - $150,000	Tan Hwa Lam, Hellen	Daughter of Tan Eng Teong and sister of Tan Hwa Lian

c) The Company does not have any share option scheme.

d) For FY2017, there were no termination, retirement and post-employment benefits granted to directors and the top five key executives other than the contractual notice period termination payment in lieu of services in respect of the executive.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Company's position and prospects. For the financial year under review, the Board and the Group Accountant have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with the Listing Rules. For the full year financial statements, the Board provides an opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks are adequate. This is based on the internal controls established and maintained by the Group, work performed by the external auditors, the carrying out of the internal audit function and reviews performed by management, various Board committees and the Board. This, in turn, is supported by a negative assurance statement from the Managing Director. The management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties.

The Company believes in conducting itself in ways that seek to deliver maximum sustainable value to its shareholders. Best practices are promoted to build an excellent business for its shareholders and the Company is accountable to shareholders for its performance. Prompt fulfilment of statutory reporting requirements is but one way to maintain shareholders' confidence and trust in the capability and integrity of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard shareholders' interests and the Group's assets.

CORPORATE GOVERNANCE REPORT

The Board has overall responsibility for the governance of risk and oversees Management in the design, implementation and monitoring of the risk management and internal controls system. The AC assists the Board in carrying out the Board's responsibility of overseeing the Company's risk management framework and policies.

The Company has adopted an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually. A team comprising the AC Chairman and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group.

The Company consistently seeks to improve and strengthen its ERM Framework. As part of the ERM Framework, Management, among other things, undertakes and performs a Risk and Control Assessment (RCA) process. As a result of the RCA process, the Group produces and maintains a risk register which identifies the material risks it faces and the corresponding internal controls it has in place to manage or mitigate those risks. The Board also reviews the approach of identifying and assessing risks and internal controls in the risk register. The material risks, including the mitigating measures, are reviewed regularly by the AC, and reported to the Board.

The system of risk management and internal controls, including information technology risk controls are reviewed and, where appropriate, refined regularly by Management, the AC and the Board. Where relevant, reference is made to the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The internal auditors conduct reviews of the adequacy and effectiveness of the material internal controls in the Group addressing financial, operational and compliance and IT risks. Management ensures that sites have firewall and anti virus installed and has put in place measures to safeguard the integrity of information technology. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal auditors and Management are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by Management on the recommendations made by the internal auditors in this respect.

The Board has received assurance from the Executive Chairman/Managing Director and Executive Directors that:
(a) the financial records of the Group have been properly maintained and the financial statements for FY2017 give a true and fair view of the Group's operations and finances; and
(b) the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks faced by the Group in its current business environment including material financial, operational, compliance and IT risks. Executive Chairman/Managing Director and Executive Directors have obtained similar assurances from the respective business and corporate executive heads in the Group.

In addition, in FY2017, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to shareholders as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and work performed by both the internal and external auditors, as well as the assurance from the Executive Chairman/Managing Director and Executive Directors, the Board concurs with the recommendation of the AC and is of the opinion that the Group's system of risk management and internal controls, addressing material financial, operational, compliance and IT risks, is adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2017.

The Group's financial risk management objectives and policies are stated under Note 30 of the Financial Statements.

AUDIT COMMITTEE

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

All the members of the AC, including the Chairman of the AC, are Non-Executive Independent Directors. The members of the AC collectively have strong accounting and related financial management expertise and experience.

CORPORATE GOVERNANCE REPORT

Authority and Duties of the AC

The AC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

(a) it reviews 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;

(b) it assesses the adequacy and effectiveness of the internal controls (including material financial, operational, compliance and IT controls) and risk management system;

(c) it reviews the adequacy and effectiveness of the Company's internal audit function and also ensures that the internal audit function is adequately resourced;

(d) it reviews the scope and results of the external audit, and independence and objectivity of the external auditors;

(e) it makes recommendations to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration of the external auditors;

(f) it reviews and approves processes to regulate interested person transactions and to ensure compliance with the applicable regulations, in particular, the requirement that the transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders; and

(g) it reviews the policy and arrangements by which employees of the Company and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

The AC meets on a quarterly basis to review the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The Chairman, Group Accountant, Executive Directors, and the external auditor were invited to attend these meetings. The AC reviews and recommends the financial statements and corresponding SGXNET announcements to the Board for approval.

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings. Directors are also invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

In its review of the financial statements of the Group and the Company for FY2017, the AC had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, key audit matters as reported by the external auditors for the financial year ended 31 December 2017.

In FY 2017, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

The AC recommends to the Board the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor. The re-appointment of the external auditor is always subject to shareholder approval at the Company's Annual General Meeting. In order to maintain the independence of the external auditors, the Company has developed policies regarding the types of non-audit services that the external auditors can provide to the Group and the related approval processes. The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2017 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The total non-audit fees for FY2017 as a percentage of total audit fees was 19%. The total fees paid to our external auditor, Ernst & Young LLP, are as disclosed in Note 22(b) of the Financial Statements. The AC has recommended the re-appointment of Ernst & Young LLP as the auditors at the coming AGM.

CORPORATE GOVERNANCE REPORT

The Company has complied with Listing Rules 712, 715 and 716 in respect of the appointment of its auditors of the Company and Group companies.

Whistleblowing Policy
The Company has in place a Whistle Blowing Policy ("the Policy") for the Group, which provides a channel to employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy was to assist the Audit Committee in managing allegations of fraud or other misconduct which may be made, so that investigations are carried out in an appropriate and timely manner; administrative, disciplinary and civil actions that are initiated following the completion of the investigations, are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

There have been no established incidents pertaining to whistle-blowing for FY2017.

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 internal audit function for the Malaysia operation is outsourced. The Group has established an in-house internal audit function for the Australia and New Zealand operations. The Internal Auditor reports directly to the AC and has unfettered access to the Group's documents, records, properties and employees, including access to the AC.

The Internal Auditor prepares and executes a risk-based audit plan, to review the adequacy and effectiveness of the system of internal controls in the Australia and New Zealand operations. These include operational, financial and compliance controls. Regular reports highlighting material internal control weaknesses are submitted to management for its review. Management submits internal audit findings and recommendations to the AC on a regular basis. Significant internal audit findings and issues are discussed at AC meetings. Management and the Finance Department follow up on all internal audit recommendations to ensure that they are implemented in a timely and appropriate fashion.

The AC is of the view that the internal audit function performed by the Internal Auditor is adequately resourced.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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.

The Company is committed to treating all its shareholders fairly and equitably. All shareholders enjoy specific rights under the Constitution and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate shareholder, through its appointed representative). Shareholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS

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.

The Company is committed to keeping all its shareholders and other stakeholders and analysts informed of its performance and any changes in the Group or its business which would be likely to materially affect the price or

CORPORATE GOVERNANCE REPORT

value of the Company's securities, on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions.

CONDUCT OF SHAREHOLDER MEETINGS

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.

The Company supports the principle of encouraging shareholder participation and voting at general meetings. Shareholders receive the Annual Report and notice of the general meeting. Notices of the general meetings are also advertised in the press and issued on SGXNet. The requisite notice period for a general meeting is adhered to. All shareholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, shareholders are encouraged to communicate their views and discuss with the Board and Management matters affecting the Company. All Directors (including the Chairpersons of the respective Board Committees), Management and the external auditors, would be present at general meetings to address any queries that the shareholders may have.

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect shareholders' interests, the Company conducts poll voting for all the resolutions proposed at the general meetings. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast, for or against and the respective percentages, on each resolution are tallied and reported to shareholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings. Voting in absentia and by email, which are currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting. Minutes of the general meetings are prepared and are available to shareholders for their inspection upon request.

Shareholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting the Company after the general meetings.

ADDITIONAL INFORMATION

DEALINGS IN SECURITIES

The Company has devised and adopted a Securities Transactions Code for securities dealing for the Group's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Company has issued guidelines to its Directors and employees in the Group which set out prohibitions against dealings in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of the Company's financial statements for each of the first three quarters of its financial year and, (iii) during the one month immediately preceding, and up to the time of the announcement of the Company's financial statements for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Group to inform them of the duration of the period.

Directors and officers are also reminded that they should not deal in the Company's securities on short-term considerations. The Company emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares.

The directors are required to notify the Company of any dealings in the Company's securities within two business days of the transactions.

The Board is satisfied with the Group's commitment in compliance with the Code.

CORPORATE STRUCTURE

SINGAPORE

- Hotel Chancellor @ Orchard Pte Ltd — 100%
- Grand Central International Management (S) Pte Ltd — 100%
- Grand Central Management (S) Pte Ltd — 100%
- Chancellor @ Orchard Pte Ltd — 100%

MALAYSIA

- Grand Central Enterprises (Penang) Sdn Bhd — 100%
- Shianke Lee La Sdn Bhd — 100%
- Grand Central Properties (M) Pte Ltd — 100%
- Grand Central Development Sdn Bhd — 28.6%
- Grand Central Enterprises Bhd — 23.8%

NEW ZEALAND

- Grand Central (NZ) Limited — 100%
- Grand Central Management (NZ) Ltd — 100%
- James Cook Hotel Limited — 100%
- James Cook Properties Limited — 100%
- Hotel Grand Chancellor (Auckland) Limited — 100%
- Hotel Grand Chancellor (Auckland City) Limited — 100%
- Grand Hotels International Limited — 100%
- Hotel Grand Chancellor (Christchurch) Limited — 100%

AUSTRALIA

- Grand Central (Australia) Pty Limited — 100%
- Grand Central Management (Australia) Pty Limited — 100%
- Hotel Grand Chancellor (Melbourne) Pty Limited — 100%
- Hotel Grand Chancellor (Brisbane) Pty Limited — 100%
- Gainspan Pty Limited — 100%
  - 50%
- 50%-Hotel Grand Chancellor (Hobart) Pty Limited — 100%
- Hotel Grand Chancellor (Launceston) Pty Limited — 100%
- Chancellor Inn (Tasmania) Pty Limited — 100%
- The Chancellor (Adelaide) Pty Limited — 100%
- Hotel Grand Chancellor (Adelaide) Pty Limited — 100%
- Hotel Grand Chancellor (Surfers Paradise) Pty Limited — 100%
- Grand Central (Flinders St) Pty Ltd — 100%
- Hotel Grand Chancellor (Palm Cove) Pty Limited — 100%
- Hotel Grand Chancellor (Townsville) Pty Limited — 100%

CHINA

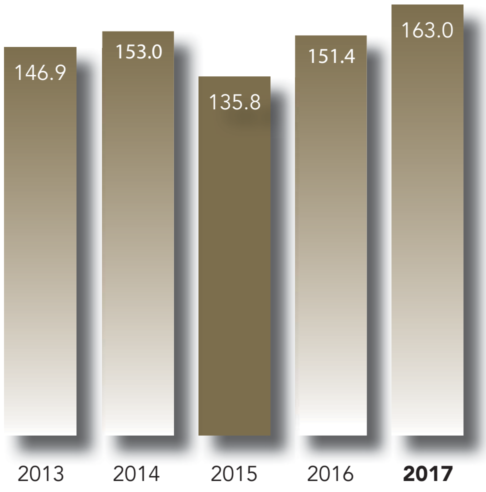
- Hotel Grand Central (Sihui) Co. Ltd — 100%

SUBSIDIARIES

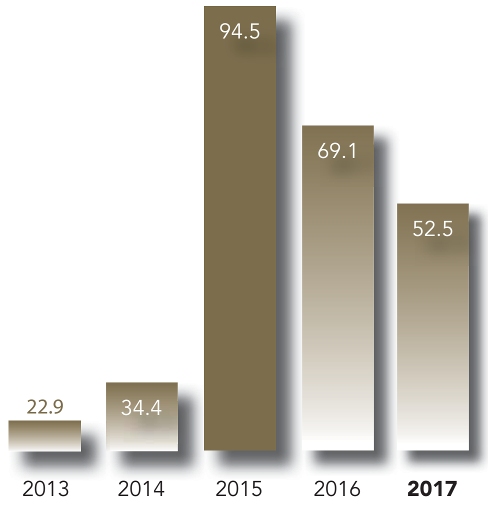
ASSOCIATES

FINANCIAL STATISTICS & CHARTS

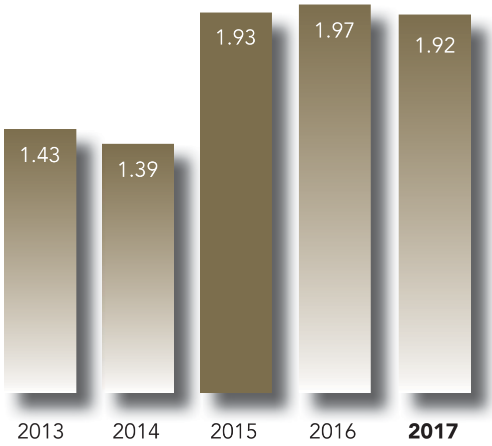
TURNOVER ($ MILLION)



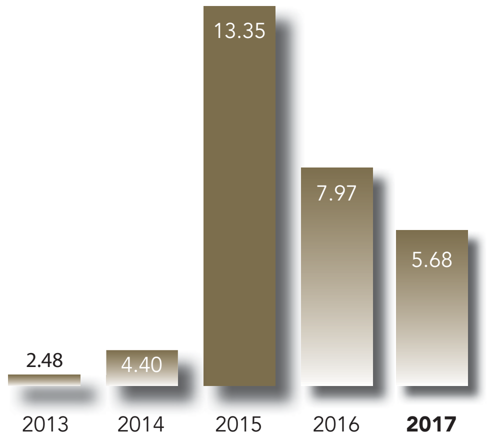
PROFIT BEFORE TAX ($ MILLION)



NET ASSETS PER SHARE ($)



NET EARNINGS PER SHARE (CENTS)



Profit & Loss ($ Million)	**2013**	**2014**	**2015**	**2016**	**2017**
Turnover	146.9	153.0	135.8	151.4	163.0
Profit Before Tax	22.9	34.4	94.5	69.1	52.5
Profit After Tax	14.5	26.8	85.5	52.9	38.4
Balance Sheet ($ Million)					
Total Assets	1,143.4	1,203.4	1,629.8	1,640.2	1,608.0
Paid Up Capital	343.3	369.8	422.0	422.0	455.9
Share Capital & Reserve	855.8	866.3	1,276.6	1,305.1	1,326.5
Selected Ratios					
Net Earnings Per Share (Cents)	2.48	4.40	13.35	7.97	5.68
Ordinary Dividends Per Share (Cents)	5.00	5.00	5.00	5.00	5.00
Special Dividends Per Share (Cents)	–	5.00	–	1.00	3.00
Net Assets Per Share ($)	1.43	1.39	1.93	1.97	1.92

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hotel Grand Central Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Tan Eng Teong	(Chairman/Managing Director)
Tan Teck Lin	(Executive Director)
Tan Hwa Lian	(Executive Director)
Tan Eng How	
Fang Swee Peng	
Chng Beng Siong	
Tan Kok Aun	
Lim Thian Loong	(Appointed on 26 September 2017)

In accordance with Article 101 of the Company's Constitution, Tan Eng How and Tan Kok Aun retire, and being eligible, offer themselves re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest			Deemed interest		
	At the beginning of financial year	At the end of financial year	At 21 January 2018	At the beginning of financial year	At the end of financial year	At 21 January 2018
The Company						
Ordinary shares						
Tan Eng Teong	37,960	39,791	39,791	408,830,373	429,660,769	429,875,869
Tan Teck Lin	–	–	–	388,848,040	407,610,308	407,822,008
Tan Hwa Lian	5,433	6,144	6,144	–	–	–
Tan Eng How	936,441	1,054,687	1,054,687	368,040,455	385,798,739	386,010,439
Fang Swee Peng	592,557	621,148	621,148	–	–	–
Chng Beng Siong	37	37	37	27,711,609	27,711,609	27,711,609

By virtue of Section 7 of the Companies Act, Chapter 50, Tan Eng Teong, Tan Teck Lin and Tan Eng How are deemed to have an interest in the shares held by the Company in all its subsidiaries.

DIRECTORS' STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

SHARE OPTIONS

No share options have been granted by the Company since its incorporation.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises four board members, three of whom are non-executive and independent directors. The members of the AC, during the financial year and at the date of this report, are:

Tan Kok Aun (Chairman)
Fang Swee Peng
Chng Beng Siong
Lim Thian Loong

The AC carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Tan Eng Teong
Director

Tan Teck Lin
Director

Singapore
6 April 2018

INDEPENDENT AUDITOR'S REPORT
For the financial year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL GRAND CENTRAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hotel Grand Central Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(a) **Carrying value of hotel assets**

The Group is the owner of several hotels in Australia, New Zealand, Singapore, China and Malaysia. The collective carrying value of these hotel assets are disclosed in Note 6 to the consolidated financial statements. The Group's policy is to carry these hotel assets at revalued cost less accumulated depreciation and any accumulated impairment losses, with an asset re-valuation exercise carried out once every three years to ensure the carrying amount does not differ materially from the fair value of the hotel assets at the end of the reporting period. The latest valuation exercise was carried out in 2015. The total carrying amount of the hotel assets comprised 77% of the total non-current assets as at 31 December 2017.

Management reviews the carrying value of the hotel assets and assesses if there is any indication of impairment in its hotel assets by considering individual hotel asset's operating performance and evaluating if the hotel's performance is in line with the assumptions applied in the most recent hotel valuation cycle. Management then applies its judgement in the assessment of the recoverability of the amounts invested in the hotel assets. Such judgment focuses predominantly on future hotel operating performance, which is, amongst others, dependent on the expected occupancy rates, revenue growth rates and the competitive landscape in local markets. Management assesses, on an annual basis, whether there are triggering events indicating potential impairment.

INDEPENDENT AUDITOR'S REPORT
For the financial year ended 31 December 2017

Key Audit Matters (cont'd)

(a) **Carrying value of hotel assets (cont'd)**

Our audit procedures included, amongst others, an evaluation of the group's policies and procedures to identify triggering events for potential impairment and any material changes in the carrying value of hotel assets. We validated management's main cash flow assumptions and corroborated them by comparing them to internal forecasts and long term and strategic plans that were approved by management as well as historic trend analyses. We also involved our valuation specialist to evaluate the reasonableness of the capitalisation and discount rates utilised in the forecasts.

(b) **Valuation of investment properties**

Investment properties represent 21% of non-current assets. The carrying amount of the Group's investment properties are disclosed in Note 7 to the financial statements. The valuation of these assets are significant to our audit due to their magnitude, their complexity and dependence on a range of estimates (amongst others, rental value, occupancy rates and interest rates) made by management as well as the external professional valuers.

Management uses external professional valuers to support its determination of the individual fair value of the investment properties annually. Our audit procedures included amongst others, considering the objectivity, independence and expertise of the external professional valuers, assessing the appropriateness of the valuation model, property related data, including estimates used by the external professional valuers. In addition, we involved our internal real estate and valuation specialists to assist us in validating the appropriateness of the data used by management and the external professional valuers in the estimation process, and the movements in fair value of these assets. Furthermore, we discussed with the external professional valuers their valuation techniques. We also assessed the adequacy of the disclosures to Note 7 and 29 to the financial statements relating to the assumptions, given the estimation uncertainty and sensitivity of the valuations.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT
For the financial year ended 31 December 2017

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ken Ong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2018

BALANCE SHEETS
as at 31 December 2017

	Note	Group	
		2017	**2016**
		$'000	$'000
Equity attributable to owners of the Company			
Share capital	4	455,922	421,997
Reserves	5	870,625	883,139
Total equity		1,326,547	1,305,136
Non-current assets			
Property, plant and equipment	6	1,027,625	1,049,214
Investment properties	7	277,820	208,852
Land use rights	8	1,092	1,153
Intangible assets		85	90
Goodwill	9	1,411	1,454
Investments in associates	11	8,879	10,413
Deferred tax assets	12	3,078	3,471
Investment securities	13	13,624	10,358
		1,333,614	1,285,005
Current assets			
Land use rights	8	45	46
Prepaid operating expenses		2,829	2,453
Inventories	14	834	832
Trade and other receivables	15	8,438	8,851
Cash and short-term deposits	16	261,002	343,056
Property held for sale	6	1,240	–
		274,388	355,238
Current liabilities			
Trade and other payables	18	22,534	26,769
Accrued operating expenses		11,184	10,581
Derivatives	19	83	509
Deferred income		777	756
Loans and borrowings	17	40,066	8,551
Income tax payable		5,478	12,845
		80,122	60,011
Net current assets		194,266	295,227
Non-current liabilities			
Derivatives	19	–	318
Deferred tax liabilities	12	140,749	138,119
Loans and borrowings	17	60,584	136,659
		1,326,547	1,305,136

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS
as at 31 December 2017

	Note	Company	
		2017	2016
		$'000	$'000
Equity attributable to owners of the Company			
Share capital	4	455,922	421,997
Reserves	5	288,764	267,246
Total equity		744,686	689,243
Non-current assets			
Property, plant and equipment	6	267,942	270,038
Investments in subsidiaries	10	329,091	243,006
Investments in associates	11	10,867	11,574
Deferred tax assets	12	65	447
Investment securities	13	13,624	10,358
		621,589	535,423
Current assets			
Prepaid operating expenses		86	109
Inventories	14	16	32
Trade and other receivables	15	1,535	2,766
Cash and short-term deposits	16	167,599	202,278
		169,236	205,185
Current liabilities			
Trade and other payables	18	3,451	3,482
Accrued operating expenses		7,240	8,762
Derivatives	19	83	–
Loans and borrowings	17	35,318	18
Income tax payable		–	20
		46,092	12,282
Net current assets		123,144	192,903
Non-current liabilities			
Derivatives	19	–	318
Loans and borrowings	17	47	38,765
		744,686	689,243

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2017

	Note	Group	
		2017	2016
		$'000	$'000
Revenue			
Hotel operations		146,686	141,839
Rental income from investment properties		16,351	9,535
Total revenue		163,037	151,374
Other income	20	1,253	28,954
		164,290	180,328
Costs and expenses			
Staff costs	21	(47,607)	(48,156)
Depreciation of property, plant and equipment	6	(21,043)	(21,689)
Operating costs and expenses	22	(53,489)	(51,577)
Other expenses	20	(707)	–
Profit from operating activities before fair value adjustment		41,444	58,906
Fair value gain on investment properties	7	9,830	8,444
Profit from operating activities		51,274	67,350
Finance costs	23	(5,221)	(4,140)
Interest income from fixed deposits		4,877	5,212
Foreign exchange gain, net		1,365	460
Share of results of associates		189	205
Profit before tax		52,484	69,087
Income tax expense	24	(14,107)	(16,211)
Profit net of tax and attributable to owners of the Company		38,377	52,876
Earnings per share attributable to owners of the Company (cents per share)			
Basic	25	5.68	7.97
Diluted	25	5.68	7.97

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	$'000
Profit net of tax	38,377	52,876
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Impairment of Kedah hotel building	–	(600)
Reversal of deferred tax liability on revaluation reserve for Surfers Paradise hotel	–	2,134
Reduction/(addition) of development cost accruals for completed hotels in Singapore	141	(1,162)
Net deficit on revaluation of hotel assets	(437)	–
	(296)	372
Items that may be reclassified subsequently to profit or loss		
Net gain on fair value changes of available-for-sale financial assets	2,896	337
Foreign currency translation	(13,709)	8,111
	(10,813)	8,448
Other comprehensive income for the year, net of tax	(11,109)	8,820
Total comprehensive income for the year and attributable to owners of the Company	27,268	61,696

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

		Attributable to equity holders of the Company						
	Note	Share capital	Retained earnings	Asset revaluation reserve	Fair value adjustment reserve	Foreign currency translation reserve	Other reserve	Total equity
Group		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017								
Opening balance at 1 January 2017		421,997	327,224	626,679	663	(72,859)	1,432	1,305,136
Profit net of tax		–	38,377	–	–	–	–	38,377
Other comprehensive income for the year								
Net deficit on revaluation of hotel assets		–	–	(437)	–	–	–	(437)
Net gain on fair value changes of available-for-sale financial assets		–	–	–	2,896	–	–	2,896
Reduction of development cost accruals for completed hotels in Singapore		–	–	141	–	–	–	141
Foreign currency translation		–	–	–	–	(13,709)	–	(13,709)
Total comprehensive income for the year		–	38,377	(296)	2,896	(13,709)	–	27,268
Distributions to owners								
Cash dividends	26	–	(5,857)	–	–	–	–	(5,857)
Scrip dividends	26	33,925	(33,925)	–	–	–	–	–
Total distributions to owners		33,925	(39,782)	–	–	–	–	(5,857)
Closing balance at 31 December 2017		455,922	325,819	626,383	3,559	(86,568)	1,432	1,326,547

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2017

		Attributable to equity holders of the Company						
	Note	Share capital	Retained earnings	Asset revaluation reserve	Fair value adjustment reserve	Foreign currency translation reserve	Other reserve	Total equity
Group		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016								
Opening balance at 1 January 2016		421,997	299,072	634,735	326	(80,970)	1,432	1,276,592
Profit net of tax		–	52,876	–	–	–	–	52,876
Other comprehensive income for the year								
Impairment of Kedah hotel building		–	–	(600)	–	–	–	(600)
Reversal of deferred tax liability on revaluation reserve for Surfers Paradise hotel		–	–	2,134	–	–	–	2,134
Net gain on fair value changes of available-for-sale financial assets		–	–	–	337	–	–	337
Additional development cost accruals for completed hotels in Singapore		–	–	(1,162)	–	–	–	(1,162)
Foreign currency translation		–	–	–	–	8,111	–	8,111
Total comprehensive income for the year		–	52,876	372	337	8,111	–	61,696
Distributions to owners								
Cash dividends	26	–	(33,152)	–	–	–	–	(33,152)
Total distributions to owners		–	(33,152)	–	–	–	–	(33,152)
Others								
Transfer from asset revaluation reserve to retained earnings		–	8,428	(8,428)	–	–	–	–
Total others		–	8,428	(8,428)	–	–	–	–
Closing balance at 31 December 2016		421,997	327,224	626,679	663	(72,859)	1,432	1,305,136

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2017

Company	Note	Share capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Fair value adjustment reserve $'000	Total equity $'000
2017						
Opening balance at 1 January 2017		421,997	67,993	198,590	663	689,243
Profit net of tax		–	58,170	–	–	58,170
Other comprehensive income for the year						
Net gain on fair value changes of available-for-sale financial assets		–	–	–	2,896	2,896
Reduction of development cost accruals for completed hotel		–	–	234	–	234
Total comprehensive income for the year		–	58,170	234	2,896	61,300
Distributions to owners						
Cash dividends	26	–	(5,857)	–	–	(5,827)
Scrip dividends	26	33,925	(33,925)	–	–	–
Total distributions to owners		33,925	(39,782)	–	–	(5,857)
Closing balance at 31 December 2017		455,922	86,381	198,824	3,559	744,686
2016						
Opening balance at 1 January 2016		421,997	91,785	199,103	326	713,211
Profit net of tax		–	9,360	–	–	9,360
Other comprehensive income for the year						
Net gain on fair value changes of available-for-sale financial assets		–	–	–	337	337
Additional development cost accruals for completed hotel		–	–	(513)	–	(513)
Total comprehensive income for the year		–	9,360	(513)	337	9,184
Distributions to owners						
Cash dividends	26	–	(33,152)	–	–	(33,152)
Total distributions to owners		–	(33,152)	–	–	(33,152)
Closing balance at 31 December 2016		421,997	67,993	198,590	663	689,243

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the financial year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	$'000
Operating activities		
Profit before tax	52,484	69,087
Adjustments for:		
Depreciation of property, plant and equipment	21,043	21,689
Fair value gain on investment properties	(9,830)	(8,444)
Amortisation of land use rights	46	46
Dividend income from investment securities	(439)	(353)
Net gain on disposal of property, plant and equipment	(3)	(28,421)
Net gain on disposal of investment securities	(55)	–
Impairment loss on investment in an associated company	707	–
Fair value (gain)/loss on derivatives	(744)	827
Bad debts written-off	210	–
Finance costs	5,221	4,140
Interest income	(4,877)	(5,212)
Foreign exchange gain, net	(1,365)	(460)
Share of results of associated companies	(189)	(205)
Operating cash flows before changes in working capital	62,209	52,694
(Increase)/decrease in inventories	(13)	99
Decrease in trade and other receivables	118	453
Increase in prepaid operating expenses	(400)	(25)
(Decrease)/increase in trade and other payables	(3,795)	5,603
Increase/(decrease) in accrued operating expenses	814	(4,785)
Cash flows from operations	58,933	54,039
Interest received	4,877	5,212
Interest paid	(5,221)	(4,140)
Income taxes paid	(16,802)	(8,431)
Net cash flows generated from operating activities	41,787	46,680

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	$'000
Investing activities		
Dividend income from investment securities	439	353
Dividend income from associated companies	582	595
Proceeds from disposal of property, plant and equipment	73	82,060
Proceeds from disposal of investment securities	272	–
Purchase of property, plant and equipment	(6,239)	(6,098)
Net cash outflow on acquisition of Townsville hotel	–	(14,624)
Purchase of investment securities	(587)	(3,878)
Additions to investment properties	(67,064)	(38,191)
Net cash flows (used in)/generated from investing activities	(72,524)	20,217
Financing activities		
Cash dividends paid on ordinary shares	(5,857)	(33,152)
Decrease in fixed deposits pledged	–	37,335
Proceeds from loans and borrowings	29,438	41,331
Repayments of loans and borrowings	(71,510)	(71,310)
Repayments of obligations under finance leases	(18)	(7)
Net cash flows used in financing activities	(47,947)	(25,803)
Net increase in cash and cash equivalents	(78,684)	41,094
Effect of exchange rate changes on cash and cash equivalents	(3,370)	3,317
Cash and cash equivalents at 1 January	343,056	298,645
Cash and cash equivalents at 31 December	261,002	343,056
Cash and cash equivalents at end of year comprise:		
Cash and bank balances	38,411	45,692
Short-term deposits	222,591	297,364
Cash and cash equivalents at 31 December (Note 16)	261,002	343,056

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

1. CORPORATION INFORMATION

Hotel Grand Central Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 22 Cavenagh Road, Singapore 229617.

The principal activities of the Company consist of owning, operating and managing hotels. The principal activities of the subsidiaries and associates are disclosed in Note 10 and Note 11 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ("$'000"), except when otherwise indicated.

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to recognise deferred tax liabilities arising from unremitted foreign-sourced interest income amounting to approximately $4,500,000, with the corresponding entry recognised in opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above, and the adoption of SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 115, FRS 109 and FRS 116 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have a material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	***Effective for annual periods beginning on or after***
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
- *Amendments to FRS 28 Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

<u>*FRS 115 Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is in the business of owning, operating and managing hotels. The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. The Group has assessed that its contract with customers are short term in nature and revenue is recognised when services are rendered. Accordingly, the Group does not expect any significant impact to arise from the adoption of FRS 115. This assessment may be subject to changes arising from on-going analysis until the Group adopts FRS 115 in 2018.

The Group plans to adopt the new standard on the required effective date using the full retrospective method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective (cont'd)*

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) ***Classification and measurement***

The Group will continue to measure its available-for-sale quoted equity securities at fair value through other comprehensive income. The Group does not expect any significant impact arising from these changes.

(b) ***Impairment***

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect any significant impact arising from these changes.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and does not expect any significant adjustments on adoption of FRS 116 as the Group does not have a significant amount of operating lease as lessee.

2.4 *Basis of consolidation and business combinations*

(a) ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Basis of consolidation and business combinations (cont'd)*

(a) *Basis of consolidation (cont'd)*

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) ***Business combinations and goodwill (cont'd)***

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars ("SGD"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land, leasehold land and hotel buildings and improvements are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land, leasehold land, and hotel buildings and improvements are measured at fair value less accumulated depreciation on leasehold land and hotel buildings and improvements and impairment losses recognised after the date of the revaluation. Valuations are performed at least once every three years to ensure that the carrying amount does not differ materially from the fair value of the freehold land, leasehold land and hotel buildings and improvements at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	- 99 years
Hotel buildings and improvements	- 50 years
Furniture, fixtures and office equipment	- 2 to 13 years
Plant, equipment and electrical fittings	- 10 years
Kitchen and room equipment	- 4 years
Motor vehicles	- 5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 35 years.

2.9 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Associates (cont'd)*

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained interest at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Financial instruments (cont'd)*

(a) ***Financial assets (cont'd)***

(iii) Financial assets at fair value through profit or loss which are held for trading

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial asset has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Impairment of financial assets (cont'd)*

(b) ***Available-for-sale financial assets (cont'd)***

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.15 *Cash and cash equivalents*

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

2.16 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is determined based on purchase costs on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.17 *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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 *Employee benefits*

(a) ***Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 *Employee benefits (cont'd)*

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.20 *Leases*

(a) ***As lessee***

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 *Customer loyalty programme*

The Group operates two different loyalty programmes: the Chancellor Club (CC), which earns a member one point for each night booked per room; and GC Rewards (GC), which earns a member one point for each dollar spent per stay. The points can then be redeemed for free goods and accommodation, subject to a minimum number of points being obtained.

Consideration received is allocated between the associated revenue and the points issued based on the fair value of the points. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as a principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Rendering of services***

Revenue from hotel operations comprises all income and proceeds from sales resulting from the operation of the hotel and all of the facilities therein and is recognised as and when goods and services are provided.

(b) ***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.23 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.1 *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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) ***Carrying value of hotel assets***

The Group's carries its hotel assets at revalued cost less accumulated depreciation and any accumulated impairment losses, with an asset re-valuation exercise carried out once every three years to ensure the carrying amount does not differ materially from the fair value of the hotel assets at the end of the reporting period. The latest valuation exercise was carried out in 2015.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 *Key sources of estimation uncertainty (cont'd)*

(a) ***Carrying value of hotel assets (cont'd)***

Management reviews the carrying value of the hotel assets and assesses if there is any indication of impairment in its hotel assets by considering individual hotel asset's operating performance and evaluating if the hotel's performance is in line with the assumptions applied in the most recent hotel valuation cycle. Management then applies its judgement in the assessment of the recoverability of the amounts invested in the hotel assets. Such judgment focuses predominantly on future hotel operating performance, which is, amongst others, dependent on the expected occupancy rates, revenue growth rates and the competitive landscape in local markets. Any changes to these factors will affect the estimate of the recoverable value of the hotel asset. Management assesses, on an annual basis, whether there are triggering events indicating potential impairment.

The carrying amount of the Group's hotel properties at the end of the reporting period is disclosed in Note 6 to the financial statements.

(b) ***Valuation of investment properties***

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss and other comprehensive income respectively.

The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Capitalisation Method and the Discounted Cash Flow Method.

The determination of the fair values of the investment properties require the use of estimates such as future cash flows from assets (such as rental, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date.

The carrying amount and key assumptions used to determine the fair value of the investment properties are further explained in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

4. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares ‘000	$’000	No. of shares ‘000	$’000
Issued and fully paid ordinary shares				
At 1 January	663,033	421,997	663,033	421,997
Scrip dividends (Note 26)	27,282	33,925	–	–
At 31 December	690,315	455,922	663,033	421,997

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

5. RESERVES

(a) ***Asset revaluation reserve***

The asset revaluation reserve represents increases in the fair value of freehold land, leasehold land and hotel buildings and improvements, net of related deferred tax, and decreases to the extent that such decrease relates to an increase in the same asset previously recognised in other comprehensive income.

(b) ***Fair value adjustment reserve***

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(c) ***Foreign currency translation reserve***

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency.

(d) ***Other reserve***

Other reserve comprises discount on acquisition of non-controlling interests.

Details of the above reserve accounts are disclosed in the statements of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT

	At valuation			At cost					
Group	**Freehold land**	**Leasehold land**	**Hotel buildings and improvements**	**Construction-in-progress**	**Furniture, fixtures and office equipment**	**Plant, equipment and electrical fittings**	**Kitchen and room equipment**	**Motor vehicles**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation									
At 1 January 2016	335,436	371,866	343,978	5,248	90,232	22,776	3,038	1,008	1,173,582
Additions	222	–	10,292	2,784	7,027	60	143	194	20,722
Disposals	(16,087)	–	(31,721)	(44)	(13,987)	–	–	–	(61,839)
Write off	–	–	–	–	–	–	–	(202)	(202)
Reclassification	–	–	7,318	(7,927)	609	–	–	–	–
Exchange differences	1,637	–	3,579	269	850	100	(4)	3	6,434
At 31 December 2016 and 1 January 2017	321,208	371,866	333,446	330	84,731	22,936	3,177	1,003	1,138,697
Additions	–	–	1,817	2,341	1,882	116	47	36	6,239
Disposals	–	–	–	–	(70)	–	–	–	(70)
Transfers to property held for sale	(727)	–	(333)	–	(180)	–	–	–	(1,240)
Reclassification	–	–	454	(856)	174	228	–	–	–
Exchange differences	(979)	–	(3,899)	(57)	(414)	(171)	5	(9)	(5,524)
At 31 December 2017	319,502	371,866	331,485	1,758	86,123	23,109	3,229	1,030	1,138,102
Accumulated depreciation and impairment losses									
At 1 January 2016	–	2,813	5,190	–	60,973	5,431	848	534	75,789
Charge for the year	–	5,271	8,339	–	5,450	1,871	632	126	21,689
Disposals	–	–	(189)	–	(9,327)	–	–	–	(9,516)
Write off	–	–	–	–	–	–	–	(202)	(202)
Revaluation decrement	–	–	800	–	–	–	–	–	800
Exchange differences	–	–	132	–	760	32	(4)	3	923
At 31 December 2016 and 1 January 2017	–	8,084	14,272	–	57,856	7,334	1,476	461	89,483
Charge for the year	–	5,228	8,469	–	4,847	1,692	660	147	21,043
Disposals	–	–	–	–	(70)	–	–	–	(70)
Revaluation decrement	–	–	634	–	–	–	–	–	634
Exchange differences	–	–	(202)	–	(328)	(81)	5	(7)	(613)
At 31 December 2017	–	13,312	23,173	–	62,305	8,945	2,141	601	110,477
Net carrying amount									
At 31 December 2016	321,208	363,782	319,174	330	26,875	15,602	1,701	542	1,049,214
At 31 December 2017	319,502	358,554	308,312	1,758	23,818	14,164	1,088	429	1,027,625

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	At valuation		At cost					
	Freehold land	Hotel buildings and improvements	Construction-in-progress	Furniture, fixtures and office equipment	Plant, equipment and electrical fittings	Kitchen and room equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
At 1 January 2016	221,000	38,494	–	3,326	6,501	975	827	271,123
Additions	–	1,382	72	109	3	70	194	1,830
Write off	–	–	–	–	–	–	(202)	(202)
At 31 December 2016 and 1 January 2017	221,000	39,876	72	3,435	6,504	1,045	819	272,751
Additions	–	–	49	17	–	5	–	71
At 31 December 2017	221,000	39,876	121	3,452	6,504	1,050	819	272,822
Accumulated depreciation								
At 1 January 2016	–	–	–	201	138	55	381	775
Charge for the year	–	788	–	333	649	250	120	2,140
Write off	–	–	–	–	–	–	(202)	(202)
At 31 December 2016 and 1 January 2017	–	788	–	534	787	305	299	2,713
Charge for the year	–	920	–	332	518	262	135	2,167
At 31 December 2017	–	1,708	–	866	1,305	567	434	4,880
Net carrying amount								
At 31 December 2016	221,000	39,088	72	2,901	5,717	740	520	270,038
At 31 December 2017	221,000	38,168	121	2,586	5,199	483	385	267,942

Revaluation of land and buildings

Land and buildings were last revalued at 31 December 2015 based on valuations performed by accredited independent valuers. All valuations are made based on the discounted cash flow method.

The specific risks in each of the hotel properties are taken into consideration in arriving at the property valuation. The valuation methods used in determining the fair value involve certain estimates including those relating to capitalisation rate, discount rate and terminal yield. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions. Details of valuation techniques and inputs used are disclosed in Note 29(d).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of land and buildings (cont'd)

If the freehold land, leasehold land and hotel buildings and improvements were measured using the cost model, the carrying amounts would be as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Freehold land at 31 December:				
Cost and net carrying amount	42,234	42,496	2,749	2,749
Leasehold land at 31 December:				
Cost	3,021	3,021	–	–
Accumulated depreciation	(549)	(507)	–	–
Net carrying amount	2,472	2,514	–	–
Hotel buildings and improvements at 31 December:				
Cost	298,836	301,000	33,030	33,030
Accumulated depreciation	(65,391)	(59,795)	(1,616)	(955)
Net carrying amount	233,445	241,205	31,414	32,075

Cash flows during the year

During the financial year, the cash outflow on acquisition of property, plant and equipment amounted to $6,239,000 (2016: $20,722,000, comprising of $14,624,000 relating to the acquisition of the Townsville hotel as disclosed in (Note 10(b)).

Assets held under finance leases

The carrying amount of motor vehicle held under finance lease at the end of the reporting period was $139,000 (2016: $185,000).

The motor vehicle has been pledged as security for the related finance lease liabilities as disclosed in Note 17.

Property, plant and equipment pledged as security

In addition to assets held under finance leases, the carrying amounts of the Group's and the Company's freehold land, leasehold land and hotel buildings and improvements mortgaged to secure bank borrowings (Note 17) are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Freehold land	221,000	221,000	221,000	221,000
Leasehold land	314,501	319,729	–	–
Hotel buildings and improvements	97,731	96,166	38,168	35,416
	633,232	636,895	259,168	256,416

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Transfers to property held for sale

In 2017, the Group has entered into a Sale & Purchase Agreement to dispose of a property in Australia with carrying amount of $1,240,000 to an external party. The property is to be disposed for a consideration of approximately $1,500,000 and sale is expected to be completed in April 2018. Accordingly, the Group has reclassified the property, plant and equipment to property held for sale in the balance sheet.

Revaluation of assets

In 2017, the directors reviewed the carrying values of the hotel assets and performed an internal valuation on the properties situated in Brisbane and Hobart, Australia. The carrying value of Hotel Grand Chancellor, Brisbane was written down to its recoverable amount of $50,308,000 due to under performance and prevailing market conditions. The write down of $2,622,000 (net of the related deferred tax) has been fully recorded in the asset revaluation reserve and did not impact the Group's profit or loss. The recoverable amount of the hotel was based on the income capitalisation method and the capitalisation rate used was 6.0%.

The carrying amount of Hotel Grand Chancellor, Hobart was increased to its recoverable amount of $108,704,000 due to strong performance results and positive market conditions. The revaluation surplus of $2,185,000 (net of the related deferred tax) has been fully recorded in the asset revaluation reserve and did not impact the Group's profit or loss. The recoverable amount of the hotel was based on the income capitalisation method and the capitalisation rate used was 8.0%.

Impairment of assets

In 2016, Hotel Grand Crystal, Kedah, was loss-making and generated a deficit in hotel operating cash flows. The carrying value of the hotel was written down to its recoverable amount of $4,000,000. The write down of $600,000 (net of the related deferred tax) has been fully recorded against the asset revaluation reserve and did not impact the Group's profit or loss.

7. INVESTMENT PROPERTIES

Group	**Completed investment properties**	**Investment properties under construction**	**Total**
2017	$'000	$'000	$'000
At 1 January	208,852	–	208,852
Additions	67,064	–	67,064
Net gain from fair value adjustments recognised in profit or loss	9,830	–	9,830
Exchange differences	(7,926)	–	(7,926)
At 31 December	277,820	–	277,820
2016			
At 1 January	107,791	49,957	157,748
Additions	73	38,118	38,191
Transfer to completed investment properties	88,075	(88,075)	–
Net gain from fair value adjustments recognised in profit or loss	8,444	–	8,444
Exchange differences	4,469	–	4,469
At 31 December	208,852	–	208,852

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

7. INVESTMENT PROPERTIES (CONT'D)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(a) *Completed investment properties*

Completed investment properties comprise commercial properties that are leased to third parties on operating leases.

Completed investment properties are stated at fair value which has been determined based on valuations performed at the end of the reporting period. The valuations were performed by an accredited independent valuer with recognised and relevant professional qualification and with recent experience in the location and category of properties being valued. The valuations are determined based on the income method and discounted cash flow method. Details of the valuation techniques and inputs used are disclosed in Note 29(d).

In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Where external independent professional valuations were obtained, these were carried out by the following valuers:

Country	2017 Valuers	2016 Valuers
Australia	CBRE Limited	CBRE Limited
New Zealand	CBRE Limited and Colliers International	CBRE Limited

The property rental income earned by the Group for the year ended 31 December 2017 from its investment properties, all of which are leased out under operating leases, amounted to $16,351,000 (2016: $9,535,000). Direct operating expenses (including repairs and maintenance) arising on the rental-earning investment properties amounted to $888,000 (2016: $1,747,000).

Completed investment properties amounting to approximately $174,650,000 (2016: $112,119,000) have been mortgaged to banks as securities for bank facilities.

(b) *Investment property under construction*

Investment property under construction is valued at the end of the reporting period by external valuers by estimating the fair value of the land and adding the construction costs incurred to date.

The external independent professional valuations were carried out by the following valuer:

Country	2016 Valuers
New Zealand	CBRE Limited

Capitalisation of borrowing costs

The Group's investment property under construction includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of the investment property. In the prior year, the borrowing costs capitalised as cost of investment property under construction amounted to $1,447,000. The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.22% to 4.80%, which is the effective interest rate of the specific borrowings.

The investment property under construction was completed in 2016 and transferred to investment property.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

8. LAND USE RIGHTS

	Group	
	2017	**2016**
	$'000	$'000
Cost		
At 1 January	1,542	1,612
Exchange differences	(22)	(70)
At 31 December	1,520	1,542
Accumulated amortisation		
At 1 January	343	310
Amortisation for the year	46	46
Exchange differences	(6)	(13)
At 31 December	383	343
Net carrying amount	1,137	1,199
Amount to be amortised:		
Current		
- Not later than one year	45	46
Non-current		
- Later than one year but not later than five years	180	183
- Later than five years	912	970
	1,092	1,153
	1,137	1,199

The Group has land use rights over a plot of state-owned land (2,547.79 sqm) in the People's Republic of China ("PRC") where the Group's PRC hotel resides. The land use rights have a remaining tenure of 27 years (2016: 28 years).

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for the financial year ended 31 December 2017

9. GOODWILL

	Group	
	2017	**2016**
	$'000	$'000
Cost		
At 1 January	1,454	4,591
Derecognised on sale of Surfers Paradise hotel	–	(3,927)
Recognised on Townsville business combination (Note 10(b))	–	718
Exchange differences	(43)	72
At 31 December	1,411	1,454
Accumulated impairment		
At 1 January	–	2,582
Derecognised on sale of Surfers Paradise hotel	–	(2,611)
Exchange differences	–	29
At 31 December	–	–
Net carrying amount		
At 31 December	1,411	1,454

Goodwill acquired through business combinations pertains to the following cash-generating unit ("CGU") to which the acquired goodwill was allocated:

	Group	
	2017	**2016**
	$'000	$'000
Hotel located in Wellington, New Zealand	695	736
Hotel located in Townsville, Australia (Note 10(b))	716	718
	1,411	1,454

<u>Wellington Hotel</u>

The recoverable amount of the CGU of the Wellington hotel has been determined through value in use assessment using income approach by the independent accredited professional valuer, CBRE Limited. The Wellington hotel's discounted cash flow projections were based on the EBITDA growth rate of 4.7% (2016: 4.7%) and a terminal yield of 8.25% (2016: 8.00%).

The pre-tax discount rate applied to the five-year cash flow projections are as follows:

	Group	
	2017	**2016**
	%	%
Hotel located in Wellington, New Zealand	10.5	10.5

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

9. GOODWILL (CONT'D)

Townsville Hotel

The recoverable amount of the CGU of the Townsville hotel has been was determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. A growth rate of between 8% to 21% was applied during the five-year period, whilst a terminal growth rate of 0% was used to extrapolate cash flow projections beyond the five-year period.

The pre-tax discount rate applied to the five-year cash flow projections are as follows:

	Group	
	2017	**2016**
	%	%
Hotel located in Townsville, Australia	6.5	–

Key assumptions used in the value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Assessment of impairment

As the recoverable amounts of the CGU in Wellington, New Zealand and Townsville, Australia exceed their respective carrying amounts (inclusive of goodwill), no goodwill impairment loss provision is recorded at the end of the reporting period.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	$'000
Shares, at cost	246,926	229,782
Addition	86,085	17,144
Impairment loss	(3,920)	(3,920)
	329,091	243,006

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Subsidiary companies

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2017	Effective equity held by the Group 2016	Cost of investment 2017	Cost of investment 2016
			%	%	$'000	$'000
Held by the Company						
(1) Hotel Chancellor @ Orchard Pte Ltd	Hotel operations	Singapore	100	100	55,000	5,000
(1) Grand Central International Management (S) Pte Ltd	Dormant	Singapore	100	100	– *	– *
(1) Grand Central Management (S) Pte Ltd	Provision of marketing and support services	Singapore	100	100	– *	– *
(1) Chancellor @ Orchard Pte Ltd	Dormant	Singapore	100	100	– *	– *
(3) Grand Central Enterprises (Penang) Sdn Bhd	Hotel operations	Malaysia	100	100	18,246	18,246
(5) Grand Central Properties (M) Sdn Bhd	Dormant	Malaysia	100	100	1,085	1,085
(2) Grand Central (Australia) Pty Ltd	Hotel operations	Australia	100	100	180,846	180,846
(2) Grand Central (NZ) Ltd	Commercial property investment	New Zealand	100	100	57,824	21,739
(4) Hotel Grand Central (Sihui) Co. Ltd	Hotel operations	People's Republic of China	100	100	16,090	16,090
					329,091	243,006

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Subsidiary companies (cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Held through Subsidiaries				
[4] Shianke Lee La Sdn Bhd	Hotel operations	Malaysia	100	100
[2] Grand Central Management (NZ) Ltd	Provision of management services	New Zealand	100	100
[2] Hotel Grand Chancellor (Christchurch) Ltd	Dormant	New Zealand	100	100
[2] Hotel Grand Chancellor (Auckland) Ltd	Hotel operations	New Zealand	100	100
[2] James Cook Hotel Ltd	Hotel operations	New Zealand	100	100
[2] James Cook Properties Ltd	Property investment	New Zealand	100	100
[2] Grand Hotels International Ltd	Dormant	New Zealand	100	100
[2] Hotel Grand Chancellor (Auckland City) Ltd	Hotel operations	New Zealand	100	100
[2] Gainspan Pty Ltd	Investment holding	Australia	100	100
[2] Grand Central Management (Australia) Pty Ltd	Dormant	Australia	100	100
[2] Hotel Grand Chancellor (Brisbane) Pty Ltd	Hotel operations	Australia	100	100
[2] Hotel Grand Chancellor (Hobart) Pty Ltd	Hotel operations	Australia	100	100
[2] Hotel Grand Chancellor (Melbourne) Pty Ltd	Hotel operations	Australia	100	100
[2] Chancellor Inn (Tasmania) Pty Ltd	Dormant	Australia	100	100
[2] The Chancellor (Adelaide) Pty Ltd	Hotel operations	Australia	100	100
[2] Hotel Grand Chancellor Townsville Pty Ltd	Hotel operations	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Subsidiary companies (cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Held through Subsidiaries (cont'd)				
[2] Hotel Grand Chancellor (Launceston) Pty Ltd	Hotel operations	Australia	100	100
[2] Hotel Grand Chancellor (Adelaide) Pty Ltd	Hotel operations	Australia	100	100
[2] Hotel Grand Chancellor (Surfers Paradise) Pty Ltd	Hotel operations	Australia	100	100
[2] Grand Central (Flinders St) Pty Ltd	Commercial property investment	Australia	100	100
[2] Hotel Grand Chancellor (Palm Cove) Pty Ltd	Hotel operations	Australia	100	100

* Less than $1,000.
(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by member firms of EY Global in the respective countries.
(3) Audited by Baker Tilly AC, Penang.
(4) Audited by Guangdong Zhaoqing Zhongpeng Certified Public Accountants Co., Ltd.
(5) The company commenced voluntary liquidation procedures on 12 February 2010.

(b) Business acquisition of Holiday Inn Townsville

Hotel Grand Chancellor Townsville Pty Ltd

In the prior year, the Group acquired Holiday Inn Townsville, a hotel operating in Townsville, Australia. Since acquisition, the hotel has operated under the name of Hotel Grand Chancellor Townsville. The fair values of identifiable assets and liabilities of Grand Central Chancellor Townsville as at the date of acquisition were:

	Fair value recognised on acquisition $'000
Assets	
Property, plant and equipment (Note 6)	14,624
Liabilities	
Deferred tax liability	(718)
Total identifiable net assets at fair value	13,906
Goodwill arising from acquisition (Note 9)	718
Purchase consideration, representing net cash outflow on acquisition	14,624

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Business acquisition of Holiday Inn Townsville (cont'd)

Goodwill arising from acquisition

The Group engaged an independent firm to perform purchase price allocation exercise ("PPA") for Hotel Grand Chancellor Townsville Pty Ltd. Based on the PPA, part of the consideration for the net assets acquired have been identified and allocated to deferred tax liability, and the residual excess of consideration paid over the fair values of identifiable net assets have been recorded as goodwill amounting to $718,000. There have been no adjustments to the goodwill during the current financial year.

11. INVESTMENTS IN ASSOCIATES

The Group's investments in associates comprised:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Grand Central Enterprises Bhd	7,469	8,413	8,037	8,744
Grand Central Development Sdn Bhd	1,410	2,000	2,830	2,830
	8,879	10,413	10,867	11,574
Fair value of investment in an associate for which there is a published price quotation	8,037	8,690		

Details of the associates of the Group are set out below:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Held by the Company				
(1) Grand Central Enterprises Bhd	Hotel operations	Malaysia	23.8	23.8
(2) Grand Central Development Sdn Bhd	Property development	Malaysia	28.6	28.6

(1) Audited by a member firm of EY Global in Malaysia.
(2) Audited by W. K. Lee & Company, Kuala Lumpur.

The activities of the associates are strategic to the Group activities.

Dividends of $299,000 (2016: $318,000) and $283,000 (2016: $276,000) were received from Grand Central Enterprise Bhd and Grand Central Development Sdn Bhd respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

11. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information of the associates, based on its FRS financial statements and a reconciliation with the carrying amounts of the investments in the consolidated financial statements are as follows:

Summarised balance sheet

	Grand Central Enterprise Bhd		Grand Central Development Sdn Bhd	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Assets and liabilities:				
Current assets	22,286	23,696	10,864	9,485
Non-current assets	61,335	61,245	–	1,966
Total assets	83,621	84,941	10,864	11,451
Current liabilities	1,511	1,794	1,021	111
Non-current liabilities	5,494	5,546	301	–
Total liabilities	7,005	7,340	1,322	111
Net assets	76,616	77,601	9,542	11,340
Attributable to:				
- NCI	611	604	4,611	4,346
- Associate's shareholders	76,005	76,997	4,931	6,994
Proportion of the Group's ownership	23.8%	23.8%	28.6%	28.6%
Group's share of net assets	18,089	18,325	1,410	2,000
Adjustments:				
- Impairment loss	(10,611)	(9,904)	–	–
- Others	(9)	(8)	–	–
	7,469	8,413	1,410	2,000

Summarised statement of comprehensive income

	Grand Central Enterprise Bhd		Grand Central Development Sdn Bhd	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Revenue	1,979	2,191	76	242
(Loss)/profit net of tax, representing total comprehensive income	(334)	(457)	568	820

Impairment testing of investment in an associated company

During the financial year, management performed an updated impairment test for the investment in Grand Central Enterprises Bhd ("GCE Bhd"). Based on the impairment test for this investment, an impairment loss of $707,000 (2016: $Nil) had been recognised in the "other expenses" line item of the profit or loss to write down the investment in this associated company to its recoverable amount.

The recoverable amount was determined as the higher of value in use or fair value less costs to sell of the investment. The value in use was calculated using cash flow projections from financial budgets approved by management covering a five-year period. A pre-tax discount rate of 6.97%, a growth rate of between 10% to 20% during the five-year period and a terminal growth rate of 0% was applied to the cash flow projections. The fair value less costs to sell was calculated using the open market trading price of Grand Central Enterprise Bhd's shares on the Bursa Malaysia, less anticipated selling costs.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

12. DEFERRED TAX

Deferred income tax at 31 December relates to the following:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions and other liabilities	1,095	1,024	–	–
Fair value adjustments on acquisition of Palm Cove hotel	1,918	2,000	–	–
Unutilised tax losses	65	447	65	447
Net deferred tax assets	3,078	3,471	65	447
Deferred tax liabilities				
Differences in depreciation for tax purposes	(21,098)	(21,158)	–	–
Revaluations to fair value:				
- Land, hotel buildings and improvements	(119,961)	(117,439)	–	–
Other items	(57)	(309)	–	–
	(141,116)	(138,906)	–	–
Less: Deferred tax assets				
Provisions and other liabilities	–	454	–	–
Unabsorbed capital allowances	166	145	–	–
Unutilised tax losses	201	188	–	–
	367	787	–	–
Net deferred tax liabilities	(140,749)	(138,119)	–	–

Unutilised tax losses and unabsorbed capital allowances

The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2016: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 26).

Tax consequences of unremitted foreign interest income

At the end of the reporting period, no deferred tax liability (2016: $Nil) has been recognised for taxes that would be payable on the unremitted foreign-sourced interest income because:

- The parent is able to control the timing of the reversal of the temporary difference; and

- It is probable that the temporary difference will not reverse in the foreseeable future.

The deferred tax liability on such temporary differences that has not been recognised amounts to $4,597,000 (2016: $4,471,000).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

12. DEFERRED TAX (CONT'D)

Tax consequences of undistributed earnings of overseas subsidiaries

At the end of the reporting period, no deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the overseas subsidiaries as the Group has determined that portion of the undistributed earnings of its overseas subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax has been recognised aggregate to approximately $158,947,000 (2016: $179,840,000) and the deferred tax liability is estimated at approximately $16,850,000 (2016: $21,533,000).

13. INVESTMENT SECURITIES

	Group and Company	
	2017	2016
	$'000	$'000
Non-current:		
Available-for-sale financial assets		
Shares (quoted), at fair value	13,624	10,358

14. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance sheet:				
Food and beverage	669	648	8	22
Sundry stores and consumables	165	184	8	10
	834	832	16	32
Income statement:				
Inventories recognised as an expense in stock consumables (Note 22(a))	10,027	10,048		

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade and other receivables				
Trade receivables	6,283	6,483	360	807
Amount due from subsidiaries	–	–	512	753
Deposits	193	243	22	73
Other receivables	1,962	2,125	641	1,133
Total trade and other receivables	8,438	8,851	1,535	2,766
Add: Cash and short-term deposits (Note 16)	261,002	343,056	167,599	202,278
Total loans and receivables	269,440	351,907	169,134	205,044

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Trade receivables are denominated in the respective functional currencies of the entities in the Group.

Related party balances

Amount due from subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $625,000 (2016: $541,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2017	**2016**
	$'000	$'000
Trade receivables past due but not impaired:		
61 to 90 days	480	408
More than 90 days	145	133
	625	541

Bad debt written off of $210,000 (2016: $Nil) was recognised in the "operating costs and expenses" line item of the profit or loss during the year.

16. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Cash at bank and on hand	38,411	45,692	6,860	8,674
Short-term deposits	222,591	297,364	160,739	193,604
Cash and short-term deposits	261,002	343,056	167,599	202,278

Cash at bank

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.10% to 1.54% (2016: 0.35% to 1.95%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

16. CASH AND SHORT-TERM DEPOSITS (CONT'D)

Short-term deposits

Short-term deposits of the Group and Company are placed with financial institutions, have an average maturity of up to 90 days (2016: 90 days) and effective interest rates ranging from 0.20% to 4.04% (2016: 0.01% to 5.25%) per annum.

Cash and short-term deposits denominated in foreign currencies are as follows:

	Group	
	2017	**2016**
	$'000	$'000
AUD	123,551	135,605
NZD	17,527	34,198
MYR	21,103	20,029
USD	11	11
RMB	7,984	7,205
	170,176	197,048

17. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2017	**2016**	**2017**	**2016**
		$'000	$'000	$'000	$'000
Current:					
Obligations under finance lease	Within 1 year	18	18	18	18
Bank term loans – short term portion (Note 17(a))	Within 1 year	40,048	8,533	35,300	–
		40,066	8,551	35,318	18
Non-current:					
Obligations under finance lease	Within 2 – 5 years	47	65	47	65
Bank term loans – long term portion (Note 17(a))	Within 2 – 5 years	60,537	136,594	–	38,700
		60,584	136,659	47	38,765
		100,650	145,210	35,365	38,783

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

17. LOANS AND BORROWINGS (CONT'D)

(a) *Bank term loans*

Details of the bank term loans are as follows:

Subsidiaries

(i) SGD loan to subsidiary in Singapore

	Loans outstanding as at 31 December	
	2017	**2016**
	$'000	$'000
Current	–	2,000
Non-current	–	59,700
	–	61,700

The loan is secured by way of a legal mortgage over the leasehold land of the subsidiary and a hotel on the leasehold land. The loan has an interest rate at 1.25% per annum above SGD swap cost and was refinanced on 2 November 2015. The subsidiary has entered into an interest rate swap for notional principal of $45,000,000 and $17,700,000 with the same bank. The subsidiary pays fixed interest rate of 2.00% and 1.76% per annum respectively and receives a floating interest rate of 1.25% above the SGD swap rate per annum. The effective interest rate ranged from 1.98% to 2.42% (2016: 1.98% to 2.85%) per annum. The loan was fully repaid during the year and the interest rate swap contract was settled.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

17. LOANS AND BORROWINGS (CONT'D)

(a) *Bank term loans (cont'd)*

	Loans outstanding as at 31 December	
	2017	**2016**
	$'000	$'000
Subsidiaries (cont'd)		
(ii) NZD loan 1 to subsidiary in New Zealand		
Current	–	4,523
	–	4,523

The NZD loan that was granted to a subsidiary in New Zealand is secured by way of a legal mortgage over the JacksonStone House (previously the Lumley House) building. The loan has a variable interest rate based on the Customised Average Rate Loan ("CARL") rate and ranged between 4.36% to 4.45% (2016: 4.22% to 4.80%) per annum. The loan is repayable in annual installments of NZ$750,000 each commencing 13 March 2013 with a final payment of the remaining outstanding amount on 13 March 2017.

	2017	2016
(iii) NZD loan 2 to subsidiary in New Zealand		
Current	2,848	2,010
Non-current	33,237	38,194
	36,085	40,204

The NZD loan that was granted to a subsidiary in New Zealand during the year is secured by way of a legal mortgage over the land and building at 161 Cashel Street, Christchurch. The loan bears interest at 1.80% per annum above the bank bill rates. The effective interest rate ranged between 4.10% to 4.40% (2016: 4.12%) per annum. Interest is repriced every 30, 60, 90, 120, 150 or 180 days. The loan is repayable in two semi-annual installments of NZ$1,000,000 each followed by three semi-annual instalments of NZ$1,500,000 each. The loan repayment commenced on 22 December 2016 with a final payment of NZ$33,500,000 on 22 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

17. LOANS AND BORROWINGS (CONT'D)

(a) *Bank term loans (cont'd)*

	Loans outstanding as at 31 December	
	2017	**2016**
	$'000	$'000
Subsidiaries (cont'd)		
(iv) NZD loan 3 to subsidiary in New Zealand		
Current	950	–
Non-current	9,259	–
	10,209	–

The NZD loan that was granted to a subsidiary in New Zealand during the year is secured by way of a legal mortgage over the land and building of Fonterra House at 80 London Street and 9 -11 Harwood Street, Hamilton. The loan bears interest at 2.40% per annum above the bank bill rates. The effective interest rate ranged between 4.34% to 4.39% per annum. The loan is repayable in 19 quarterly installments of NZ$250,000. The loan repayment commenced on 8 December 2017 with a final payment of NZ$6,250,000 on 31 July 2022.

	2017	2016
(v) NZD loan 4 to subsidiary in New Zealand		
Current	950	–
Non-current	18,041	–
	18,991	–

The NZD loan that was granted to a subsidiary in New Zealand during the year is secured by way of a legal mortgage over the land and building of PWC Centre at 60 and 38 Cashel Street, Christchurch. The loan has a variable interest rate based on the Customised Average Rate Loan ("CARL") rate and ranged between 4.34% and 4.39% (2016: Nil) per annum. The loan is repayable in nine semi-annual installments of NZ$500,000 each. The loan repayment commences on 15 January 2018 with a final payment of NZ$15,500,000 on 20 July 2022.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

17. LOANS AND BORROWINGS (CONT'D)

(a) *Bank term loans (cont'd)*

	Loans outstanding as at 31 December	
	2017	2016
	$'000	$'000
Company		
(vi) SGD loan to Company		
Current	35,300	–
Non-current	–	38,700
	35,300	38,700

The SGD loan granted to the Company is secured by way of a legal mortgage over the freehold land of the Company and a hotel on the freehold land. The loan has an interest rate at 1.25% per annum above SGD swap cost and was refinanced on 30 November 2015. The Company had entered into an interest rate swap for notional principal of $35,300,000 with the same bank (Note 19). The Company pays fixed interest rate of 1.99% per annum and receives a floating interest rate of 1.25% above the SGD swap rate per annum. The effective interest rate ranged from 1.91% to 2.09% (2016: 1.93% to 2.87%). The loan is due to be repaid on 30 November 2018.

	2017	2016
Group		
Total bank term loans		
Current	40,048	8,533
Non-current	60,537	136,594
	100,585	145,127

(b) *Reconciliation of liabilities arising from financing activities*

A reconciliation of liabilities arising from financing activities is as follows:

		Cash flows	Non-cash item		
	2016		Foreign exchange movement	Others	2017
	$'000	$'000	$'000	$'000	$'000
Finance leases					
- Current	18	(18)	–	18	18
- Non-current	65	–	–	(18)	47
Bank term loans					
- Current	8,533	(8,410)	(361)	40,286	40,048
- Non-current	136,594	(33,662)	(2,109)	(40,286)	60,537
	145,210	(42,090)	(2,470)	–	100,650

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade and other payables:				
Trade payables	5,977	9,834	64	115
Other payables	15,180	15,352	264	414
Rental deposits received	1,311	1,520	10	10
Amounts due to associates	66	63	66	63
Amounts due to subsidiaries	–	–	3,047	2,880
Total trade and other payables	22,534	26,769	3,451	3,482
Add:				
Accrued operating expenses	11,184	10,581	7,240	8,762
Loans and borrowings (Note 17)	100,650	145,210	35,365	38,783
Total financial liabilities carried at amortised cost	134,368	182,560	46,056	51,027

Trade payables/other payables

Trade payables are non-interest bearing and are normally settled on 60-day terms. Trade payables are denominated in the functional currencies of the entities in the Group.

Other payables are non-interest bearing and have an average term of 90 days.

Amounts due to associates

These amounts are trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

Amounts due to subsidiaries

These amounts are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash. An amount of $1,077,000 (2016: $1,223,000) is denominated in Malaysian Ringgit.

NOTES TO THE FINANCIAL STATEMENTS
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19. DERIVATIVES

Group	2017 Contract/ notional amount $'000	2017 Assets $'000	2017 Liabilities $'000	2016 Contract/ notional amount $'000	2016 Assets $'000	2016 Liabilities $'000
Interest rate swap, representing total derivatives:	35,300			98,000		
Current		–	(83)		–	(509)
Non-current		–	–		–	(318)
Total financial liabilities at fair value through profit or loss classified as held for trading		–	(83)		–	(827)
Company						
Interest rate swap, representing total derivatives:	35,300			35,300		
Current		–	(83)		–	–
Non-current		–	–		–	(318)
Total financial liabilities at fair value through profit or loss classified as held for trading		–	(83)		–	(318)

Derivatives comprise interest rate swaps which the Group and the Company use to hedge interest rate risk arising from SGD bank term loans. The Group and the Company do not apply hedge accounting.

20. OTHER INCOME

(a) *Other income*

	Group 2017 $'000	Group 2016 $'000
Dividend income from investment securities	439	353
Net gain on disposal of property, plant and equipment	3	28,421
Net gain on disposal of investment securities	55	–
Fair value gain on derivatives	744	–
Others	12	180
	1,253	28,954

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

20. OTHER INCOME (CONT'D)

(b) *Other expenses*

	Group	
	2017	**2016**
	$'000	$'000
Impairment loss on investment in an associate (Note 11)	707	–

21. STAFF COSTS

	Group	
	2017	**2016**
	$'000	$'000
Wages, salaries and bonuses	39,530	39,998
CPF and pension contributions	3,222	3,307
Other benefits	4,855	4,851
	47,607	48,156

Other benefits include long service leave, payroll tax, work cover, employee meals, fringe benefit tax and annual leave.

Staff costs include directors' and executive officers' remuneration (Note 28(b)).

22. OPERATING COSTS AND EXPENSES

(a) *Hotel marketing and operating costs*

	Group	
	2017	**2016**
	$'000	$'000
Laundry expenses	4,777	4,566
Marketing expenses and commissions	6,921	6,482
Repair and maintenance expenses	8,256	7,318
Room daily supplies	1,901	1,861
Stock consumables (Note 14)	10,027	10,048
Utilities expenses	7,075	6,461
	38,957	36,736

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

22. OPERATING COSTS AND EXPENSES (CONT'D)

(b) *Other operating expenses*

	Group	
	2017	**2016**
	$'000	$'000
Audit fees payable to:		
- Auditors of the Company	187	187
- Other auditors	325	299
Non-audit fees payable to:		
- Auditors of the Company	80	78
- Other auditors	38	37
Amortisation of land use rights (Note 8)	46	46
Body corporate fee	466	423
Directors' fees payable to Directors of the Company	329	295
Insurance expenses	1,579	1,086
Fair value loss on derivatives	–	827
Bad debts written-off	210	–
Printing, postage and stationery	426	459
Professional fees	807	412
Property and land taxes	4,731	4,270
Rental expense	828	853
Stamp duty on acquisition of hotel (Note 10(b))	–	836
Telecommunication	286	307
Travelling	379	345
Administrative and general expenses	3,851	4,081
	14,532	14,841
Total operating costs and expenses	53,489	51,577

23. FINANCE COSTS

	Group	
	2017	**2016**
	$'000	$'000
Interest expense on:		
- Bank loans	5,217	5,585
- Obligations under finance lease	4	2
Less: Interest capitalised in:		
- Investment property (Note 7)	–	(1,447)
	5,221	4,140

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for the financial year ended 31 December 2017

24. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2017 and 2016 are:

	Group	
	2017	**2016**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- Current income taxation	9,688	18,373
- Over provision in respect of previous years	(44)	(14)
	9,644	18,359
Deferred income tax		
- Origination of temporary differences	4,336	(2,188)
- Under provision in respect of previous years	127	40
	4,463	(2,148)
Income tax expense recognised in profit or loss	14,107	16,211
Statement of comprehensive income:		
Deferred income tax related to other comprehensive income:		
Reversal of deferred tax liability on impairment of hotel buildings	197	200
Reversal of deferred tax liability on revaluation reserve for Surfers Paradise hotel	–	2,134
	197	2,334

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Profit before tax	52,484	69,087
Tax at the domestic rates applicable to profits in the countries where the Group operates	14,324	19,677
Adjustments:		
Non-deductible expenses	1,512	879
Income not subject to taxation	(1,571)	(4,385)
Effect of partial tax exemption	(58)	(85)
(Over)/under provision in respect of previous years		
- Current income tax	(44)	(14)
- Deferred tax	127	40
Deferred tax assets not recognised	–	36
Utilisation of previously unrecognised tax losses	(18)	–
Others	(165)	63
Income tax expense recognised in profit or loss	14,107	16,211

The above reconciliation is prepared by aggregating the separate tax reconciliation for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

24. INCOME TAX EXPENSE (CONT'D)

At the end of the reporting period, certain subsidiaries in the Group have tax losses aggregating approximately $772,000 (2016: $844,000) that are available for offset against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

As there were no share options and warrants granted, basic and diluted earnings per share are the same.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2017	**2016**
	$'000	$'000
Profit net of tax attributable to owners of the Company	38,377	52,876
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	675,207	663,033

26. DIVIDENDS

	Group and Company	
	2017	**2016**
	$'000	$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2016: Ordinary: 5.0 cents (2015: 5.0 cents) per share	33,925	33,152
Final exempt (one-tier) dividend for 2016: Special: 1.0 cent (2015: Nil) per share	5,857	–
	39,782	33,152

The final dividend was paid on 20 July 2017 (2016: 20 May 2016). Out of the $39,782,000 (2016: $33,152,000) declared, $5,857,000 (2016: $33,152,000) was settled by cash and the balance $33,925,000 (2016: $Nil) was settled by scrips (Note 4).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

26. DIVIDENDS (CONT'D)

Proposed but not recognised as a liability as at 31 December

	Group and Company	
	2017	**2016**
	$'000	$'000
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final exempt (one-tier) dividend for 2017 - Ordinary: 5.0 cents (2016: 5.0 cents) per share	34,516	33,152
Final exempt (one-tier) dividend for 2017 - Special: 3.0 cents (2016: 1.0 cents) per share	20,709	6,630

27. COMMITMENTS

(a) *Operating lease commitments – As lessor*

The Group has entered into commercial property leases and property leases on its investment properties (Note 7) and hotel portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between one year and twelve years with renewal options for some contracts but no escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Not later than one year	20,802	15,109
Later than one year but not later than five years	74,926	55,877
Later than five years	35,152	64,930
	130,880	135,916

(b) *Operating lease commitments – As lessee*

In addition to the land use rights disclosed in Note 8, the Group has entered into operating lease agreements for rental of office premises. These leases have an average life of between one and five years with no escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing. Most of the leases contain renewable options. Minimum lease payments, excluding amortisation of land use rights recognised as an expense in profit or loss for the year ended 31 December 2017 amounted to $255,000 (2016: $307,000).

Future minimum lease payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Not later than one year	69	216
Later than one year but not later than five years	22	151
	91	367

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for the financial year ended 31 December 2017

27. COMMITMENTS (CONT'D)

(c) *Capital commitments*

As at 31 December 2017, the Group had outstanding commitments in respect of renovation of an investment property in New Zealand amounting to $546,000 (2016: $Nil).

28. RELATED PARTY TRANSACTIONS

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2017	**2016**
	$'000	$'000
Management fee charged to a related party	38	35

(b) *Compensation of key management personnel*

	Group	
	2017	**2016**
	$'000	$'000
Directors of the Company		
Short-term employee benefits	692	689
Contribution to CPF and other defined contribution pension schemes	25	25
Directors' fees	329	295
	1,046	1,009
Other key management personnel		
Short-term employee benefits	2,297	2,208
Contribution to CPF and other defined contribution pension schemes	210	205
	2,507	2,413

29. FAIR VALUES OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(A) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

(B) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

(C) Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

29. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
2017	$'000	$'000	$'000	$'000
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
- Investment securities	13,624	–	–	13,624
Non-financial assets:				
Investment properties	–	–	277,820	277,820
Hotel assets*				
- Freehold land	–	–	319,502	319,502
- Leasehold land	–	–	371,866	371,866
- Hotel buildings and improvements	–	–	331,485	331,485
	13,624	–	1,300,673	1,314,297
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
- Interest rate swaps	–	83	–	83

* These reflect the cost or valuation amounts as at the financial year ended (Note 6).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

29. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

	Group			
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
2016	$'000	$'000	$'000	$'000
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
- Investment securities	10,358	–	–	10,358
Non-financial assets:				
Investment properties	–	–	208,852	208,852
Hotel assets*				
- Freehold land	–	–	321,208	321,208
- Leasehold land	–	–	371,866	371,866
- Hotel buildings and improvements	–	–	333,446	333,446
	10,358	–	1,235,372	1,245,730
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
- Interest rate swaps	–	827	–	827

* These reflect the cost or valuation amounts as at the financial year ended (Note 6).

Quoted investment securities (Note 13): Fair value is determined by direct reference to their share price quotations in an active market at the end of the reporting period.

(c) Level 2 fair value measurements

Derivatives (Note 19): Interest rate swap contracts are valued using a valuation based on market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including interest rate curves and forward rate curves.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

29. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements

(i) Investment properties

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2017 $'000	Valuation techniques	Significant Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Recurring fair value measurements				
Non-financial assets:				
- Investment properties	277,820	Capitalisation method	Capitalisation rate - 6.50% to 8.50% per annum	The estimated fair value varies inversely against the capitalisation rate
		Discounted cash flow method	Discount rate - 6.25% to 9.00% per annum Terminal yield rate - 8.00% to 8.75% per annum	The estimated fair value varies inversely against the discount rate and terminal yield rate

Description	Fair value at 31 December 2016 $'000	Valuation techniques	Significant Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Recurring fair value measurements				
Non-financial assets:				
- Investment properties	208,852	Capitalisation method	Capitalisation rate - 6.50% to 8.50% per annum	The estimated fair value varies inversely against the capitalisation rate
		Discounted cash flow method	Discount rate - 8.25% to 9.00% per annum Terminal yield rate - 8.00% to 9.25% per annum	The estimated fair value varies inversely against the discount rate and terminal yield rate

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

29. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements (cont'd)

(i) Investment properties (cont'd)

Key unobservable inputs correspond to:

- Capitalisation rate corresponds to a rate of return on a property based on the income that the property is expected to generate.
- Discount rate represents the required rate of return, adjusted for a risk premium that reflects the risks relevant to an asset.
- Terminal yield rate reflects an exit capitalisation rate applied to a projected terminal cash flow.

Movements in level 3 assets measured at fair value

The movements of non-financial assets and measured at fair value classified under Level 3, have been disclosed in Note 7.

Valuation policies and procedures

The Group engages external independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of commercial investment properties. For valuation performed by external valuers, management reviews the appropriateness of the valuation methodologies and assumptions adopted.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources. Significant valuation issues are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

29. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements (cont'd)

(ii) Hotel assets

The Group's hotel assets are periodically revalued every three years (Note 2.6). The last valuation of the hotel assets was done in financial year 2015 using the discounted cash flow method, other than the hotel assets which the recoverable values are reviewed by the directors using the income capitalisation method.

The following table shows the information on revaluation measurements performed by using significant unobservable inputs (Level 3):

Description	Revalued cost 2017 $'000	Revalued cost 2016 $'000	Valuation techniques	Significant Unobservable inputs
Recurring fair value measurements				
Non-financial assets:				
- Freehold land	274,762	321,208	Discounted cash flow method	Discount rate - 7.50% to 11.0% (2016: 7.50% to 11.0%) per annum
	44,740	–	Income capitalisation method	Capitalisation rate - 6.00% to 8.00% (2016: Nil)
- Leasehold land	371,866	371,866	Discounted cash flow method	Discount rate - 7.50% (2016: 7.50%) per annum
- Hotel buildings and improvements	217,213	333,446	Discounted cash flow method	Discount rate - 7.50% to 11.0% (2016: 7.50% to 11.0%) per annum
	114,272	–	Income capitalisation method	Capitalisation rate - 6.00% to 8.00% (2016: Nil)

Valuation policies and procedures

The valuation policies and procedures of the Group's hotel assets are similar to those of the Group's investment properties (Note 29(d)(i)).

For hotel assets valued under the discounted cash flow method, a significant increase/(decrease) in discount rates based on valuer's assumptions would have resulted in a significantly (lower)/higher fair value measurement.

For hotel assets valued under the income capitalisation method, a significant increase/(decrease) in discount rates based on valuer's assumptions would have resulted in a significantly (lower)/higher fair value measurement.

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29. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables (Notes 15 and 18), accrued operating expenses, and loans and borrowings at floating rate (Note 17)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Obligations under finance leases

The carrying value of the obligations under finance leases approximates its fair value, estimated by discounting expected future cash flows, at the market rate of interest.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include interest rate risk, liquidity risk, foreign exchange risk, credit risk and market price risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2016: less than 6 months) from the end of the reporting period.

Information relating to the Group's interest rate exposure is disclosed in cash and short-term deposits (Note 16) and loans and borrowings (Note 17). At the end of the reporting period, after taking into account the effects of interest rate swaps, approximately $35,300,000 (2016: $98,000,000) of the Group's loans and borrowings are hedged at fixed rates of interest.

The Group has cash and cash equivalents placed with reputable financial institutions, which generate interest income for the Group. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if SGD interest rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $542,000 higher/lower (2016: $399,000 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and lower/higher positive fair value of interest rate swaps. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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for the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with at least two different banks. At the end of the reporting period, the Group's and the Company's loans and borrowings (Note 17) that will mature in less than one year based on the carrying amount reflected in the financial statements amounted to approximately 40% (2016: 6%) and 100% (2016: Nil%) of total loans and borrowings, respectively.

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Group	One year or less $'000	One to five years $'000	Total $'000
2017			
Financial assets			
Trade and other receivables	8,438	–	8,438
Cash and cash equivalents	261,002	–	261,002
Total undiscounted financial assets	269,440	–	269,440
Financial liabilities			
Trade and other payables	22,534	–	22,534
Accrued operating expenses	11,184	–	11,184
Loans and borrowings	43,493	65,579	109,072
Total undiscounted financial liabilities	77,211	65,579	142,790
Total net undiscounted financial assets/(liabilities)	192,229	(65,579)	126,650
2016			
Financial assets			
Trade and other receivables	8,851	–	8,851
Cash and cash equivalents	343,056	–	343,056
Total undiscounted financial assets	351,907	–	351,907
Financial liabilities			
Trade and other payables	26,769	–	26,769
Accrued operating expenses	10,581	–	10,581
Loans and borrowings	13,307	141,877	155,184
Total undiscounted financial liabilities	50,657	141,877	192,534
Total net undiscounted financial assets/(liabilities)	301,250	(141,877)	159,373

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for the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

	One year or less $'000	One to five years $'000	Total $'000
Company			
2017			
Financial assets			
Trade and other receivables	1,535	–	1,535
Cash and cash equivalents	167,599	–	167,599
Total undiscounted financial assets	169,134	–	169,134
Financial liabilities			
Trade and other payables	3,451	–	3,451
Accrued operating expenses	7,240	–	7,240
Loans and borrowings	36,059	47	36,106
Total undiscounted financial liabilities	46,750	47	46,797
Total net undiscounted financial assets/(liabilities)	122,384	(47)	122,337
2016			
Financial assets			
Trade and other receivables	2,766	–	2,766
Cash and cash equivalents	202,278	–	202,278
Total undiscounted financial assets	205,044	–	205,044
Financial liabilities			
Trade and other payables	3,482	–	3,482
Accrued operating expenses	8,762	–	8,762
Loans and borrowings	1,177	39,808	40,985
Total undiscounted financial liabilities	13,421	39,808	53,229
Total net undiscounted financial assets/(liabilities)	191,623	(39,808)	151,815

Foreign currency risk

The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in Australian Dollar (AUD), New Zealand Dollar (NZD), Malaysian Ringgit (MYR) and Renminbi (RMB)) amounted to $174,630,000 (2016: $197,048,000) for the Group. The Group does not enter into any derivatives to hedge foreign exchange exposures.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Australia, New Zealand, Malaysia and People's Republic of China. The Group's net investments are not hedged as currency positions in AUD, NZD, MYR and RMB are considered to be long-term in nature.

The Group has minimal transactional currency exposures arising from sales or purchases that denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, AUD, NZD, MYR and RMB.

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the AUD, NZD, MYR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Profit net of tax	
		2017	**2016**
		$'000	$'000
AUD/SGD	- strengthened 5% (2016: 5%)	3,774	2,271
	- weakened 5% (2016: 5%)	(3,774)	(2,271)
NZD/SGD	- strengthened 5% (2016: 5%)	48	646
	- weakened 5% (2016: 5%)	(48)	(646)
MYR/SGD	- strengthened 5% (2016: 5%)	179	159
	- weakened 5% (2016: 5%)	(179)	(159)
RMB/SGD	- strengthened 5% (2016: 5%)	227	224
	- weakened 5% (2016: 5%)	(227)	(224)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arising primarily from trade and other receivables. For other financial assets, including investment securities and cash and short-term deposits, the Group and the Company minimise credit risk by dealing exclusively with high credit ratings counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Cash terms and advance payments are required for customers of lower credit standing. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2017		**2016**	
	$'000	%	$'000	%
By country:				
Singapore	1,355	22	2,028	32
Australia	3,620	58	2,975	46
New Zealand	1,257	20	1,426	22
Malaysia	26	–*	26	–*
China	25	–*	28	–*
	6,283	100	6,483	100

* Less than 1%

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, quoted investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in investment securities (Note 13) and trade and other receivables (Note 15).

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk by investing in shares with steady dividend yield. At the end of the reporting period, 86% (2016: 82%) of the Group's equity portfolio comprise shares included in the Straits Times Index ("STI").

Sensitivity analysis for equity price risk

At the end of the reporting period, if the equity share price had been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been $681,000 (2016: $521,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

31. CAPITAL MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments, and ensuring a prudent debt to equity ratio.

The Group monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, accrued operating expenses, less cash and short-term deposits. Capital include equity attributable to owners of the Company, less fair value adjustment reserve and asset revaluation reserve.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 2016. The group has complied with externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

	Group	
	2017	**2016**
	$'000	$'000
Loans and borrowings (Note 17)	100,650	145,210
Trade and other payables (Note 18)	22,534	26,769
Accrued operating expenses	11,184	10,581
Less: Cash and short-term deposits (Note 16)	(261,002)	(343,056)
Net cash position	(126,634)	(160,496)
Equity attributable to the owners of the Company	1,326,547	1,305,136
Less: Fair value adjustment reserve	(3,559)	(663)
Asset revaluation reserve	(626,383)	(626,679)
Total capital	696,605	677,794
Capital and net cash	(569,971)	(517,298)
Gearing ratio	Nil	Nil

32. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical locations, and has five reportable operating segments as follows:

- Singapore
- Malaysia
- Australia
- New Zealand
- China

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Unallocated items comprise mainly income tax and foreign exchange gain or loss, and deferred tax assets and liabilities. Inter-segment assets and liabilities are eliminated.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

32. SEGMENT INFORMATION (CONT'D)

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with external parties.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

2017	Singapore $'000	Malaysia $'000	Australia $'000	New Zealand $'000	China $'000	Eliminations $'000	Group $'000
Turnover	31,733	259	96,334	33,128	1,583		163,037
Segment results	7,873	(364)	30,061	13,797	(93)		51,274
Finance costs	(3,009)	–	–	(2,212)	–		(5,221)
Interest income from fixed deposits	2,608	625	1,446	168	30		4,877
Share of results of associates	–	189	–	–	–		189
Income tax expense							(14,107)
Unallocated foreign exchange gain							1,365
Profit for the year attributable to owners of the Company							38,377
Segment assets	576,772	31,835	422,613	288,159	20,561	(4,897)	1,335,043
Cash and short-term deposits	176,512	16,289	48,080	16,592	3,529		261,002
Investment in associates	–	8,879	–	–	–		8,879
Unallocated assets							3,078
Total assets							1,608,002
Segment liabilities	12,746	114	10,299	5,966	858	4,596	34,579
Loans and borrowings	35,365	–	–	65,285	–		100,650
Unallocated liabilities							146,226
Total liabilities							281,455
Capital expenditure	294	26	4,454	68,526	3		73,303
Depreciation and amortisation	10,436	141	7,655	2,107	750		21,089

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

32. SEGMENT INFORMATION (CONT'D)

2016	Singapore $'000	Malaysia $'000	Australia $'000	New Zealand $'000	China $'000	Eliminations $'000	Group $'000
Turnover	28,260	309	96,522	24,857	1,426	–	151,374
Segment results	5,262	(339)	56,956	5,773	(302)	–	67,350
Finance costs	(3,143)	–	(612)	(385)	–	–	(4,140)
Interest income from fixed deposits	3,291	641	851	404	25	–	5,212
Share of results of associates	–	205	–	–	–	–	205
Income tax expense							(16,211)
Unallocated foreign exchange loss							460
Profit for the year attributable to owners of the Company							52,876
Segment assets	681,525	6,304	367,453	214,740	17,909	(4,628)	1,283,303
Cash and short-term deposits	212,922	15,862	90,170	21,302	2,800	–	343,056
Investment in associates	–	10,413	–	–	–	–	10,413
Unallocated assets							3,471
Total assets							1,640,243
Segment liabilities	(24,274)	(135)	(9,758)	(8,299)	(796)	4,329	(38,933)
Loans and borrowings	(100,483)	–	–	(44,727)	–	–	(145,210)
Unallocated liabilities							(150,964)
Total liabilities							335,107
Capital expenditure	2,314	–	16,875	39,724	–	–	58,913
Depreciation and amortisation	10,420	147	7,831	2,540	797	–	21,735

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

32. SEGMENT INFORMATION (CONT'D)

Information about products and services

The following table presents information regarding the Group's products and services as at and for the years ended 31 December 2017 and 2016.

	Hotel operations		Commercial property investments		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:						
Sales to external customers	146,686	141,839	16,351	9,535	163,037	151,374
Assets:						
Segment assets	1,057,223	1,074,451	277,820	208,852	1,335,043	1,283,303
Interest earning cash and short-term deposits	261,002	343,056	–	–	261,002	343,056
Investments in associates	8,879	10,413	–	–	8,879	10,413
Unallocated assets	3,078	3,471	–	–	3,078	3,471
Total assets	1,330,182	1,431,391	277,820	208,852	1,608,002	1,640,243
Capital expenditure	6,239	20,722	67,064	38,191	73,303	58,913

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 6 April 2018.

OWNED HOTELS/INVESTMENT PROPERTIES
as at 31 December 2017

HOTELS OWNED BY THE GROUP

The hotels of the Group consist of the following:

Fixed Assets/Location	Description	Number Of Guest Rooms	Approximate Land Area (sq m)	Tenure
Hotel Grand Central, Singapore	Land with 10 level hotel building	264	1,239	Freehold
Hotel Chancellor @ Orchard, Singapore	Land with 10 level hotel building	488	2,805	Leasehold 99 years from 2 May 1978
Hotel Grand Crystal Kedah, Malaysia	Land with 6 level hotel building	130	4,192	Freehold
The Chancellor on Currie, Adelaide, Australia	Land with 8 level hotel building	64	542	Freehold
Hotel Grand Chancellor Adelaide, Australia	Land with 14 level hotel building	208	2,644	Freehold
Hotel Grand Chancellor Brisbane, Australia	Land with 12 level hotel building	230	3,799	Freehold
Hotel Grand Chancellor Hobart, Australia	Land with 13 level hotel building and a concert hall with a seating capacity for 1,086 people	244	11,020	Freehold
Hotel Grand Chancellor Launceston, Australia	Land with 7 level hotel building	165	9,036	Freehold
Hotel Grand Chancellor Melbourne, Australia	Land with 17 level hotel building	160	1,582	Freehold
Hotel Grand Chancellor Palm Cove, Australia	Land with low rise hotel buildings	140	36,461	Freehold
Hotel Grand Chancellor Townsville, Australia	Land with 20 level hotel building	200	1,465	Freehold
Hotel Grand Chancellor Auckland City, New Zealand	65 hotel units	65	–	Freehold
James Cook Hotel Grand Chancellor Wellington, New Zealand	Hotel Building comprising of two towers of 6 levels and 11 levels respectively	268	–	Freehold
Hotel Grand Central, Sihui, China	Land with 16 level hotel building	216	2,548	Leasehold 35 years from 22 Sep 2008
Total		2,842	77,333	

INVESTMENT PROPERTIES OWNED BY THE GROUP

The investment properties of the Group consist of the following:

Investment Properties/Location	Description	Approximate Land Area (sq m)	Net Lettable Area (sq m)	Tenure
300 Flinders Street, Melbourne, Australia	A 21 level office building	–	14,094	Freehold
James Cook Arcade and Office Tower, Wellington, New Zealand	A 7 level retail and office building with 426 car park spaces	3,526	2,253	Freehold
JacksonStone House (formerly Lumley House), Wellington, New Zealand	A 13 level retail and office building with 23 car park spaces	1,320	8,350	Freehold & Perpetual Leasehold
Grand Central Building, Christchurch, New Zealand	A 7 level retail and office building with 64 car park spaces	3,683	14,118	Freehold
PWC Centre, Christchurch, New Zealand	A 6 level retail and office building with 103 car park spaces	3,749	7,831	Freehold
Fonterra House, Hamilton, New Zealand	A 9 level office building with 93 car park spaces	5,302	7,275	Freehold
Total		17,580	53,921	

DISTRIBUTION OF SHAREHOLDINGS

Share capital

Paid up capital : S$455,921,628
Class of Shares : Ordinary Shares
Voting Rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	138	4.19	5,634	0.00
100 - 1,000	399	12.13	192,860	0.03
1,001 - 10,000	1,293	39.30	6,583,214	0.95
10,001 - 1,000,000	1,431	43.50	83,111,960	12.04
1,000,001 AND ABOVE	29	0.88	600,421,323	86.98
TOTAL	**3,290**	**100.00**	**690,314,991**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN CHEE HOE & SONS HOLDINGS PTE LTD	367,588,938	53.25
2	TAN ENG TEONG PTE LTD	61,471,875	8.90
3	CHNG GIM HUAT	29,572,250	4.28
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	21,859,093	3.17
5	TAN TECK LIN HOLDINGS SDN BHD	21,568,929	3.12
6	ADITAN HOLDINGS SDN BHD	18,925,501	2.74
7	TAN ENG SIN	13,342,754	1.93
8	CHNG GIM HUAT HOLDINGS PTE LTD	8,711,609	1.26
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	7,068,686	1.02
10	CITIBANK NOMINEES SINGAPORE PTE LTD	7,013,101	1.02
11	GRAND CITY DEVELOPMENT PTE LTD	6,031,293	0.87
12	DBS NOMINEES (PRIVATE) LIMITED	4,500,550	0.65
13	TAN HWA KHEONG	2,752,814	0.40
14	MORPH INVESTMENTS LTD	2,573,026	0.37
15	WEE AIK KOON PTE LTD	2,486,624	0.36
16	LIM TAI HOCK	2,412,428	0.35
17	TAN YONG KENG @TAN GOO KIA OR TAN KOK SING	2,381,407	0.34
18	NG POH CHENG	2,201,884	0.32
19	TAN KAY TOH OR YU HEA RYEONG	2,195,058	0.32
20	PHILLIP SECURITIES PTE LTD	2,187,909	0.32
	TOTAL	**586,845,729**	**84.99**

SHAREHOLDING STATISTICS
as at 15 March 2018

The Shareholding of the Substantial Shareholders as recorded in the Register of Substantial Shareholder as at 15 March 2018 are as follows: -

Substantial Shareholder	Direct Interest		Deemed Interest	
	No of shares	%	No of shares	%
Tan Chee Hoe & Sons Holdings Pte. Ltd.	367,588,938	53.25	Nil	Nil
Tan Eng Teong Holdings Sdn Bhd(1)	Nil	Nil	367,588,938	53.25
Tan Teck Lin Holdings Sdn Bhd(2)	21,568,929	3.12	367,588,938	53.25
Tan Teck Lin(3)	Nil	Nil	408,326,008	59.15
Tan Eng Teong(4)	39,791	0.01	430,379,869	62.35
Tan Eng How(5)	1,054,687	0.15	386,514,439	55.99
Tan Chee Hoe & Sons Sdn Bhd(6)	Nil	Nil	367,588,938	53.25
Tan Eng Teong Pte. Ltd.	61,471,875	8.90	Nil	Nil
Aditan Holdings Sdn Bhd(7)	18,925,501	2.74	367,588,938	53.25
Chng Gim Huat(8)	29,575,250	4.28	27,711,609	4.01

Notes

(1) Tan Eng Teong Holdings Sdn Bhd's deemed interest arose through 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(2) Tan Teck Lin Holdings Sdn Bhd's deemed interest arose through 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(3) Mr. Tan Teck Lin's deemed interest arose through 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd., 21,568,929 shares held by Tan Teck Lin Holdings Sdn Bhd, 18,925,501 shares held by Aditan Holdings Sdn Bhd and 242,640 shares held by his spouse.
(4) Mr. Tan Eng Teong's deemed interest arose through 61,471,875 shares held by Tan Eng Teong Pte. Ltd., 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd. and 1,319,056 shares held by his spouse.
(5) Mr. Tan Eng How's deemed interest arose through 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd. and 18,925,501 shares held by Aditan Holdings Sdn Bhd.
(6) Tan Chee Hoe & Sons Sdn Bhd's deemed interest arose through 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(7) Aditan Holdings Sdn. Bhd's deemed interest arose through 367,588,938 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(8) Mr. Chng Gim Huat's deemed interest arose through 27,711,609 shares held by Chng Gim Huat Holdings Pte. Ltd.

Shareholdings in hands of public

The percentage of shareholdings in the hand of public was approximately 20.39% as at 15 March 2018 and hence the Company has complied with Rule 723 of the SGX-ST Listing Manual.

Material Contracts

Since the end of the previous financial year, the Group and Company did not enter into any material contracts involving interests of the Chairman, directors or controlling shareholders and no such material contract subsist at the end of the financial year.

Interested Person Transactions

During the financial year ended 31 December 2017, the Company did not enter into any interested person transaction which value exceeds $100,000 for each transaction.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of HOTEL GRAND CENTRAL LIMITED (the "Company") will be held at 28 Cavenagh Road, Singapore 229635, Hotel Chancellor @ Orchard, Function Room Level 2 on Monday, 30 April 2018 at 11.00 a.m. for the following purposes:

As Ordinary Business:

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the year ended 31 December 2017. **[Resolution No. 1]**

2. To approve a first and final One-Tier tax exempt ordinary dividend of 5.0 cents per ordinary share for the year ended 31 December 2017. **[Resolution No. 2]**

3. To approve a One-Tier tax exempt special dividend of 3.0 cents per ordinary share for the year ended 31 December 2017. **[Resolution No. 3]**

4. To approve Directors' Fee of S$328,700 for the year ended 31 December 2017 (2016: S$294,700). **[Resolution No. 4]**

5. To re-elect Mr. Tan Eng How, the Director retiring by rotation pursuant to Regulation 101 of the Company's Constitution. **[Resolution No. 5]**

6. To re-elect Mr. Tan Kok Aun, the Director retiring by rotation pursuant to Regulation 101 of the Company's Constitution. **[Resolution No. 6]**

7. To re-elect Mr. Lim Thian Loong, the Director retiring by rotation pursuant to Regulation 92 of the Company's Constitution. **[Resolution No. 7]**

8. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **[Resolution No. 8]**

As Special Business:

9. To approve the issue of shares pursuant to Section 161 of the Companies Act, Chapter 50.

   "THAT pursuant to Section 161 of the Act, Chapter 50 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) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); (b) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (d) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) to issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:-

   (i) 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 issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total issued shares in the capital of the Company;

   (ii) for the purpose of determining the aggregate number of shares that may be issued (subject to such manner of calculation as may be prescribed by SGX-ST) under (i) above, the percentage of issued share capital shall be based on the issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent consolidation or sub-division of shares;

NOTICE OF ANNUAL GENERAL MEETING

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance is waived by the SGX-ST) and the Company's Constitution; and

(iv) unless revoked or varied by the Company in General Meeting, such authority 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." **[Resolution No. 9]**

10. That: -

a. for the purposes of Section 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of all the powers to purchase or otherwise acquire issued ordinary shares in the capital of Company ("Ordinary Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), by way of Market Purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Shares Repurchase Mandate");

b. unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Shares Repurchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of: -

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
(ii) the date on which the authority conferred by the Shares Repurchase Mandate is revoked or varied; or
(iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the proposed Shares Repurchase Mandate are carried out to the full extent mandated;

c. in this Resolution:-

"Market Purchase" means market acquisitions of Ordinary Shares through the SGX-ST's Central Limit Order Book trading system undertaken by the Company in accordance with the Companies Act;

"Maximum Percentage" means that number of issued Ordinary Shares representing 5 per cent of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

"Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the maximum purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses), which shall not exceed 105 per cent of the average closing price of the Ordinary Shares over the period of five (5) trading days in which transactions in the Ordinary Shares on the SGX-ST were recorded before the day on which such purchase is made and deemed to be adjusted for any corporate action that occurs after the relevant 5-days period.

d. The Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **[Resolution No. 10]**

11. That the Company hereby accords its consent and approval to pay a special remuneration of S$1,000,000 to the founding Director, Mr. Tan Eng Teong for the year ending 31 December 2018. **[Resolution No. 11]**

12. That the Company hereby accords its consent and approval to pay a special remuneration of S$1,000,000 to the founding Director, Mr. Tan Teck Lin for the year ending 31 December 2018. **[Resolution No. 12]**

NOTICE OF ANNUAL GENERAL MEETING

13. That the Company hereby accords its consent and approval to pay a special remuneration of S$1,000,000 to the Director, Mr. Tan Eng How for the year ending 31 December 2018. **[Resolution No. 13]**

BY ORDER OF THE BOARD

Lim Bee Lian Eliza
Company Secretary
Singapore, 14 April 2018

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "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. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the office of the Company's Registered Office, 22 Cavenagh Road Singapore 229617 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:
  (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

  (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

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

Explanatory Notes on Ordinary Resolutions:

1. Mr. Tan Eng How is a Non Independent Non-Executive Director.

2. Mr. Tan Kok Aun is the Independent Non-Executive Director. If he is re-elected, he will remain as the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees.

3. Mr. Lim Thian Loong is the Independent Non-Executive Director. If he is re-elected, he will remain as the member of the Audit and Remuneration Committees.

4. The Audit Committee has recommended that Ernst & Young LLP be re-appointed as Auditors.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business to be transacted: -

5. Resolution No. 9 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding 50% of the issued shares in the capital of the Company of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders, does not exceed 20% of the Company's issued shares. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution No. 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution No. 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

6. The ordinary Resolution No. 10, if passed at the Annual General Meeting, will renew the Shares Repurchase Mandate approved by the Shareholders of the Company from the date of the Annual General Meeting until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier. The Company did not buy back any shares subsequent to the last Annual General Meeting on 28 April 2017.

   The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired.

   Based on the existing issued and paid-up ordinary share capital of the Company as at 15 March 2018 (the "Latest Practicable Date"), the purchase by the Company of 5 per cent of its issued ordinary shares will result in the purchase or acquisition of 34,515,749 ordinary shares.

   Assuming that the Company purchases or acquires the 34,515,749 ordinary shares at the maximum price, by way of Market Purchases, of S$1.5624 for one ordinary share (being the price equivalent to five per cent above the average closing price of the ordinary shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date), the maximum amount of funds required is S$53,927,406 approximately. The Company will use its internal sources of funds (comprising cash and fixed deposits) for the Share Purchases. The Company has not obtained or incurred nor does it intend to obtain or incur any borrowings to finance the Share Purchases.

7. Mr. Tan Eng Teong and Mr. Tan Teck Lin are founding directors of the Company. Mr. Tan Eng How has been a director of the Company since the listing of the Company in 1978. In recognition of their leadership, dedicated services and valuable contributions to the growth of the Company and the Group and to commemorate the 50th anniversary of the Company, the Board has unanimously concurred with the recommendation of the Remuneration Committee, subject to approval at this general meeting, the payment of S$1,000,000 each to these directors.

PERSONAL DATA PRIVACY

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

Hotel Grand Central Limited

(Incorporated in the Republic of Singapore)

50TH ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT:
1. For investors who have used their CPF monies to buy shares of Hotel Grand Central Limited, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY. CPF investors who wish to vote should contact their CPF Approved Nominees.
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. Personal Data Privacy - By submitting an instrument appointing a proxy (ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2018.

(You are advised to read the notes below before completing this form)

I/We ______________________________ (Name)

of ______________________________ (Address) being a member/members of Hotel Grand Central Limited ("the Company") hereby appoint:

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

and/or (delete as appropriate)

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

as *my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the ''Meeting") of the Company to be held at 28 Cavenagh Road, Singapore 229635, Hotel Chancellor @ Orchard, Function Room Level 2 on Monday, 30 April 2018 at 11.00 a.m. and at any adjournment thereof. I/We* direct my/our * proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion.

The Chairman intends to cast undirected proxy votes in favour of each of the proposed resolutions. Where the Chairman is appointed as *my/our proxy/proxies, *I/we acknowledge that the Chairman may exercise **my/our proxy/proxies even if he has an interest in the outcome of the resolution.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, my/our proxy/proxies may vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

	Resolutions relating to:	For	Against
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2017.		
2.	Approval of first and final one-tier tax exempt ordinary dividend of 5 cents per ordinary share.		
3.	Approval of one-tier tax exempt special dividend of 3 cents per ordinary share.		
4.	Approval of Directors' fees.		
5.	Re-election of Mr. Tan Eng How as a Director.		
6.	Re-election of Mr. Tan Kok Aun as a Director.		
7.	Re-election of Mr. Lim Thian Loong as a Director.		
8.	Re-appointment of Ernst & Young as Auditors.		
9.	Authority to Issue Shares pursuant to Section 161 of the Companies Act, Cap. 50.		
10.	Renewal of Share Repurchase Mandate.		
11.	To approve payment of S$1,000,000 to Mr. Tan Eng Teong for the year ending 31 December 2018.		
12.	To approve payment of S$1,000,000 to Mr. Tan Teck Lin for the year ending 31 December 2018.		
13.	To approve payment of S$1,000,000 to Mr. Tan Eng How for the year ending 31 December 2018.		

Signed this __________ day of April 2018

Total Number of Shares Held in:	
CDP Register	
Register of Members	

____
Signature(s)/Common Seal of Shareholder

Important: *Please read notes overleaf*

Postage stamp

TO: THE SECRETARY

HOTEL GRAND CENTRAL LIMITED

22 CAVENAGH ROAD

SINGAPORE 229617

Fold along dotted line

NOTES:

a. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares entered against your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.

b. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be deemed to be alternative unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

c. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy by resolution of its directors or other governing body such person as it thinks fit to vote on its behalf.

d. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 22 Cavenagh Road, Singapore 229617 not less than 48 hours before the time appointed for the Annual General Meeting.

e. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

f. In the case of members whose Shares are deposited with The Central Depository (Pte) Limited (“CDP”), the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by the CDP to the Company.

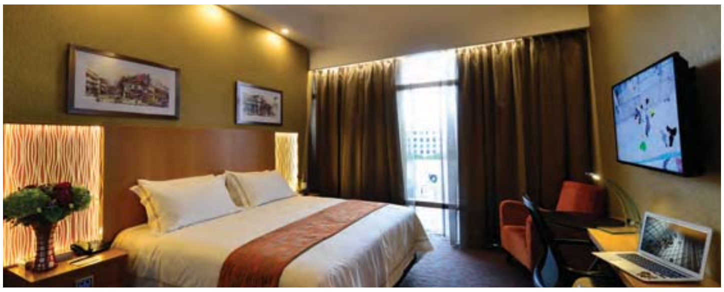
g. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

Fold along dotted line

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

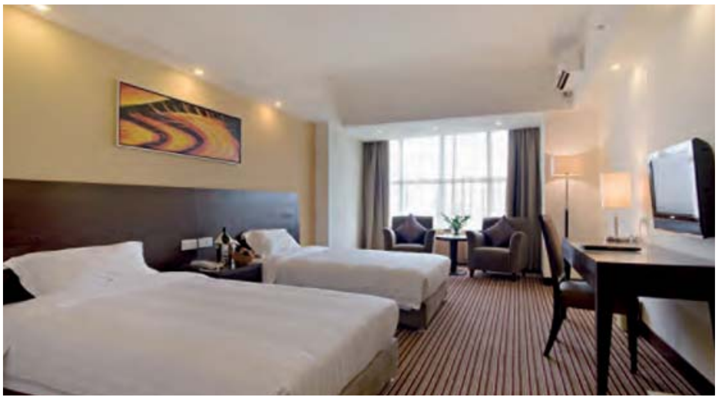
i. On a poll, every member who is present in person or by proxy shall have one vote for every share held by the member. There shall be no division of votes between a member who is present and voting at the AGM and his/her proxy(ies). A person entitled to more than one vote need not use all his/her votes or cast them the same way.

Hotel Grand Central, Singapore



Hotel Chancellor@Orchard, Singapore

Hotel Grand Central, Sihui (Wholly owned subsidiary hotel in China)



Hotel Grand Chancellor, Hobart (Wholly owned subsidiary hotel in Australia)

Hotel Grand Chancellor, Launceston (Wholly owned subsidiary hotel in Australia)




Hotel Grand Chancellor, Melbourne (Wholly owned subsidiary hotel in Australia)



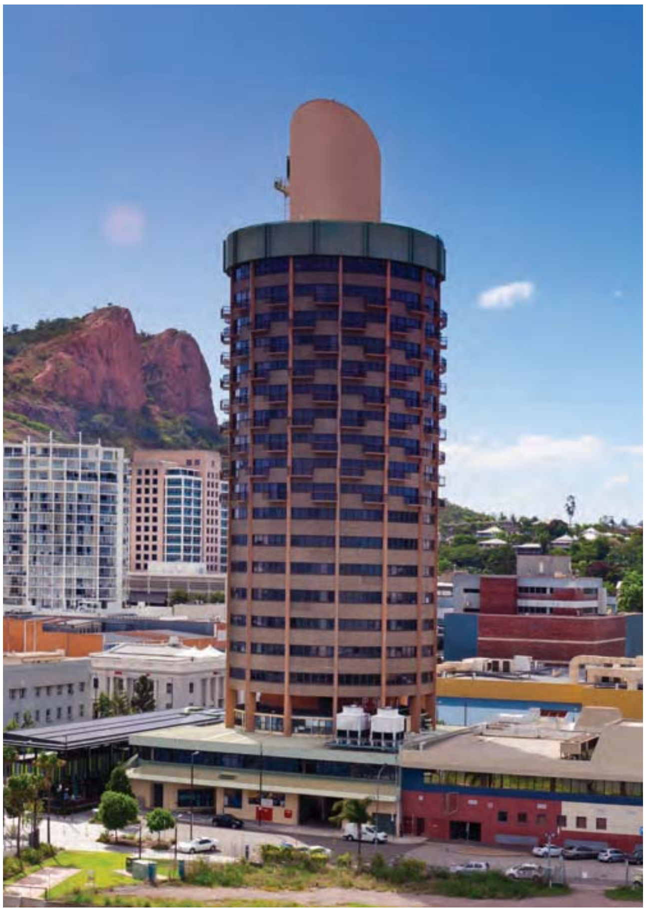
Hotel Grand Chancellor, Brisbane (Wholly owned subsidiary hotel in Australia)

Hotel Grand Chancellor, Adelaide (Wholly owned subsidiary hotel in Australia)

The Chancellor on Currie (Wholly owned subsidiary hotel in Australia)

Hotel Grand Chancellor, Palm Cove (Wholly owned subsidiary hotel in Australia)

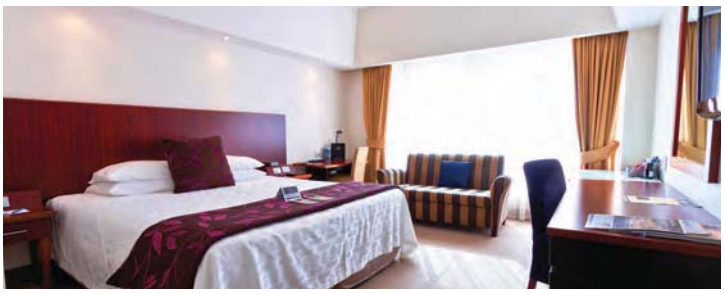
Hotel Grand Chancellor, Townsville (Wholly owned subsidiary hotel in Australia)



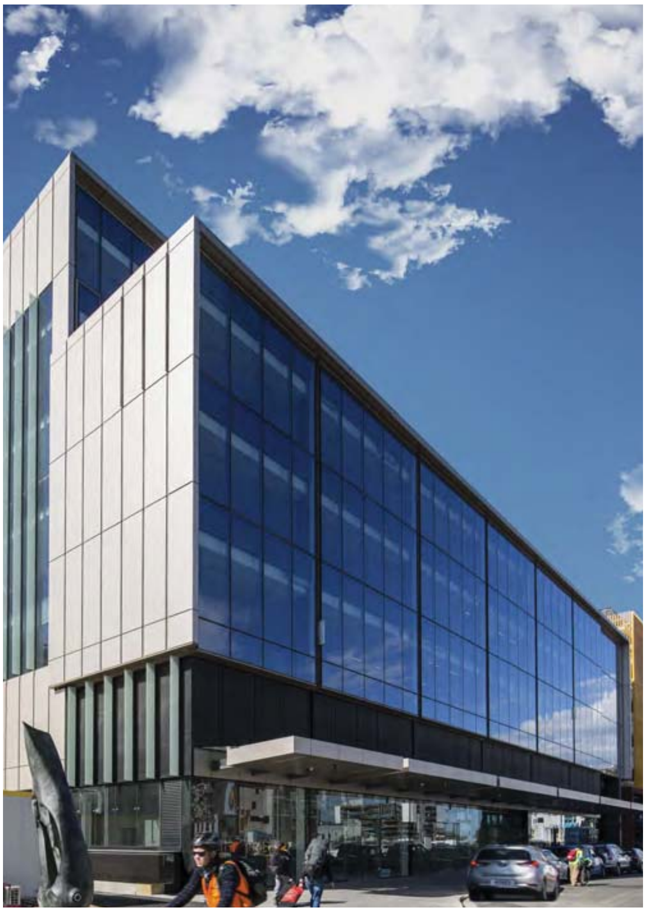
300 Flinders Street, Melbourne (Wholly owned investment property in Australia)

Hotel Grand Chancellor, Auckland City (Wholly owned subsidiary hotel in New Zealand)

James Cook Hotel Grand Chancellor (Wholly owned subsidiary hotel in New Zealand)



Grand Central Building, Christchurch (Wholly owned investment property in New Zealand)



PWC Centre, Christchurch (Wholly owned investment property in New Zealand)

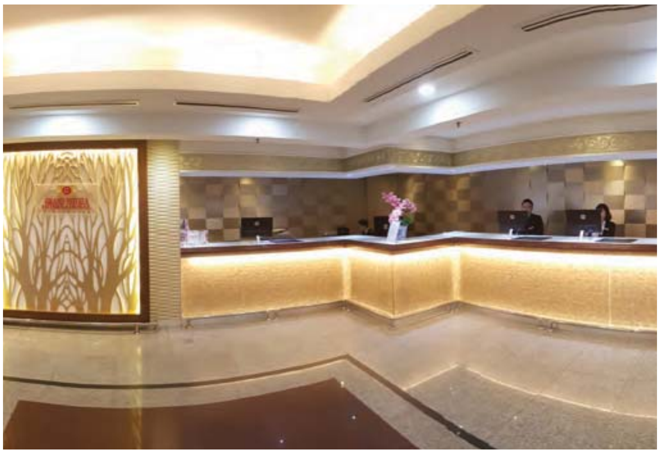
Fonterra House, Hamilton (Wholly owned investment property in New Zealand)

JacksonStone House, Wellington (Wholly owned investment property in New Zealand)

Hotel Grand Crystal, Alor Star (Wholly owned subsidiary hotel in Malaysia)

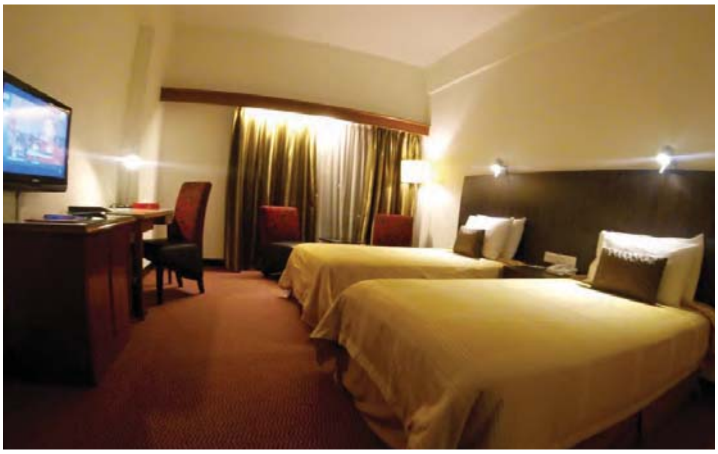
Hotel Grand Continental, Kuala Terengganu (Associated hotel in Malaysia)

Hotel Grand Continental, Kuala Lumpur (Associated hotel in Malaysia)



Hotel Grand Continental, Kuching (Associated hotel in Malaysia)

Hotel Grand Continental, Kuantan (Associated hotel in Malaysia)



Hotel Grand Continental, Langkawi (Associated hotel in Malaysia)

Grand Central Building, Christchurch

Singapore

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Fax: +65 6733 3175
Email: hqadmin@ghihotels.com.sg

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