

# BREAKING NEW GROUND

ANNUAL REPORT 2012



Pan  
Pacific  
Hotels  
Group



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### **OUR VISION**

Creating memorable  
hotel experiences...

### **OUR PURPOSE**

Great Brands, Great Hotels,  
Great People, Great Relationships!

### **OUR VALUES**

We work better together because we collaborate,  
share, care about each other and communicate openly  
with everyone.

We make our processes as simple and as uncomplicated  
as possible and take full responsibility for our actions.

We have an "internal debate, external cohesion" culture  
with a can-do attitude and always try to have fun.

We enhance our performance by always aiming higher  
and are not afraid of making the tough decisions.

We respect and care for our wider community through  
being connected and sharing, we also recognise and  
value diversity in every way.

## **BREAKING NEW GROUND**

Pan Pacific Hotels Group endeavours to lead the industry by setting new benchmarks. Each of our achievements has stemmed from a willingness to embrace new paradigms and to transcend the ordinary. From the introduction of fresh hospitality concepts to the launch of award-winning developments in Singapore and around the world, we continue to build brands that create memorable hotel experiences.

# SNAPSHOT



## GEARED FOR LONG-TERM GROWTH

Each year, Pan Pacific Hotels Group reinforces success through consistent results, steady expansion and brands that resonate with customers.

As part of our 2012 journey, the Group inaugurated new properties, rejuvenated guest experiences through asset enhancement programmes and reached out to customers in major growth markets through strategic brands campaigns.

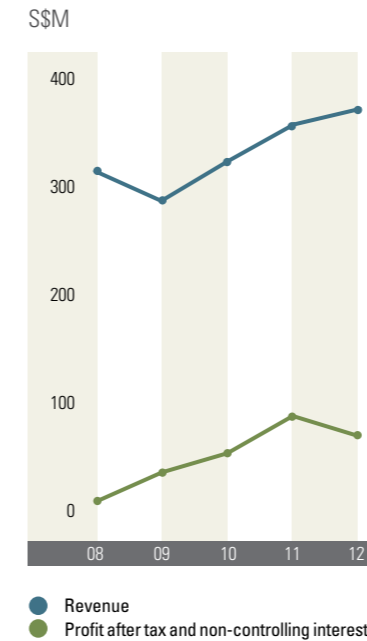
We believe that these efforts, coupled with clear vision and concerted teamwork, will bolster business competitiveness and the long-term value we bring to our shareholders.

## KEY FINANCIAL TRENDS

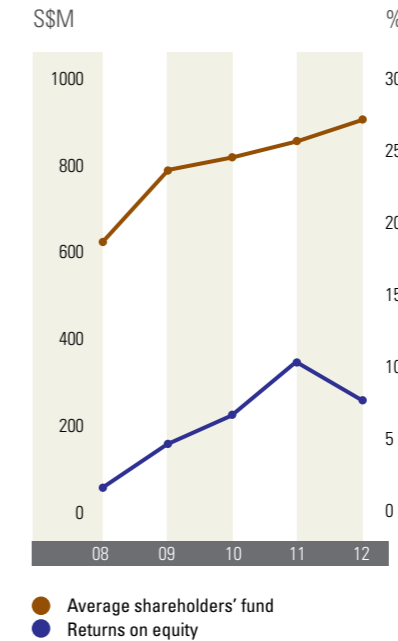
	2008 Restated	2012	CAGR
Revenue	\$315m	\$373m	4.29%
RevPAR	\$130	\$141	2.02%
EBITDA	\$106m	\$113m	1.62%
Earnings per share*	9.65 cents	7.56 cents	-5.92%
Total assets	\$1,006m	\$1,414m	8.88%
Shareholders' funds	\$768m	\$924m	4.73%

\* before fair value adjustments and other exceptional items

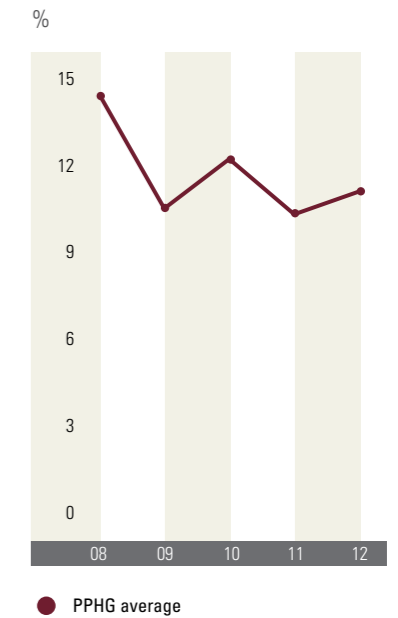
### Five-Year Profitability



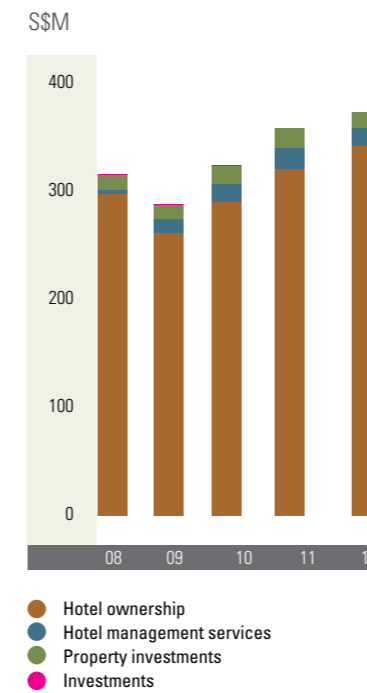
### Return on Shareholders' Equity



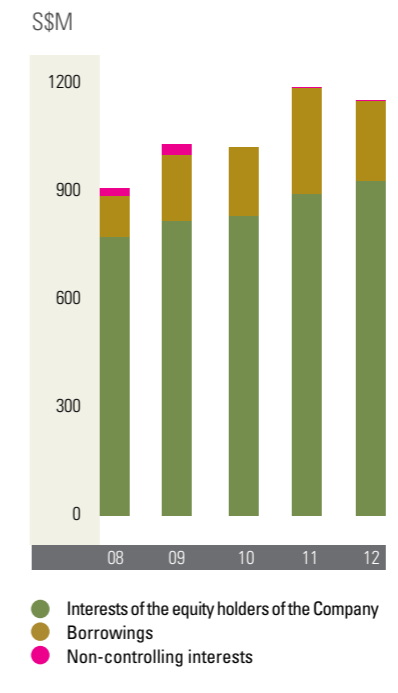
### Net Cash Flow Return on Assets



### Group Revenue



### Sources of Finance



# CHAIRMAN'S STATEMENT



## 2012 REVIEW

Global tourism and business travel were buoyant up to the middle of 2012 but moderated towards the end of 2012 on concerns with uncertainties in the global economy.

## 2012 PERFORMANCE AND DIVIDEND

For the year under review, the Group achieved a 4% increase in revenue to \$372.6 million (2011: \$358.2 million) despite mixed performances from the business segments. The increase in revenue was contributed by the hotel ownership segment on the back of 5% increase in revenue per available room ("RevPar") and full year contribution from PARKROYAL Melbourne Airport (which was acquired on 1 April 2011).

The higher revenue contribution from the Group's hotels was diminished by lower revenue from property investments due to the closure of The Furniture Mall at The Plaza on Beach Road to make way for the construction of the new serviced suites and function room facilities for PARKROYAL on Beach Road. Revenue from hotel management division was also affected by the 5-month closure of the Pan Pacific Singapore for major refurbishment.

The Group's pre-tax profit before impairment charge and fair value gains declined marginally by 2% to \$60.6 million (2011: \$61.7 million). In 2012, the Group recognized fair value gains of \$45.0 million on its investment properties (2011: \$63.7 million) and an impairment charge of \$19.2 million on a hotel property in Australia resulting in the pre-tax profit decreasing by 15% to \$86.5 million from \$101.5 million in the preceding year. Net profit attributable to shareholders dropped 21% to \$71.2 million (2011: \$89.6 million).

The Board is recommending a first and final dividend of 4 cents per share amounting to \$24.0 million for the year ended 31 December 2012 (unchanged from 2011).

## OPERATIONS

### Singapore Operations

With the growth in budget airlines, the expanding middle class in Asia and the introduction of more tourist attractions, visitor arrivals to Singapore in 2012 was 14.4 million, approximately 9% higher than the 13.2 million achieved in 2011. The average occupancy for the industry remained at 86.0% while average room rate rose 6% to \$261 in 2012, resulting in a 6% increase in RevPar. The Group's hotels however registered a 1.2% decrease in RevPar as performance at PARKROYAL on Beach Road was affected by the construction works for the new serviced suites and function room facilities.

### Overseas Operations

Outside Singapore, PARKROYAL Yangon registered the highest RevPar growth of 118% year-on-year due to strong demand for branded accommodation following the political and economic reforms.

Pan Pacific Perth continued to perform well with RevPar growth of 11% on the back of the resource demand and the limited room supply in Western Australia. Performance at PARKROYAL Darling Harbour was affected by refurbishment works carried out to the rooms and public area of the hotel in the second half of 2012 and should improve in 2013.

In Malaysia, performances at PARKROYAL Kuala Lumpur and PARKROYAL Penang Resort were largely in line with the previous year with overall RevPar growth of 2.9%. Due to the economic slowdown in Vietnam, RevPar growth of PARKROYAL Saigon and Sofitel Plaza Hanoi was a marginal 2.6% even though the hotels completed their renovations in late 2011. In China, Pan Pacific Suzhou's RevPar increased by 4.2% relative to 2011 in a highly competitive environment and it is likely that the difficult trading conditions may continue in 2013.

### Hotel Management Division

Revenue from the hotel management division declined 14% due largely to lower fee income from Pan Pacific Singapore as the hotel was closed for 5 months for renovation during the year.

The Group extended its management services to Ningbo during the year. The 415-room Pan Pacific Ningbo and 175-room Pan Pacific Serviced Suites Ningbo opened in August 2012 and December 2012 respectively. June 2013 will see the introduction of the PARKROYAL brand in China with the opening of the 325-room PARKROYAL Serviced Suites at Green City, Shanghai.

The Group will continue to focus its business development efforts in the growing economies in the Asia Pacific and China.

## HOTEL / SERVICED SUITES DEVELOPMENT

### PARKROYAL on Pickering and One Upper Pickering

The 367-room PARKROYAL on Pickering commenced operations on 16 January 2013 while the office tower adjacent to the hotel was handed over to the tenant in end 2012.

### Pan Pacific Serviced Suites, Beach Road and new function rooms facilities for PARKROYAL on Beach Road

The Furniture Mall at The Plaza on Beach Road was closed in May 2012 to make way for the construction of the 180-unit new serviced suites and column-free ballroom and meeting rooms for PARKROYAL on Beach Road. Construction is expected to complete in the second quarter of 2013.

## OUTLOOK FOR 2013

Intra-regional travel in Asia should continue to grow in view of the growing middle class and increasing flight frequency by budget airlines. However, growth in tourist arrivals from outside the region is likely to moderate due to uncertainties in the developed economies and this could affect occupancy and average room rates.

However, the Group will benefit from the contributions from PARKROYAL on Pickering, One Upper Pickering Office Tower and the upcoming Pan Pacific Serviced Suites, Beach Road scheduled to open in the second quarter of 2013. The newly refurbished PARKROYAL Darling Harbour is also expected to contribute positively to the Group's performance.

## ACKNOWLEDGEMENT

Mr Alan Choe who has served as a director since 1990, has indicated that he would not be offering himself for re-appointment at the forthcoming annual general meeting. On behalf of the Board, I would like to thank Mr Choe for his invaluable contributions during the past 23 years.

On behalf of the Board, I wish to express my appreciation and thanks to the management and staff for their hard work and to our shareholders and business associates for their continuing support. My thanks also go to my fellow colleagues on the Board for their assistance and guidance during the year.

**Dr Wee Cho Yaw**  
Chairman

February 2013

# BOLSTERED BY STRONG FOUNDATIONS



STAYING  
TRUE TO OUR  
VALUES



Pan Pacific Hotels Group is guided by strong leadership, clear directions and sound fundamentals. The courage to innovate and an adaptive mindset that keeps pace with evolving trends and business conditions are integral aspects of our management practices and principles.

## BOARD OF DIRECTORS



Dr Wee Cho Yaw



Mr Gwee Lian Kheng



Mr Alan Choe Fook Cheong



Mr Low Weng Keong



Mr Wee Ee-chao



Mr Wee Ee Lim



Ms Wee Wei Ling



Mr James Koh Cher Siang



Mr Amedeo Patrick Imbardelli

### WEE CHO YAW CHAIRMAN

Dr Wee is the Chairman of the Company ("PPHG") and its holding company, UOL Group Limited ("UOL"). Dr Wee, who is a non-executive and non-independent Director of PPHG, is also the Chairman of the Executive Committee and a Member of the Nominating and Remuneration Committees. Dr Wee was appointed to the Board since 25 May 1973 and was last re-appointed as Director at PPHG's Annual General Meeting on 19 April 2012.

Dr Wee is the Chairman of United Overseas Bank Limited, Far Eastern Bank Limited, United Overseas Insurance Limited, United International Securities Ltd, Haw Par Corporation Limited, United Industrial Corporation Limited, Singapore Land Limited and Marina Centre Holdings Private Limited. He is also the Chairman of Wee Foundation.

Dr Wee received Chinese high school education and is a career banker with more than 50 years of experience. In 2008, Dr Wee was conferred an Honorary Doctor of Letters by National University of Singapore for his accomplishments in banking, education and community leadership. He was a recipient of the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award in 2006 and named Businessman of the Year award twice at the Singapore Business Awards in 1990 and 2001. Dr Wee was conferred a Lifetime Achievement Award by The Asian Banker in 2009 and the Distinguished Service Order, Singapore's highest National Day Awards in 2011 for his outstanding contributions in community work.

Dr Wee is the Pro-Chancellor of Nanyang Technological University and Honorary President of Singapore Chinese Chamber of Commerce & Industry, Singapore Federation of Chinese Clan Associations and Singapore Hokkien Huay Kuan.

### GWEE LIAN KHENG GROUP CHIEF EXECUTIVE

Mr Gwee is the Group Chief Executive of PPHG and UOL and has been with the UOL Group since 1973. Mr Gwee was appointed to the Board since 20 January 1987 and was last re-appointed as Director at PPHG's Annual General Meeting on 19 April 2012. Mr Gwee, who is an executive and non-independent Director, is also a Member of the Executive Committee.

Mr Gwee is a Director of various subsidiaries in the PPHG Group and UOL Group. He is also a Director of United Industrial Corporation Limited and Singapore Land Limited.

Mr Gwee holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a Fellow Member of the Chartered Institute of Management Accountants and Association of Chartered Certified Accountants in the United Kingdom and the Institute of Certified Public Accountants of Singapore.

Mr Gwee was awarded the Pingat Bakti Masyarakat (PBM) Public Service Medal and the Bintang Bakti Masyarakat (BBM) Public Service Star.

### ALAN CHOE FOOK CHEONG

Mr Alan Choe was appointed to the Board since 2 May 1990 and was last re-appointed as Director at PPHG's Annual General Meeting on 19 April 2012. He is also a Director of UOL. An independent and non-executive Director, he chairs the Nominating and Remuneration Committees and is also a Member of the Executive and Audit Committees.

Mr Choe was the first General Manager of Urban Redevelopment Authority, Chairman of Sentosa Development Corporation and Sentosa Cove Pte Ltd and Board Member of Singapore Tourist Promotion Board.

An architect and town planner by profession, Mr Choe holds a Bachelor of Architecture degree, a Diploma in Town & Regional Planning from University of Melbourne and a Fellowship Diploma from the Royal Melbourne Institute of Technology. He is a Fellow Member of the Singapore Institute of Architects, Singapore Institute of Planners and Royal Australian Institute of Architects. He is also a Member of the Royal Institute of British Architects, Royal Town Planning Institute, Royal Australian Planning Institute and American Planning Association.

He was awarded the Public Administration Medal (Gold) in 1967, the Meritorious Service Medal in 1990, and the Distinguished Service Order in 2001.

### LOW WENG KEONG

Mr Low Weng Keong was appointed to the Board since 23 November 2005 and was last re-elected as Director at PPHG's Annual General Meeting on 19 April 2011. An independent and non-executive Director, he chairs the Audit Committee and is a Member of the Nominating and Remuneration Committees. He is also a Director of UOL.

Mr Low is also an independent Director of listed companies Riverstone Holdings Limited and Unionmet (Singapore) Limited. He is also a Director of Singapore Institute of Accredited Tax Professionals Limited and CPA Australia Limited. He was a former Country Managing Partner of Ernst & Young, Singapore and is the Immediate Past President of CPA Australia Limited.

Mr Low is a Life Member of CPA Australia, a Fellow Member of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Singapore, an Associate Member of the Chartered Institute of Taxation (UK) and an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals Limited.

### WEE EE-CHAO

Mr Wee Ee-chao was appointed to the Board since 9 May 2006 and was last re-elected as Director at PPHG's Annual General Meeting on 21 April 2010. He is a non-executive and non-independent Director and also a Member of the Executive Committee. He is also a Director of UOL.

Mr Wee has led the management of UOB-Kay Hian Holdings Limited for more than 25 years and is currently the Chairman and Managing Director of UOB-Kay Hian Holdings Limited and a Director of most of the UOB-Kay Hian Group of companies. Mr Wee also manages Kheng Leong Company (Private) Limited which is involved in real estate development and investments and is a non-executive director of Haw Par Corporation Limited.

Mr Wee holds a Bachelor of Business Administration degree from The American University Washington DC, USA.

### WEE EE LIM

Mr Wee Ee Lim was appointed to the Board since 9 May 2006 and was last re-elected as Director at PPHG's Annual General Meeting on 21 April 2010. He is a non-executive and non-independent Director and also a Member of the Audit Committee. He is a Director of UOL.

Mr Wee joined Haw Par Corporation Limited ("Haw Par") in 1986 and is currently the President and Chief Executive Officer of Haw Par. He is also a Director of United Industrial Corporation Limited, Singapore Land Limited, Hua Han Bio-Pharmaceutical Holdings Limited (a company listed on the Hong Kong Stock Exchange) and Wee Foundation.

Mr Wee holds a Bachelor of Arts (Economics) degree from Clark University, USA.

### WEE WEI LING

Ms Wee Wei Ling was appointed to the Board since 24 March 1994 and was last re-elected as Director at PPHG's Annual General Meeting on 19 April 2012. Ms Wee is an executive and non-independent Director of PPHG and also sits on the boards of various subsidiaries in PPHG.

Ms Wee is an Executive Director (Asset Management) and oversees the operations of the asset management of PPHG's hotel properties. She is also responsible for the management of the chain of St Gregory Spa and Si Chuan Dou Hua Restaurants. She has been with the PPHG Group for over 20 years.

Ms Wee holds a Bachelor of Arts degree from Nanyang University, Singapore.

### JAMES KOH CHER SIANG

Mr Koh was appointed to the Board since 23 November 2005 and was last re-elected as Director at PPHG's Annual General Meeting on 19 April 2011. He is an independent and non-executive Director.

Mr Koh joined the Housing & Development Board ("HDB") in July 2005 after retiring from 35 years of distinguished service in the civil service. He is currently the Chairman of the HDB.

Mr Koh was appointed as Director of United Overseas Bank Limited on 1 September 2012 and is the Chairman of CapitaMall Trust Management Limited and Singapore Island Country Club. He is also a Director of CapitaLand Limited and CapitaLand Hope Foundation. He is a Member of the Presidential Council for Religious Harmony and a director of the Thye Hua Kwan Moral Charities Limited.

Mr Koh holds a Bachelor of Arts (Honours) degree in Philosophy, Political Science and Economics, Master of Arts degree from University of Oxford, UK and holds a Master in Public Administration degree from Harvard University, USA.

He was awarded the Public Administration Medal (Gold) in 1983 and the Meritorious Service Medal in 2002.

### AMEDEO PATRICK IMBARDELLI

Mr Imbardelli is the President and Chief Executive Officer and was appointed to the Board since 21 August 2009. He was last re-elected as Director at PPHG's Annual General Meeting on 19 April 2012. An executive and non-independent Director of PPHG, he also sits on the boards of various subsidiaries in PPHG.

Mr Imbardelli brings with him over 25 years of experience in the hotel industry including managing global multibrand organisations. He leads the strategic management and expansion of PPHG's hotels and businesses, including both Pan Pacific and PARKROYAL brands across the Asia Pacific region. Prior to joining PPHG, he held senior management positions at InterContinental Hotels Group, Southern Pacific Hotel Corporation and Hilton International.

Mr Imbardelli holds a Master of Science (Honours) degree in Finance from The City University of New York, USA. He is a Fellow of the American Academy of Financial Management, USA and a Member of the World Presidents' Organisation.

## KEY MANAGEMENT EXECUTIVES



From Left: Mr Gwee Lian Kheng, Mr Amedeo Patrick Imbardelli, Ms Wee Wei Ling and Mr Foo Thiam Fong Wellington



From Left: Mr Neo Soon Hup, Mr Kevin Croley, Mr Dean Schreiber and Ms Jill Tan-Gunter

The profiles of Mr Gwee Lian Kheng, Mr Amedeo Patrick Imbardelli and Ms Wee Wei Ling are in the Board of Directors section of this report.

### FOO THIAM FONG WELLINGTON

Mr Foo joined UOL in 1977 after graduating from University of Singapore with a Bachelor of Accountancy (Honours) degree. He is Group Company Secretary of both UOL and PPHG, and a Director of several of their subsidiaries. He is also Chief Financial Officer of UOL.

Mr Foo is a Fellow of the Institute of Certified Public Accountants of Singapore and CPA Australia, and an Associate of both the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants.

### NEO SOON HUP

Mr Neo has over 13 years of experience in auditing with PricewaterhouseCoopers prior to joining PPHG in 2003. He was appointed Chief Financial Officer of PPHG in 2005 and is currently a Director of several of its subsidiaries. He is responsible for the Group's corporate finance, financial control, information technology system and information management, procurement and business development.

He is a Fellow of the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Chartered Secretaries and Administrators.

### KEVIN CROLEY

Mr Croley joined Pan Pacific Hotels and Resorts in 2005 and is currently Senior Vice President, Marketing & Sales of PPHG. He is responsible for the development of brand strategies and platforms for distribution, e-commerce and revenue management. He has over 30 years of experience in sales and marketing, of which 23 years were spent in the Asia Pacific region.

After starting his career with First Hospitality Corporation of America, Mr Croley worked with Hilton International, the Royal Garden Resorts Hotel Group and InterContinental Hotels Group. He holds a Diploma in Hotel Management and Operations from Belfast College of Business Studies, UK.

### DEAN SCHREIBER

Mr Schreiber was appointed PPHG's Senior Vice President, Operations in 2010. His responsibilities include the development of operational systems and management of service quality standards across all "Pan Pacific" and "PARKROYAL" properties.

His 25-year career in hospitality management spans five continents. Prior to PPHG, Mr Schreiber was Group Managing Director with KOP Group, where he had operations oversight of Franklyn Hotels & Resorts and Montigo Resorts. He was also previously Group Operations Leader with Pan Pacific Hotels and Resorts, and Vice President Operations with luxury hospitality group, Essque. Mr Schreiber holds a Diploma in Hotel Management from the College of Hotel Management & Tourism, Austria.

### JILL TAN-GUNTER

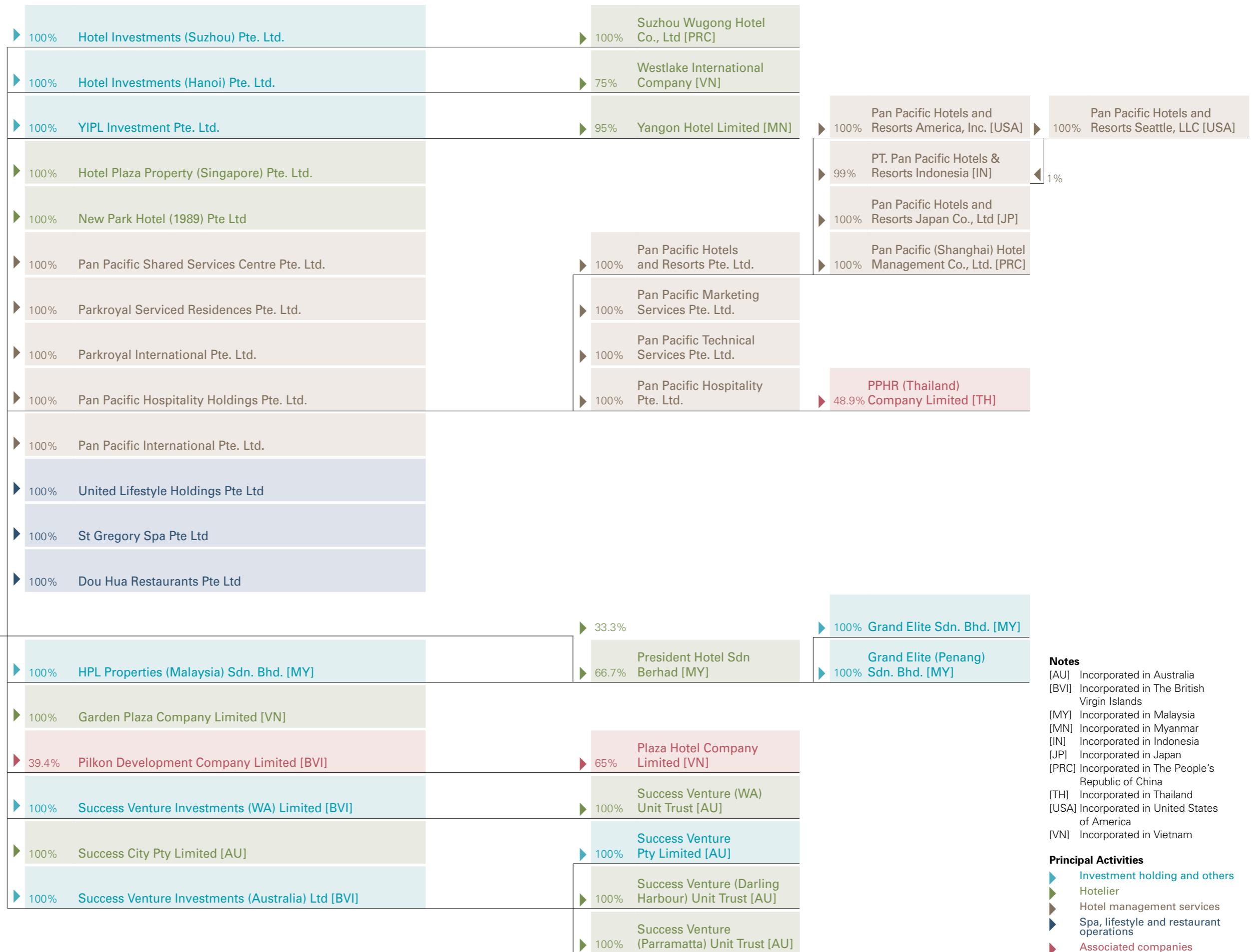
Ms Tan-Gunter joined PPHG in 2012 and is currently Vice President, Human Capital & Development. She leads the Group's efforts in building capability and developing talent.

A veteran with over 30 years of human resource management experience, she has held leadership positions with international hotel companies such as Marco Polo Hotels Group, Four Seasons Hotels and Resorts, and Holiday Inn Hotels, based in various cities across Asia Pacific. Ms Tan-Gunter is a certified Executive Coach and holds a Diploma in Human Resources Management from Singapore's National Productivity Board, now known as SPRING Singapore.

# GROUP STRUCTURE

AS AT 28 FEBRUARY 2013

# PAN PACIFIC HOTELS GROUP LIMITED



- Notes**
- [AU] Incorporated in Australia
  - [BVI] Incorporated in The British Virgin Islands
  - [MY] Incorporated in Malaysia
  - [MN] Incorporated in Myanmar
  - [IN] Incorporated in Indonesia
  - [JP] Incorporated in Japan
  - [PRC] Incorporated in The People's Republic of China
  - [TH] Incorporated in Thailand
  - [USA] Incorporated in United States of America
  - [VN] Incorporated in Vietnam

- Principal Activities**
- ▶ Investment holding and others
  - ▶ Hotelier
  - ▶ Hotel management services
  - ▶ Spa, lifestyle and restaurant operations
  - ▶ Associated companies

# BUILDING ON OUR EXPERTISE



CREATING  
BRAND-DEFINING  
HOTELS



Pan Pacific Hotels Group is distinguished by our purpose to build Great Brands, Great Hotels, Great People and Great Relationships. Our "Pan Pacific" and "PARKROYAL" successes are borne from our mission to build on our expertise by creating brand-defining hotels.



## PAN PACIFIC HOTELS GROUP IN 2012

Pan Pacific Hotels Group comprises over 30 hotels, resorts and serviced suites across Asia, Oceania and North America. A listed subsidiary of UOL Group Limited, the Group oversees two hospitality brands: "Pan Pacific", which epitomises premium accommodations and services; and "PARKROYAL", a reflection of modern comfort characterised by its Asia Pacific locales. We also own and operate the award-winning "St. Gregory" spas and "Si Chuan Dou Hua" restaurants.

### BREAKING NEW GROUND

In 2012, our vision for creating memorable hotel experiences remained the key tenet for breaking new ground. Extending our geographical footprint for management services, the Group raised its profile in China with the 415-room Pan Pacific Ningbo and the 175-room Pan Pacific Serviced Suites Ningbo. This marked the first Pan Pacific Serviced Suites in China.

In Singapore, PARKROYAL on Pickering, our first PARKROYAL Collection hotel, opened in January 2013. A further expression of the PARKROYAL brand, a PARKROYAL Collection hotel is distinguished by its unique architectural and design elements.

*top  
PARKROYAL on Pickering  
opens as the first  
PARKROYAL Collection  
hotel, distinguished by  
its unique design and  
architectural elements*



*PARKROYAL Darling Harbour, Sydney's new expansive lobby*

Conceptualised with UOL Group Limited and designed by Singapore architectural firm WOHA, PARKROYAL on Pickering has been lauded as an 'architectural stunner' by Forbes.com. The 367-room hotel received the BCA Green Mark Platinum certification, Singapore's highest rating for green buildings and the Solar Pioneer Award for being one of the first to utilise a solar energy system.

### ENHANCING OUR BRANDS

Gathering consumer insights from our brand surveys, the Group stepped up our marketing efforts to strengthen our "Pan Pacific" and "PARKROYAL" brands. We carried out integrated brand campaigns to reach out to our target customers in key growth markets across Asia, Australia and China.

The Group also embarked on a year-long project to reinvent our brands' websites to incorporate better infrastructure, greater customer engagement, user-generated content and mobile-optimised features.

### REJUVENATING GUEST EXPERIENCES

Enhancements were made to refresh our guestrooms, amenities and meeting facilities, resulting in a fully transformed Pan Pacific Singapore, as well as refreshed guest experiences at Pan Pacific Orchard, Singapore, Pan Pacific Nirwana Bali Resort and PARKROYAL Darling Harbour, Sydney.



*A brand new Pacific Club Lounge experience at Pan Pacific Singapore as part of the hotel's transformation*



*Embracing a culture of service excellence to create memorable hotel experiences*



### RAISING THE BAR FOR SERVICE EXCELLENCE

This year, the Group launched the Service Excellence Programme for our associates to develop a consistent and aligned service culture across our properties. Nearly 7,000 associates have attended the programme.

A series of Leadership through Coaching workshops were also introduced to develop the coaching skills of our corporate and operational leaders.

*Engaging customers around the world through our annual Customer Connections event*



*As the official hotel partner for ITB Asia 2012, Pan Pacific Singapore hosted the opening cocktail reception for 800 guests*

### STRENGTHENING PARTNERSHIPS

The Group showcased its portfolio to key industry players at this year's ITB Asia, the region's largest tradeshow for the tourism industry.

For the second consecutive year, Pan Pacific Singapore played host to the two-day HICAP (Hotel Investment Conference Asia Pacific) Update, which attracted a prestigious line-up of speakers discussing the latest trends and developments in the industry.

The Group's annual Pan Pacific Customer Connections event covering 12 gateway cities including Sydney, Singapore, Shanghai, Vancouver and San Francisco, allowed us to highlight our newest offerings and engage over 350 customers around the world.

### LEADING ACHIEVEMENTS

Our Pan Pacific and PARKROYAL hotel and resorts were honoured at numerous industry awards platforms such as the World Travel Awards, World Airport Awards, International Hotel Awards and Tourism Alliance Awards. On the consumer accolades front, we received top hotel rankings on Condé Nast Travelers' Gold List and at the 2012 TripAdvisor's Travelers' Choice Awards.

# EMBRACE THE PACIFIC



PAN PACIFIC  
HOTELS AND RESORTS



The “Pan Pacific” portfolio features 18 premium hotels, resorts and serviced suites across Asia, Greater China, North America and Oceania, including properties under development. The brand encapsulates refreshing experiences inspired by its Pacific Rim locations.



The Group extended its presence in China with the opening of Pan Pacific Hotel and Serviced Suites Ningbo.

Another highlight in the year was the S\$80 million transformation of Pan Pacific Singapore – the most extensive renovations in the hotel’s 25-year history. Also refurbished this year were Pan Pacific Orchard, Singapore and Pan Pacific Nirwana Bali Resort. These properties under the Group’s management now offer redefined guest arrival experiences, innovative dining concepts and rejuvenated standards of accommodation.

*The “Pan Pacific” brand delivers refreshing experiences inspired by the richness of the Pacific*

This year, “Pan Pacific” bagged several World Travel Awards for ‘World’s Leading Business Hotel’ & ‘Asia’s Leading Business Hotel’ (Pan Pacific Singapore), ‘Indonesia’s Leading Golf Resort’ and ‘Indonesia’s Leading Spa Resort’ (Pan Pacific Nirwana Bali Resort), ‘Canada’s Leading Business Hotel’ and ‘Canada’s Leading Hotel’ (Pan Pacific Vancouver) as well as ‘Philippines’ Leading Business Hotel’ (Pan Pacific Manila).

In North America, Pan Pacific Seattle became the first hotel in the United States to garner the prestigious Green Globe certification, while Pan Pacific Whistler Village Centre was ranked among Condé Nast Traveler’s Gold List of Best Resorts in Canada and one of the Top 25 Hotels in Canada in TripAdvisor’s Travelers’ Choice Awards.

In 2013, the Group will open the 180-room Pan Pacific Serviced Suites Beach Road in Singapore, its second Pan Pacific Serviced Suites in the country. Outside of Singapore, the launch of the 330-room Pan Pacific Tianjin in 2014 will mark the Group’s first foray into Northern China.

# YOUR LOCAL CONNECTION



*The "PARKROYAL" brand emphasises modern comforts, uncomplicated service and authentic local connections*

The "PARKROYAL" portfolio comprises 14 hotels, resorts and serviced suites in gateway cities across Australia, China, Malaysia, Myanmar, Singapore and Vietnam, including those under development. An upscale brand with a strong heritage, "PARKROYAL" embodies authentic local experiences brought to life through creative touches and warm, friendly PARKROYAL people.

The opening of PARKROYAL on Pickering in Singapore in January 2013 marked a defining moment in the brand's history with the first PARKROYAL Collection hotel, adding a new dimension to Singapore's hospitality landscape with a refreshing hotel-in-a-garden design concept.

Major refurbishments were also carried out at PARKROYAL Darling Harbour, Sydney, unveiling refreshed colour palettes as well as improved guest rooms and facilities.

Within a year of its launch, PARKROYAL Melbourne Airport won 'Best Airport Hotel in Australia/Pacific' at the World Airport Awards. As a mark of its established reputation in Myanmar, PARKROYAL Yangon was crowned 'Myanmar's Leading Business Hotel' at the World Travel Awards, 'Best Performing Foreign Direct Investment Hotel' by the country's Ministry of Hotels and Tourism and Myanmar's '5-star Hotel of the Year' at the annual Tourism Alliance Awards. PARKROYAL Hotels & Resorts' other accolades include TripAdvisor's Travelers' Choice Awards for Top 25 Trendiest Hotels in Malaysia (PARKROYAL Kuala Lumpur) and Top 25 Relaxation and Spa Hotels in Malaysia (PARKROYAL Penang Resort).

2013 will see the debut of the "PARKROYAL" brand in China with the opening of the 325-room PARKROYAL Serviced Suites Green City, Shanghai under the Group's management. The Group has also secured a new hotel management agreement for PARKROYAL Rainbow Hills Bogor Resort, paving the way for the brand to be introduced in Indonesia in 2014.



*Refurbished guest rooms at PARKROYAL Darling Harbour, Sydney*

## LIFESTYLE BRANDS

# UPLIFTING THE SENSES

The Group complements its hospitality offerings with exquisite dining concepts and premium wellness facilities, grouped under three acclaimed brands.



*The new "St. Gregory" spa at Pan Pacific Orchard, Singapore offers a holistic wellness experience*

### ST. GREGORY

"St. Gregory" comprises 12 premium spas across Singapore, Malaysia, Japan, China and Vietnam. An industry pioneer, "St. Gregory" is renowned for its integrated lifestyle management concept, offering traditional healing therapies, comprehensive workout facilities, personal training programmes and fitness classes in a one-stop wellness centre.

This year, the brand opened its fifth Singapore outlet at the rejuvenated Pan Pacific Orchard, Singapore. A sixth outlet at PARKROYAL on Pickering, as well as a newly renovated flagship spa at PARKROYAL on Beach Road, are in the pipeline for 2013.

Following its debut in China at Pan Pacific Suzhou, "St. Gregory" established a second China outlet at Pan Pacific Xiamen.

In 2012, "St. Gregory"'s signature Tui Na treatment won Harper's Bazaar Singapore's "Chicest Alternative Healing Treatment" award. In Malaysia, "St. Gregory" at PARKROYAL Kuala Lumpur was named "Best Luxury Hotel Spa" in the World Luxury Spa Awards for the second consecutive year.



*"Si Chuan Dou Hua" is renowned for its delectable Sichuan and Cantonese cuisine*



### SI CHUAN DOU HUA

Renowned for the quality and authenticity of its Sichuan and Cantonese dishes, "Si Chuan Dou Hua" has five restaurants in Singapore, Kuala Lumpur and Tokyo.

This year, "Si Chuan Dou Hua" amassed a record number of accolades, including a Singapore Prestige Brand Award under the Established Brands category. On the culinary front, it was named First Runner-Up in the 'Business Excellence Award – Fine Dining' category at the Epicurean Star Awards.

### TIAN FU TEA ROOM

"Tian Fu Tea Room" offers a wide selection of Chinese teas paired with exquisite handcrafted dim sum. It currently operates from three locations in Singapore: PARKROYAL on Beach Road, PARKROYAL on Kitchener Road and UOB Plaza 1.



*Savour an exquisite pairing of dim sum with a range of premium Chinese brews at "Tian Fu Tea Room"*

# OPERATIONS OVERVIEW

## SCALING NEW HEIGHTS

Pan Pacific Hotels Group drives competitiveness through portfolio expansion and the creation of brand-defining hotels.

Extending its presence in China, the Group opened Pan Pacific Hotel and Serviced Suites Ningbo in 2012, the first Pan Pacific Serviced Suites in the country and its first joint hotel and serviced suites development. Moving ahead, the PARKROYAL brand is poised to make its Chinese debut in 2013 with PARKROYAL Serviced Suites Green City, Shanghai, while our fourth Pan Pacific hotel in China, Pan Pacific Tianjin, will launch in 2014. With these new additions, the Group now has five properties, including those under development, in this important growth market.

In Singapore and across Asia Pacific, extensive refurbishments were carried out to create brand-defining "Pan Pacific" and "PARKROYAL" hotels. Most significantly, Pan Pacific Singapore underwent a \$80 million transformation, the most extensive renovations in its 25-year history. Other hotels which also saw major enhancements include Pan Pacific Orchard, Singapore, Pan Pacific Nirwana Bali Resort and PARKROYAL Darling Harbour, Sydney.

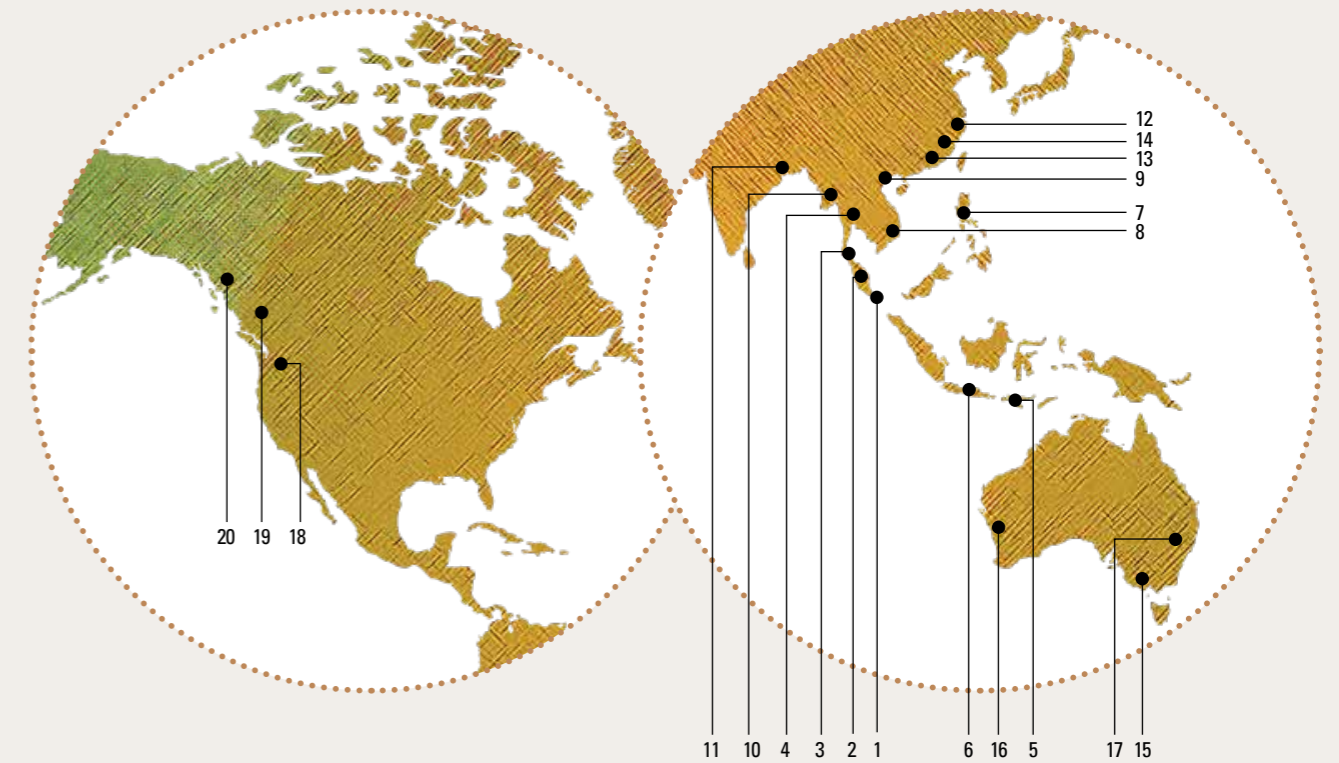
In January 2013, PARKROYAL on Pickering in Singapore, the Group's first PARKROYAL Collection hotel with an iconic hotel-in-a garden design concept, welcomed its first guests. In May, the opening of Pan Pacific Serviced Suites Beach Road, Singapore will further affirm the Group's position as one of the largest international hotel operators in the country with a total of eight properties on home ground.

## CONTINUING ON OUR BRANDS JOURNEY

Throughout 2012, awareness of "Pan Pacific" and "PARKROYAL" brands and hotels was heightened through advertising campaigns promoting our hotels to millions of customers across Asia Pacific, Australia, China and North America.

Other brand engagement efforts in 2012 include the launch of a S\$1.5 million initiative to reinvent our brands' and hotels' websites, as well as the unveiling of the new 'Embrace the Pacific' and 'Your local connection' videos, which were rolled out across our brands' websites and social media platforms.

	Existing		Pipeline		Total	
	No. of Hotels	No. of Rooms	No. of Hotels	No. of Rooms	No. of Hotels	No. of Rooms
<b>By Brands</b>						
Pan Pacific	16	5,276	2	510	18	5,786
PARKROYAL	12	3,696	2	550	14	4,246
Others	2	595	-	-	2	595
<b>Total</b>	<b>30</b>	<b>9,567</b>	<b>4</b>	<b>1,060</b>	<b>34</b>	<b>10,627</b>
<b>By Ownership Type</b>						
Owned	15	4,971	1	180	16	5,151
Managed	15	4,596	3	880	18	5,476
<b>Total</b>	<b>30</b>	<b>9,567</b>	<b>4</b>	<b>1,060</b>	<b>34</b>	<b>10,627</b>



- |  |   |  |
|--|---|--|
| <p>1. <b>SINGAPORE</b><br/>The Plaza (retained interests)<br/>One Upper Pickering Office Tower<br/>PARKROYAL on Beach Road<br/>PARKROYAL on Kitchener Road<br/>PARKROYAL on Pickering<br/>PARKROYAL Serviced Suites Singapore<br/>Pan Pacific Singapore<br/>Pan Pacific Orchard, Singapore<br/>Pan Pacific Serviced Suites Orchard, Singapore</p> <p>2. <b>KUALA LUMPUR</b><br/>PARKROYAL Kuala Lumpur<br/>Pan Pacific Kuala Lumpur International Airport*<br/>PARKROYAL Serviced Suites Kuala Lumpur</p> <p>3. <b>PENANG</b><br/>PARKROYAL Penang Resort</p> <p>4. <b>BANGKOK</b><br/>Pan Pacific Serviced Suites Bangkok</p> <p>5. <b>BALI</b><br/>Pan Pacific Nirwana Bali Resort</p> | <p>6. <b>JAKARTA</b><br/>Sari Pan Pacific Jakarta</p> <p>7. <b>MANILA</b><br/>Pan Pacific Manila</p> <p>8. <b>HO CHI MINH CITY</b><br/>PARKROYAL Saigon<br/>Sofitel Saigon Plaza**</p> <p>9. <b>HANOI</b><br/>Sofitel Plaza Hanoi</p> <p>10. <b>YANGON</b><br/>PARKROYAL Yangon</p> <p>11. <b>DHAKA</b><br/>Pan Pacific Sonargaon Dhaka</p> <p>12. <b>SUZHOU</b><br/>Pan Pacific Suzhou</p> <p>13. <b>XIAMEN</b><br/>Pan Pacific Xiamen</p> <p>14. <b>NINGBO</b><br/>Pan Pacific Hotel and Serviced Suites Ningbo</p> <p>15. <b>MELBOURNE</b><br/>PARKROYAL Melbourne Airport</p> | <p>16. <b>PERTH</b><br/>Pan Pacific Perth</p> <p>17. <b>SYDNEY</b><br/>PARKROYAL Darling Harbour, Sydney<br/>PARKROYAL Parramatta</p> <p>18. <b>SEATTLE</b><br/>Pan Pacific Seattle</p> <p>19. <b>VANCOUVER</b><br/>Pan Pacific Vancouver</p> <p>20. <b>WHISTLER</b><br/>Pan Pacific Whistler Mountainside<br/>Pan Pacific Whistler Village Centre</p> |
|--|---|--|

**LEGEND**

Investment Property Owned by The Group

Properties Owned and Managed by The Group

Properties Owned by The Group and Managed by Third Parties

Properties Owned by Third Parties and Managed by The Group

\* exited the system as of 1 Jan 2013  
\*\* owned by an associated company of the Group

# PORTFOLIO SUMMARY

## INVESTMENT PROPERTIES OWNED BY THE GROUP

### The Plaza

Retained interests in a 32-storey tower block comprising restaurants, function rooms, shops, offices and serviced suites, and addition of a 15-storey Pan Pacific Serviced Suites Beach Road above the existing carpark block

### Shops & Offices

Completed : **1974 & 1979**  
Tenure of Land : **99-Year Lease from 1968**  
Approximate Net Lettable Area : **4,071 sq m**  
Car Park Facilities : **649**  
Present Capital Value : **S\$51.3 million**

### PARKROYAL Serviced Suites Singapore

A 90-unit serviced suites and 1 owner-occupied apartment  
Completed : **1979**  
Tenure of Land : **99-Year Lease from 1968**  
Approximate Net Lettable Area :  
**6,125 sq m & 165 sq m respectively**  
Present Capital Value : **S\$79.3 million**

### Pan Pacific Serviced Suites Beach Road, Singapore

Project under construction – redevelopment of the Furniture Mall at The Plaza comprising 180-unit serviced apartments  
Completed : **Expected Quarter 2, 2013**  
Tenure of Land : **99-Year Lease from 1968**  
Approximate Net Lettable Area : **8,100 sq m**  
Present Capital Value : **S\$111.3 million**

### One Upper Pickering Office Tower

A13-storey office building with a roof terrace and plant levels within a hotel and office development at 1 Upper Pickering Street, Singapore  
Completed : **2012**  
Tenure of Land : **99-Year Lease from 2008**  
Approximate Net Lettable Area : **8,089 sq m**  
Car Park Facilities : **21**  
Present Capital Value : **S\$175.8 million**

## HOTELS OWNED AND MANAGED BY THE GROUP

### PARKROYAL on Beach Road

A 7-storey hotel building with 343 rooms at 7500C Beach Road, Singapore  
Completed : **1971 & 1979**  
Tenure of Land : **99-Year Lease from 1968**  
Approximate Gross Floor Area : **23,776 sq m**  
Car Park Facilities : **38**  
Present Capital Value : **S\$165.7 million**

### PARKROYAL on Kitchener Road

Comprising a 5-storey podium with a basement and a 16-storey Y-shaped tower with 534 rooms, at 181 Kitchener Road, Singapore  
Completed : **1976 & 1981**  
Purchased : **1989**  
Tenure of Land : **Freehold**  
Approximate Gross Floor Area : **37,811 sq m**  
Car Park Facilities : **271**  
Present Capital Value : **S\$295.1 million**

### PARKROYAL on Pickering

A 16-storey hotel building with 367 rooms at 3 Upper Pickering Street, Singapore  
Completed : **2012**  
Tenure of Land : **99-Year Lease from 2008**  
Approximate Gross Floor Area : **21,301 sq m**  
Car Park Facilities : **85**  
Present Capital Value : **S\$304.0 million**

### PARKROYAL Kuala Lumpur and the President House

Comprising a 23-storey tower with a 6-storey podium and an annexed 8-storey car park building, the 426-room hotel occupies the tower and part of the podium at Jalan Sultan Ismail, Kuala Lumpur, Malaysia

### Hotel and President House

Completed : **1974**  
Purchased : **1999**  
Tenure of Land : **Freehold**  
Approximate Gross Floor Area : **56,707 sq m**

### Car Park Annexe

Tenure of Land : **Leasehold, expiring in 2080**  
Approximate Gross Floor Area : **11,128 sq m**  
Car Park Facilities : **320**

Present Capital Value : **S\$101.9 million**

### PARKROYAL Penang Resort

A 309-room 8-storey beachfront resort hotel at Batu Ferringhi Beach, Penang, Malaysia  
Completed : **1990**  
Purchased : **1999**  
Tenure of Land : **Freehold**  
Approximate Gross Floor Area : **31,502 sq m**  
Car Park Facilities : **147**  
Present Capital Value : **S\$62.5 million**

### PARKROYAL Saigon

Comprising 186 rooms with a 10-storey hotel building with a 9-storey extension wing and a 4-storey annex office building at Nguyen Van Troi Street, Ho Chi Minh City, Vietnam  
Completed : **1997**  
Tenure of Land : **49-Year Lease from 1994**  
Approximate Gross Floor Area : **12,165 sq m**  
Car Park Facilities : **25**  
Present Capital Value : **S\$27.4 million**

### PARKROYAL Yangon

An 8-storey V-shaped tower comprising 331 rooms at the corner of Alan Pya Phaya Road and Yaw Min Gyi Road, Yangon, Union of Myanmar  
Completed : **1997**  
Purchased : **2001**  
Tenure of Land : **30-Year Lease from 1997**  
Approximate Gross Floor Area : **17,700 sq m**  
Car Park Facilities : **140**  
Present Capital Value : **S\$39.6 million**

### Pan Pacific Suzhou

A 481-room hotel built in the Ming Dynasty style within a cluster of low-rise buildings at Xinshi Road, Suzhou, Jiangsu, The People's Republic of China  
Completed : **1998**  
Purchased : **2001**  
Tenure of Land : **50-Year Lease from 1994**  
Approximate Gross Floor Area : **63,232 sq m**  
Car Park Facilities : **100**  
Present Capital Value : **S\$64.1 million**

### PARKROYAL Melbourne Airport

A 6-level hotel with 276 rooms at Arrivals Drive, Melbourne Airport, Tullamarine, Victoria, Australia  
Completed : **2001**  
Purchased : **2011**  
Tenure of Land : **Leasehold, expiring in 2047 with an option to extend for a further 49 years subject to renewal of the head lease**  
Approximate Gross Floor Area : **20,584 sq m**  
Present Capital Value : **S\$119.1 million**

### Pan Pacific Perth

A 486-room hotel in a 23-storey hotel tower with a 4-level extension wing at the corner of Adelaide Terrace and Hill Street, Perth, Australia  
Completed : **1973**  
Purchased : **1995**  
Tenure of Land : **Freehold**  
Approximate Gross Floor Area : **31,513 sq m**  
Car Park Facilities : **220**  
Present Capital Value : **S\$206.5 million**

### PARKROYAL Darling Harbour, Sydney

A 13-level hotel with 340 rooms at 150 Day Street, Sydney, Australia  
Completed : **1991**  
Purchased : **1993**  
Tenure of Land : **Freehold**  
Approximate Gross Floor Area : **24,126 sq m**  
Car Park Facilities : **58**  
Present Capital Value : **S\$115.3 million**

### PARKROYAL Parramatta

A 13-level hotel with 196 rooms at 30 Phillip Street, Parramatta, New South Wales, Australia  
Completed : **1986**  
Purchased : **1994**  
Tenure of Land : **Freehold**  
Approximate Gross Floor Area : **16,694 sq m**  
Car Park Facilities : **176**  
Present Capital Value : **S\$44.3 million**

## HOTEL OWNED BY THE GROUP AND MANAGED BY THIRD PARTY

### Sofitel Plaza Hanoi

A 20-storey hotel with 309 rooms and 36 serviced apartments at Thanh Nien Road, Hanoi, Vietnam  
Completed : **1998**  
Purchased : **2001**  
Tenure of Land : **48-Year Lease from 1993**  
Approximate Gross Floor Area : **39,250 sq m**  
Car Park Facilities : **45**  
Present Capital Value : **S\$77.9 million**

# PORTFOLIO SUMMARY

## PROPERTIES OWNED BY THIRD PARTIES AND MANAGED BY THE GROUP

Property	Address	No. of Rooms
<b>SINGAPORE</b>		
Pan Pacific Singapore*	7 Raffles Boulevard, Marina Square, Singapore 039595	790
Pan Pacific Orchard**	10 Claymore Road, Singapore 229540	206
Pan Pacific Serviced Suites Orchard**	96 Somerset Road, Singapore 238163	126
<b>MALAYSIA</b>		
PARKROYAL Serviced Suites Kuala Lumpur**	No. 1, Jalan Nagasari, Off Jalan Raja Chulan, Kuala Lumpur 50200, Malaysia	287
<b>THAILAND</b>		
Pan Pacific Serviced Suites Bangkok	88/333 Sukhumvit Soi 55, North Klongton, Wattana District, Bangkok 10110, Thailand	148
<b>INDONESIA</b>		
Pan Pacific Nirwana Bali Resort	Jalan Raya Tanah Lot, P.O. Box 158 Tabanan 82171, Bali, Indonesia	278
Sari Pan Pacific Jakarta	Jalan M.H.Thamrin 6, P.O. Box 3138, Jakarta 10340, Indonesia	418
<b>THE PHILIPPINES</b>		
Pan Pacific Manila	M. Adriatico corner Gen. Malvar Streets, Malate, Manila City 1004 Philippines	236
<b>BANGLADESH</b>		
Pan Pacific Sonargaon Dhaka	107 Kazi Nazrul Islam Avenue, G.P.O. Box 3595, Dhaka 1215, Bangladesh	272
<b>CHINA</b>		
Pan Pacific Xiamen**	19 Hubin Bei Road, Xiamen 361012, Fujian, China	385
Pan Pacific Hotel and Serviced Suites Ningbo	99 Min An Dong Lu, Jiangdong District, Ningbo, Zhejiang Province, China 315042	590
<b>NORTH AMERICA</b>		
Pan Pacific Seattle	2125 Terry Avenue, Seattle, WA 98121, USA	153
Pan Pacific Vancouver	Suite 300-999 Canada Place, Vancouver, British Columbia, V6C 3B5, Canada	503
Pan Pacific Whistler Mountainside	4320 Sundial Crescent, Whistler, British Columbia, V0N 1B4 Canada	121
Pan Pacific Whistler Village Centre	4299 Blackcomb Way, Whistler, British Columbia, V0N 1B4 Canada	83

\* owned by an associated company of UOL Group Ltd  
\*\* owned by subsidiaries of UOL Group Ltd

## SOUTHEAST ASIA

### TOURISM LANDSCAPE

International tourist figures crossed the unprecedented 1 billion mark in 2012, registering a growth of 4% from 996 million in the previous year.

Asia and the Pacific saw the highest growth among the continents with 7% more international visitor arrivals in 2012 to reach 233 million. Southeast Asia attracted 77 million visitors during the year, scoring one of the highest increase of 9% compared to other regions.

Visitor arrivals to Singapore reached 14.4 million for 2012, 9% more than the 13.2 million achieved in 2011. In Singapore, average occupancy for the industry was flat at 86% while ARR increased 6%, resulting in a 6% increase in RevPar.

25 million tourists visited Malaysia in 2012, an increase of 1% from 2011. In 2012, average occupancy saw a marginal decline of 1% though ARR increased 4%, leading to higher RevPar of 2%.

International visitor arrivals to Vietnam came in at 7 million in 2012, registering a growth of 10% from 2011. RevPar declined 4% mainly due to lower ARR relative to 2011.

In Myanmar, tourist arrivals hit a record high of 1 million in 2012, representing a growth of more than 30% from 800,000 arrivals in the previous year. The industry performance indicators showed that hotel rooms are in high demand with RevPar growing 125%, mainly due to 107% increase in ARR and to a lesser extent 9% gain in occupancy.

During the year 2012, the number of tourists visiting Indonesia rose 11% over the same period last year to reach 8 million, while the island of Bali received 3 million visitors, an increase of 4% from the previous year. Excluding Bali, industry occupancy in Indonesia was up a marginal 1%, while ARR and RevPar increased 13% and 14% respectively. Though room occupancy dropped 4% in Bali, ARR increased 9% giving rise to a higher RevPar of 5%.



Recovering from severe flooding in 2011, Thailand registered a respectable 16% increase in tourist arrivals to reach 22 million in 2012. Industry room occupancy increased 10% during the same period while ARR rose 5% resulting in RevPar gaining 15%.

International tourism in the Philippines reached a new high in 2012 with 4 million visitor arrivals, 9% higher than the previous year. However, RevPar increased by a lower rate of 2% due to a decline of 2% on room occupancy, offsetting the improvement of 4% in ARR.

### GROUP PERFORMANCE

In Southeast Asia, the Group's owned and managed properties are located in Bali, Bangkok, Dhaka, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, Manila, Penang, Singapore and Yangon.

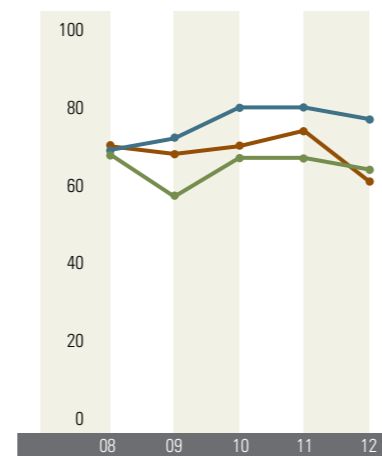
Collectively, the performance indicators were mixed for the Southeast Asian portfolio. RevPar declined 9% mainly due to occupancy's drop of 11%, while ARR increased 2%. Excluding Pan Pacific Singapore which was closed for renovation for five months in 2012, RevPar increased 5% mainly due to ARR increase of 8%.

The Group's property in Yangon showed the best improvement in RevPar of 118% as a result of positive geo-political developments in Myanmar. This is followed by properties in Bali, Bangkok, Dhaka, Jakarta, and Manila with RevPar growth ranging from 10% to 43%.

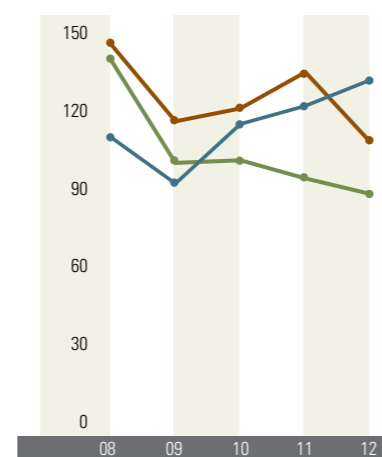
In Malaysia, PARKROYAL Serviced Suites Kuala Lumpur achieved the highest RevPar gain of 27% due to higher demand for extended-stay accommodation in the city. In Vietnam, the properties' RevPar growth was marginal in 2012 despite completion of renovations in late 2011 as the properties were affected by the challenging economic condition in the country coupled with an oversupply of hotel rooms.

In Singapore, performances of owned and managed properties were mixed in 2012. Overall, ARR rose 1% but occupancy dropped 25% leading to RevPar decline of 24%. Excluding Pan Pacific Singapore, ARR rose 3% though occupancy declined 6% leading to RevPar decrease of 4%.

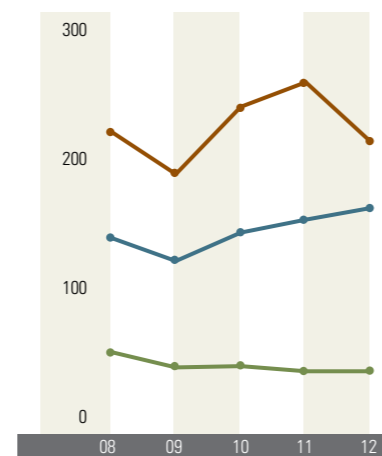
Occupancy %



RevPAR S\$



Revenue S\$M



● Owned and managed  
● Owned and managed by third party  
● Managed

### SINGAPORE

#### PARKROYAL Serviced Suites Singapore

A property situated at the fringe of the Central Business District, offering 90 well-furnished serviced suites with spacious living areas and panoramic views of the sea and city skyline.

AVERAGE OCCUPANCY	-6%
AVERAGE RENTAL RATE	-2%
REVENUE PER AVAILABLE ROOM	-8%

#### PARKROYAL on Beach Road

PARKROYAL on Beach Road with 343 rooms is conveniently located along the perimeters of the Central Business District. In 2012 the hotel embarked on the expansion of the meeting and ballroom facilities through the conversion of The Furniture Mall at The Plaza on Beach Road which is expected to complete in the second quarter of 2013.

AVERAGE OCCUPANCY	-5%
AVERAGE ROOM RATE	+3%
REVENUE PER AVAILABLE ROOM	-2%

#### PARKROYAL on Kitchener Road

Located in Singapore's Little India district, the 534-room PARKROYAL on Kitchener Road completed a soft refurbishing of its deluxe rooms in late 2012.

AVERAGE OCCUPANCY	-4%
AVERAGE ROOM RATE	+3%
REVENUE PER AVAILABLE ROOM	NO CHANGE

### MALAYSIA

#### PARKROYAL Kuala Lumpur

Strategically located in the heart of Golden Triangle, the city's main commercial, retail and entertainment hub, the 426-room hotel has benefitted from increased tourism in the city.

AVERAGE OCCUPANCY	+2%
AVERAGE ROOM RATE	+2%
REVENUE PER AVAILABLE ROOM	+4%

#### PARKROYAL Penang Resort

Located along the shorelines of Penang, this Batu Ferringhi resort has 309 rooms.

AVERAGE OCCUPANCY	-5%
AVERAGE ROOM RATE	+8%
REVENUE PER AVAILABLE ROOM	+3%

### MYANMAR

#### PARKROYAL Yangon

PARKROYAL Yangon has 331 rooms and is located in the heart of Yangon's cultural attractions. As a scarce internationally managed hotel in Myanmar, the hotel has benefitted significantly from the influx of visitors to the country.

AVERAGE OCCUPANCY	-11%
AVERAGE ROOM RATE	+147%
REVENUE PER AVAILABLE ROOM	+118%

### VIETNAM

#### PARKROYAL Saigon

Just minutes away from Tan Son Nhat International Airport and Exhibition & Convention Centre and easily accessible to the city centre, this 186-room hotel is an ideal venue for corporate functions and business meetings.

AVERAGE OCCUPANCY	+4%
AVERAGE ROOM RATE	-2%
REVENUE PER AVAILABLE ROOM	+2%

#### Sofitel Plaza Hanoi

Pan Pacific Hotels Group holds a 75% interest in this hotel which features 309 well-appointed rooms and 36 serviced apartments, views of the West Lake and Red River, and convenient access to the city.

AVERAGE OCCUPANCY	+8%
AVERAGE ROOM RATE	-4%
REVENUE PER AVAILABLE ROOM	+3%

#### Sofitel Saigon Plaza & Central Plaza

Pan Pacific Hotels Group has a 26% interest in this 286-room hotel, which offers city views and a historic address on LeDuan Boulevard, the main commercial and diplomatic precinct.

AVERAGE OCCUPANCY	-15%
AVERAGE ROOM RATE	+2%
REVENUE PER AVAILABLE ROOM	-13%

# CHINA

## TOURISM LANDSCAPE

China was forecasted to attract 61 million international visitor arrivals in 2012, a growth of 6% over 2011. Despite strong international arrivals, industry RevPar lost 2% relative to 2011 as a result of lower occupancy as the hotel room supply exceeded demand.

## GROUP PERFORMANCE

The opening of Pan Pacific Ningbo and Pan Pacific Serviced Suites Ningbo in August 2012 and December 2012 respectively affected the overall occupancy of the China region with occupancy dropping by 28%. Average room rate declined by 1% while RevPar fell by 29%.

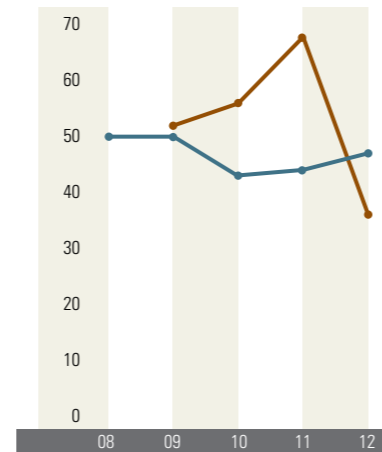


### Pan Pacific Suzhou

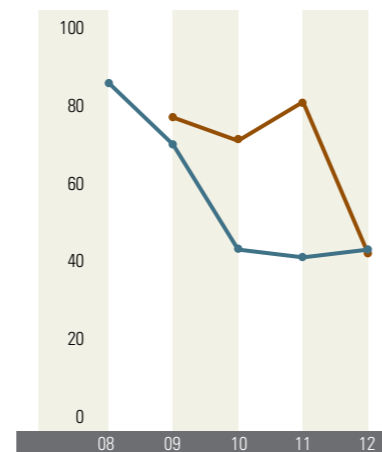
Flanked by a backdrop of traditional gardens in the "Venice of the East", the 481-room Pan Pacific Suzhou operates in a highly competitive and oversupplied environment.

AVERAGE OCCUPANCY	+6%
AVERAGE ROOM RATE	-2%
REVENUE PER AVAILABLE ROOM	+4%

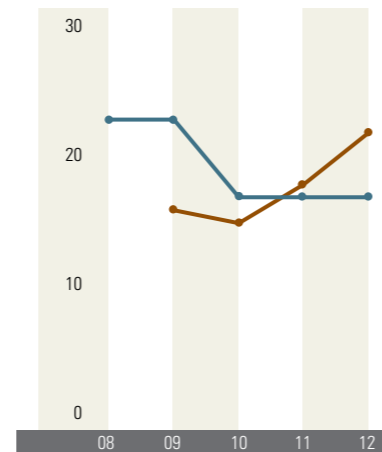
Occupancy %



RevPAR S\$



Revenue S\$M



● Owned and managed  
● Managed

# NORTH AMERICA



## TOURISM LANDSCAPE

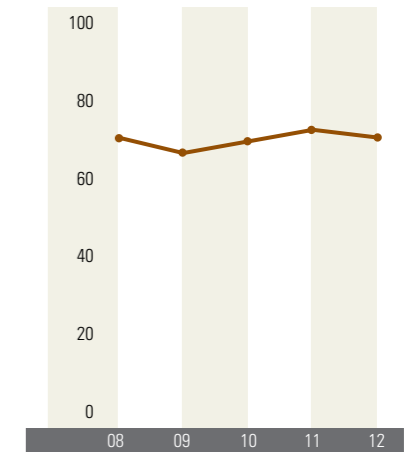
Preliminary data showed 56 million visitors arrived in the United States during the first 10 months of 2012, 7% higher than 52 million achieved during the same time in 2011. The hotel industry landscape in the United States was positive for 2012. RevPar was up 7% comprising a 3% increase in occupancy and a 4% increase in ARR.

Despite a stable economy in Canada for 2012, the hotel industry was relatively soft as visitors were dissuaded by the strong Canadian dollar. For the year 2012, total arrivals were 16 million, registering a marginal gain of 2% over the same period last year. Hotels in Canada reported flat occupancy during the same time period and ARR was up 2%, leading to RevPar increase of 2%.

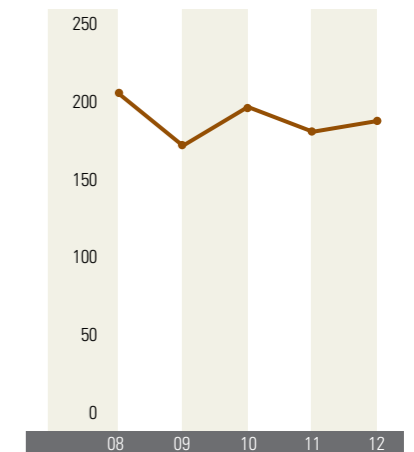
## GROUP PERFORMANCE

In 2012, the Group's managed hotels in North America achieved RevPar gain of 4%, primarily due to higher ARR of 5%.

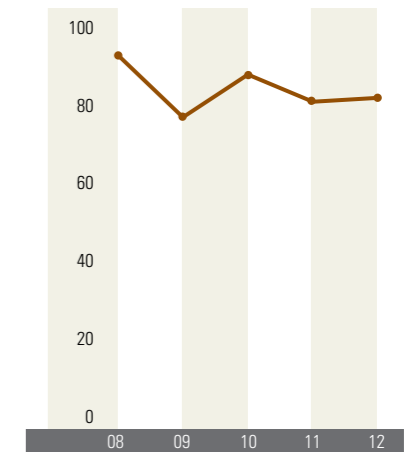
Occupancy %



RevPAR S\$



Revenue S\$M



● Managed

# AUSTRALIA

## TOURISM LANDSCAPE

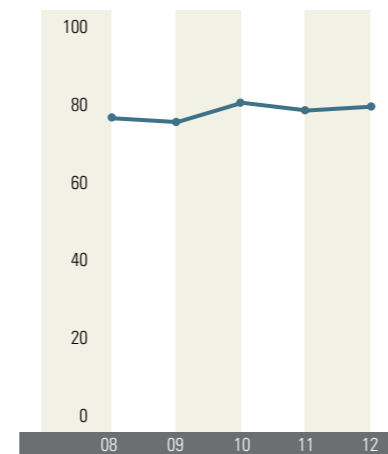
There were 6 million visitor arrivals to Australia during the year 2012, an increase of 5% compared with 2011. Overall hotel occupancy and ARR rose 1% and 3% respectively leading to industry RevPar gain of 4% in 2012.

## GROUP PERFORMANCE

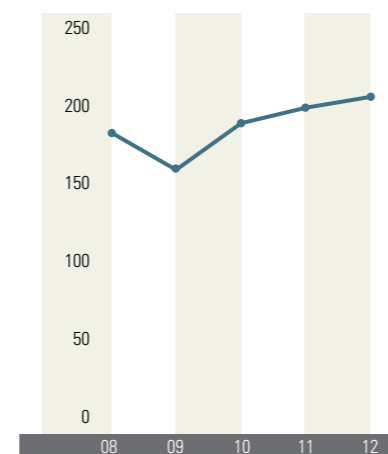
The occupancy for the region increased by 1% as the asset enhancement works at PARKROYAL Darling Harbour, Sydney affected the better performances from the rest of the hotels. Average room rate increased by 3% while RevPar increased by 4%.



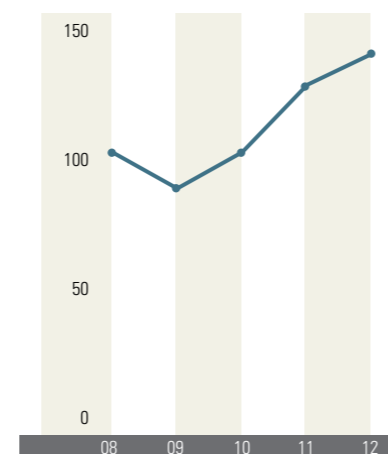
Occupancy %



RevPAR S\$



Revenue S\$M



● Owned and managed



### PARKROYAL Melbourne Airport

Adjacent to Melbourne International Airport, the 276-room PARKROYAL Melbourne Airport was acquired in April 2011 and offers an excellent venue for business meetings.

AVERAGE OCCUPANCY	+3%
AVERAGE ROOM RATE	+1%
REVENUE PER AVAILABLE ROOM	+4%

### PARKROYAL Darling Harbour, Sydney

Located in the centre of the Central Business District near the scenic waterfront, PARKROYAL Darling Harbour, Sydney is close to the city's popular historical and cultural sites. In 2012, the 340-room hotel commenced a five-month long refurbishment of its lobby, guest rooms and club lounge facilities.

AVERAGE OCCUPANCY	-14%
AVERAGE ROOM RATE	+4%
REVENUE PER AVAILABLE ROOM	-11%

### PARKROYAL Parramatta

The 196-room property stands on the bank of the Parramatta River and in the heart of Sydney's business district.

AVERAGE OCCUPANCY	+4%
AVERAGE ROOM RATE	+1%
REVENUE PER AVAILABLE ROOM	+5%

### Pan Pacific Perth

Positive effects from the mining boom in Western Australia have squeezed the already tight room market in Perth. This 486-room classic hotel is surrounded by scenic vistas of Perth's Swan River and lush historic gardens.

AVERAGE OCCUPANCY	+8%
AVERAGE ROOM RATE	+3%
REVENUE PER AVAILABLE ROOM	+11%



## OUR PIPELINE PROJECTS

With a growth strategy of extending our brands and hotels across Asia, Greater China and Oceania, Pan Pacific Hotels Group's pipeline projects span locations in Singapore, Shanghai, Tianjin, and Indonesia.



### PAN PACIFIC SERVICED SUITES BEACH ROAD, SINGAPORE\*

Bordering downtown Singapore, the 180-room serviced suites features a rooftop swimming pool and gym, round-the-clock Personal Assistant Service and panoramic views of the city.

Opening in Quarter 2, 2013



### PAN PACIFIC TIANJIN#

Strategically sited in the bustling harbour city of Tianjin and part of a mixed-use development, the 330-room hotel offers convenient access to the central business district and airport.

Opening in Quarter 1, 2014

### PARKROYAL SERVICED SUITES GREEN CITY, SHANGHAI#

Marking PARKROYAL's debut in China, this 325-room property is located in a prestigious district catering to Shanghai's expatriate community. Facilities include an indoor swimming pool and private clubhouse while a three-storey annex features a café and restaurant.

Opening in Quarter 2, 2013

### PARKROYAL RAINBOW HILLS BOGOR RESORT#

The 225-room resort will mark the launch of the PARKROYAL brand in Indonesia. It boasts recreational facilities including a spa, pool, fitness centre and conference and event spaces. The 18-hole Rainbow Hills golf course is located beside the resort.

Opening in Quarter 1, 2014



\* owned and managed  
# managed

## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Pan Pacific Hotels Group embraces the privilege and responsibility to make a positive difference to our wider communities. As an active corporate citizen, we achieve our sustainability objectives through responsible corporate practices, community contributions and environmental conservation.

### SUSTAINING CORPORATE EXCELLENCE

We believe that associates must be motivated and meaningfully engaged in order to achieve our goals for sustainability and corporate excellence. The Group's organisational structure and talent management programmes provide an important conduit for sustainable employment and leadership succession.

#### Ethical business standards

Guiding our business practices is the Code of Business Conduct, which requires associates to meet with stipulated legal and ethical standards implemented by its parent company, UOL Group Limited.

We advocate openness, integrity and fairness to all associates and in the resolution of any issues they may encounter. A whistle blowing policy ensures that any lapses in business conduct can be identified and handled appropriately.

In addition, the Group safeguards the interests of our stakeholders and enhances long-term shareholder value by upholding high standards of corporate governance. Our policies are detailed in the Corporate Governance Report found on page 138 of this annual report.

#### Equal opportunity employment

The Group provides equal employment opportunities and rewards its associates based on merit, qualifications, competence and performance without discrimination.

Our global presence gives us the advantage of a diversified talent pool boasting different nationalities, age groups, backgrounds and skill-sets.

As an equal opportunity employer, gender diversity is important to the Group and 38% of our workforce worldwide is female.



#### Leadership and talent development

Building upon our first Leadership Conference in Suzhou in 2011 which saw the sharing of best practices among our hotels' General Managers and senior associates, the Group launched a series of Leadership through Coaching workshops this year to develop the coaching skills of our corporate and operational leaders. To date, some 80 leaders have attended the workshops and this programme will be rolled out across all our properties in 2013.

In 2012, the Group also introduced the 360 degree evaluation to provide our senior leaders with valuable performance feedback from their managers, peers and direct reports, so as to identify areas for development. Moving ahead, assessment will be made on how this can be implemented at different levels within the organisation.

To groom associates for career progression within the Group, we provide opportunities for cross-property and international exposure through stints at sister properties and the fielding of task force teams comprising associates from different functions and properties to provide support during the lead-up to a property's opening. These include the pre-opening of PARKROYAL on Pickering and Pan Pacific Hotel and Serviced Suites Ningbo.

In line with the Group's vision of "Creating Memorable Hotel Experiences", we introduced the Service Excellence programme to provide our associates with the understanding and knowledge of our brand identities. Nearly 7,000 associates have participated in this programme and 2013 will see the Group promote the sharing of best practices and recognising associates who best exemplify service excellence.

Our new associates undergo a comprehensive induction programme which introduces them to the Group's Vision, Purpose and Values, their new colleagues and job requirements.

#### Driving organisational improvements

We endeavour to be an employer of choice. Each year, "Our People, Voices and Views Survey" is conducted in partnership with Market Metrix, a leading feedback solutions consultancy, to track the overall satisfaction levels of our associates. Now in its third year, the survey serves as a performance yardstick on the Group's organisational culture, leadership and management practices, and offers insights into our strengths and areas for improvements.

#### GIVING BACK TO OUR COMMUNITIES

Upholding our corporate value of respecting and caring for our wider communities, the Group found ways to reach out to the less fortunate through corporate volunteerism and donations.

#### Championing social causes

In support of "Clean the World", a Florida-based initiative that sterilises, recycles and redistributes used soap to countries with poor sanitation, Pan Pacific Seattle donated over 950 pounds of soap collected from its guest rooms this year, joining the global fight to prevent hygiene-related illnesses and deaths. The hotel also raised about US\$14,000 that went towards supporting a variety of causes such as paediatric cancer research, AIDS/HIV education and charity food drives.

Championing women's health and wellness, "St Gregory" supported the cause of breast cancer awareness by funding mammogram screenings and a public education talk for some 90 women from low-income families in Singapore.

During the year-end Christmas season, several of our properties including PARKROYAL Kuala Lumpur, PARKROYAL Saigon, Pan Pacific Sonargaon Dhaka and PARKROYAL Yangon organised a series of fund-raising activities to benefit their respective adopted charities.



A chef from Sari Pan Pacific Jakarta conducting a pastry class for local housewives



*PARKROYAL Yangon celebrates the artistic talents of youths in Myanmar*

**Empowering underprivileged communities**

To empower individuals with intellectual disabilities in their efforts to secure employment, Pan Pacific Singapore and Pan Pacific Orchard, Singapore donated used quality furniture to the Association for People with Special Needs – Centre for Adults to create fully functional mock-up hotel rooms used in the training of housekeeping skills.

“Si Chuan Dou Hua” chefs shared their dumpling making skills with 50 culinary business management students from Nanyang Polytechnic, a tertiary institution in Singapore. Together, over 400 dumplings were made and delivered to 100 low-income families to celebrate the Dumpling Festival.

In partnership with the local community, PARKROYAL Penang Resort hosted a charity lunch which helped to raise RM45,000 (S\$18,000) for the House of Hope charity that provides food, clothing, medical and financial assistance for impoverished families.

At Sari Pan Pacific Jakarta, our staff volunteers taught simple English, conducted reading sessions for slum children and imparted skills to orphaned youths and low-income women to help improve their job prospects. The hotel also worked with the local Red Cross to organise four blood donation drives which saw the participation of over 100 associates.

In conjunction with Ramadan, Pan Pacific Sonargaon Dhaka organised an Iftar dinner (evening meal to break fast during the Holy Month) for 500 orphans and underprivileged children who were also given school bags and stationery. This event has been an annual feature of the hotel's community outreach efforts for the past 16 years.

**Creating opportunities for the young**

To nurture the next generation of hospitality leaders and potential talent for our hotels in China, Pan Pacific Suzhou launched the “China Talent Class” in collaboration with the International Education College's Institute of Industrial Technology in Suzhou. The three-year programme will see our senior hotel associates conduct classes in professional and managerial skills. Students will spend their final year serving an internship at our China hotels, with the chance of becoming full-time associates upon graduation.

Each year, PARKROYAL Yangon organises the Youth Art Award Competition to cultivate the talent of young aspiring artists in Myanmar and to promote Burmese art and culture. Now in its fifth year, the competition is organised in partnership with Singapore's Nanyang Academy of Fine Arts and RV! Centre International, an accredited education provider in Myanmar.



*Bringing smiles to the faces of orphans at Pan Pacific Sonargaon Dhaka's annual Iftar charity dinner*

**CARING FOR THE ENVIRONMENT**

The Group continues to make strides in its green initiatives. In 2012, these efforts were supported by professional partnerships.

**Setting new benchmarks in sustainable developments**

PARKROYAL on Pickering incorporates eco-friendly features throughout the property. These include rainwater and natural light harvesting, an energy-efficient air-conditioning system, automatic sensors regulating carbon monoxide levels and energy and water usage, as well as solar cells to power landscape lighting. Annually, these measures are designed to achieve a 70% reduction in energy consumption for water heaters, a 20% decrease in energy required for lighting as well as savings of 3.5 million kilowatt-hour of energy and 65,000 cubic metres of water.

**Advocating eco-friendly practices**

Across the Group, good eco practices are achieved through hotel policies. At Pan Pacific Perth, active steps are being taken to minimise environmental pollution and energy usage through the recycling of waste material, installation of compact fluorescent lighting and a procurement policy that stipulates the active use of recyclable storage containers. The hotel also conducts regular internal environmental audits and seeks new ways to minimise the hotel's impact on the environment.

In North America, Pan Pacific Seattle's PanEarth sustainability programme drives the Group's conservation efforts with significant success. It encourages guests to minimise their environmental footprint by supporting carbon-neutral stays. Renewable energy credits can be purchased, while the hotel matches all donations towards these credits with 10% of total proceeds going to Food Lifeline, a non-profit organisation for hunger relief. For its proactive efforts, Pan Pacific Seattle received the Green Globe Certification, an internationally recognised sustainability accreditation for travel and tourism businesses.

**Taking a stand against global warming**

Pan Pacific Perth, Pan Pacific Seattle, Pan Pacific Xiamen and PARKROYAL Kuala Lumpur were among several of our properties which participated in Earth Hour this year. As part of this global campaign against climate change, non-essential lighting was dimmed or turned off for an hour at 8.30 pm local time on 31 March.

**Professional partnerships**

As a new member of the Pacific Asia Travel Association and the World Travel & Tourism Council, the Group connects with industry partners, governments and the private sector to promote sustainable and responsible travel and tourism.



*top  
Pan Pacific Seattle associates taking part in the Seattle AIDS Walk to raise support for AIDS education and resources*

*above  
Involving the young during Earth Hour at Pan Pacific Xiamen*

# RAISING THE BAR

SETTING THE  
STANDARD FOR  
EXCELLENCE



Awards and recognitions affirm the quality of products and service provided by Pan Pacific Hotels Group. Each year, we seek to surpass our past performance standards through operational excellence.

## OUR AWARDS IN 2012

Pan Pacific Hotels Group continues to celebrate performance and service excellence with international awards and accolades that reflect our teamwork and dedication, as well as the confidence our customers and industry peers have for our brands and hotels.

*PARKROYAL  
Melbourne Airport  
and Pan Pacific  
Nirwana Bali  
Resort*



**Pan Pacific Nirwana Bali Resort**  
INDONESIA'S LEADING GOLF RESORT &  
INDONESIA'S LEADING SPA RESORT  
World Travel Awards

**Pan Pacific Seattle**  
COMMUNITY SERVICE AWARD  
American Hotel & Lodging Association Stars of  
the Industry

**GREEN GLOBE CERTIFICATION**  
Green Globe

**Pan Pacific Singapore**  
WORLD'S LEADING BUSINESS  
HOTEL & ASIA'S LEADING  
BUSINESS HOTEL  
World Travel Awards

**Pan Pacific Vancouver**  
CANADA'S LEADING BUSINESS  
HOTEL & CANADA'S  
LEADING HOTEL  
World Travel Awards

**Pan Pacific Whistler Village Centre**  
BEST RESORTS IN CANADA  
Condé Nast Traveler's Gold List 2012

**TOP 25 HOTELS IN CANADA**  
2012 TripAdvisor's Travelers' Choice Awards



### PAN PACIFIC HOTELS GROUP

TOP 75 EMPLOYER BRANDS, SINGAPORE  
Randstad Award 2012

TOP 100 SINGAPORE BRANDS  
Brand Finance

2011 ANNUAL REPORT – PLATINUM  
HERMES CREATIVE AWARD  
Association of Marketing and Communication  
Professionals

### PARKROYAL HOTELS & RESORTS

**PARKROYAL on Pickering**  
GREEN MARK PLATINUM AWARD  
Building and Construction Authority, Singapore

**PARKROYAL Melbourne Airport**  
BEST AIRPORT HOTEL, AUSTRALIA/PACIFIC  
World Airport Awards

**PARKROYAL Yangon**  
MYANMAR'S LEADING BUSINESS HOTEL  
World Travel Awards

BEST PERFORMING FOREIGN  
DIRECT INVESTMENT HOTEL  
Ministry of Hotels and Tourism,  
Myanmar

5-STAR HOTEL OF THE YEAR,  
MYANMAR  
Tourism Alliance Awards

**PARKROYAL Kuala Lumpur**  
TOP 25 TRENDIEST HOTELS IN MALAYSIA  
2012 TripAdvisor's Travelers' Choice Awards

**PARKROYAL Penang Resort**  
TOP 25 RELAXATION AND SPA HOTELS IN  
MALAYSIA  
2012 TripAdvisor's Travelers' Choice Awards

### PAN PACIFIC HOTELS AND RESORTS

**Pan Pacific Kuala Lumpur International Airport**  
ASIA'S LEADING AIRPORT HOTEL  
World Travel Awards

BEST BRAND IN AIRPORT HOTEL CATEGORY  
Asia Pacific Brands Foundation BrandLaureate

BEST AIRPORT HOTEL, ASIA PACIFIC  
International Hotel Awards

**Pan Pacific Manila**  
PHILIPPINES' LEADING BUSINESS HOTEL  
World Travel Awards

*Pan Pacific Whistler Village Centre*



# FIVE-YEAR FINANCIAL SUMMARY

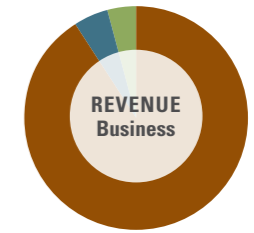
## CONSOLIDATED INCOME STATEMENTS

In \$'000	2008 (restated)	2009 (restated)	2010 (restated)	2011 (restated)	2012
<b>Revenue</b>	315,225	287,806	324,242	358,213	<b>372,565</b>
Cost of sales	(153,970)	(147,347)	(160,649)	(182,646)	<b>(193,250)</b>
Gross profit	161,255	140,459	163,593	175,567	<b>179,315</b>
Other miscellaneous income	1,058	1,440	1,987	4,676	<b>5,373</b>
Expenses					
- Marketing and distribution	(14,364)	(14,343)	(15,805)	(16,959)	<b>(17,937)</b>
- Administrative	(28,415)	(31,059)	(36,482)	(43,589)	<b>(43,464)</b>
- Other operating	(44,600)	(45,610)	(50,998)	(47,692)	<b>(50,905)</b>
<b>Profit from operations</b>	74,934	50,887	62,295	72,003	<b>72,382</b>
Finance income	1,999	2,505	3,368	1,195	<b>586</b>
Exchange gain/(loss)	959	(621)	(3,450)	(2,123)	<b>(4,217)</b>
Finance expense	(1,747)	(3,034)	(3,124)	(10,528)	<b>(8,837)</b>
Share of profits of associated companies	1,946	1,067	1,127	1,105	<b>695</b>
<b>Profit before fair value adjustments and other gains/(losses)</b>	78,091	50,804	60,216	61,652	<b>60,609</b>
Gain on liquidation of a subsidiary	-	-	156	-	<b>-</b>
Impairment charge on property under construction	(37,000)	-	-	(2,600)	<b>-</b>
Impairment charge on hotel property	-	-	-	-	<b>(19,159)</b>
Impairment charge on goodwill	-	-	-	(13,080)	<b>-</b>
Business acquisition costs	-	-	-	(8,143)	<b>-</b>
Fair value (losses)/gains on investment properties	(9,840)	(1,620)	9,979	63,691	<b>45,004</b>
<b>Profit before income tax</b>	31,251	49,184	70,351	101,520	<b>86,454</b>
Income tax expense	(17,600)	(10,749)	(13,435)	(11,326)	<b>(14,164)</b>
<b>Net profit</b>	13,651	38,435	56,916	90,194	<b>72,290</b>
<b>Attributable to:</b>					
Equity holders of the Company	11,047	37,672	55,336	89,644	<b>71,183</b>
Non-controlling interests	2,604	763	1,580	550	<b>1,107</b>
	13,651	38,435	56,916	90,194	<b>72,290</b>
<b>Basic earnings per ordinary shares (cents)</b>					
- before fair value adjustments and other gains/(losses)	9.65	6.55	7.53	8.30	<b>7.56</b>
- after fair value adjustments and other gains/(losses)	1.84	6.28	9.22	14.94	<b>11.86</b>
<b>Gross dividend declared</b>					
- Final (cents)	4.00	3.50	4.00	4.00	<b>4.00</b>
- Cover (times)	0.46	1.79	2.31	3.74	<b>2.97</b>

## REVENUE BY SEGMENTS

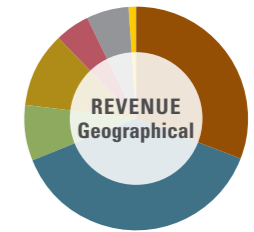
In \$'000	2008	2009	2010	2011	2012
<b>Business</b>					
Hotel ownership	296,556	260,877	288,561	319,109	<b>340,738</b>
Hotel management	4,268	13,760	17,611	19,800	<b>17,110</b>
- Total segment sales	10,928	19,895	27,535	38,606	<b>36,998</b>
- Inter-segment sales	(6,660)	(6,135)	(9,924)	(18,806)	<b>(19,888)</b>
Property investments	13,135	13,027	17,329	18,563	<b>14,100</b>
Investments	1,266	142	741	741	<b>617</b>
<b>Total</b>	<b>315,225</b>	<b>287,806</b>	<b>324,242</b>	<b>358,213</b>	<b>372,565</b>

■ HOTEL OWNERSHIP 91% ■ HOTEL MANAGEMENT 5% ■ PROPERTY INVESTMENTS 4% ■ INVESTMENTS 0%



In \$'000	2008	2009	2010	2011	2012
<b>Geographical</b>					
Singapore	99,980	87,432	111,104	125,500	<b>115,904</b>
Australia	104,025	90,316	103,531	129,569	<b>140,984</b>
Vietnam	41,198	32,822	33,847	27,279	<b>28,794</b>
Malaysia	40,176	41,887	44,943	43,718	<b>43,326</b>
China	22,966	22,738	17,273	16,877	<b>17,313</b>
Myanmar	5,986	7,829	9,664	12,573	<b>22,248</b>
Others	894	4,782	3,880	2,697	<b>3,996</b>
<b>Total</b>	<b>315,225</b>	<b>287,806</b>	<b>324,242</b>	<b>358,213</b>	<b>372,565</b>

■ SINGAPORE 31% ■ AUSTRALIA 38% ■ VIETNAM 8% ■ MALAYSIA 11% ■ CHINA 5% ■ MYANMAR 6% ■ OTHERS 1%



## PROFIT FROM OPERATIONS BY SEGMENTS

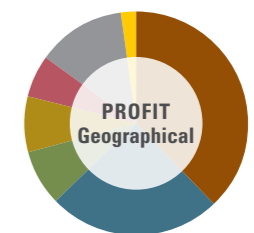
In \$'000	2008	2009	2010	2011	2012
<b>Business</b>					
Hotel ownership	63,451	42,050	48,491	51,650	<b>55,205</b>
Hotel management	1,476	673	2,728	8,207	<b>9,803</b>
Property investments	8,741	8,022	10,335	11,405	<b>6,757</b>
Investments	1,266	142	741	741	<b>617</b>
<b>Total</b>	<b>74,934</b>	<b>50,887</b>	<b>62,295</b>	<b>72,003</b>	<b>72,382</b>

■ HOTEL OWNERSHIP 76% ■ HOTEL MANAGEMENT 14% ■ PROPERTY INVESTMENTS 9% ■ INVESTMENTS 1%



In \$'000	2008	2009	2010	2011	2012
<b>Geographical</b>					
Singapore	31,643	18,815	29,824	40,070	<b>30,904</b>
Australia	22,465	16,829	19,725	19,887	<b>20,613</b>
Vietnam	16,219	10,429	11,423	6,586	<b>6,245</b>
Malaysia	2,249	4,866	4,665	6,854	<b>6,943</b>
China	3,202	(920)	(5,389)	(5,124)	<b>(4,638)</b>
Myanmar	(134)	296	1,722	3,566	<b>10,357</b>
Others	(710)	572	325	164	<b>1,958</b>
<b>Total</b>	<b>74,934</b>	<b>50,887</b>	<b>62,295</b>	<b>72,003</b>	<b>72,382</b>

■ SINGAPORE 38% ■ AUSTRALIA 25% ■ VIETNAM 8% ■ MALAYSIA 8% ■ CHINA -6% ■ MYANMAR 13% ■ OTHERS 2%



## FIVE-YEAR FINANCIAL SUMMARY

	31.12.08 (restated) \$'000	31.12.09 (restated) \$'000	31.12.10 (restated) \$'000	31.12.11 (restated) \$'000	31.12.12 \$'000
<b>Net assets employed</b>					
Available-for-sale financial assets	12,968	18,032	17,167	14,327	<b>14,264</b>
Investment in associated companies	12,506	6,954	7,394	6,984	<b>5,901</b>
Investment properties	155,469	155,481	165,460	322,011	<b>413,611</b>
Property, plant and equipment	478,171	491,716	480,544	632,697	<b>889,016</b>
Property under construction	237,059	248,122	273,778	224,037	<b>-</b>
Intangibles	28,026	27,200	30,772	17,410	<b>15,559</b>
Deferred income tax assets	2,014	3,330	2,783	2,764	<b>3,661</b>
Advances to holding company	-	55,662	49,630	-	<b>-</b>
Net current assets/(liabilities), excluding borrowings	6,960	49,899	22,777	(7,707)	<b>(41,289)</b>
Non-current liabilities, excluding borrowings	(27,538)	(30,930)	(32,770)	(29,184)	<b>(154,245)</b>
	905,635	1,025,466	1,017,535	1,183,339	<b>1,146,478</b>
<b>Capital employed</b>					
Share capital	557,333	557,333	557,333	557,333	<b>557,333</b>
Reserves	(9,079)	22,278	25,715	20,920	<b>10,913</b>
Retained earnings	220,123	233,795	243,260	308,904	<b>356,087</b>
Interests of the shareholders	768,377	813,406	826,308	887,157	<b>924,333</b>
Non-controlling interests	23,463	29,942	-	1,463	<b>3,026</b>
Borrowings	113,795	182,118	191,227	294,719	<b>219,119</b>
	905,635	1,025,466	1,017,535	1,183,339	<b>1,146,478</b>
<b>Net tangible asset backing per ordinary share (\$)</b>					
- before accounting for surplus on revaluation of hotel properties	1.23	1.31	1.33	1.45	<b>1.51</b>
- after accounting for surplus on revaluation of hotel properties	2.02	2.09	2.24	2.41	<b>2.62</b>
<b>Gearing ratio</b>					
Debt: equity ratio	0.08	0.04	0.10	0.27	<b>0.19</b>

## FINANCIAL REVIEW

	Year Ended 31 December			
	2012	2011	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Revenue</b>				
Gross revenue from hotel ownership	<b>340,738</b>	319,109	21,629	7
Revenue from hotel management services	<b>17,110</b>	19,800	(2,690)	(14)
Revenue from property investments	<b>14,100</b>	18,563	(4,463)	(24)
Dividend income	<b>617</b>	741	(124)	(1)
Total revenue	<b>372,565</b>	358,213	14,352	4

Group revenue for the year ended 31 December 2012 increased by 4% or \$14.4 million to \$372.6 million from \$358.2 million achieved in the previous year. The increase was a result of better performance from hotel ownership segment, partially offset by lower revenues from hotel management services and property investments.

Revenue from the hotels owned by the Group increased by 7% from \$319.1 million in 2011 to \$340.7 million in 2012. The increase was due mainly to 5% increase in revenue per available room and full year contribution from PARKROYAL Melbourne Airport (which was acquired on 1 April 2011).

Revenue from hotel management services for the year ended 31 December 2012 decreased by 14% or \$2.7 million to \$17.1 million due largely to lower fee income from Pan Pacific Singapore as the hotel was closed for five months for renovation during the year.

Revenue from property investments of \$14.1 million for the year ended 31 December 2012 was 24% or \$4.5 million lower than the previous year due mainly to the closure of The Furniture Mall at The Plaza from May 2012 to make way for the new serviced suites and function rooms of PARKROYAL on Beach Road.

	Year Ended 31 December			
	2012	2011	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Cost of sales</b>				
Cost of sales	<b>193,250</b>	182,646	10,604	6

The increase in cost of sales by 6% or \$10.6 million to \$193.3 million from \$182.6 million in the previous year was in line with higher revenue.

# FINANCIAL REVIEW

	Year Ended 31 December			
	2012	2011	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Expenses</b>				
- Marketing and distribution	<b>17,937</b>	16,959	978	6
- Administrative	<b>43,464</b>	43,589	(125)	(0)
- Other operating	<b>50,905</b>	47,692	3,213	7

The increase in marketing and distribution expenses in 2012 was in line with higher revenue.

Other operating expenses increased by 7% or \$3.2 million in 2012 to \$50.9 million largely due to pre-opening expenses incurred by PARKROYAL on Pickering and fixed asset write-offs for PARKROYAL Darling Harbour necessitated by major refurbishment of the hotel in 2012.

	Year Ended 31 December			
	2012	2011	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Finance expenses</b>				
Interest expenses, net of capitalisation	<b>8,837</b>	10,528	(1,691)	(16)
Foreign exchange loss – net	<b>4,217</b>	2,123	2,094	99
	<b>13,054</b>	12,651	403	3

Interest expense decreased by 16% to \$8.8 million from \$10.5 million in the previous year due to reduction in borrowings from the advance rental payment for One Upper Pickering.

The exchange loss arose mainly from the repayment of USD-denominated shareholder loans by the subsidiaries. The loans are deemed to be part of the Company's investments in the subsidiaries and movements in currency translation are taken to equity. The exchange differences are transferred from equity and recognised in the Group's income statement upon realisation, i.e. when repayments are made by the subsidiaries.

	Year Ended 31 December			
	2012	2011	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Other losses</b>				
Impairment charge on hotel property	<b>19,159</b>	–	19,159	n.a.
Impairment charge on property under construction	–	2,600	(2,600)	(100)
Impairment charge on goodwill	–	13,080	(13,080)	(100)
	<b>19,159</b>	15,680	3,479	22

An impairment charge of \$19.2 million was recognised for a property in Australia as the book value of the property exceeded the fair value as of 31 December 2012.

	Year Ended 31 December			
	2012	2011	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Fair value adjustments</b>				
Fair value gains on investment properties	<b>45,004</b>	63,691	(18,687)	(29)

Investment properties are carried at fair value determined semi-annually by independent professional valuers. Changes in fair values are recognised in the income statement.

As of 31 December 2012, fair value gain of \$13.7 million was recorded for One Upper Pickering office tower and \$31.3 million for the new serviced suites on Beach Road which is under construction and scheduled for completion in 2013.

	Year Ended 31 December			
	2012	2011 (restated)	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Income tax expenses</b>				
Tax expense on profit for the financial year	<b>13,953</b>	13,749	204	1
Over-provision in preceding financial years	<b>211</b>	(2,423)	2,634	(109)
	<b>14,164</b>	11,326	2,838	25
Effective tax rate <sup>(1)</sup>	<b>16%</b>	14%	–	–

(1) Based on tax expense on profit for the financial year over profit before income tax

The effective tax rate of 16% in 2012 was higher than 14% in 2011 due to higher expenses not deductible for tax purpose.

The effective tax rate is lower than the Singapore statutory tax rate of 17% due mainly to certain fair value gains and other gains not subject to tax, partly offset by certain overseas profits being subject to statutory tax rates higher than the Singapore statutory tax rate, disallowable expenses and deferred tax asset not recognised.

	Year Ended 31 December			
	2012	2011 (restated)	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
<b>Borrowings and capital management</b>				
Net debt	<b>177,693</b>	237,090	(59,397)	(25)
Total equity	<b>927,359</b>	888,620	38,739	4
Debt: equity ratio	<b>19%</b>	27%	-8%	(28)
Average interest rate on borrowings	<b>3.61%</b>	4.07%	-0.46%	(11)

The bank borrowings are secured by mortgages on certain hotel properties and an investment property of the Group and/or assignment of all rights and benefits with respect to the properties.

# GROUP VALUE-ADDED STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012 \$'000	2011 (restated) \$'000
Sale of goods and services	<b>371,948</b>	357,472
Purchases of materials and services	<b>(136,294)</b>	(131,853)
Gross value added	<b>235,654</b>	225,619
Share of profits of associated companies	<b>695</b>	1,105
Income from investments, interest and others	<b>6,576</b>	6,612
Impairment charge on property under construction	-	(2,600)
Impairment charge on hotel property	<b>(19,159)</b>	-
Impairment charge on goodwill	-	(13,080)
Business acquisition costs	-	(8,143)
Fair value gains on investment properties	<b>45,004</b>	63,691
Exchange loss	<b>(4,217)</b>	(2,123)
<b>Total value added</b>	<b>264,553</b>	271,081
<b>Distribution of value added :</b>		
To employees and directors -		
Employees' salaries, wages and benefits	<b>114,770</b>	112,211
Directors' remuneration	<b>2,520</b>	2,633
	<b>117,290</b>	114,844
To government -		
Corporate, property and other taxes	<b>23,806</b>	19,155
To providers of capital -		
Interest paid	<b>11,198</b>	10,528
Net dividend to shareholders	<b>24,000</b>	24,000
	<b>35,198</b>	34,528
<b>Total value-added distributed</b>	<b>176,294</b>	168,527
<b>Retained in the business :</b>		
Depreciation and amortisation	<b>39,969</b>	36,360
Retained earnings	<b>19,103</b>	21,431
Non-controlling interests	<b>1,107</b>	550
	<b>60,179</b>	58,341
<b>Non-production cost and income</b>		
Bad debts	<b>(124)</b>	(144)
Income from investments, interest and others	<b>6,576</b>	6,612
Impairment charge on property under construction	-	(2,600)
Impairment charge on hotel property	<b>(19,159)</b>	-
Impairment charge on goodwill	-	(13,080)
Business acquisition costs	-	(8,143)
Fair value gains on investment properties	<b>45,004</b>	63,691
Exchange loss	<b>(4,217)</b>	(2,123)
	<b>28,080</b>	44,213
	<b>264,553</b>	271,081
<b>Productivity ratios (\$)</b>		
Value added per employee	<b>61,400</b>	60,863
Value added per \$ employment costs	<b>2.01</b>	1.96
Value added per \$ investment in fixed assets (before depreciation)		
- at cost	<b>0.24</b>	0.24
- at valuation	<b>0.19</b>	0.20
Value added per \$ net sales	<b>0.63</b>	0.63

## FINANCIAL CALENDAR

	2012	2011
Announcement of first-quarter results	<b>11.05.12</b>	13.05.11
Announcement of second-quarter results	<b>10.08.12</b>	11.08.11
Announcement of third-quarter results	<b>08.11.12</b>	11.11.11
Announcement of unaudited full-year results	<b>28.02.13</b>	24.02.12
Annual General Meeting	<b>19.04.13</b>	19.04.12
Book closure dates	<b>02.05.13 – 03.05.13</b>	02.05.12 – 03.05.12
First and final dividend payment date	<b>10.05.13</b>	14.05.12

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# REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The directors have pleasure in submitting this report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2012.

## DIRECTORS

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

Wee Cho Yaw	–	Chairman
Gwee Lian Kheng	–	Group Chief Executive
Alan Choe Fook Cheong		
Wee Ee-chao		
Low Weng Keong		
Wee Wei Ling		
James Koh Cher Siang		
Wee Ee Lim		
Amedeo Patrick Imbardelli		

## 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 object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- (a) The directors holding office at 31 December 2012 are also the directors holding office at the date of this report. Their interests in the share capital of and options to subscribe for ordinary shares of the Company and related corporations, as recorded in the register of directors' shareholdings, were as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2012	At 1.1.2012	At 31.12.2012	At 1.1.2012
<b>Pan Pacific Hotels Group Limited ("PPHG")</b>				
– Ordinary Shares				
Wee Cho Yaw	–	–	<b>489,440,652*</b>	489,440,652*
Gwee Lian Kheng	<b>171,000</b>	171,000	<b>315,000</b>	315,000
Wee Ee-chao	–	–	<b>892,500*</b>	892,500*
Wee Wei Ling	<b>27,000</b>	27,000	<b>67,500</b>	67,500
<b>Immediate holding company – UOL Group Limited ("UOL")</b>				
– Ordinary Shares				
Wee Cho Yaw	<b>3,388,151</b>	3,388,151*	<b>235,263,442*</b>	228,818,442*
Gwee Lian Kheng	<b>388,000</b>	388,000	–	–
Wee Ee-chao	<b>30,748*</b>	30,748*	<b>87,265,530*</b>	82,820,597*
Wee Wei Ling	<b>983,493*</b>	941,493*	<b>30,603*</b>	30,603*
James Koh Cher Siang	<b>385</b>	385	–	–
Wee Ee Lim	<b>241,489</b>	241,489	<b>86,998,452*</b>	80,553,452*
– Executives' Share Options				
Gwee Lian Kheng	<b>720,000</b>	680,000	–	–
Wee Wei Ling	<b>84,000</b>	126,000	–	–
Amedeo Patrick Imbardelli	<b>125,000</b>	85,000	–	–

\* Includes shares registered in the name of nominees.

# REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (Cont'd)

- (b) The directors' interests in the share capital of and options to subscribe for ordinary shares of the Company and related corporations, as recorded in the register of directors' shareholdings at 21 January 2013, were the same as those at 31 December 2012.
- (c) Save as disclosed above, none of the other directors holding office at 31 December 2012 has any interest in the ordinary shares of the Company, the ordinary shares and Executives' Share Options of UOL and the ordinary shares of any other related corporations of the Company, as recorded in the register of directors' shareholdings.

## DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Gwee Lian Kheng has an employment relationship with the holding company and has received remuneration in that capacity.

## SHARE OPTIONS

There were no options granted in respect of unissued ordinary shares of the Company or any subsidiary during the financial year.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued ordinary shares of the Company or any subsidiary.

There were no unissued ordinary shares of the Company or any subsidiary under option at the end of the financial year.

# REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## AUDIT COMMITTEE

The Audit Committee comprises three members as follows:

### Independent and non-executive directors

Low Weng Keong - Chairman

Alan Choe Fook Cheong

### Non-independent and non-executive director

Wee Ee Lim

The Audit Committee carries out the functions set out in the Companies Act (Cap. 50). The terms of reference include reviewing the financial statements, the internal and external audit plans and audit reports, the scope and results of the internal audit procedures and proposals for improvements in internal controls, the independent auditor's report on the weaknesses of internal accounting controls arising from the statutory audit, the cost effectiveness, independence and objectivity of the independent auditor and interested persons transactions.

In performing the functions, the Audit Committee has met with the internal and independent auditors and reviewed the overall scope of the internal and external audits and the assistance given by Management to the auditors.

The Audit Committee has nominated PricewaterhouseCoopers LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

## INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

**WEE CHO YAW**

Chairman

28 February 2013

**GWEE LIAN KHENG**

Director

# STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

In the opinion of the directors,

- (a) the income statements, statements of comprehensive income, statements of financial position and statements of changes in equity of the Company and of the Group and the consolidated statement of cash flows of the Group as set out on pages 63 to 137 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, of the results of the business and the changes in equity of the Company and of the Group for the financial year then ended; and the cash flows of the Group for the financial year then ended; and
- (b) 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.

On behalf of the directors

**WEE CHO YAW**

Chairman

28 February 2013

**GWEE LIAN KHENG**

Director

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN PACIFIC HOTELS GROUP LIMITED

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pan Pacific Hotels Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 137, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2012, the consolidated income statement of the Group, the income statement of the Company, the consolidated statement of comprehensive income of the Group, the statement of comprehensive income of the Company, the consolidated statement of changes in equity of the Group and the statement of changes in equity of the Company and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and the results, changes in equity of the Group and of the Company, and cash flows of the Group for the financial year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## PricewaterhouseCoopers LLP

Public Accountants and Certified Public Accountants  
Singapore, 28 February 2013

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	The Group		The Company	
		2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Revenue	4	<b>372,565</b>	358,213	<b>69,768</b>	95,427
Cost of sales		<b>(193,250)</b>	(182,646)	<b>(22,295)</b>	(22,355)
<b>Gross profit</b>		<b>179,315</b>	175,567	<b>47,473</b>	73,072
Other income					
– Finance income	4	<b>586</b>	1,195	<b>3,192</b>	2,786
– Miscellaneous income	4	<b>5,373</b>	4,676	<b>986</b>	928
Expenses					
– Marketing and distribution		<b>(17,937)</b>	(16,959)	<b>(1,668)</b>	(1,817)
– Administrative		<b>(43,464)</b>	(43,589)	<b>(9,133)</b>	(9,339)
– Finance	8	<b>(13,054)</b>	(12,651)	<b>(1,732)</b>	(1,499)
– Other operating		<b>(50,905)</b>	(47,692)	<b>(7,062)</b>	(7,251)
Share of profits of associated companies	16	<b>695</b>	1,105	–	–
		<b>60,609</b>	61,652	<b>32,056</b>	56,880
Other (losses)/gains – net	7	<b>(19,159)</b>	(15,680)	<b>(6,280)</b>	38,100
Business acquisition costs	38	–	(8,143)	–	–
Fair value gains on investment properties	18	<b>45,004</b>	63,691	<b>31,285</b>	8,051
Profit before income tax		<b>86,454</b>	101,520	<b>57,061</b>	103,031
Income tax expense	9	<b>(14,164)</b>	(11,326)	<b>(2,205)</b>	(2,978)
<b>Net profit</b>		<b>72,290</b>	90,194	<b>54,856</b>	100,053
<b>Attributable to:</b>					
Equity holders of the Company		<b>71,183</b>	89,644	<b>54,856</b>	100,053
Non-controlling interests		<b>1,107</b>	550	–	–
		<b>72,290</b>	90,194	<b>54,856</b>	100,053
<b>Earnings per share attributable to equity holders of the Company (expressed in cents per share)</b>					
– Basic and diluted	10	<b>11.86</b>	14.94		

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	The Group		The Company	
		2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Net profit		<b>72,290</b>	90,194	<b>54,856</b>	100,053
<b>Other comprehensive income/(loss):</b>					
Fair value losses on available-for-sale financial assets	15	<b>(63)</b>	(2,840)	<b>(63)</b>	(2,840)
Currency translation differences arising from consolidation	31(c)	<b>(9,488)</b>	(1,421)	–	–
Cash-flow hedge					
– Fair value gains	31(d)	–	199	–	–
– Transfer to income statement	31(d)	–	180	–	–
<b>Other comprehensive loss, net of tax</b>		<b>(9,551)</b>	(3,882)	<b>(63)</b>	(2,840)
<b>Total comprehensive income</b>		<b>62,739</b>	86,312	<b>54,793</b>	97,213
<b>Attributable to:</b>					
Equity holders of the Company		<b>61,176</b>	84,849	<b>54,793</b>	97,213
Non-controlling interests		<b>1,563</b>	1,463	–	–
		<b>62,739</b>	86,312	<b>54,793</b>	97,213

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	The Group			The Company		
		2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and bank balances	11	<b>41,426</b>	57,629	57,904	<b>2,190</b>	3,699	2,089
Trade and other receivables	12	<b>23,818</b>	25,864	24,619	<b>19,841</b>	80,704	16,263
Advances to holding company	27	–	–	49,630	–	–	49,630
Inventories	13	<b>684</b>	1,042	1,531	<b>91</b>	78	103
Other assets	14	<b>5,711</b>	4,186	17,153	<b>1,331</b>	255	237
		<b>71,639</b>	88,721	150,837	<b>23,453</b>	84,736	68,322
<b>Non-current assets</b>							
Trade and other receivables	12	–	–	–	<b>161,318</b>	158,407	149,154
Available-for-sale financial assets	15	<b>14,264</b>	14,327	17,167	<b>14,264</b>	14,327	17,167
Investment in associated companies	16	<b>5,901</b>	6,984	7,394	<b>9,820</b>	9,820	9,820
Investment in subsidiaries	17	–	–	–	<b>417,148</b>	417,698	369,666
Investment properties	18	<b>413,611</b>	322,011	165,460	<b>237,811</b>	173,511	165,460
Property, plant and equipment	19	<b>889,016</b>	632,697	480,544	<b>51,274</b>	54,490	43,786
Property under construction	20	–	224,037	273,778	–	–	–
Intangibles	21	<b>15,559</b>	17,410	30,772	<b>477</b>	719	589
Deferred income tax assets	29	<b>3,661</b>	2,764	2,783	–	–	–
		<b>1,342,012</b>	1,220,230	977,898	<b>892,112</b>	828,972	755,642
<b>Total assets</b>		<b>1,413,651</b>	1,308,951	1,128,735	<b>915,565</b>	913,708	823,964
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	22	<b>95,545</b>	83,427	61,933	<b>18,417</b>	17,893	9,230
Deferred revenue	23	<b>4,205</b>	–	–	–	–	–
Derivative financial instruments		–	–	457	–	–	–
Current income tax liabilities	9(b)	<b>13,178</b>	13,001	16,040	<b>3,827</b>	4,705	4,308
Borrowings	24	<b>6,163</b>	146,254	70,663	–	57,489	–
		<b>119,091</b>	242,682	149,093	<b>22,244</b>	80,087	13,538
<b>Non-current liabilities</b>							
Trade and other payables	22	<b>5,099</b>	1,653	5,125	<b>1,871</b>	199	2,928
Deferred revenue	23	<b>122,181</b>	–	–	–	–	–
Borrowings	24	<b>212,956</b>	148,465	120,564	<b>25,736</b>	–	28,609
Loans from subsidiaries	27	–	–	–	<b>84,763</b>	82,596	100,857
Provision for retirement benefits	28	<b>2,942</b>	2,758	2,539	–	–	–
Deferred income tax liabilities	29	<b>24,023</b>	24,773	25,106	<b>6,100</b>	6,768	7,187
		<b>367,201</b>	177,649	153,334	<b>118,470</b>	89,563	139,581
<b>Total liabilities</b>		<b>486,292</b>	420,331	302,427	<b>140,714</b>	169,650	153,119
<b>NET ASSETS</b>		<b>927,359</b>	888,620	826,308	<b>774,851</b>	744,058	670,845
<b>EQUITY</b>							
<b>Capital and reserves attributable to equity holders of the Company</b>							
Share capital	30	<b>557,333</b>	557,333	557,333	<b>557,333</b>	557,333	557,333
Reserves	31	<b>10,913</b>	20,920	25,715	<b>28,278</b>	28,341	31,181
Retained earnings		<b>356,087</b>	308,904	243,260	<b>189,240</b>	158,384	82,331
		<b>924,333</b>	887,157	826,308	<b>774,851</b>	744,058	670,845
Non-controlling interests		<b>3,026</b>	1,463	–	–	–	–
<b>TOTAL EQUITY</b>		<b>927,359</b>	888,620	826,308	<b>774,851</b>	744,058	670,845

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Attributable to equity holders of the Company				Non-controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000		
<b>2012</b>							
Beginning of financial year, as previously reported		557,333	20,920	273,452	851,705	1,463	853,168
Effects of adopting Amendments to FRS 12	2.1	–	–	35,452	35,452	–	35,452
<b>Beginning of financial year, as restated</b>		<b>557,333</b>	<b>20,920</b>	<b>308,904</b>	<b>887,157</b>	<b>1,463</b>	<b>888,620</b>
Dividends relating to 2011	32	–	–	(24,000)	(24,000)	–	(24,000)
Total comprehensive (loss)/income for the year		–	(10,007)	71,183	61,176	1,563	62,739
<b>End of financial year</b>		<b>557,333</b>	<b>10,913</b>	<b>356,087</b>	<b>924,333</b>	<b>3,026</b>	<b>927,359</b>
<b>2011</b>							
Beginning of financial year, as previously reported		557,333	25,715	218,635	801,683	–	801,683
Effects of adopting Amendments to FRS 12	2.1	–	–	24,625	24,625	–	24,625
<b>Beginning of financial year, as restated</b>		<b>557,333</b>	<b>25,715</b>	<b>243,260</b>	<b>826,308</b>	<b>–</b>	<b>826,308</b>
Dividends relating to 2010	32	–	–	(24,000)	(24,000)	–	(24,000)
Total comprehensive (loss)/income for the year, as previously reported		–	(4,795)	78,817	74,022	1,463	75,485
Effects of adopting Amendments to FRS 12	2.1	–	–	10,827	10,827	–	10,827
Total comprehensive (loss)/income for the year, as restated		–	(4,795)	89,644	84,849	1,463	86,312
<b>End of financial year, as restated</b>		<b>557,333</b>	<b>20,920</b>	<b>308,904</b>	<b>887,157</b>	<b>1,463</b>	<b>888,620</b>

An analysis of movements in each category within “Reserves” is presented in Note 31.

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>2012</b>					
Beginning of financial year, as previously reported		557,333	28,341	132,390	718,064
Effects of adopting Amendments to FRS 12	2.1	–	–	25,994	25,994
<b>Beginning of financial year, as restated</b>		<b>557,333</b>	<b>28,341</b>	<b>158,384</b>	<b>744,058</b>
Dividends relating to 2011	32	–	–	(24,000)	(24,000)
Total comprehensive (loss)/income for the year		–	(63)	54,856	54,793
<b>End of financial year</b>		<b>557,333</b>	<b>28,278</b>	<b>189,240</b>	<b>774,851</b>
<b>2011</b>					
Beginning of financial year, as previously reported		557,333	31,181	57,706	646,220
Effects of adopting Amendments to FRS 12	2.1	–	–	24,625	24,625
<b>Beginning of financial year, as restated</b>		<b>557,333</b>	<b>31,181</b>	<b>82,331</b>	<b>670,845</b>
Dividends relating to 2010	32	–	–	(24,000)	(24,000)
Total comprehensive (loss)/income for the year, as previously reported		–	(2,840)	98,684	95,844
Effects of adopting Amendments to FRS 12	2.1	–	–	1,369	1,369
Total comprehensive (loss)/income for the year, as restated		–	(2,840)	100,053	97,213
<b>End of financial year, as restated</b>		<b>557,333</b>	<b>28,341</b>	<b>158,384</b>	<b>744,058</b>

An analysis of movements in each category within “Reserves” is presented in Note 31.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$'000	2011 (restated) \$'000
<b>Cash flows from operating activities</b>			
Net profit		<b>72,290</b>	90,194
Adjustments for:			
– Income tax expense		<b>14,164</b>	11,326
– Depreciation and amortisation		<b>39,969</b>	36,360
– Property, plant and equipment written off and net loss on disposals		<b>1,426</b>	675
– Impairment charge on hotel property		<b>19,159</b>	–
– Impairment charge on property under construction		–	2,600
– Impairment charge on goodwill		–	13,080
– Fair value gains on investment properties		<b>(45,004)</b>	(63,691)
– Interest income		<b>(586)</b>	(1,195)
– Dividend income		<b>(617)</b>	(741)
– Interest expense		<b>8,837</b>	10,528
– Net provision for retirement benefits		<b>392</b>	374
– Share of profit of associated companies		<b>(695)</b>	(1,105)
– Unrealised translation losses		<b>3,578</b>	604
Operating cash flow before working capital changes		<b>112,913</b>	99,009
Change in operating assets and liabilities			
– Inventories		<b>358</b>	489
– Receivables		<b>521</b>	11,722
– Payables		<b>142,006</b>	17,552
Cash generated from operations		<b>255,798</b>	128,772
Income tax paid - net		<b>(15,011)</b>	(14,981)
Retirement benefits paid		<b>(135)</b>	(82)
<b>Net cash from operating activities</b>		<b>240,652</b>	113,709
<b>Cash flows from investing activities</b>			
Acquisition of assets via business combination	38	–	(141,474)
Repayment of advances to holding company		–	49,630
Payments for intangible assets		<b>(164)</b>	(1,883)
Net proceeds from disposal of property, plant and equipment		<b>3,859</b>	86
Purchase of property, plant and equipment		<b>(67,420)</b>	(42,945)
Expenditure on property under construction and investment properties		<b>(87,574)</b>	(43,725)
Interest received		<b>586</b>	1,195
Dividend received		<b>1,090</b>	2,178
<b>Net cash used in investing activities</b>		<b>(149,623)</b>	(176,938)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>161,268</b>	214,665
Repayment of borrowings		<b>(230,447)</b>	(116,723)
Expenditure on long term borrowings		<b>(1,210)</b>	(395)
Interest paid		<b>(11,198)</b>	(10,528)
Dividends paid to equity holders of the Company		<b>(24,000)</b>	(24,000)
<b>Net cash (used in)/from financing activities</b>		<b>(105,587)</b>	63,019
<b>Net decrease in cash and cash equivalents</b>		<b>(14,558)</b>	(210)
Cash and cash equivalents at the beginning of the financial year		<b>57,629</b>	57,895
Effects of currency translation on cash and cash equivalents		<b>(1,645)</b>	(56)
<b>Cash and cash equivalents at the end of the financial year</b>	11	<b>41,426</b>	57,629

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL INFORMATION

Pan Pacific Hotels Group Limited (the “Company”) is incorporated and domiciled in Singapore and its shares are publicly traded on the Singapore Exchange. The address of its registered office is 101 Thomson Road, #33-00, United Square, Singapore 307591. The principal place of business of the Company is 238A Thomson Road, #08-00, Novena Square Office Tower A, Singapore 307684.

The principal activities of the Company are those of an hotelier, property owner and the holding of investments. The principal activities of its subsidiaries are set out in Note 17.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of the amendment to FRS 12, the effects of which are disclosed below:

### Amendments to FRS 12 – Deferred Tax: Recovery of Underlying Assets

The Group has adopted the amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets on 1 January 2012. The amended FRS 12 has introduced a presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

Previously, the Group accounted for deferred tax on fair value gains on investment property on the basis that the asset would be recovered through use. Upon adoption of the amendment, such deferred tax is measured on the basis of recovery through sale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.1 Basis of preparation (Cont'd)

#### Interpretations and amendments to published standards effective in 2012 (Cont'd)

The effects on adoption are as follows.

#### Effect on Statements of Financial Position

	The Group			The Company		
	31.12. 2012 \$'000	31.12. 2011 \$'000	1.1. 2011 \$'000	31.12. 2012 \$'000	31.12. 2011 \$'000	1.1. 2011 \$'000
Decrease in deferred income tax liabilities	43,103	35,452	24,625	31,312	25,994	24,625
Increase in retained earnings	43,103	35,452	24,625	31,312	25,994	24,625

#### Effect on Income Statements

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Decrease in income tax expense	7,651	10,827	5,318	1,369
Increase in net profit attributable to: – Equity holders of the Company	7,651	10,827	5,318	1,369
Increase in basic earnings per share (cents)	1.28	1.80		
Increase in diluted earnings per share (cents)	1.28	1.80		

### 2.2 Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (a) Revenue from hotel ownership and operations

Revenue from the ownership and operation of hotels is recognised at the point at which the accommodation and related services are provided.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Revenue recognition (Cont'd)

#### (b) Revenue from hotel management services

Revenue from hotel management services includes hotel management fees, franchise fees and other hotel management related fees.

##### (i) Management fees

Management fees earned from hotels managed by the Group, usually under long-term contracts with the hotel owner, are recognised when services are rendered under the terms of the contract. The fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability.

##### (ii) Franchise fees

Franchise fees received in connection with licensing of the Group's brand names, usually under long-term contracts with the hotel owner, are recognised when services are rendered under the terms of the agreement. The Group generally charges franchise fees as a percentage of hotel revenue.

##### (iii) Other hotel management related fees

Other related fees earned from hotels managed by the Group are recognised when services are rendered under the terms of the contract.

#### (c) Revenue from property investments - rental income

Rental income from operating leases (net of any incentives given to the lessees) on investment properties is recognised on a straight-line basis over the lease term.

#### (d) Dividend income

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

#### (e) Interest income

Interest income is recognised using the effective interest method.

### 2.3 Group accounting

#### (a) Subsidiaries

##### (i) Consolidation

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Group accounting (Cont'd)

#### (a) Subsidiaries (Cont'd)

##### (i) Consolidation (Cont'd)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of financial position of the Group. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

##### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations (including business combinations under common control) by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Group accounting (Cont'd)

#### (a) Subsidiaries (Cont'd)

##### (iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to the income statement or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the income statement.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

#### (b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in retained profits.

#### (c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

##### (i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Group accounting (Cont'd)

#### (c) Associated companies (Cont'd)

##### (ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements and dividends are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

##### (iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in the income statement.

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in the income statement.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

### 2.4 Property, plant and equipment

#### (a) Measurement

##### (i) Land and buildings

Land and buildings are initially recognised at cost. Certain leasehold land and buildings comprising hotel properties were revalued in 1985, in accordance with a valuation by an independent professional firm of valuers on their existing use basis and stated at valuation. However, a decision was then made that future valuations of hotel properties would not be recognised in the financial statements.

Freehold land is subsequently carried at cost less accumulated impairment losses. Leasehold land and buildings are subsequently carried at cost or valuation less accumulated depreciation and accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.4 Property, plant and equipment (Cont'd)

#### (a) Measurement (Cont'd)

##### (ii) Property under construction

Property under construction is carried at cost less accumulated impairment losses until construction is completed at which time depreciation will commence over its estimated useful life.

##### (iii) Other property, plant and equipment

Plant, equipment, furniture and fittings and motor vehicles are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

##### (iv) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs incurred for the properties under construction. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

#### (b) Depreciation

Freehold land, property under construction, construction in progress and renovation in progress are not depreciated. Leasehold land is amortised evenly over the term of the lease. (Please refer to Note 19(d) for the lease period of each property.)

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	50 years or period of the lease, whichever is shorter
Plant, equipment, furniture and fittings	3 to 20 years
Motor vehicles	7 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in the income statement when the changes arise.

#### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expenses are recognised in the income statement when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.4 Property, plant and equipment (Cont'd)

#### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

### 2.5 Intangibles

#### (a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference ("negative goodwill") is recognised directly in the income statement as a gain from bargain purchase.

Goodwill on acquisitions of subsidiaries and businesses prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries and associated companies at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of the subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

#### (b) Trademark

Acquired trademarks are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the income statement using the straight-line method over their estimated useful lives of 10 to 20 years.

#### (c) Acquired computer software costs

Acquired computer software costs are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditure includes employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Computer software that is under development is not amortised. These costs are amortised to the income statement using the straight-line method over their estimated useful lives of three to five years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.5 Intangibles (Cont'd)

#### (d) Contract acquisition costs

Directly attributable costs incurred in the securing of management contracts or franchise agreements are capitalised as intangibles. These costs do not represent a physical asset which the Group has legal title to. They represent costs incurred to obtain a legal contractual right.

The directly attributable costs are amortised to the income statement using the straight-line method over the number of years of the management contract or franchise agreement they relate to. They are also reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revision are recognised in the income statement when the changes arise.

### 2.6 Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method except for those costs that are directly attributable to the construction or development of properties. This includes those costs on borrowings acquired specifically for the construction or development of properties, as well as those in relation to general borrowings used to finance the construction or development of properties.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings are capitalised in the cost of the property under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

### 2.7 Investment properties

Investment properties include those land and buildings or portions of buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined semi-annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the income statement.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in the income statement. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

### 2.8 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.9 Impairment of non-financial assets

#### (a) Goodwill

Goodwill is tested for impairment annually, and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

#### (b) Intangibles

##### Property, plant and equipment

##### Property under construction

##### Investments in subsidiaries and associated companies

Intangibles, property, plant and equipment, property under construction and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

An impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.10 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than twelve months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and bank balances", "advances to holding company" and deposits within "other assets" on the statement of financial position.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the end of the reporting period.

#### (b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

#### (c) Measurement

Financial assets are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividend income on available-for-sale financial assets is recognised separately in the income statement. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income.

#### (d) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.10 Financial assets (Cont'd)

#### (d) Impairment (Cont'd)

##### (i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

##### (ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(d)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through the income statement.

### 2.11 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries and associated companies. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries or associated companies fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position except when the fair value is determined to be insignificant.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' or associated companies' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position.

Intra-group transactions are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### 2.13 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.14 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The Group has designated its derivative financial instrument as a cash flow hedge. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the income statement when the changes arise.

#### Cash flow hedge - Interest rate swaps

The Group entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income and transferred to the income statement when the interest expense on the borrowings is recognised in the income statement. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in the income statement.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than twelve months, and as a current asset or liability if the remaining expected life of the hedged item is less than twelve months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of the reporting period. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 2.16 Leases

#### (a) When the Group is the lessee:

The Group leases certain property, plant and equipment from non-related parties.

##### (i) Lessee – Operating lease

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

##### (ii) Lessee – Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.16 Leases (Cont'd)

#### (b) When the Group is the lessor:

The Group leases certain investment properties to non-related parties.

##### (i) Lessor – Operating lease

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement when earned.

### 2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

### 2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group 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.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.18 Income taxes (Cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### 2.19 Provisions

Provisions for legal claims, asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amounts have been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement when the changes arise, except for changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs, which are adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in the income statement immediately.

### 2.20 Employee benefits

#### (a) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the country in which it operates. These benefit plans are either defined contribution or defined benefit plans.

#### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.20 Employee benefits (Cont'd)

#### (a) Post-employment benefits (Cont'd)

#### Defined benefit plans

Defined benefit plans are a post-employment benefit plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

A subsidiary in Malaysia operates an unfunded defined benefit scheme under the Collective Union Agreement for unionised employees and certain management staff. Benefits payable on retirement are calculated by reference to the length of service and earnings over the employees' period of employment; that benefit is discounted to determine the present value. The discount rate is the market yield at the end of the reporting period on high quality corporate bonds or government bonds. Provision for employee retirement benefits is made in the financial statements so as to provide for the accrued liability at year end. An actuarial valuation, based on the projected credit unit method, of the fund is conducted by a qualified independent actuary once in every three years as the directors are of the opinion that yearly movements in provision for the defined benefit plan is not likely to be significant.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the present value of the defined benefit obligation, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

#### (b) Share-based compensation

The holding company operates an equity-settled, share-based compensation plan and grants share options to executives of the Group. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.21 Currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

#### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the income statement. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to the income statement, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "finance income" and "finance expenses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### (c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee whose members are responsible for allocating resources and assessing performance of the operating segments.

### 2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash and bank balances, short-term deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

### 2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### 2.25 Dividends

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Classification of the Group's serviced suites as investment property

Management applies judgement in determining the classification of its serviced suites owned by the Group. The key criteria used to distinguish the Group's serviced suites which are classified as investment properties, and its other properties classified as property, plant and equipment, is the level of services provided to tenants of the serviced suites.

The Group's serviced suites have been classified as investment properties and the carrying amount was \$186,551,000 (2011: \$73,232,000).

#### (b) Other estimates and judgements applied

The Group, on its own or in reliance on third party experts, also applies estimates and judgements in the following areas:

- (i) the fair values of investment properties as determined by independent professional valuers;
- (ii) the assessment of adequacy of provision for income taxes; and
- (iii) the level of impairment of goodwill and the value of a hotel property

These estimates, assumptions and judgements are however not expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The carrying amounts of the above assets and liabilities are disclosed in the respective notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 4. REVENUE, FINANCE INCOME AND MISCELLANEOUS INCOME

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Gross revenue from hotel ownership and operations	<b>340,738</b>	319,109	<b>36,370</b>	38,633
Revenue from hotel management services	<b>17,110</b>	19,800	–	–
Revenue from property investments – rental income	<b>14,100</b>	18,563	<b>10,158</b>	15,060
Dividend income	<b>617</b>	741	<b>23,240</b>	41,734
<b>Total revenue</b>	<b>372,565</b>	358,213	<b>69,768</b>	95,427
Interest income				
– advances to holding company	–	481	–	481
– loans to subsidiaries	–	–	<b>3,172</b>	1,837
– fixed deposits with financial institutions	<b>561</b>	596	<b>3</b>	3
– others	<b>25</b>	118	<b>17</b>	32
	<b>586</b>	1,195	<b>3,192</b>	2,353
Currency exchange gain – net	–	–	–	433
<b>Finance income</b>	<b>586</b>	1,195	<b>3,192</b>	2,786
<b>Miscellaneous income</b>	<b>5,373</b>	4,676	<b>986</b>	928
<b>Total</b>	<b>378,524</b>	364,084	<b>73,946</b>	99,141

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 5. EXPENSES BY NATURE

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cost of inventory sold	<b>26,776</b>	27,632	<b>3,548</b>	4,071
Depreciation of property, plant and equipment (Note 19)	<b>38,017</b>	34,429	<b>5,687</b>	4,870
Amortisation of intangibles (Note 21)	<b>1,952</b>	1,931	<b>155</b>	167
Total depreciation and amortisation	<b>39,969</b>	36,360	<b>5,842</b>	5,037
Computer software maintenance and support fee	<b>1,363</b>	819	<b>208</b>	179
Employees compensation (Note 6)	<b>116,806</b>	114,329	<b>13,215</b>	14,599
Staff cost recharges by related companies for corporate management and property maintenance services (Note 36(a))	<b>2,550</b>	2,539	<b>1,815</b>	1,768
Rental expenses	<b>3,880</b>	2,802	<b>213</b>	234
Auditors' remuneration paid/payable to:				
– auditor of the Company	<b>432</b>	326	<b>213</b>	163
– other auditors	<b>637</b>	585	–	–
Other fees paid/payable to:				
– auditor of the Company	<b>8</b>	18	<b>3</b>	3
– other auditors	<b>111</b>	122	–	–
Repairs and maintenance	<b>9,448</b>	9,197	<b>2,581</b>	2,226
Heat, light and power	<b>19,781</b>	18,118	<b>1,969</b>	2,006
Property, plant and equipment written off and net loss on disposals	<b>1,426</b>	675	<b>327</b>	84
Advertising and promotion	<b>10,748</b>	10,337	<b>1,061</b>	1,214
Central reservation expenses	<b>3,620</b>	2,922	–	–
Management fee to hotel operators	<b>1,215</b>	1,240	<b>1,727</b>	1,750
Property tax and other taxes	<b>9,642</b>	7,829	<b>1,537</b>	1,758
Other hospitality related expenses	<b>57,144</b>	55,036	<b>5,899</b>	5,670
<b>Total cost of sales, marketing and distribution, administrative and other operating expenses</b>	<b>305,556</b>	290,886	<b>40,158</b>	40,762

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 6. EMPLOYEE COMPENSATION

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Wages and salaries	<b>108,234</b>	104,908	<b>11,967</b>	13,045
Employer's contribution to defined contribution plans including Central Provident Fund	<b>7,911</b>	8,590	<b>979</b>	1,097
Retirement benefits (Note 28(b))	<b>392</b>	374	–	–
Share options granted to employees	<b>269</b>	457	<b>269</b>	457
	<b>116,806</b>	114,329	<b>13,215</b>	14,599

During the financial year, the Company was charged share option expenses amounting to \$269,000 (2011: \$457,000) by the holding company for share options granted to executives of the Group under the UOL Group Executives' Share Option Scheme.

The UOL Group Executives' Share Option Scheme is an equity settled, share-based compensation plan. The vesting of the granted options is conditional upon the completion of one year of service from the grant date. The amount recharged by the holding company relates to the fair value of 412,000 (2011: 371,000) options granted to executives of the Company on the grant date, 23 August 2012 (2011: 4 March 2011), determined using the Trinomial Tree model. The significant inputs into the model were share price of \$5.35 (2011: \$4.70) at the grant date exercise price of \$5.40 (2011: \$4.62), standard deviation of expected share price returns of 36.69% (2011: 36.98%), option life from 23 August 2013 to 22 August 2022 (2011: 4 March 2012 to 3 March 2021), annual risk-free interest rate of 0.90% (2011: 1.23%) and dividend yield of 2.20% (2011: 2.28%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of UOL over the last three years.

## 7. OTHER (LOSSES)/GAINS - NET

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(Impairment)/write-back on investment in subsidiaries	–	–	<b>(550)</b>	38,100
Impairment on loan to subsidiary	–	–	<b>(5,730)</b>	–
Impairment charge on hotel property (Note 19)	<b>(19,159)</b>	–	–	–
Impairment charge on property under construction	–	(2,600)	–	–
Impairment charge on goodwill (Note 21(b))	–	(13,080)	–	–
	<b>(19,159)</b>	(15,680)	<b>(6,280)</b>	38,100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 8. FINANCE EXPENSES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Interest expense:				
– loans from subsidiaries	–	–	<b>18</b>	507
– bank loans and overdrafts	<b>11,281</b>	12,051	<b>1,677</b>	992
– finance lease liabilities	<b>337</b>	254	–	–
– cash flow hedge, transfer from hedging reserve (Note 31(d))	–	217	–	–
	<b>11,618</b>	12,522	<b>1,695</b>	1,499
Amount capitalised to property under construction and investment property	<b>(2,781)</b>	(1,994)	–	–
	<b>8,837</b>	10,528	<b>1,695</b>	1,499
Currency exchange loss – net	<b>4,217</b>	2,123	<b>37</b>	–
	<b>13,054</b>	12,651	<b>1,732</b>	1,499

## 9. INCOME TAXES

### (a) Income tax expense

	The Group		The Company	
	2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Tax expense attributable to profit is made up of:				
Current income tax				
– Singapore (Note (b) below)	<b>6,717</b>	7,318	<b>2,873</b>	3,344
– Foreign (Note (b) below)	<b>8,963</b>	6,644	–	153
	<b>15,680</b>	13,962	<b>2,873</b>	3,497
Deferred income tax (Note 29)	<b>(1,727)</b>	(213)	<b>(668)</b>	(419)
	<b>13,953</b>	13,749	<b>2,205</b>	3,078
Under/(over) provision in the preceding financial years				
– Singapore current income tax (Note (b) below)	<b>(237)</b>	(2,025)	–	(100)
– Deferred income tax (Note 29)	<b>448</b>	(398)	–	–
	<b>14,164</b>	11,326	<b>2,205</b>	2,978

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 9. INCOME TAXES (Cont'd)

### (a) Income tax expense (Cont'd)

The tax expense on profit for the financial year differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group		The Company	
	2012 \$'000	2011 (restated) \$'000	2012 \$'000	2011 (restated) \$'000
Profit before income tax	<b>86,454</b>	101,520	<b>57,061</b>	103,031
Share of profits of associated companies, net of tax	<b>(695)</b>	(1,105)	–	–
Profit before tax and share of profits of associated companies	<b>85,759</b>	100,415	<b>57,061</b>	103,031
Tax calculated at a tax rate of 17%	<b>14,579</b>	17,071	<b>9,700</b>	17,515
Effects of:				
– Singapore statutory stepped income exemption	<b>(279)</b>	(270)	<b>(26)</b>	(26)
– Different tax rate in other countries	<b>611</b>	1,318	<b>62</b>	–
– Income not subject to tax	<b>(11,921)</b>	(12,373)	<b>(9,831)</b>	(15,024)
– Expenses not deductible for tax purposes	<b>10,327</b>	4,704	<b>2,388</b>	613
– Tax incentives	<b>(472)</b>	–	<b>(88)</b>	–
– Utilisation of previously unrecognised tax losses	<b>(2,509)</b>	(841)	–	–
– Deferred tax asset not recognised in the current financial year	<b>3,612</b>	4,003	–	–
– Others	<b>5</b>	137	–	–
<b>Tax charge</b>	<b>13,953</b>	13,749	<b>2,205</b>	3,078

### (b) Movements in current income tax liabilities

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At the beginning of the financial year	<b>13,001</b>	16,040	<b>4,705</b>	4,308
Currency translation differences	<b>(255)</b>	5	–	–
Income tax paid	<b>(15,767)</b>	(15,312)	<b>(3,751)</b>	(3,000)
Tax refund received	<b>756</b>	331	–	–
Tax expense on profit				
– current financial year	<b>15,680</b>	13,962	<b>2,873</b>	3,497
– over provision in preceding financial years	<b>(237)</b>	(2,025)	–	(100)
At the end of the financial year	<b>13,178</b>	13,001	<b>3,827</b>	4,705

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 10. EARNINGS PER SHARE

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

	2012	2011 (restated)
Net profit attributable to equity holders of the Company (\$'000)	<b>71,183</b>	89,644
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<b>600,000</b>	600,000
Basic earnings per share (cents per share)	<b>11.86</b>	14.94

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares.

## 11. CASH AND BANK BALANCES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank and on hand	<b>33,708</b>	42,995	<b>2,003</b>	3,505
Fixed deposits with financial institutions	<b>7,718</b>	14,634	<b>187</b>	194
	<b>41,426</b>	57,629	<b>2,190</b>	3,699

- (a) The fixed deposits with financial institutions for the Group and Company mature on varying dates within eleven months (2011: three months) from the end of the financial year and have the following weighted average effective interest rates as at the end of the reporting period:

	The Group		The Company	
	2012 %	2011 %	2012 %	2011 %
United States Dollar	<b>0.47</b>	0.49	<b>0.18</b>	0.18
Australian Dollar	<b>2.29</b>	3.70	<b>1.42</b>	2.83
Malaysian Ringgit	<b>3.11</b>	3.15	–	–
Chinese Renminbi	<b>3.25</b>	3.50	–	–
Indonesian Rupiah	<b>6.00</b>	6.25	–	–
Vietnamese Dong	<b>9.00</b>	14.00	–	–

### (b) Acquisition of a business

Please refer to Note 38 for the effects of acquisition of a business on the cash flows of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 12. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current</b>				
Trade receivables:				
– non-related parties	<b>22,533</b>	22,994	<b>1,909</b>	1,948
– holding company	<b>37</b>	10	<b>37</b>	10
– subsidiaries	<b>–</b>	–	<b>369</b>	490
– fellow subsidiaries	<b>246</b>	90	<b>15</b>	8
– associated companies	<b>91</b>	60	<b>11</b>	7
Less: Allowance for impairment of receivables – non-related parties	<b>(528)</b>	(424)	<b>(2)</b>	(6)
Trade receivables – net	<b>22,379</b>	22,730	<b>2,339</b>	2,457
Other receivables:				
– holding company (non-trade)	<b>–</b>	16	<b>–</b>	5
– loans to subsidiaries	<b>–</b>	–	<b>14,491</b>	75,454
– subsidiaries (non-trade)	<b>–</b>	–	<b>2,953</b>	2,704
– fellow subsidiaries (non-trade)	<b>73</b>	444	<b>4</b>	5
– sundry debtors	<b>1,366</b>	2,674	<b>54</b>	79
	<b>1,439</b>	3,134	<b>17,502</b>	78,247
	<b>23,818</b>	25,864	<b>19,841</b>	80,704
<b>Non-current</b>				
Loans to:				
– subsidiaries	<b>–</b>	–	<b>167,048</b>	158,407
Less: Allowance for impairment of loan to a subsidiary	<b>–</b>	–	<b>(5,730)</b>	–
	<b>–</b>	–	<b>161,318</b>	158,407
<b>Total trade and other receivables</b>	<b>23,818</b>	25,864	<b>181,159</b>	239,111

- (a) Impairment loss on trade and other receivables for the Group recognised as an expense and included in 'Administrative expenses' amounted to \$211,000 (2011: \$183,000).
- (b) The non-trade amounts due from holding company, subsidiaries and fellow subsidiaries are unsecured, interest-free and repayable on demand.
- (c) Loans to subsidiaries with interest charged on a floating-rate basis are subject to monthly re-pricing. The carrying values of the loans approximate their fair values. The loans are unsecured and have no fixed terms of repayment, of which \$14,491,000 (2011: \$75,454,000) are expected to be repaid within twelve months from the end of the reporting period, and \$167,048,000 (2011: \$158,407,000) are not expected to be repaid within twelve months from the end of the reporting period.
- (d) Loans to subsidiaries of \$34,601,000 (2011: \$57,971,000) have been subordinated to the secured bank loans of the subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 13. INVENTORIES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Food and beverages	<b>633</b>	809	<b>48</b>	50
Other supplies	<b>51</b>	233	<b>43</b>	28
	<b>684</b>	1,042	<b>91</b>	78

The cost of inventories recognised as expense and included in 'cost of sales' amounted to \$26,776,000 (2011: \$27,632,000) and \$3,548,000 (2011: \$4,071,000) respectively for the Group and the Company.

### 14. OTHER ASSETS

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deposits	<b>1,549</b>	765	<b>791</b>	32
Prepayments	<b>4,162</b>	3,421	<b>540</b>	223
	<b>5,711</b>	4,186	<b>1,331</b>	255

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At the beginning of the financial year	<b>14,327</b>	17,167	<b>14,327</b>	17,167
Fair value losses recognised in other comprehensive income (Note 31(a))	<b>(63)</b>	(2,840)	<b>(63)</b>	(2,840)
At the end of the financial year	<b>14,264</b>	14,327	<b>14,264</b>	14,327

At the end of the reporting period, available-for-sale financial assets included the following:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Listed securities:				
– Equity shares – Singapore	<b>14,264</b>	14,327	<b>14,264</b>	14,327

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 16. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Equity investments at cost			<b>9,820</b>	9,820
At the beginning of the financial year	<b>6,984</b>	7,394		
Share of profits	<b>695</b>	1,105		
Currency translation differences	<b>(1,305)</b>	(78)		
Dividend paid during the year	<b>(473)</b>	(1,437)		
At the end of the financial year	<b>5,901</b>	6,984		

- (a) The summarised financial information of associated companies, not adjusted for the proportion ownership interest held by the Group were as follows:

	The Group	
	2012 \$'000	2011 \$'000
– Assets	<b>42,547</b>	50,160
– Liabilities	<b>19,980</b>	32,218
– Revenues	<b>15,076</b>	17,553
– Net profit after tax	<b>2,585</b>	4,279

- (b) Contingent liabilities of an associated company in which the Group is severally liable (Note 33) amounted to \$6,617,000 (2011: \$7,494,000).

- (c) The associated companies are:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2012 %	2011 %
Pilkon Development Company Limited*	Investment holding	The British Virgin Islands	<b>39.35 by the Company</b>	39.35 by the Company
PPHR (Thailand) Company Limited**	Marketing agent	Thailand	<b>48.97 by PPH</b>	48.97 by PPH

\* Not required to be audited under the laws of the country of incorporation.

\*\* Audited by Thana-Ake Advisory Limited.

The associated companies are not audited by PricewaterhouseCoopers LLP Singapore and they are not significant associated companies as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 17. INVESTMENT IN SUBSIDIARIES

	The Company	
	2012 \$'000	2011 \$'000
Equity investments at cost	<b>418,738</b>	418,738
Less: Accumulated impairment charge:		
At the beginning of the financial year	<b>(1,040)</b>	(39,140)
Impairment (charge)/reversal for the financial year	<b>(550)</b>	38,100
At the end of the financial year	<b>(1,590)</b>	(1,040)
Equity investments at cost less accumulated impairment charge at the end of the financial year	<b>417,148</b>	417,698
At the beginning of the financial year	<b>417,698</b>	369,666
Additional investments	<b>–</b>	9,932
Impairment (charge)/reversal for the financial year	<b>(550)</b>	38,100
At the end of the financial year	<b>417,148</b>	417,698

- (a) The impairment charge of \$550,000 (2011: impairment write-back of \$38,100,000) was recognised for the Company's investment in certain subsidiaries, being the difference between the carrying amount of the investment and its recoverable amount. This is to reduce the carrying value of investments to the recoverable amounts, taking into account the general economic and operating environments in which the relevant subsidiaries operate in.

The recoverable amount for the relevant subsidiaries was mainly estimated based on the fair value less cost to sell of the net assets at the end of the reporting period. The carrying amount of the net assets of the relevant subsidiaries approximates their fair values.

- (b) The subsidiaries are:

Name of companies	Principal activities	Country of business/ incorporation	Cost of investment		Equity holding	
			2012 \$'000	2011 \$'000	2012 %	2011 %
<b>Held by the Company</b>						
Hotel Plaza Property (Singapore) Pte Ltd	Hotelier and property investment	Singapore	<b>200,000</b>	200,000	<b>100</b>	100
New Park Hotel (1989) Pte Ltd	Hotelier	Singapore	<b>5,000</b>	5,000	<b>100</b>	100
Success City Pty Limited *	Hotelier	Australia	<b>32,460</b>	32,460	<b>100</b>	100
Garden Plaza Company Limited *	Hotelier	Vietnam	<b>1,748</b>	1,748	<b>100</b>	100
President Hotel Sdn Berhad ("PHSB") @ *	Hotelier	Malaysia	<b>25,130</b>	25,130	<b>33.33</b>	33.33
Parkroyal Serviced Residences Pte. Ltd.	Management of serviced suites	Singapore	<b>581</b>	581	<b>100</b>	100
St Gregory Spa Pte Ltd	Manage and operate health and beauty retreats and facilities	Singapore	~	~	<b>100</b>	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 17. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The subsidiaries are: (Cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Cost of investment		Equity holding	
			2012 \$'000	2011 \$'000	2012 %	2011 %
<b>Held by the Company (Cont'd)</b>						
Pan Pacific International Pte. Ltd.	Managing and licensing of trademarks	Singapore	<b>3,090</b>	3,090	<b>100</b>	100
Parkroyal International Pte. Ltd.	Managing and licensing of trademarks	Singapore	<b>100</b>	100	<b>100</b>	100
Dou Hua Restaurants Pte Ltd	Operator of restaurants	Singapore	<b>175</b>	175	<b>100</b>	100
Pan Pacific Shared Services Centre Pte. Ltd.	Provide accounting services to hotels and serviced suites within the Group	Singapore	<b>10</b>	10	<b>100</b>	100
Hotel Investments (Hanoi) Pte. Ltd. ("HIH")	Investment holding	Singapore	<b>6</b>	6	<b>100</b>	100
Hotel Investments (Suzhou) Pte. Ltd. ("HIS")	Investment holding	Singapore	<b>7</b>	7	<b>100</b>	100
YIPL Investment Pte. Ltd. ("YIPL")	Investment holding	Singapore	<b>6,045</b>	6,045	<b>100</b>	100
Pan Pacific Hospitality Holdings Pte Ltd ("PPHH")	Investment holding	Singapore	<b>21,757</b>	21,757	<b>100</b>	100
United Lifestyle Holdings Pte Ltd	Investment holding	Singapore	<b>1,200</b>	1,200	<b>100</b>	100
Success Venture Investments (Australia) Ltd ("SVIA")	Investment holding	The British Virgin Islands	<b>49,978</b>	49,978	<b>100</b>	100
Success Venture Investments (WA) Limited ("SVIWA")	Investment holding	The British Virgin Islands	<b>21,279</b>	21,279	<b>100</b>	100
HPL Properties (Malaysia) Sdn. Bhd. ("HPM") *	Investment holding	Malaysia	<b>50,172</b>	50,172	<b>100</b>	100
			<b>418,738</b>	418,738		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 17. INVESTMENT IN SUBSIDIARIES (Cont'd)

(b) The subsidiaries are: (Cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2012 %	2011 %
<b>Held by subsidiaries</b>				
Westlake International Company *	Hotelier	Vietnam	<b>75 by HIH</b>	75 by HIH
President Hotel Sdn Berhad ("PHSB") @ *	Hotelier	Malaysia	<b>66.67 by HPM</b>	66.67 by HPM
Suzhou Wugong Hotel Co., Ltd *	Hotelier	The People's Republic of China	<b>100 by HIS</b>	100 by HIS
Yangon Hotel Limited **	Hotelier	Myanmar	<b>95 by YIPL</b>	95 by YIPL
Pan Pacific Hotels and Resorts Pte. Ltd. ("PPHR")	Hotel manager and operator	Singapore	<b>100 by PPHH</b>	100 by PPHH
Pan Pacific (Shanghai) Hotels Management Co., Ltd ****	Hotel manager and operator	The People's Republic of China	<b>100 by PPHR</b>	100 by PPHR
Pan Pacific Hotels and Resorts America, Inc. ("PPHRA") ^	Hotel manager and operator	United States of America	<b>100 by PPHR</b>	100 by PPHR
Pan Pacific Hotels and Resorts Japan Co., Ltd ^	Hotel manager and operator	Japan	<b>100 by PPHR</b>	100 by PPHR
Pan Pacific Hotels and Resorts Seattle Limited Liability Co ("PPHRS") ^	Hotel manager and operator	United States of America	<b>100 by PPHRA</b>	100 by PPHRA
PT. Pan Pacific Hotels & Resorts Indonesia ***	Hotel manager and operator	Indonesia	<b>99 by PPHR and 1 by PPHRA</b>	99 by PPHR and 1 by PPHRA
Pan Pacific Hospitality Pte. Ltd. ("PPH")	Manage and operate serviced suites	Singapore	<b>100 by PPHH</b>	100 by PPHH
Pan Pacific Technical Services Pte. Ltd.	Provision of technical services to hotels and serviced suites	Singapore	<b>100 by PPHH</b>	100 by PPHH
Pan Pacific Marketing Services Pte. Ltd.	Provision of marketing and related services to hotels and serviced suites	Singapore	<b>100 by PPHH</b>	100 by PPHH
Success Venture Pty Limited *	Trustee company	Australia	<b>100 by SVIA</b>	100 by SVIA
Grand Elite Sdn. Bhd. *	Dormant	Malaysia	<b>100 by PHSB</b>	100 by PHSB
Grand Elite (Penang) Sdn. Bhd. *	Dormant	Malaysia	<b>100 by PHSB</b>	100 by PHSB

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 17. INVESTMENT IN SUBSIDIARIES (Cont'd)

(c) The following unit trusts are held by:

Name of unit trusts	Principal activities	Country of business/ Constitution	Units held	
			2012 %	2011 %
<b>SVIA</b>				
Success Venture (Darling Harbour) Unit Trust *	Hotelier	Australia	<b>100</b>	100
Success Venture (Parramatta) Unit Trust *	Hotelier	Australia	<b>100</b>	100
<b>SVIWA</b>				
Success Venture (WA) Unit Trust *	Hotelier	Australia	<b>100</b>	100

PricewaterhouseCoopers LLP Singapore is the auditor of all subsidiaries of the Group unless otherwise indicated.

The Group and the Company have complied with Rule 712 and Rule 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited in relation to the appointment of auditing firms for the financial year ended 31 December 2012.

~ Less than \$1,000.

⊙ The Group's effective interest in PHSB is 100% (2011: 100%) of which 33.33% (2011: 33.33%) is held directly by the Company and the remaining interest held through HPM.

\* Companies audited by PricewaterhouseCoopers firms outside Singapore.

\*\* Company audited by Myanmar Vigour Company Limited.\*

\*\*\* Company audited by Kanaka Puradiredja, Robert Yogi Dan Suhartono.\*

\*\*\*\* Company audited by Shanghai LSC Certified Public Accountants Co., Ltd.\*

^ Not required to be audited under the laws of the country of incorporation.\*

\* The subsidiaries not audited by PricewaterhouseCoopers LLP Singapore or PricewaterhouseCoopers firms outside Singapore are not significant subsidiaries as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 18. INVESTMENT PROPERTIES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At the beginning of the financial year	<b>322,011</b>	165,460	<b>173,511</b>	165,460
Transfer from property, plant and equipment (Note 19)	<b>33,015</b>	–	<b>33,015</b>	–
Transfer from property under construction (Note 20)	–	92,860	–	–
Additions	<b>13,581</b>	–	–	–
Fair value gains recognised in income statement	<b>45,004</b>	63,691	<b>31,285</b>	8,051
At the end of the financial year	<b>413,611</b>	322,011	<b>237,811</b>	173,511

(a) Investment properties are carried at fair values at the end of the reporting period as determined by independent professional valuers. Valuations are made semi-annually based on the properties' highest-and-best use using Direct Market Comparison Method or Income Method.

(b) The investment properties are leased to non-related parties under operating leases (Note 34(c)).

(c) The details of the Group's investment properties at 31 December 2012 were:

		Tenure of land
The Plaza	retained interests in a 32-storey tower block comprising restaurants, function rooms, shops, offices and serviced suites and addition of a 15-storey Pan Pacific Serviced Suites Beach Road above the existing carpark block	99-year lease from 1968
One Upper Pickering	a 13-storey office building with a roof terrace and plant levels within a hotel and office development	99-year lease from 2008

(d) The following amounts are recognised in the income statement:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Rental income (Note 4)	<b>14,100</b>	18,563	<b>10,158</b>	15,060
Direct operating expenses arising from investment properties that generated rental income	<b>(7,343)</b>	(7,158)	<b>(4,134)</b>	(4,111)
	<b>6,757</b>	11,405	<b>6,024</b>	10,949

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 19. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and building		Plant, equipment, furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Renovation in progress \$'000	Total \$'000
	Freehold	Leasehold					
	\$'000	\$'000					
<b>Cost</b>							
At 1 January 2012	305,424	309,926	301,325	1,547	19,386	7,456	945,064
Currency translation differences	(6,729)	(12,355)	(9,771)	(92)	–	(264)	(29,211)
Additions	219	167	30,335	29	34,477	2,193	67,420
Transfer to investment properties (Note 18)	–	–	–	–	(33,015)	–	(33,015)
Transfer from property under construction (Note 20)	–	305,888	34,523	–	–	–	340,411
Reclassification	–	2,634	4,197	–	–	(6,831)	–
Disposals	(56)	(3,510)	(8,388)	(303)	–	–	(12,257)
At 31 December 2012	298,858	602,750	352,221	1,181	20,848	2,554	1,278,412
<b>Accumulated depreciation and impairment</b>							
At 1 January 2012	60,638	71,123	179,453	1,153	–	–	312,367
Currency translation differences	(1,856)	(2,780)	(8,082)	(57)	–	–	(12,775)
Accumulated impairment charge transferred from property under construction (Note 20)	–	39,600	–	–	–	–	39,600
Impairment charge (Note 7)	–	19,159	–	–	–	–	19,159
Charge for the financial year	4,454	6,559	26,904	100	–	–	38,017
Disposals	(23)	(364)	(6,283)	(302)	–	–	(6,972)
At 31 December 2012	63,213	133,297	191,992	894	–	–	389,396
<b>Net book value At 31 December 2012</b>	235,645	469,453	160,229	287	20,848	2,554	889,016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 19. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group	Land and building		Plant, equipment, furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Renovation in progress \$'000	Total \$'000
	Freehold	Leasehold					
	\$'000	\$'000					
<b>Cost</b>							
At 1 January 2011	311,406	170,499	286,296	1,598	4,801	2,626	777,226
Currency translation differences	(1,590)	444	(535)	14	–	(49)	(1,716)
Acquisition via business combination	–	138,977	7,044	–	–	–	146,021
Additions	137	115	20,879	76	14,585	7,153	42,945
Reclassification	(4,523)	(8)	6,805	–	–	(2,274)	–
Disposals	(6)	(101)	(19,164)	(141)	–	–	(19,412)
At 31 December 2011	305,424	309,926	301,325	1,547	19,386	7,456	945,064
<b>Accumulated depreciation</b>							
At 1 January 2011	55,431	63,508	176,525	1,218	–	–	296,682
Currency translation differences	(218)	722	(621)	24	–	–	(93)
Charge for the financial year	4,239	5,494	24,577	119	–	–	34,429
Reclassification	1,187	1,492	(2,612)	(67)	–	–	–
Disposals	(1)	(93)	(18,416)	(141)	–	–	(18,651)
At 31 December 2011	60,638	71,123	179,453	1,153	–	–	312,367
<b>Net book value At 31 December 2011</b>	244,786	238,803	121,872	394	19,386	7,456	632,697

The Company	Leasehold land and building \$'000	Plant, equipment, furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>					
At 1 January 2012	42,952	32,872	80	19,386	95,290
Additions	–	1,336	–	34,477	35,813
Disposals	(113)	(832)	–	–	(945)
Transfer to investment properties (Note 18)	–	–	–	(33,015)	(33,015)
At 31 December 2012	42,839	33,376	80	20,848	97,143
<b>Accumulated depreciation</b>					
At 1 January 2012	23,335	17,426	39	–	40,800
Charge for the financial year	1,250	4,425	12	–	5,687
Disposals	(58)	(560)	–	–	(618)
At 31 December 2012	24,527	21,291	51	–	45,869
<b>Net book value At 31 December 2012</b>	18,312	12,085	29	20,848	51,274

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 19. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Company	Leasehold land and building \$'000	Plant, equipment, furniture and fittings \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>					
At 1 January 2011	42,960	32,095	80	4,801	79,936
Additions	–	1,082	–	14,585	15,667
Disposals	–	(313)	–	–	(313)
Reclassification	(8)	8	–	–	–
At 31 December 2011	42,952	32,872	80	19,386	95,290
<b>Accumulated depreciation</b>					
At 1 January 2011	22,261	13,862	27	–	36,150
Charge for the financial year	1,074	3,784	12	–	4,870
Disposals	–	(220)	–	–	(220)
At 31 December 2011	23,335	17,426	39	–	40,800
<b>Net book value</b>					
<b>At 31 December 2011</b>	19,617	15,446	41	19,386	54,490

- (a) At 31 December 2012, the open market value of the hotel property of the Company (including plant, equipment, furniture and fittings) was \$165,700,000 (2011: \$128,000,000) and the net book value was \$47,197,000 (2011: \$28,849,000). The valuation of the hotel property was carried out by a firm of independent professional valuers on an open market existing use basis. The surplus on valuation amounting to \$118,503,000 (2011: \$99,151,000) has not been incorporated in the financial statements.

The open market value of hotel properties of the Group (including plant, equipment, furniture and fittings) was \$1,623,379,000 (2011: \$1,252,855,000) and the net book value at 31 December 2012 was \$880,926,000 (2011: \$597,682,000). The valuations were carried out by firms of independent professional valuers on an open market existing use basis. The surplus on valuation of these hotel properties amounting to \$742,453,000 (2011: \$655,173,000) has not been incorporated in the financial statements.

- (b) The carrying amounts of leasehold land and building held under finance leases are \$4,749,000 (2011: \$4,925,000) at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 19. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (c) The details of the Group's hotel properties at 31 December 2012 were:

		Tenure of land	Remaining Lease term
PARKROYAL on Kitchener Road	a 534-room hotel at Kitchener Road, Singapore	Freehold	–
PARKROYAL on Beach Road	a 343-room hotel at Beach Road, Singapore	99-year lease from 1968	55 years
PARKROYAL on Pickering	a 367-room hotel at Upper Pickering Street, Singapore	99-year lease from 2008	95 years
PARKROYAL Darling Harbour, Sydney	a 340-room hotel at Darling Harbour, Sydney, Australia	Freehold	–
PARKROYAL Parramatta	a 196-room hotel at Parramatta, Australia	Freehold	–
Pan Pacific Perth	a 486-room hotel and carpark at Adelaide Terrace, Perth, Australia	Freehold	–
PARKROYAL Melbourne Airport	a 276-room hotel at Melbourne Airport, Australia	50-year lease from 1997 with option to extend for further 49 years subject to renewal of head lease	34+49 years
PARKROYAL Saigon	a 186-room hotel and 4-storey annex block at Nguyen Van Troi Street, Ho Chi Minh City, Vietnam	49-year lease from 1994	31 years
Sofitel Plaza Hanoi	a 309-room hotel and 36-unit serviced apartment at Thanh Nien Road, Hanoi, Vietnam	48-year lease from 1993	29 years
PARKROYAL Kuala Lumpur and President House	a 426-room hotel and a 6-storey podium office block at Jalan Sultan Ismail, Kuala Lumpur, Malaysia	Freehold	–
	a 320-lot carpark at Jalan Sultan Ismail, Kuala Lumpur, Malaysia	Leasehold expiring in 2080	68 years
PARKROYAL Penang Resort	a 309-room resort hotel at Jalan Batu Ferringhi, Penang, Malaysia	Freehold	–
Pan Pacific Suzhou	a 481-room hotel at Xinshi Road, Suzhou, Jiangsu, The People's Republic of China	50-year lease from 1994	32 years
PARKROYAL Yangon	a 331-room hotel at the corner of Alan Pya Phaya Road and Yaw Min Gyi Road, Yangon, Union of Myanmar	30-year lease from 1997	15 years

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 20. PROPERTY UNDER CONSTRUCTION

	The Group	
	2012 \$'000	2011 \$'000
Costs of land	<b>192,707</b>	254,924
Development costs	<b>126,863</b>	89,360
Property taxes, interest and other overheads	<b>20,841</b>	12,213
	<b>340,411</b>	356,497
Less: Transfer to investment properties (Note 18)	–	(92,860)
Less: Transfer to property, plant and equipment (Note 19)	<b>(340,411)</b>	–
	–	263,637
<b>Accumulated impairment</b>		
At the beginning of the financial year	<b>39,600</b>	37,000
Add: Charge for the year	–	2,600
Less: Transfer to property, plant and equipment (Note 19)	<b>(39,600)</b>	–
At the end of the financial year	–	39,600
Property under construction	–	224,037

### 21. INTANGIBLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trademarks (Note (a) below)	<b>10,903</b>	11,643	–	–
Goodwill arising on consolidation (Note (b) below)	<b>831</b>	831	–	–
Computer software costs (Note (c) below)	<b>3,113</b>	3,972	<b>477</b>	719
Contract acquisition costs (Note (d) below)	<b>712</b>	964	–	–
	<b>15,559</b>	17,410	<b>477</b>	719

#### (a) Trademarks

	The Group	
	2012 \$'000	2011 \$'000
At the beginning of the financial year	<b>11,643</b>	12,524
Amortisation	<b>(740)</b>	(881)
At the end of the financial year	<b>10,903</b>	11,643
Cost	<b>15,045</b>	15,045
Accumulated amortisation	<b>(4,142)</b>	(3,402)
<b>Net book value</b>	<b>10,903</b>	11,643

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 21. INTANGIBLES (Cont'd)

#### (b) Goodwill arising on consolidation

	The Group	
	2012 \$'000	2011 \$'000
<b>Cost</b>		
Beginning and end of the financial year	<b>13,911</b>	13,911
<b>Accumulated impairment</b>		
At the beginning of the financial year	<b>13,080</b>	–
Impairment charge	–	13,080
At the end of the financial year	<b>13,080</b>	13,080
<b>Net book value</b>	<b>831</b>	831

#### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segment. A segment-level summary of the goodwill allocation is analysed as follows:

	Hotel ownership	
	2012 \$'000	2011 \$'000
Malaysia	<b>831</b>	831

The recoverable amount of the above CGU was determined based on fair value less cost to sell calculations. The fair value less cost to sell reflect the best estimate of the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The fair values were determined by independent professional valuers using the cash flows projections of 10 years (2011: 5 and 9 years) which were prepared based on the expected future market trend.

#### Key assumptions used for fair value less cost to sell calculations:

	Malaysia
<b>2012</b>	
Growth rate	2.4%
Discount rate	9.0%
<b>2011</b>	
Growth rate	2.4%
Discount rate	7.3%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 21. INTANGIBLES (Cont'd)

### (c) Computer software costs

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Cost</b>				
At the beginning of the financial year	<b>4,803</b>	2,932	<b>886</b>	589
Currency translation differences	<b>(108)</b>	(12)	–	–
Additions	<b>164</b>	1,883	–	297
Transfer	<b>40</b>	–	<b>(124)</b>	–
At the end of the financial year	<b>4,899</b>	4,803	<b>762</b>	886
<b>Accumulated amortisation</b>				
At the beginning of the financial year	<b>831</b>	–	<b>167</b>	–
Currency translation differences	<b>(27)</b>	8	–	–
Amortisation charge	<b>969</b>	823	<b>155</b>	167
Transfer	<b>13</b>	–	<b>(37)</b>	–
At the end of the financial year	<b>1,786</b>	831	<b>285</b>	167
<b>Net book value</b>	<b>3,113</b>	3,972	<b>477</b>	719

### (d) Contract acquisition costs

	The Group	
	2012 \$'000	2011 \$'000
<b>Cost</b>		
At the beginning of the financial year	<b>1,221</b>	1,435
Currency translation differences	<b>(12)</b>	3
Additions	–	325
Disposal	–	(542)
At the end of the financial year	<b>1,209</b>	1,221
<b>Accumulated amortisation</b>		
At the beginning of the financial year	<b>257</b>	30
Currency translation differences	<b>(3)</b>	–
Amortisation charge	<b>243</b>	227
At the end of the financial year	<b>497</b>	257
<b>Net book value</b>	<b>712</b>	964

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current</b>				
Trade payables:				
– non-related parties	<b>36,458</b>	26,478	<b>7,308</b>	5,529
– fellow subsidiaries	<b>202</b>	288	<b>129</b>	130
– holding company	<b>833</b>	3,302	<b>109</b>	666
– associated company	–	1	–	–
– subsidiaries	–	–	<b>352</b>	421
	<b>37,493</b>	30,069	<b>7,898</b>	6,746
Other payables:				
– accrued operating expenses	<b>44,949</b>	33,590	<b>7,616</b>	5,351
– sundry creditors	<b>1,821</b>	4,673	<b>837</b>	563
– retention monies	<b>4,894</b>	6,038	<b>1,639</b>	1,553
– accrued interest payable	<b>1,088</b>	1,347	<b>101</b>	216
– rental deposits	<b>1,621</b>	4,493	<b>222</b>	3,219
– other deposits	<b>3,679</b>	3,217	<b>104</b>	245
	<b>58,052</b>	53,358	<b>10,519</b>	11,147
	<b>95,545</b>	83,427	<b>18,417</b>	17,893
<b>Non-current</b>				
Rental deposits	<b>232</b>	199	<b>232</b>	199
Retention monies	<b>4,867</b>	1,454	<b>1,639</b>	–
	<b>5,099</b>	1,653	<b>1,871</b>	199
<b>Total trade and other payables</b>	<b>100,644</b>	85,080	<b>20,288</b>	18,092

The carrying amount of rental deposits and retention monies approximate their fair values.

## 23. DEFERRED REVENUE

Deferred revenue relates to advance rental in respect of operating lease and the amount is recognised in the income statement on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 24. BORROWINGS

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current</b>				
Bank loans (secured)	<b>5,833</b>	145,911	–	57,489
Finance lease liabilities (Note 25)	<b>330</b>	343	–	–
	<b>6,163</b>	146,254	–	57,489
<b>Non-current</b>				
Bank loans (secured)	<b>208,537</b>	143,883	<b>25,736</b>	–
Finance lease liabilities (Note 25)	<b>4,419</b>	4,582	–	–
	<b>212,956</b>	148,465	<b>25,736</b>	–
<b>Total borrowings</b>	<b>219,119</b>	294,719	<b>25,736</b>	57,489

(a) Borrowing costs of \$2,781,000 (2011: \$1,994,000) (Note 8) arising on financing specifically entered into for the development of properties under construction (Note 20) and investment properties under construction (Note 18) were capitalised during the financial year.

#### (b) Securities granted

The bank loans for the Group and the Company are secured by mortgages on certain hotel properties and/or assignment of all rights and benefits with respect to the properties (Note 19), and a legal mortgage on an investment property and all present and future rights and interests arising from the lease, sale and other agreements in respect of the investment property (Note 18) and property under construction (Note 20). The carrying amounts of the hotel properties, investment property and property under construction which have been pledged as securities are as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Hotel properties (Note 19)	<b>755,044</b>	461,203	<b>47,197</b>	28,849
Investment property (Note 18)	<b>175,800</b>	148,500	–	–
Property under construction (Note 20)	–	224,037	–	–
	<b>930,844</b>	833,740	<b>47,197</b>	28,849

#### (c) Repricing analysis

Interest on the bank loans of the Group and of the Company is on floating-rate basis and all the loans are due for repricing between one to twelve months (2011: between one to three) from the end of the reporting period. The carrying values of the loans approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 25. FINANCE LEASE LIABILITIES

The Group leases certain leasehold land and building from non-related parties under finance leases. The lease approximates the useful life of the building and the lease agreement has renewal clauses at the end of the lease term.

	The Group	
	2012 \$'000	2011 \$'000
Minimum lease payments due		
– Not later than one year	<b>331</b>	344
– Between one and five years	<b>1,326</b>	1,375
– Later than five years	<b>26,025</b>	27,323
	<b>27,682</b>	29,042
Less: Future finance charges	<b>(22,933)</b>	(24,117)
<b>Present value of finance lease liabilities</b>	<b>4,749</b>	4,925

The present values of finance lease liabilities are analysed as follows:

	The Group	
	2012 \$'000	2011 \$'000
Not later than one year (Note 24)	<b>330</b>	343
Later than one year (Note 24)		
– Between one and five years	<b>1,322</b>	1,371
– Later than five years	<b>3,097</b>	3,211
	<b>4,419</b>	4,582
<b>Total</b>	<b>4,749</b>	4,925

### 26. HOLDING COMPANY

The Company's immediate and ultimate holding company is UOL Group Limited ("UOL"), incorporated in Singapore.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 27. LOANS FROM SUBSIDIARIES

Details of the loans from subsidiaries are as follows:

### Non-current

#### (a) Interest-free loans

Loans of \$78,620,000 (2011: \$77,666,000) are interest-free. The fair value of the interest-free loans from subsidiaries is \$77,049,000 (2011: \$75,550,000). The fair value is computed based on the present value of the cash flows on the loans discounted at a rate of 2.04% (2011: 2.65%), which is the borrowing rate that the directors expect would be available to the Company at the end of the reporting period. The loans have no fixed terms of repayment but are not expected to be repaid within 12 months from the end of the reporting period.

#### (b) Floating-rate loans

Loans from subsidiaries of \$6,143,000 (2011: \$4,930,000) with interest charged on a floating-rate basis, subject to monthly repricing. The carrying values of the loans approximate their fair values. The loans have no fixed terms of repayment but are not expected to be repaid within 12 months from the end of the reporting period.

## 28. PROVISION FOR RETIREMENT BENEFITS

	The Group	
	2012 \$'000	2011 \$'000
Non-current	<b>2,942</b>	2,758

(a) A subsidiary in Malaysia operates an unfunded defined benefit scheme under the Collective Union Agreement for unionised employees and certain management staff. Benefits payable on retirement are calculated by reference to length of service and earnings over the employees' years of employment. Provision for post-employment benefit obligations is made in the financial statements so as to provide for the accrued liability at the end of the reporting period. An actuarial valuation, based on the projected unit credit method, of the fund is conducted by a qualified independent actuary once every three years as the directors are of the opinion that yearly movement in provision is not likely to be significant. The most recent revaluation was at 31 December 2012.

(b) The movements during the year recognised in the statements of financial position were as follows:

	The Group	
	2012 \$'000	2011 \$'000
At the beginning of the financial year	<b>2,758</b>	2,539
Benefits paid	<b>(135)</b>	(82)
Charged to income statement (Note 6)	<b>392</b>	374
Currency translation differences	<b>(73)</b>	(73)
At the end of the financial year	<b>2,942</b>	2,758

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 28. PROVISION FOR RETIREMENT BENEFITS (Cont'd)

(c) The expense recognised in the income statement may be analysed as follows:

	The Group	
	2012 \$'000	2011 \$'000
Current service cost	<b>209</b>	204
Interest on obligation	<b>179</b>	165
Actuarial loss	<b>4</b>	5
<b>Expense recognised in the income statement</b>	<b>392</b>	374

The charge to the income statement was included under 'administrative expenses' in the income statement.

(d) The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows:

	The Group	
	2012 %	2011 %
Discount interest rate	<b>6.2</b>	6.2
Future salary increase	<b>6.5</b>	6.5
Inflation rate	<b>3.5</b>	3.5
Normal retirement age (years)		
– Male	<b>55</b>	55
– Female	<b>50</b>	50

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 29. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

	The Group			The Company		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
<b>Deferred income tax assets:</b>						
– to be recovered within one year	(956)	(59)	(78)	–	–	–
– to be recovered after more than one year	(2,705)	(2,705)	(2,705)	–	–	–
	<b>(3,661)</b>	<b>(2,764)</b>	<b>(2,783)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Deferred income tax liabilities:</b>						
– to be settled within one year	404	502	513	909	714	717
– to be settled after more than one year	23,619	24,271	24,593	5,191	6,054	6,470
	<b>24,023</b>	<b>24,773</b>	<b>25,106</b>	<b>6,100</b>	<b>6,768</b>	<b>7,187</b>
	<b>20,362</b>	<b>22,009</b>	<b>22,323</b>	<b>6,100</b>	<b>6,768</b>	<b>7,187</b>

The movements in the deferred income tax account are as follows:

	The Group			The Company		
	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000	2012 \$'000	2011 (restated) \$'000	2010 (restated) \$'000
At the beginning of the financial year	22,009	22,323	21,963	6,768	7,187	7,643
Currency translation differences	(368)	219	564	–	–	–
Tax charge/(credit) to:						
– income statement (Note 9(a))	(1,279)	(611)	(201)	(668)	(419)	(456)
– equity	–	78	(3)	–	–	–
At the end of the financial year	<b>20,362</b>	<b>22,009</b>	<b>22,323</b>	<b>6,100</b>	<b>6,768</b>	<b>7,187</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately \$17,885,000 (2011: \$15,261,000) at the end of the reporting period which can be carried forward and used to offset against future taxable income subject to those subsidiary companies meeting certain statutory requirements in their respective countries of incorporation. Tax losses incurred by a subsidiary of \$9,506,000 (2011: \$7,896,000) can be carried forward for a period of up to five years subsequent to the year of the loss, while the remaining tax losses have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 29. DEFERRED INCOME TAXES (Cont'd)

The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

### The Group

#### Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value adjustments on surplus on revaluation of certain hotel properties \$'000	Unremitted foreign income, interest and dividends \$'000	Amortisation of intangibles \$'000	Other temporary differences \$'000	Total \$'000
<b>2012</b>						
At the beginning of the financial year (restated)	19,408	2,885	714	1,977	(211)	24,773
Currency translation differences	(442)	–	–	–	16	(426)
Charged/(credited) to income statement	349	–	195	(124)	(744)	(324)
At the end of the financial year	19,315	2,885	909	1,853	(939)	24,023
<b>2011</b>						
At the beginning of the financial year (restated)	19,609	2,885	717	2,100	(205)	25,106
Currency translation differences	213	–	–	–	6	219
Credited to income statement	(414)	–	(3)	(123)	(12)	(552)
At the end of the financial year (restated)	19,408	2,885	714	1,977	(211)	24,773

#### Deferred income tax assets

	Excess of depreciation over capital allowances \$'000	Tax losses \$'000	Fair value loss on derivative financial instruments \$'000	Total \$'000
<b>2012</b>				
At the beginning of the financial year	(1,960)	(804)	–	(2,764)
Currency translation differences	–	58	–	58
Credited to income statement	–	(955)	–	(955)
At end of the financial year	(1,960)	(1,701)	–	(3,661)
<b>2011</b>				
At the beginning of the financial year	(1,960)	(745)	(78)	(2,783)
Credited to income statement	–	(59)	–	(59)
Charged to equity	–	–	78	78
At end of the financial year	(1,960)	(804)	–	(2,764)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 29. DEFERRED INCOME TAXES (Cont'd)

### The Company

#### Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value adjustments on surplus on revaluation of certain hotel properties \$'000	Unremitted foreign income, interest and dividends \$'000	Total \$'000
<b>2012</b>				
At the beginning of the financial year (restated)	3,169	2,885	714	6,768
Charged/(credited) to income statement	(863)	–	195	(668)
At the end of the financial year	2,306	2,885	909	6,100
<b>2011</b>				
At the beginning of the financial year (restated)	3,585	2,885	717	7,187
Credited to income statement	(416)	–	(3)	(419)
At the end of the financial year (restated)	3,169	2,885	714	6,768

## 30. SHARE CAPITAL OF PAN PACIFIC HOTELS GROUP LIMITED

	2012 and 2011	
	Number of shares '000	Amount \$'000
At the beginning and end of the financial year	600,000	557,333

All issued ordinary shares have no par value and are fully paid.

## 31. RESERVES

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Fair value reserve (Note (a) below)	3,688	3,751	3,688	3,751
Asset revaluation reserve (Note (b) below)	23,070	23,070	24,590	24,590
Currency translation reserve (Note (c) below)	(15,845)	(5,901)	–	–
Hedging reserve (Note (d) below)	–	–	–	–
	<b>10,913</b>	20,920	<b>28,278</b>	28,341

All the reserves are non-distributable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 31. RESERVES (Cont'd)

### (a) Fair value reserve

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At the beginning of the financial year	3,751	6,591	3,751	6,591
Fair value losses on available-for-sale financial assets (Note 15)	(63)	(2,840)	(63)	(2,840)
At the end of the financial year	<b>3,688</b>	3,751	<b>3,688</b>	3,751

### (b) Asset revaluation reserve

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At the beginning and the end of the financial year	23,070	23,070	24,590	24,590

The asset revaluation reserve does not take into account the surplus of \$118,503,000 (2011: \$99,151,000) and \$742,453,000 (2011: \$655,173,000), arising from the revaluation of the hotel properties of the Company and of the Group respectively as stated in Note 19(a).

### (c) Currency translation reserve

	The Group	
	2012 \$'000	2011 \$'000
At the beginning of the financial year	(5,901)	(3,567)
Net currency translation differences of financial statements of foreign subsidiaries and borrowings designated as hedges against foreign subsidiaries	(9,488)	(1,421)
Less: Amount attributable to non-controlling interests	(456)	(913)
	<b>(9,944)</b>	(2,334)
At the end of the financial year	<b>(15,845)</b>	(5,901)

### (d) Hedging reserve

	The Group	
	2012 \$'000	2011 \$'000
At the beginning of the financial year	–	(379)
Fair value gains	–	240
Deferred tax on fair value gains	–	(41)
	–	199
Transfer to income statement (Note 8)	–	217
Tax on transfer adjustment	–	(37)
	–	180
At the end of the financial year	–	–

The hedging reserve comprised the effective portion of the cumulated net change in the fair value of interest rate swaps for hedged transactions that had not occurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 32. DIVIDENDS

	The Group and the Company	
	2012 \$'000	2011 \$'000
Final one-tier dividend paid in respect of the previous financial year of 4.0 cents (2011: one-tier dividend of 4.0 cents) per share	<b>24,000</b>	24,000

At the forthcoming Annual General Meeting on 19 April 2013, a final dividend of 4 cents per share amounting to \$24,000,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ended 31 December 2013.

## 33. CONTINGENT LIABILITIES

The Company has guaranteed the borrowings of a subsidiary amounting to \$8,123,000 (2011: \$7,585,000). The borrowings were denominated in Chinese Renminbi. The guarantee is secured on the hotel property of the Company (Note 24).

At the end of the reporting period, the Group has given guarantees of \$6,617,000 (2011: \$7,494,000) in respect of banking facilities granted to an associated company.

The Company has also given undertakings to provide financial support to certain subsidiaries.

The directors are of the view that no material losses will arise from these contingent liabilities.

## 34. COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Expenditure contracted for				
– property, plant and equipment	<b>28,381</b>	59,240	<b>20,480</b>	51,175
– property under construction	–	80,939	–	–
– investment property	–	14,065	–	–
	<b>28,381</b>	154,244	<b>20,480</b>	51,175

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 34. COMMITMENTS (Cont'd)

### (b) Operating lease commitments – where a group company is a lessee

The Group leases various premises from fellow subsidiaries under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are analysed as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Not later than one year	<b>2,727</b>	4,070	<b>1,387</b>	1,387
Later than one year but not later than five years	<b>3,531</b>	3,449	<b>1,387</b>	–
Later than five years	<b>4,645</b>	5,423	–	–
	<b>10,903</b>	12,942	<b>2,774</b>	1,387

### (c) Operating lease commitments – where a group company is a lessor

The Group and Company lease out their investment properties to non-related parties under non-cancellable operating leases (Note 18). The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease receivable under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are analysed as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Not later than one year	<b>5,651</b>	8,390	<b>1,163</b>	4,161
Later than one year but not later than five years	<b>3,154</b>	2,110	<b>542</b>	516
	<b>8,805</b>	10,500	<b>1,705</b>	4,677

## 35. FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Board of Directors provides guidance for overall risk management. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. When necessary, the Group uses financial instruments such as interest rate swaps, currency forwards and foreign currency borrowings to hedge certain financial risk exposures.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk

#### (i) Currency risk

The Group operates in the Asia Pacific region and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Australian Dollar ("AUD"), Malaysian Ringgit ("MYR"), Renminbi ("RMB"), United States Dollar ("USD") and Vietnamese Dong ("VND"). As the entities in the Group transact substantially in their functional currency, the Group's exposure to currency risk is not significant.

The Group has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk. Currency exposures to the net assets of the Group's subsidiaries in Australia, Malaysia, Myanmar, China and Vietnam are managed through borrowings, as far as are reasonably practical, in foreign currencies which broadly match those in which the net assets are denominated or in currencies that are freely convertible.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	AUD \$'000	MYR \$'000	RMB \$'000	VND \$'000	Others \$'000	Total \$'000
<b>The Group</b> At 31 December 2012								
<b>Financial assets</b>								
Cash and bank balances	7,874	7,564	10,931	6,703	2,589	2,321	3,444	41,426
Trade and other receivables	10,363	3,253	5,496	1,801	753	1,328	824	23,818
Other assets – deposits	1,351	89	–	60	–	–	49	1,549
Available-for-sale financial assets	14,264	–	–	–	–	–	–	14,264
	33,852	10,906	16,427	8,564	3,342	3,649	4,317	81,057
<b>Financial liabilities</b>								
Trade and other payables	(61,310)	(2,803)	(14,718)	(5,181)	(4,219)	(4,784)	(2,530)	(95,545)
Rental deposit (long term)	(232)	–	–	–	–	–	–	(232)
Retention monies	(4,867)	–	–	–	–	–	–	(4,867)
Borrowings	(71,984)	–	(138,733)	(279)	(8,123)	–	–	(219,119)
	(138,393)	(2,803)	(153,451)	(5,460)	(12,342)	(4,784)	(2,530)	(319,763)
<b>Net financial assets/(liabilities)</b>	(104,541)	8,103	(137,024)	3,104	(9,000)	(1,135)	1,787	(238,706)
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	104,558	(2,030)	137,532	(3,022)	9,008	1,135	(2,067)	245,114
Add: Firm commitment and highly probable forecast transactions in foreign currencies	25,945	375	904	828	–	329	–	28,381
Less: Firm commitment and highly probable forecast transactions denominated in the respective entities' functional currencies	(25,945)	(375)	(904)	(828)	–	(329)	–	(28,381)
<b>Currency exposure</b>	17	6,073	508	82	8	–	(280)	6,408

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (i) Currency risk (Cont'd)

	SGD \$'000	USD \$'000	AUD \$'000	MYR \$'000	RMB \$'000	VND \$'000	Others \$'000	Total \$'000
<b>The Group</b> At 31 December 2011								
<b>Financial assets</b>								
Cash and bank balances	11,686	15,060	15,078	8,113	2,431	1,269	3,992	57,629
Trade and other receivables	11,833	1,624	7,803	2,379	450	1,021	754	25,864
Other assets – deposits	559	80	–	40	–	–	86	765
Available-for-sale financial assets	14,327	–	–	–	–	–	–	14,327
	38,405	16,764	22,881	10,532	2,881	2,290	4,832	98,585
<b>Financial liabilities</b>								
Trade and other payables	(43,540)	(6,604)	(16,140)	(5,722)	(5,147)	(6,106)	(168)	(83,427)
Rental deposit (long term)	(199)	–	–	–	–	–	–	(199)
Retention monies	(1,454)	–	–	–	–	–	–	(1,454)
Borrowings	(145,748)	–	(140,936)	(450)	(7,585)	–	–	(294,719)
	(190,941)	(6,604)	(157,076)	(6,172)	(12,732)	(6,106)	(168)	(379,799)
<b>Net financial assets/(liabilities)</b>	(152,536)	10,160	(134,195)	4,360	(9,851)	(3,816)	4,664	(281,214)
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	152,573	3,675	134,292	(4,329)	9,850	3,816	(2,651)	297,226
Add: Firm commitment and highly probable forecast transactions in foreign currencies	146,178	–	613	380	–	7,073	–	154,244
Less: Firm commitment and highly probable forecast transactions denominated in the respective entities' functional currencies	(146,178)	–	(613)	(380)	–	(7,073)	–	(154,244)
<b>Currency exposure</b>	37	13,835	97	31	(1)	–	2,013	16,012

The Group does not have significant exposure to currency risk other than USD. Assuming that the USD changes against the SGD by 5% (2011: 5%) with all other variables including tax rate being held constant, the effects on the Group's profit after tax will be as follows:

	Increase/(Decrease)	
	2012 \$'000	2011 \$'000
The Group USD against SGD		
– strengthened	<b>252</b>	574
– weakened	<b>(252)</b>	(574)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (i) Currency risk (Cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	AUD \$'000	Total \$'000
<b>The Company</b>				
At 31 December 2012				
<b>Financial assets</b>				
Cash and bank balances	2,003	92	95	2,190
Trade and other receivables	117,672	50,817	12,670	181,159
Other assets – deposits	791	–	–	791
Available-for-sale financial assets	14,264	–	–	14,264
	134,730	50,909	12,765	198,404
<b>Financial liabilities</b>				
Trade and other payables	(18,414)	(3)	–	(18,417)
Rental deposit (long term)	(232)	–	–	(232)
Retention monies (long term)	(1,639)	–	–	(1,639)
Borrowings	(13,066)	–	(12,670)	(25,736)
Loans from subsidiaries	(30,815)	(53,948)	–	(84,763)
	(64,166)	(53,951)	(12,670)	(130,787)
<b>Net financial assets/(liabilities)</b>	70,564	(3,042)	95	67,617
Less: Net financial assets/(liabilities) denominated in the Company's functional currency	(70,564)	–	–	(70,564)
Add: Firm commitment and highly probable forecast transactions in foreign currencies	20,480	–	–	20,480
Less: Firm commitment and highly probable forecast transactions denominated in the Company's functional currency	(20,480)	–	–	(20,480)
<b>Currency exposure</b>	–	(3,042)	95	(2,947)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (i) Currency risk (Cont'd)

	SGD \$'000	USD \$'000	AUD \$'000	Total \$'000
<b>The Company</b>				
At 31 December 2011				
<b>Financial assets</b>				
Cash and bank balances	3,505	97	97	3,699
Trade and other receivables	164,318	61,658	13,135	239,111
Other assets - deposits	32	–	–	32
Available-for-sale financial assets	14,327	–	–	14,327
	182,182	61,755	13,232	257,169
<b>Financial liabilities</b>				
Trade and other payables	(17,893)	–	–	(17,893)
Rental deposit (long term)	(199)	–	–	(199)
Borrowings	(57,489)	–	–	(57,489)
Loans from subsidiaries	(25,637)	(56,959)	–	(82,596)
	(101,218)	(56,959)	–	(158,177)
<b>Net financial assets</b>	80,964	4,796	13,232	98,992
Less: Net financial assets/(liabilities) denominated in the Company's functional currency	(80,964)	–	–	(80,964)
Add: Firm commitment and highly probable forecast transactions in foreign currencies	51,175	–	–	51,175
Less: Firm commitment and highly probable forecast transactions denominated in the Company's functional currency	(51,175)	–	–	(51,175)
<b>Currency exposure</b>	–	4,796	13,232	18,028

Assuming that the USD and AUD change by a respective 5% against the SGD (2011: 5%), with all other variables including tax rate being held constant, the effects on the Company's profit after tax will be as follows:

	Increase/(Decrease)	
	2012 \$'000	2011 \$'000
<b>The Company</b>		
USD against SGD		
– strengthened	<b>(126)</b>	199
– weakened	<b>126</b>	(199)
AUD against SGD		
– strengthened	<b>4</b>	549
– weakened	<b>(4)</b>	(549)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (ii) Price risk

The Group and Company are exposed to equity securities price risk due to its quoted investment in securities listed in Singapore, which has been classified in the consolidated statement of financial position as available-for-sale financial assets. Management does not consider the exposure to be significant as the quoted investment is intended to be held for long-term and the value of the quoted investment is not significant to the Group's and the Company's financial statements.

#### (iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings. The Company's exposure to cash flow interest rate risks arises mainly from borrowings and loans to subsidiaries at variable rates. The management of Group and Company monitors closely the changes in interest rates and when appropriate, manages their exposure to changes in interest rates by entering into fixed rate arrangements where necessary.

The Group's and Company's variable-rate financial assets and liabilities on which effective hedges have not been entered into, are denominated mainly in SGD, USD, AUD, MYR and RMB. Assuming that the interest-rates increase/decrease by 1% with all other variables including tax rate being held constant, the effects on the profit after tax will be (lower)/higher as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
SGD	(597)	(1,210)	832	762
USD	-	-	422	512
AUD	(971)	(987)	(105)	-
MYR	(2)	(3)	-	-
RMB	(61)	(57)	-	-

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and Company's major classes of financial assets are bank deposits, trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers and related parties of appropriate credit history, and obtaining sufficient security such as deposits and bankers' guarantees where appropriate to mitigate credit risk. Bank deposits were mainly placed with financial institutions which have high credit ratings. There are no significant credit risks arising from other receivables.

Credit exposure to an individual customer or counterparty is generally restricted by credit limits that are approved by the respective management at the entity level based on ongoing credit evaluation. The customer's or counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at Group management.

The Group's and Company's maximum exposure to credit risk on corporate guarantees provided to banks on subsidiaries' and an associated company's loans are disclosed in Note 33.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (b) Credit risk (Cont'd)

The credit risk of trade and other receivables based on the information provided to key management is as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>By geographical areas</b>				
Singapore	13,136	12,476	181,159	239,111
Australia	5,083	7,803	-	-
Vietnam	1,328	1,259	-	-
Malaysia	1,715	2,346	-	-
China	662	450	-	-
Myanmar	1,090	764	-	-
Others	804	766	-	-
	<b>23,818</b>	25,864	<b>181,159</b>	239,111
<b>By operating segments</b>				
Property investments	1,086	2,744	917	785
Hotel ownership	17,365	10,930	180,242	238,326
Hotel management services	5,367	12,190	-	-
	<b>23,818</b>	25,864	<b>181,159</b>	239,111

#### (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

#### (ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and loans to subsidiaries. The aged analysis of trade and other receivables past due but not impaired is as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Past due 0 to 3 months	6,147	5,055	246	717
Past due 3 to 6 months	86	584	-	12
Past due over 6 months	159	135	-	1
	<b>6,392</b>	5,774	<b>246</b>	730

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (b) Credit risk (Cont'd)

#### (ii) Financial assets that are past due and/or impaired (Cont'd)

The carrying amount of trade and other receivables and loans to subsidiaries individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Gross amount	548	424	2	6
Less: Allowance for impairment	(528)	(424)	(2)	(6)
	20	–	–	–
Beginning of financial year	424	280	6	–
Allowance made	211	183	2	6
Allowance utilised	(20)	(37)	(6)	–
Allowance written back	(85)	–	–	–
Currency translation differences	(2)	(2)	–	–
End of financial year	528	424	2	6

### (c) Liquidity risk

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 to 5 years \$'000
<b>The Group</b>			
<b>At 31 December 2012</b>			
Trade and other payables	95,545	5,099	–
Borrowings	14,066	81,481	138,609
Financial guarantee contracts	6,617	–	–
	116,228	86,580	138,609
<b>At 31 December 2011</b>			
Trade and other payables	83,427	1,653	–
Borrowings	157,262	10,228	153,521
Financial guarantee contracts	7,494	–	–
	248,183	11,881	153,521
<b>The Company</b>			
<b>At 31 December 2012</b>			
Trade and other payables	18,417	1,871	–
Borrowings	794	794	26,137
Loans from subsidiaries	31	27,700	57,094
Financial guarantee contracts	6,617	8,123	–
	25,859	38,488	83,231
<b>At 31 December 2011</b>			
Trade and other payables	17,893	199	–
Borrowings	58,848	–	–
Loans from subsidiaries	28	22,460	60,164
Financial guarantee contracts	7,494	7,585	–
	84,263	30,244	60,164

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### (c) Liquidity risk (Cont'd)

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and having an adequate amount of committed credit facilities.

### (d) Capital risk

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 shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may, subject to the necessary approvals from the shareholders and/or the regulatory authorities, adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The Group will strive to manage a gearing ratio not exceeding 150%.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings (including loans from non-controlling shareholders of subsidiaries) less cash and bank balances.

	The Group	
	2012 \$'000	2011 \$'000 (Restated)
Net debt	177,693	237,090
Total equity	927,359	888,620
Gearing ratio	19%	27%

The Group's bank borrowing facilities require it to meet certain ratios based on consolidated capital and reserves attributable to the Company's equity holders and consolidated total equity.

The Group and the Company are in compliance with the banks' imposed capital requirements for the financial years ended 31 December 2012 and 2011.

### (e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### (e) Fair value measurements (Cont'd)

	Level 1 \$'000
<b>The Group 2012</b>	
<b>Assets</b>	
Available-for-sale financial assets	
– Equity securities	14,264
<b>The Company 2012</b>	
<b>Assets</b>	
Available-for-sale financial assets	
– Equity securities	14,264
	Level 1 \$'000
<b>The Group 2011</b>	
<b>Assets</b>	
Available-for-sale financial assets	
– Equity securities	14,327
<b>The Company 2011</b>	
<b>Assets</b>	
Available-for-sale financial assets	
– Equity securities	14,327

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques. The Group and Company have no investments in Level 2 where quoted market prices or dealer quotes for similar instruments were used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, were used to determine fair value for the remaining financial instruments. The Group and the Company have no investments in Level 3 where valuation techniques were used based on significant unobservable inputs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments or by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

There is no transfer between Level 1, Level 2, and Level 3 of the fair value hierarchy for the financial years ended 31 December 2012 and 2011.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 35. FINANCIAL RISK MANAGEMENT (Cont'd)

### (f) Financial Instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 15 to the financial statements, except for the following:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Loans and receivables	<b>66,793</b>	84,258	<b>184,140</b>	242,842
Financial liabilities at amortised cost	<b>319,763</b>	379,799	<b>130,787</b>	158,177

## 36. RELATED PARTY TRANSACTIONS

(a) In addition to the related party information disclosed elsewhere in the financial statements, there were the following significant transactions between the Group and related companies during the financial year on terms agreed between the parties concerned:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Transactions with UOL and its subsidiaries</b>				
Staff costs recharges for corporate management and property maintenance services paid	<b>2,550</b>	2,539	<b>1,815</b>	1,768
Fees received for management of hotels and serviced suites	<b>3,618</b>	3,273	<b>168</b>	–
Fees received for operations of spas	<b>23</b>	–	–	–
Rental paid	<b>1,470</b>	1,154	<b>1,470</b>	1,154
Share of cost of information system				
– Implementation cost and license fee	<b>164</b>	1,883	–	297
– Support and maintenance cost	<b>1,077</b>	608	<b>126</b>	99
<b>Transactions with UOL's associated companies</b>				
Fees received for management of hotel	<b>3,440</b>	7,956	–	–
Fees received for operation of spas	<b>515</b>	594	<b>34</b>	34

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 36. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Key management personnel compensation is analysed as follows:

	The Group	
	2012 \$'000	2011 \$'000
Salaries and other short-term employee benefits	<b>4,137</b>	4,244
Directors' fees	<b>467</b>	492
Post-employment benefits – contribution to CPF and pension fund	<b>218</b>	187
Share options granted	<b>206</b>	239
	<b>5,028</b>	5,162

Total compensation to directors of the Company included in above amounted to \$2,494,000 (2011: \$2,602,000).

### 37. GROUP SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Chairman, the Group Chief Executive and two other Board members of the Group.

The Exco considers the business from both a business and geographic segment perspective. The Group's four key business segments operate in various geographical areas.

The hotels owned by the Group are located in Singapore, Australia, Vietnam, Malaysia, China and Myanmar.

The property investment activities of the Group are concentrated in Singapore.

The Group's investments segment relates to the investments in equity shares in Singapore.

The Group also provides hotel management services to companies and hotels in Singapore and overseas.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### 37. GROUP SEGMENTAL INFORMATION (Cont'd)

The segment information provided to the Exco for the reportable segments for the year ended 31 December 2012 is as follows:

	Hotel ownership						Hotel management services \$'000	Property investments \$'000	Investments \$'000	Total \$'000
	Singapore \$'000	Australia \$'000	Vietnam \$'000	Malaysia \$'000	China \$'000	Myanmar \$'000				
<b>The Group 2012 Revenue</b>										
Total segment sales	88,828	140,984	28,794	43,326	16,970	22,248	36,998	18,742	23,240	420,130
Inter-segment sales	(412)	-	-	-	-	-	(19,888)	(4,642)	(22,623)	(47,565)
Sales to external parties	88,416	140,984	28,794	43,326	16,970	22,248	17,110	14,100	617	372,565
<b>Adjusted EBITDA</b>	24,721	32,982	11,522	12,423	260	11,270	11,399	7,852	617	113,046
Depreciation	(7,904)	(12,368)	(4,676)	(5,479)	(5,031)	(913)	(550)	(1,096)	-	(38,017)
Amortisation	(1,000)	-	-	-	-	-	(952)	-	-	(1,952)
Other losses – net	-	(19,159)	-	-	-	-	-	-	-	(19,159)
Fair value gains on investment properties	-	-	-	-	-	-	-	45,004	-	45,004
<b>Total segment assets</b>	433,947	287,308	49,881	100,042	61,526	12,549	28,127	414,628	14,264	1,402,272
Total segment assets includes:										
Investment in associated companies	-	-	5,697	-	-	-	204	-	-	5,901
Additions during the financial year to:										
- property, plant and equipment	4,983	18,963	4,396	2,010	735	2,245	527	33,561	-	67,420
- property under construction	76,774	-	-	-	-	-	-	-	-	76,774
- investment properties	-	-	-	-	-	-	-	13,581	-	13,581
<b>Total segment liabilities</b>	51,963	15,714	5,111	8,160	6,755	2,864	5,629	133,776	-	229,972

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 37. GROUP SEGMENTAL INFORMATION (Cont'd)

The segment information provided to the Exco for the reportable segments for the year ended 31 December 2011 is as follows:

	Hotel ownership						Hotel management services \$'000	Property investments \$'000	Investments \$'000	Total \$'000
	Singapore \$'000	Australia \$'000	Vietnam \$'000	Malaysia \$'000	China \$'000	Myanmar \$'000				
<b>The Group 2011 Revenue</b>										
Total segment sales	89,496	129,569	27,279	43,718	16,474	12,573	38,606	23,514	41,734	422,963
Inter-segment sales	-	-	-	-	-	-	(18,806)	(4,951)	(40,993)	(64,750)
Sales to external parties	89,496	129,569	27,279	43,718	16,474	12,573	19,800	18,563	741	358,213
<b>Adjusted EBITDA</b>	28,095	30,593	11,720	12,469	(375)	3,927	9,774	12,524	741	109,468
Depreciation	(7,179)	(10,706)	(4,073)	(5,615)	(4,946)	(361)	(430)	(1,119)	-	(34,429)
Amortisation	(838)	-	-	-	-	-	(1,093)	-	-	(1,931)
Other losses – net	(2,600)	-	-	-	(13,080)	-	-	-	-	(15,680)
Business acquisition costs	-	(8,143)	-	-	-	-	-	-	-	(8,143)
Fair value gains on investment properties	-	-	-	-	-	-	-	63,691	-	63,691
<b>Total segment assets</b>	506,505	318,751	54,774	105,011	68,501	14,894	33,981	174,809	14,327	1,291,553
Total segment assets includes:										
Investment in associated companies	-	-	6,874	-	-	-	110	-	-	6,984
Additions during the financial year to:										
– property, plant and equipment	2,279	157,840	9,485	1,154	1,212	1,046	1,187	14,763	-	188,966
– property under construction	45,719	-	-	-	-	-	-	-	-	45,719
<b>Total segment liabilities</b>	27,839	16,140	6,120	8,478	7,453	6,337	6,742	8,729	-	87,838

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 37. GROUP SEGMENTAL INFORMATION (Cont'd)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Exco is measured in a manner consistent with that in the statement of comprehensive income.

The Exco assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation and amortisation. This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and goodwill impairment that are not expected to recur regularly in every period ("adjusted EBITDA"). Finance income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group. Since the Exco reviews adjusted EBITDA, the results of discontinued operations are not included in the measure of adjusted EBITDA.

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

	2012 \$'000	2011 \$'000
Adjusted EBITDA for reportable segments	<b>113,046</b>	109,468
Depreciation	<b>(38,017)</b>	(34,429)
Amortisation	<b>(1,952)</b>	(1,931)
Fair value gains on investment properties	<b>45,004</b>	63,691
Finance income	<b>586</b>	1,195
Finance expenses	<b>(13,054)</b>	(12,651)
Impairment charge – property under development	-	(2,600)
Impairment – goodwill	-	(13,080)
Impairment charge – hotel property	<b>(19,159)</b>	-
Business acquisition costs	-	(8,143)
<b>Profit before tax</b>	<b>86,454</b>	101,520

### Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Exco monitors the property, plant and equipment, intangible assets, inventories, receivables, operating cash, properties under construction and investment properties attributable to each segment. All assets are allocated to reportable segments other than fixed deposits and deferred income tax assets.

	2012 \$'000	2011 \$'000
Segment assets for reportable segments	<b>1,402,272</b>	1,291,553
Unallocated:		
Fixed deposits	<b>7,718</b>	14,634
Deferred income tax assets	<b>3,661</b>	2,764
<b>Total assets</b>	<b>1,413,651</b>	1,308,951

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 37. GROUP SEGMENTAL INFORMATION (Cont'd)

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax liabilities, deferred income tax liabilities and borrowings.

	2012 \$'000	2011 (restated) \$'000
Segment liabilities for reportable segments	<b>229,972</b>	87,838
Unallocated:		
Current income tax liabilities	<b>13,178</b>	13,001
Deferred income tax liabilities	<b>24,023</b>	24,773
Borrowings	<b>219,119</b>	294,719
<b>Total liabilities</b>	<b>486,292</b>	420,331

### Geographical information

The Group's four business segments operate in six main geographical areas. In Singapore, where the Company is domiciled, the areas of operation of the Company are principally hotel ownership, hotel management services, property investments and investment holdings.

The main activities in Australia, Vietnam, Malaysia, China and Myanmar consist of hotel ownership.

Revenue and non-current assets are shown by the geographical areas where the assets are located.

	Revenue	
	2012 \$'000	2011 \$'000
Singapore	<b>115,904</b>	125,500
Australia	<b>140,984</b>	129,569
Vietnam	<b>28,794</b>	27,279
Malaysia	<b>43,326</b>	43,718
China	<b>17,313</b>	16,877
Myanmar	<b>22,248</b>	12,573
Others	<b>3,996</b>	2,697
	<b>372,565</b>	358,213

	Non-current asset	
	2012 \$'000	2011 \$'000
Singapore	<b>848,824</b>	685,415
Australia	<b>271,002</b>	295,071
Vietnam	<b>42,350</b>	48,051
Malaysia	<b>93,392</b>	99,496
China	<b>58,675</b>	66,056
Myanmar	<b>7,442</b>	6,478
Others	<b>2,402</b>	2,572
	<b>1,324,087</b>	1,203,139

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 37. GROUP SEGMENTAL INFORMATION (Cont'd)

### Geographical segments (Cont'd)

There is no single external customer that contributes 10% or more to the Group's revenues.

### Revenue from major products and services

Revenue from external customers are derived mainly from the Group's hotel ownership, property investments and hotel management services. Revenue from investment holdings are included in "Others" below. Breakdown of the revenue is as follows:

	2012 \$'000	2011 \$'000
Hotel ownership	<b>340,738</b>	319,109
Hotel management services	<b>17,110</b>	19,800
Property investments	<b>14,100</b>	18,563
Others	<b>617</b>	741
	<b>372,565</b>	358,213

## 38. BUSINESS COMBINATION

The Group completed the acquisition of a 100% interest in Hilton Melbourne Airport Hotel in Australia on 1 April 2011. The hotel was rebranded PARKROYAL Melbourne Airport. The principal activity of PARKROYAL Melbourne Airport is that of an hotelier. As a result of the acquisition, the Group is expected to enhance greater brand awareness to expand its operations in Australia, alongside its other hotels in Sydney and Perth.

Details of the consideration paid and the assets acquired, at the acquisition date, were as follows:

	\$'000
<b>(a) Purchase consideration</b>	
Cash paid	141,474
<b>Consideration transferred for the business</b>	<b>141,474</b>
<b>(b) Effect on cash flows of the Group</b>	
Cash paid (as above)	141,474
<b>Cash outflow on acquisition</b>	<b>141,474</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 38. BUSINESS COMBINATION (Cont'd)

	At fair value \$'000
<b>(c) Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment (Note 19)	146,021
Contract acquisition cost (Note 21(d))	325
<b>Total assets</b>	<b>146,346</b>
Finance lease liabilities	4,872
<b>Total liabilities</b>	<b>4,872</b>
<b>Total identifiable net assets</b>	<b>141,474</b>
<b>Consideration transferred for the business</b>	<b>141,474</b>

## (d) Acquisition-related costs

Acquisition-related costs of \$8,143,000 are shown as 'Business Acquisition Costs' in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

## (e) Revenue and profit contribution

The acquired business contributed revenue of \$22,086,000 and net loss of \$9,952,000, inclusive of the acquisition-related costs of \$8,143,000 (Note(d) above), to the Group from the period from 1 April 2011 to 31 December 2011.

Had the results of PARKROYAL Melbourne Airport been consolidated from 1 January 2011, consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been \$366,202,000 and \$79,429,000 respectively.

## 39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the amendments and interpretations to existing standards that have been published, and are relevant for the Group's and the Company's accounting periods beginning on or after 1 January 2013 or later periods and which the Company has not early adopted:

- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)

FRS 110 replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

## 39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (Cont'd)

- FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities.

- FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

FRS 113 provides consistent guidance across IFRSs on how fair value should be determined and which disclosures should be made in the financial statements.

The management anticipates that the adoption of the above FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

## 40. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Pan Pacific Hotels Group Limited on 28 February 2013.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The Company is committed in its continuing efforts to achieve high standards of corporate governance and business conduct so as to enhance long-term shareholder value and safeguard the interests of its stakeholders. It has adopted a framework of corporate governance policies and practices in line with the principles and guidelines set out in the Code of Corporate Governance ("Code").

This report sets out the corporate governance practices that have been adopted by the Company with specific reference to the principles and guidelines of the Code, as well as the explanation for any deviation from any guideline of the Code.

## STATEMENT OF COMPLIANCE

The Board of Directors (the "Board") of the Company confirms that for the financial year ended 31 December 2012, the Company has generally adhered to the principles and guidelines as set out in the Code.

## BOARD MATTERS

### The Board's Conduct of its Affairs

The principal responsibilities of the Board are:

1. reviewing and approving the corporate policies, strategies, budgets and financial plans of the Company;
2. monitoring financial performance including approval of the annual and interim financial reports;
3. overseeing and reviewing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
4. approving major funding proposals, investments, acquisitions and divestment proposals;
5. planning board and senior management succession and the remuneration policies; and
6. assuming responsibility for corporate governance.

To facilitate effective oversight, certain functions of the Board have been delegated to various board committees, which review and make recommendations to the Board on specific areas. There are currently four standing board committees appointed by the Board, namely:

Executive Committee  
Nominating Committee  
Remuneration Committee  
Audit Committee

The Board has conferred upon the Executive Committee ("EXCO"), the Group Chief Executive ("GCE") and the President & CEO ("CEO") certain discretionary limits and powers for capital expenditure, budgeting, treasury and investment activities and human resource management. The levels of authorisation required for specified transactions are specified in a Charter adopted by the Board.

The EXCO, GCE and CEO are assisted by the management team ("Management") in the daily operations and administration of the Group's business activities and the effective implementation of the Group's strategies. The GCE sets the major strategies and policies for the Group. The CEO is responsible for leading the implementation of strategies and the day-to-day management, operations and businesses of the Group. Management is issued with a chart of authority and limits for capital expenditure, budgets, investment and other activities for their compliance.

In addition to the GCE and the CEO, the key personnel leading the management team are Executive Director, Asset Management ("ED Asset Management"), Chief Financial Officer, Senior Vice President, Operations, Senior Vice President, Marketing & Sales and Vice President, Human Capital & Development. Save for the ED Asset Management, the other key personnel have no familial relationship with each other, the Chairman, the GCE and the CEO.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The EXCO currently comprises four members, namely:

Wee Cho Yaw, Chairman  
Gwee Lian Kheng  
Alan Choe Fook Cheong  
Wee Ee-chao

The EXCO is chaired by the Chairman of the Board and has been given certain authority and functions such as the formulation and review of policies, approval of investments, overall planning and review of strategy as well as dealing with business of an urgent, important or extraordinary nature whilst the CEO is responsible for the day-to-day operations and administration of the Group.

At the Board meetings, the Directors not only review the financial performance of the Company, but also participate in discussions of matters relating to corporate governance as well as business operations, risks and transactions undertaken by the Company.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Articles of Association ("Articles") allow a board meeting to be conducted by way of telephonic and video-conferencing. The attendance of Directors at meetings of the Board and board committees, as well as the frequency of such meetings, is disclosed on page 146.

New Directors are provided with information on the corporate background, the key personnel, the core businesses, the group structure, financial statements of the Group and their scope of duties and responsibilities. They are also briefed on the Group's businesses and operations. All Directors are appointed to the Board by way of a formal letter of appointment. Guidance is also given to all Directors on regulatory requirements concerning disclosure of interests and restrictions on dealings in securities. Training is made available to Directors on the Company's business and governance practices, updates/developments in the regulatory framework and environment affecting the Company including those organised by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Institute of Directors. This aims to give Directors better understanding of the Group's businesses and allows them to integrate into their roles and duties.

## Board Composition and Guidance

Currently, three of the nine-member Board are independent.

With three Board members being independent directors constituting one-third of the Board, and such independent directors having the requisite experience, expertise and standing, the Board is able to exercise objective judgment independently, and no individual or small group of individuals dominate the Board's decision-making process.

The Articles allow for the maximum of ten Directors. The Board considers the current board size to be appropriate, taking into account the nature and scope of the Group's operations.

The current Board comprises persons who possess diverse corporate experiences and as a group, the relevant qualifications and experience and core competencies necessary to manage the Group and contribute effectively to the Group.

## Chairman, GCE and CEO

The Company has a separate Chairman, GCE and CEO as it believes that a distinctive separation of responsibilities between the Chairman, GCE and CEO will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making in the best interest of the Company and its shareholders. The Chairman, GCE and CEO have no familial relationship with each other. The GCE has, working together with the CEO, the executive responsibility for the overall administration of the Group. On the other hand, the Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the GCE and ensures that Directors are provided with accurate, timely and clear information.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

## Board Membership

The Nominating Committee (“NC”) currently comprises three non-executive Directors of whom two are independent. The NC members are:

Alan Choe Fook Cheong, Chairman  
Wee Cho Yaw  
Low Weng Keong

The NC is responsible for the re-nomination of Directors at regular intervals and at least every three years. In recommending to the Board any re-nomination and re-election of existing Directors, the NC takes into consideration the Directors’ contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

The independence of the Board is also reviewed annually by the NC. The NC adopts the Code’s definition of what constitutes an independent director in its review. The independent non-executive Directors are Alan Choe Fook Cheong, Low Weng Keong and James Koh Cher Siang. Each NC member has abstained from deliberations in respect of his own assessment.

Where a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that the Directors have given sufficient time and attention to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

Directors of or over 70 years of age are required to be re-appointed every year at the Annual General Meeting (“AGM”) under Section 153(6) of the Companies Act before they can continue to act as a Director. The NC, with each member abstaining in respect of his own re-appointment, has recommended to the Board that Wee Cho Yaw and Gwee Lian Kheng, who are over 70 years of age, be nominated for re-appointment at the forthcoming AGM. Alan Choe Fook Cheong will not be seeking re-appointment at this coming AGM on 19 April 2013.

Article 94 of the Articles also require all Directors except a Managing Director to retire from office once at least in each three years. These Directors may offer themselves for re-election if eligible. The NC has recommended that Wee Ee-chao and Wee Ee Lim who retire by rotation pursuant to this Article, be nominated for re-election as well.

The NC recommends all appointments and re-appointments of Directors to the Board. New directors are appointed by way of a board resolution after the NC recommends their appointment for approval of the Board. New directors thus appointed by way of board resolution must submit themselves for re-election at the next AGM pursuant to Article 99 of the Articles.

The search and nomination process for new directors (if any) will be conducted through contacts and recommendations that go through the normal selection process, to ensure the search for the right candidates is as objective and comprehensive as possible.

Key information regarding the Directors’ academic qualifications and other appointments are set out on pages 146 to 147. In addition, information on shareholdings in the Company held by each Director is set out in the “Report of the Directors” section of the Annual Report.

## Board Performance

The NC has assessed the contributions of each Director to the effectiveness of the Board and evaluated the performance of the Board as a whole. In evaluating the performance of the Board as a whole, the NC has adopted certain quantitative indicators which include return on equity, return on assets and the Company’s share price performance. These performance criteria allow the Company to make comparisons with its industry peers and are linked to long-term shareholder value. For consistency in assessment, the selected performance criteria are not changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the NC, in its consultation with the Board will justify such changes.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

## Access to Information

Currently, Directors receive regular financial and operational reports on the Group’s businesses and briefings during its quarterly Board meetings. In addition, management reports comparing actual performance with budget and highlighting key performance indicators, as well as accounts and reports on the financial performance of the Group are provided to the Directors. Relevant senior Management staff make the appropriate presentations and answer any query from Directors at Board meetings. Directors who require additional information may approach senior Management directly and independently.

Under the direction of the Chairman, the Company Secretaries are responsible for ensuring good information flow within the Board and board committees and between senior Management and non-executive Directors, facilitating the induction of new Directors and assisting with professional development as required.

Directors have separate and independent access to the advice and services of the Company Secretaries and may, either individually or as a group, in the furtherance of their duties and where necessary, obtain independent professional advice at the Company’s expense.

The Company Secretaries attend all Board meetings and ensure that all Board procedures are followed. The Company Secretaries, together with Management, ensure that the Company complies with all applicable statutory and regulatory rules. The minutes of all Board and Committee meetings are circulated to the Board.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

The Remuneration Committee (“RC”) currently comprises three non-executive Directors of whom two are independent. The RC members are:

Alan Choe Fook Cheong, Chairman  
Wee Cho Yaw  
Low Weng Keong

The RC is currently chaired by an independent Director. The RC is responsible for ensuring a formal procedure for developing policy on executive remuneration and for fixing the remuneration packages for Directors and senior Management. The RC recommends for the Board’s endorsement a framework of remuneration which covers all aspects of remuneration, including without limitation, Directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind. None of the RC members is involved in deliberations on any remuneration, compensation or any form of benefit to be granted to him.

The RC members are familiar with executive remuneration / compensation matters as they manage their own businesses and/or are holding other directorships in the boards of other listed companies. The RC has access to appropriate expert advice if necessary.

### Level and Mix of Remuneration

In determining remuneration packages, the RC takes into consideration industry practices and norms in compensation.

In relation to Directors, the performance-linked elements of the remuneration package for executive Directors are designed to align their interests with those of shareholders. For non-executive Directors, their remuneration is appropriate to their level of contribution, taking into account factors such as effort and time spent as well as their respective responsibilities.

The Board recommends the fees to be paid to Directors for shareholders’ approval annually. The fees are divided on the basis that Directors with additional duties as members or chairmen of board committees would receive a higher portion of the total fees.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

Gwee Lian Kheng, an executive Director of the Company, has an employment contract with UOL, which may be terminated by either party giving 3 months' notice. His remuneration package includes a variable bonus element (which is substantially linked to the performance of UOL) and share options of UOL.

Wee Wei Ling and Amedeo Patrick Imbardelli, executive Directors of the Company, each have an employment contract with the Company which may be terminated by the giving of 2 months' notice and 3 months' notice respectively. Their individual remuneration package includes a variable bonus element (which is substantially linked to the performance of the Company) and in the case of Amedeo Patrick Imbardelli, share options of UOL.

The RC reviews and makes recommendations to the Board on Directors' fees and allowances. RC members abstain from deliberations in respect of their own remuneration. Details of the total fees and other remuneration of the Directors are set out in the Remuneration Report on page 148. The GCE's remuneration package is reviewed by the Remuneration Committee of UOL.

## Disclosure on Remuneration

In relation to employees of the Group, the remuneration policy of the Company seeks to align the interests of such employees with those of the Company as well as to ensure that remuneration is commercially attractive to attract, retain and motivate employees. The typical remuneration package comprises both fixed and variable components, with a base salary making up the fixed component and a variable component in the form of a performance bonus and/or share options of UOL. The report on the remuneration of the top five key executives (who are not Directors) of the Company is disclosed on page 148.

Save for Wee Wei Ling who is an immediate family member of three Directors of the Company, namely Wee Cho Yaw, Wee Ee-chao and Wee Ee Lim, no other employee who is an immediate family member of a Director was paid more than \$150,000 for the year under review. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent.

## ACCOUNTABILITY AND AUDIT

### Accountability

The Company announces in advance when quarterly and annual financial results will be released and ensures the financial results are released to its shareholders in a timely manner.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports and reports to regulators, if required.

Management provides to members of the Board for their endorsement, annual budgets and targets, and management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a regular basis.

### Audit Committee ("AC")

The AC comprises three members who have many years of related accounting and financial management expertise and experience. All the AC members are non-executive Directors, and a majority of whom (including the AC Chairman) are independent. The AC members are:

Low Weng Keong, Chairman  
Alan Choe Fook Cheong  
Wee Ee Lim

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The AC carries out the functions set out in the Code and the Companies Act. The terms of reference include reviewing the financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of the internal audit procedures, the cost effectiveness, independence and objectivity of the external auditors and interested person transactions.

In performing the functions, the AC has met with the internal and external auditors, without the presence of the GCE, CEO and Management, at least annually and reviewed the overall scope of the internal and external audits and the assistance given by Management to the auditors.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed and is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of PricewaterhouseCoopers LLP for re-appointment. In its review, the AC has taken into account the non-audit services provided by the external auditors and is of the opinion that these services do not affect the auditors' independence.

The Company has in place a Code of Business Conduct ("CBC") which has been adopted since 2006. The CBC is disseminated to the employees who are required to affirm their compliance with the CBC annually. The CBC contains, inter alia, a whistle-blowing policy to encourage and provide a channel to employees to report, in good faith and in confidence, concerns about possible fraud, improprieties in financial reporting or other matters. The objective of such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

## Internal Controls

The Board recognises the importance of sound internal controls and risk management practices as part of good corporate governance. The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investments and the assets of the Group.

Based on the internal controls currently in place, the work undertaken by the internal and external auditors as well as reviews by the AC and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal financial, operational and compliance controls are generally adequate as at 31 December 2012. The Board is also of the opinion that the Group's internal controls and risk management systems provide reasonable but not absolute assurance that the Group will not be adversely affected by any reasonably foreseeable event.

## Risk Management

The Group has in place controls and various guidelines and strategies to manage risks and safeguard its businesses. The current measures of the Group include the enterprise-wide risk management programme ("ERM Programme") which the Group has put in place since 2009. The ERM Programme forms part of the parent company UOL Group Limited's ERM Programme. The ERM Programme, which consolidates the Group's risk management practices in an enterprise-wide framework, would enable Management to have a formal structure to continually:-

- (i) establish and evaluate the risk appetite of the Group,
- (ii) identify the key risks which the Group faces and the current controls and strategies for the Group to manage and/or mitigate these risks,
- (iii) assess the effectiveness of the current controls and strategies and determine if further risk treatment plans are needed in line with best practices, and
- (iv) set up and monitor key risk indicators ("KRIs") so that Management can evaluate and respond to risks that have a material impact on the Group's businesses and operations as and when they arise and take mitigating steps as necessary.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

This ERM Programme is substantively in line with the best practices including those contained in the Risk Governance Guidance for Listed Boards ("Risk Governance Guide"). The Risk Governance Guide was released by the Corporate Governance Council on 10 May 2012 and sets out various guidelines and best practices for enterprise risk management.

Key Management staff have actively participated in the ERM Programme and the outcome of the ERM Programme, including the key risks and risk management controls are consolidated at the UOL Group level for review by the UOL Group Risk Management Committee comprising senior Management staff of the Company as well as UOL.

Management reviews the key risks, both existing and emerging, current controls and the KRIs on a regular basis and takes necessary measures to address and mitigate the key risks. Management will continue to reinforce the "risk-aware" culture within the Group and cascade the ERM Programme progressively in the next few years to the operating levels and each hotel property of the Group. The AC will be updated by Management half-yearly or more frequently as needed, on the progress of the ERM Programme and the key risks and risk management controls and treatment plans.

The above measures will ensure that a cohesive and comprehensive ERM Programme which employees of the Group can collectively participate in and contribute to, so as to enhance the Group's internal controls and enable the Group to remain sustainable in the long term.

The key risks identified can be broadly grouped as operational risks, financial risks and investment risks.

## **Operational Risks**

The Group's operational risk framework is designed to ensure that operational risks are continually identified, managed and mitigated. This framework is implemented at each operating unit and in the case of the Group's hotels, the operational risks are monitored at the Group level by the Group's asset management team. In the case of the Group's investment and hotel properties, these are subject to operational risks that are common to the property and hotel industries and to the particular countries in which the investment and hotel properties are situated. It is recognised that risks can never be entirely eliminated and the Group must always weigh the cost and benefit in managing the risks. The Group uses insurance as a tool to transfer and/or mitigate certain portions of risks, and maintains insurance covers at appropriate levels taking into account the cost of cover and risk profiles of the businesses. Complementing the Management's role is the Internal Audit function which provides an independent perspective on the controls that help to mitigate major operational risks.

Management reviews and implements further improvements to the current measures as and when any concern is identified from the ERM Programme.

## **Financial Risks**

The Group is exposed to a variety of financial risks, including interest rates, foreign currency, credit and liquidity risks. The management of financial risks is outlined under Note 35 of the Notes to the Financial Statements.

## **Investment Risks**

The Board and EXCO have overall responsibility for determining the level and type of business risk that the Group undertakes. The Group has a dedicated Development and Growth department that evaluates all new investment opportunities based on the criteria set out by the Board and EXCO. All major investment proposals are submitted to the EXCO and the Board, as the case may be, for approval. Ongoing performance monitoring and asset management of new and existing investments are performed by the Group. In addition, Management will continually determine under the ERM Programme, if further measures could be implemented to monitor, analyse and to the extent possible, mitigate the respective country risks in respect of which current and future investment projects are located.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

## **Internal Audit**

The Internal Audit function of the Group is supported by the Internal Audit Department of UOL, its holding company, and it is independent of the activities it audits. The Deputy General Manager (Group Internal Audit) reports to the AC and administratively to the GCE. The Internal Audit Department aims to meet or exceed the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. As part of its audit activities, the Internal Audit Department reviews all interested party transactions and ensures that the necessary controls are in place and are complied with.

The Internal Audit function is adequately resourced and has appropriate standing within the Group. The Deputy General Manager (Group Internal Audit), who is employed by UOL, joined UOL in October 1997 and holds a Bachelor of Accountancy (Honours) Degree from the Nanyang Technological University. He is also a non-practising member of the Institute of Certified Public Accountants of Singapore and a Member of the Institute of Internal Auditors (Singapore).

The AC has reviewed and is satisfied with the adequacy of the Internal Audit function.

## **COMMUNICATION WITH SHAREHOLDERS**

### **Communication with Shareholders Greater Shareholder Participation**

The Group engages in regular, effective and fair communication with its shareholders through the quarterly release of the Group's results, the timely release of material information through the SGXNET of SGX-ST and the publication of the Annual Report. Shareholders and investors can also access information on the Company at its website at [www.pphg.com](http://www.pphg.com).

The Company encourages greater shareholder participation at its AGMs and allows shareholders the opportunity to communicate their views on various matters affecting the Company. The Articles allow a shareholder of the Company to appoint up to two proxies to attend and vote in his or her place at general meetings. Barring any unforeseen circumstances, the Chairpersons of the EXCO, NC, RC and AC as well as senior Management will be present and available to address questions at general meetings. The external auditors are also present to address any shareholders' queries on the conduct of audit and the preparation of the Auditors' Report.

The Code recommends Board notes that there should be separate resolutions at general meetings on each substantially separate issue. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

In line with its communications with shareholders, as and when briefings on the Company's performance and financial results are conducted for analysts and the media, the Company will also disclose the presentation materials on SGXNET.

## **DEALINGS IN SECURITIES**

Pursuant to Listing Rule 1207 (19) on Dealings in Securities, the Company issues annually, with such updates as may be necessary from time to time, a circular to its Directors, officers and employees who are prohibited from dealings in the listed securities of the Group:

1. from two weeks to one month, as the case may be, before the announcement of the Group's quarterly and full-year financial results and ending on the date of announcement of the results, or
2. at any time they are in possession of unpublished material price sensitive information.

Directors and employees are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside the prohibited periods. They are discouraged from dealing in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

## ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Name of Directors	Number of meetings attended in 2012				
	BOARD	EXCO	AC	RC	NC
Wee Cho Yaw	4	1	-	2	1
Gwee Lian Kheng	4	1	-	-	-
Alan Choe Fook Cheong	4	1	4	2	1
Low Weng Keong	4	-	4	2	1
Wee Ee-chao	3	1	-	-	-
Wee Ee Lim	4	-	4	-	-
Wee Wei Ling	2	-	-	-	-
James Koh Cher Siang	4	-	-	-	-
Amedeo Patrick Imbardelli	4	-	-	-	-
Number of meetings held in 2012	4	1	4	2	1

## PARTICULARS OF DIRECTORS

Name of Director/ Academic & Professional Qualifications	Age	Board Committees as Chairman or Member	Directorship: Date first appointed Date last re-appointed/ re-elected	Board appointment Executive/ Non-executive Independent/ Non-independent
<b>Wee Cho Yaw</b> Chinese high school; Honorary Doctor of Letters, National University of Singapore	83	EXCO – Chairman RC – Member NC – Member	25.05.1973 19.04.2012	Non-executive Non-independent
<b>Gwee Lian Kheng</b> Bachelor of Accountancy (Hons), University of Singapore; Fellow Member of Chartered Institute of Management Accountants, Association of Chartered Certified Accountants (UK) and Institute of Certified Public Accountants of Singapore	72	EXCO – Member	20.01.1987 19.04.2012	Executive Non-independent
<b>Alan Choe Fook Cheong</b> (who retires on 19 April 2013) Bachelor of Architecture, University of Melbourne; Diploma in Town & Regional Planning, University of Melbourne; Fellowship Diploma, Royal Melbourne Institute of Technology; Fellow Member of Singapore Institute of Architects, Singapore Institute of Planners, and Royal Australian Institute of Architects; Member of Royal Institute of British Architects, Royal Town Planning Institute, Royal Australian Planning Institute and American Planning Association	81	EXCO – Member AC – Member RC – Chairman NC – Chairman	02.05.1990 19.04.2012	Non-executive Independent

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

Name of Director/ Academic & Professional Qualifications	Age	Board Committees as Chairman or Member	Directorship: Date first appointed Date last re-appointed/ re-elected	Board appointment Executive/ Non-executive Independent/ Non-independent
<b>Low Weng Keong</b> Life Member of CPA Australia, Fellow Member of Institute of Chartered Accountants in England & Wales and Institute of Certified Public Accountants of Singapore; Associate Member of Chartered Institute of Taxation (UK); Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals Limited	60	AC – Chairman RC – Member NC – Member	23.11.2005 19.04.2011	Non-executive Independent
<b>Wee Ee-chao</b> Bachelor of Business Administration, The American University, Washington DC, USA	58	EXCO – Member	09.05.2006 21.04.2010	Non-executive Non-independent
<b>Wee Ee Lim</b> Bachelor of Arts (Economics), Clark University, USA	51	AC – Member	09.05.2006 21.04.2010	Non-executive Non-independent
<b>Wee Wei Ling</b> Bachelor of Arts, Nanyang University, Singapore	60	Nil	24.03.1994 19.04.2012	Executive Non-independent
<b>James Koh Cher Siang</b> Bachelor of Arts (Hons) in Philosophy, Political Science and Economics; Master of Arts from University of Oxford, UK; Master in Public Administration, Harvard University, USA	66	Nil	23.11.2005 19.04.2011	Non-executive Independent
<b>Amedeo Patrick Imbardelli</b> Master of Science (Honours) in Finance, The City University of New York, USA; Fellow of the American Academy of Financial Management, USA	52	Nil	21.08.2009 19.04.2012	Executive Non-independent

### Notes :

- 1) Directors' shareholdings in the Company and related corporations, please refer to pages 58 and 59.
- 2) Directorships or Chairmanships in other listed companies and other major appointments, both present and over the preceding 3 years, please refer to pages 9 to 11.

# CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

## REMUNERATION REPORT

### Remuneration Of Directors

The following table shows a breakdown (in percentage terms) of the remuneration of Directors for the year ended 31 December 2012 :

Remuneration Bands	Salary	Bonuses	Directors' Fees	Share Option Grant <sup>a</sup>	Defined Contribution Plans	Others	Total Remuneration	Share Option Grants <sup>b</sup>
	%	%	%	%	%	%	%	Number
<b>\$1,500,000 to \$1,750,000</b>								
Amedeo Patrick Imbardelli <sup>(1)</sup>	54	14	2	4	5	21	100	40,000
<b>\$250,000 to \$500,000</b>								
Wee Wei Ling <sup>(2)</sup>	68	14	8	–	1	9	100	–
<b>Below \$250,000</b>								
Wee Cho Yaw, Chairman	–	–	100	–	–	–	100	–
Gwee Lian Kheng <sup>(3)</sup>	–	–	100	–	–	–	100	–
Alan Choe Fook Cheong	–	–	100	–	–	–	100	–
Wee Ee-chao	–	–	100	–	–	–	100	–
Low Weng Keong	–	–	100	–	–	–	100	–
James Koh Cher Siang	–	–	100	–	–	–	100	–
Wee Ee Lim	–	–	100	–	–	–	100	–

a Fair value of share options is estimated using the Trinomial Tree model at date of grant.

b Refers to options granted on 23 August 2012 under the UOL 2012 Share Option Scheme to subscribe for ordinary shares in the capital of the holding company, UOL Group Limited ("UOL"). The options may be exercised at any time during the option period from 23 August 2013 to 22 August 2022 at the offer price of S\$5.40 per ordinary share.

c Wee Wei Ling is the daughter of Wee Cho Yaw and sister of Wee Ee-chao and Wee Ee Lim.

(1) Amedeo Patrick Imbardelli, an executive director of the Company, has an employment contract with the Company which may be terminated by either party giving three months' notice. His remuneration package includes a performance bonus of a minimum of three months base salary subject to the achievement of key performance indicators and financial targets set by the Company.

(2) Wee Wei Ling, an executive director of the Company, has an employment contract with the Company which may be terminated by either party giving two months' notice. Her remuneration package includes a variable bonus element (which is substantially linked to the performance of the Company).

(3) Gwee Lian Kheng, another executive director of the Company, has an employment contract with UOL.

### REMUNERATION OF KEY EMPLOYEES

The remuneration<sup>1</sup> of the top five key employees of the Group (who are not directors) is analysed into the respective remuneration bands as follows :

#### \$750,000 to \$1,000,000

Senior Vice President, Hotel Operations

#### \$500,000 to \$750,000

Senior Vice President, Marketing & Sales

Chief Financial Officer

#### \$250,000 to \$500,000

Area Vice President, Operations Singapore

#### Below \$250,000

Vice President, Human Capital & Development (Joined on 11 May 2012)

<sup>1</sup> Included in the remuneration is the value of share options granted during the year (if any) under the UOL 2012 Share Option Scheme. Fair value of share options is estimated using the Trinomial Tree model.

# INTERESTED PERSON TRANSACTIONS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
<b>UOL Group Limited ("UOL")</b>		
Management and corporate support services provided to the Pan Pacific Hotels Group by UOL		
- Share of payroll	–	2,410
- Administrative fee	–	140
- Share of cost of SAP Competence Centre	–	1,077
<b>UOL Claymore Investment Pte. Ltd.*</b>		
Fees received for the franchise of hotel	–	835
<b>UOL Somerset Investments Pte. Ltd.*</b>		
Fees received for the management of serviced suites	–	1,201
<b>Hua Ye Xiamen Hotel Limited*</b>		
Fees received for the management of hotel	–	824
<b>UOL Serviced Residences Sdn Bhd*</b>		
Fees received for the management of serviced suites	–	757
<b>Hotel Marina City Pte Ltd**</b>		
Fees received for the management of hotel***	–	3,440

\* These companies are subsidiaries of UOL, a controlling shareholder.

\*\* This is an associated company of UOL.

\*\*\* Lower management fee was received in Year 2012 as the hotel was closed in mid-April 2012 for major renovation and re-opened in September 2012

## SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2013

Class of shares : Ordinary shares  
Voting rights : One vote per share

### SIZE OF SHAREHOLDINGS

Range	No. of shareholders	%	No. of shares	%
1 - 999	50	0.83	11,867	0.00
1,000 - 10,000	5,349	88.46	15,503,613	2.58
10,001 - 1,000,000	635	10.50	27,704,639	4.62
1,000,001 and above	13	0.21	556,779,881	92.80
<b>Total</b>	<b>6,047</b>	<b>100.00</b>	<b>600,000,000</b>	<b>100.00</b>

### LOCATION OF SHAREHOLDERS

Country	No. of shareholders	%	No. of shares	%
Singapore	5,931	98.08	597,944,984	99.66
Malaysia	75	1.24	414,001	0.07
Others	41	0.68	1,641,015	0.27
<b>Total</b>	<b>6,047</b>	<b>100.00</b>	<b>600,000,000</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

Name	No. of shares	%
1. UOL Group Limited	435,000,000	72.50
2. UOB Kay Hian Private Limited	55,577,152	9.26
3. Tye Hua Nominees (Private) Limited	47,913,000	7.99
4. Citibank Nominees Singapore Pte Ltd	3,372,500	0.56
5. DBS Nominees Pte Ltd	3,186,720	0.53
6. United Overseas Bank Nominees (Private) Limited	3,130,159	0.52
7. HSBC (Singapore) Nominees Pte Ltd	1,583,000	0.26
8. Morph Investments Ltd	1,480,000	0.25
9. Kor Beng Shien	1,210,000	0.20
10. OCBC Nominees Singapore Private Limited	1,166,350	0.19
11. Citibank Consumer Nominees Pte Ltd	1,130,000	0.19
12. Oversea-Chinese Bank Nominees Private Limited	1,030,000	0.17
13. Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,001,000	0.17
14. Phillip Securities Pte Ltd	919,200	0.15
15. Teo Kok Kheng	800,000	0.13
16. Maybank Kim Eng Securities Pte Ltd	694,000	0.12
17. Tan How Hwee	683,000	0.11
18. Wee Aik Koon Pte Ltd	580,000	0.10
19. Goh Geok Ling	513,000	0.09
20. Maybank Nominees (Singapore) Pte Ltd	477,000	0.08
<b>Total</b>	<b>561,446,081</b>	<b>93.57</b>

Based on information available to the Company as at 12 March 2013, approximately 10.2% of the issued shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual is complied with.

### SUBSTANTIAL SHAREHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

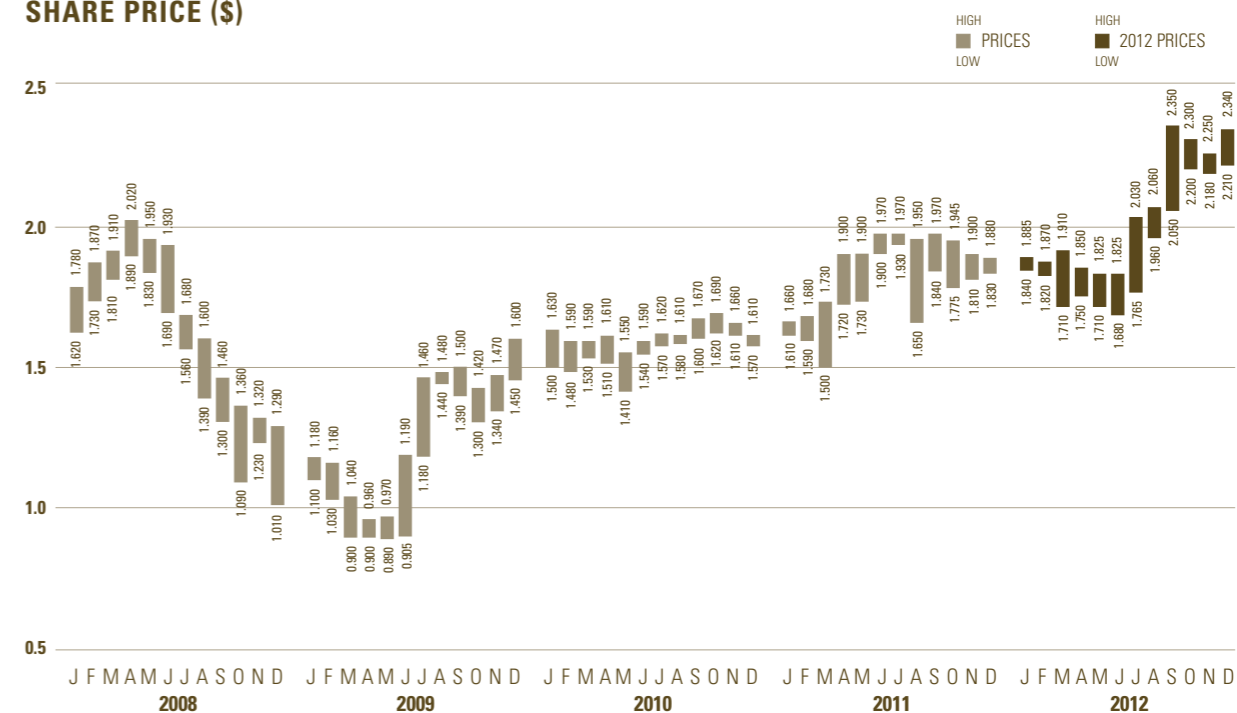
Name	No. of Shares Fully Paid			% <sup>1</sup>
	Direct Interest	Deemed Interest	Total	
UOL Group Limited ("UOL")	489,440,652 <sup>2</sup>	–	489,440,652	81.57
Wee Cho Yaw	–	489,440,652 <sup>3</sup>	489,440,652	81.57
United Overseas Bank Limited <sup>4</sup>	–	47,913,000	47,913,000	7.99

1 As a percentage of the issued share capital of the Company, comprising 600,000,000 shares.  
2 Includes 54,440,652 shares held in the name of UOB Kay Hian Private Limited ("UOB Kay Hian").  
3 Dr Wee is deemed to have an interest in the 435,000,000 shares held by UOL and 54,440,652 shares held by UOB Kay Hian for the benefit of UOL.  
4 Held in the name of Tye Hua Nominees (Private) Limited.

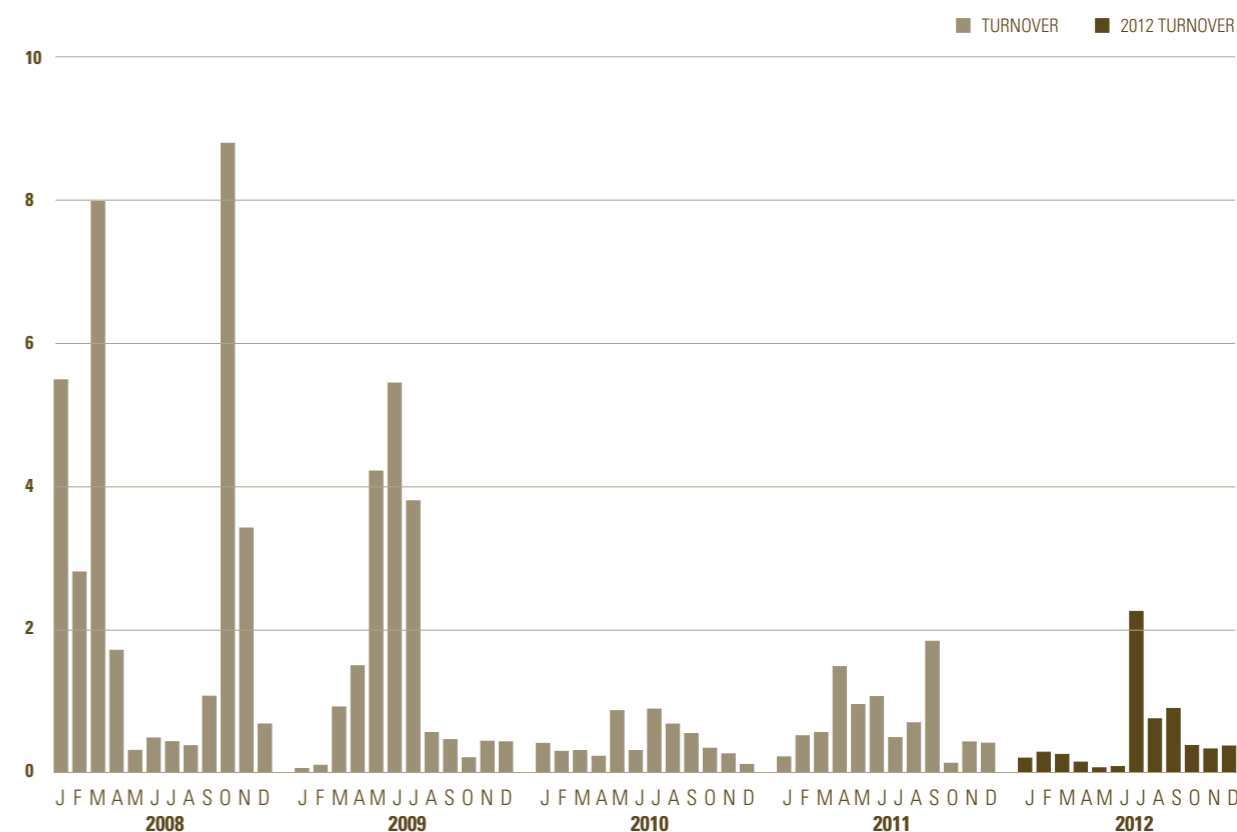
## SHARE PRICE AND TURNOVER

FOR THE PERIOD FROM 1 JANUARY 2008 TO 31 DECEMBER 2012

### SHARE PRICE (\$)



### TURNOVER (MILLION)



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 44th Annual General Meeting of the Company will be held at Pan Pacific Singapore, Ocean 1-3, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595, on Friday, 19 April 2013, at 3.00 p.m. to transact the following business:

### AS ORDINARY BUSINESS

- Resolution 1** To receive and adopt the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2012.
- Resolution 2** To declare a first and final tax exempt (one-tier) dividend of 4 cents per ordinary share for the year ended 31 December 2012.
- Resolution 3** To approve Directors' fees of S\$442,500 for 2012 (2011: S\$457,500).
- Resolution 4** To re-appoint Dr Wee Cho Yaw, pursuant to Section 153(6) of the Companies Act, Cap. 50, as Director of the Company to hold such office until the next Annual General Meeting of the Company.
- Resolution 5** To re-appoint Mr Gwee Lian Kheng, pursuant to Section 153(6) of the Companies Act, Cap. 50, as Director of the Company to hold such office until the next Annual General Meeting of the Company.
- Resolution 6** To re-elect Mr Wee Ee-chao, who retires by rotation pursuant to Article 94 of the Company's Articles of Association, as Director of the Company.
- Resolution 7** To re-elect Mr Wee Ee Lim, who retires by rotation pursuant to Article 94 of the Company's Articles of Association, as Director of the Company.
- Resolution 8** To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and authorise the Directors to fix their remuneration.

### AS SPECIAL BUSINESS

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

- Resolution 9** "That authority be and is hereby given to the Directors of the Company to:
- (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares;
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,
- provided that:
- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below), 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 twenty per cent (20%) of the total number of issued shares (excluding treasury

## NOTICE OF ANNUAL GENERAL MEETING

shares) in the capital of the Company (as calculated in accordance with paragraph (2) below);

- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, 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 this Resolution is passed, after adjusting for:
- (i) 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 this Resolution is passed; and
- (ii) any subsequent consolidation or subdivision of shares;
- (3) 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 has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

**Resolution 10** "That:

- (1) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual (the "**Listing Manual**") of the SGX-ST for the Company and its entities at risk (as defined in Chapter 9 of the Listing Manual) or any of them to enter into any of the transactions falling within the types of interested person transactions set out in the Appendix to the Company's Letter to Shareholders dated 3 April 2013 (the "**Letter**"), with any party who is of the classes of interested persons described in the Letter, provided that such interested person transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders and are carried out in accordance with the review procedures for interested persons transactions as set out in the Appendix to the Letter (the "**Shareholders' IPT Mandate**");
- (2) the Shareholders' IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or until the date on which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier;
- (3) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and
- (4) the Directors of the Company and each of them be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' IPT Mandate and/or this Resolution."

### BY ORDER OF THE BOARD

Foo Thiam Fong Wellington  
Yeong Sien Seu  
Secretaries

Singapore, 3 April 2013

# NOTICE OF ANNUAL GENERAL MEETING

## Notes

A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at 101 Thomson Road, #33-00 United Square, Singapore 307591 not less than 48 hours before the time for holding the Meeting.

## Notes to Resolutions

1. In relation to **Resolution 4**, Dr Wee Cho Yaw will, upon re-appointment, continue as the Chairman of the Board of Directors and the Executive Committee, and as a member of the Remuneration and Nominating Committees. He is considered a non-independent director.

2. In relation to **Resolution 5**, Mr Gwee Lian Kheng will, upon re-appointment, continue as a member of the Executive Committee. He is considered a non-independent director.

Note: Mr Alan Choe Fook Cheong who retires at the conclusion of this AGM pursuant to Section 153(6) of the Companies Act, Cap. 50, and although eligible, has indicated that he is not offering himself for re-appointment. Mr Alan Choe Fook Cheong will step down as the Chairman of the Remuneration and Nominating Committees, and as a member of the Audit and Executive Committees.

3. In relation to **Resolution 6**, Mr Wee Ee-chao will, upon re-election, continue as a member of the Executive Committee. He is considered a non-independent director.

4. In relation to **Resolution 7**, Mr Wee Ee Lim will, upon re-election, continue as a member of the Audit Committee. He is considered a non-independent director.

5. **Resolution 9** is to empower the Directors from the date of that meeting until the next Annual General Meeting to issue, or agree to issue shares and/or grant instruments that might require shares to be issued, up to an amount not exceeding fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated as described) of which the total number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated as described).

6. **Resolution 10** is to renew the Shareholders' IPT Mandate to allow the Company and its entities at risk (as defined in Chapter 9 of the Listing Manual) or any of them to enter into any of the transactions falling within the types of interested person transactions set out in the Appendix to the Letter.

# PROXY FORM

## ANNUAL GENERAL MEETING

### IMPORTANT: FOR CPF INVESTORS ONLY

- For investors who have used their CPF monies to buy Pan Pacific Hotels Group Limited's shares, this Report is sent to them at the request of the CPF Approved Nominee and is sent solely FOR INFORMATION ONLY.
- 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.
- CPF investors who wish to attend the Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company's Registrar (Please see Note. 9 on the reverse).

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of PAN PACIFIC HOTELS GROUP LIMITED (the "Company"), hereby appoint:

NAME	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

and/or (delete as appropriate)

NAME	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 44th Annual General Meeting of the Company (the "AGM") to be held at Pan Pacific Singapore, Ocean 1-3, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Friday, 19 April 2013 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	No. of Votes For**	No. of Votes Against**
<b>Ordinary Business</b>					
1	Adoption of Financial Statements and Reports of the Directors and the Auditors				
2	Declaration of First and Final Dividend				
3	Approval of Directors' Fees				
4	Re-appointment (Dr Wee Cho Yaw)				
5	Re-appointment (Mr Gwee Lian Kheng)				
6	Re-election (Mr Wee Ee-chao)				
7	Re-election (Mr Wee Ee Lim)				
8	Re-appointment of PricewaterhouseCoopers LLP as Auditors				
<b>Special Business</b>					
9	Authority for Directors to Issue Shares				
10	Renewal of Shareholders' IPT Mandate				

\* Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.

\*\* If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Shares in:	Total No. of Shares Held
(a) Depository Register	
(b) Register of Members	

Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

## NOTES :

1. Save for members which are nominee companies, a member of the Company entitled to attend and vote at the AGM 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. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings (expressed as a percentage of the whole) to be represented by each proxy.
2. This instrument of proxy must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by its duly authorised officer or attorney or executed under its common seal.
3. A body corporate which is a member may also appoint by resolution of its directors or other governing body, an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on behalf of such body corporate.
4. 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 registered in 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the AGM.
6. This instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company at 101 Thomson Road, #33-00 United Square, Singapore 307591, not less than 48 hours before the time fixed for holding the AGM.
7. Any alteration made in this form must be initialled by the person who signs it.
8. The Company shall be entitled to reject this instrument of proxy 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 this instrument of proxy. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
9. Agent Banks acting on the request of the CPF Investors who wish to attend the AGM as Observers are requested to submit in writing, a list with details of the investors' names, NRIC/passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time fixed for holding the AGM.

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## PROXY FORM

Please affix  
postage  
stamp

The Company Secretary  
**PAN PACIFIC HOTELS GROUP LIMITED**  
101 THOMSON ROAD  
#33-00 UNITED SQUARE  
Singapore 307591

2nd fold here

3rd fold here and seal

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Wee Cho Yaw**  
Chairman

**Gwee Lian Kheng**  
Group Chief Executive

**Alan Choe Fook Cheong\***  
**Low Weng Keong**  
**Wee Ee-chao**  
**Wee Ee Lim**  
**Wee Wei Ling**  
**James Koh Cher Siang**  
**Amedeo Patrick Imbardelli**

## EXECUTIVE COMMITTEE

**Wee Cho Yaw**  
Chairman

**Gwee Lian Kheng**  
**Alan Choe Fook Cheong\***  
**Wee Ee-chao**

## AUDIT COMMITTEE

**Low Weng Keong**  
Chairman

**Alan Choe Fook Cheong\***  
**Wee Ee Lim**

## NOMINATING COMMITTEE

**Alan Choe Fook Cheong\***  
Chairman

**Wee Cho Yaw**  
**Low Weng Keong**

## REMUNERATION COMMITTEE

**Alan Choe Fook Cheong\***  
Chairman

**Wee Cho Yaw**  
**Low Weng Keong**

## MANAGEMENT

**Gwee Lian Kheng**  
Group Chief Executive

**Amedeo Patrick Imbardelli**  
President & CEO

**Wee Wei Ling**  
Executive Director,  
Asset Management

**Foo Thiam Fong Wellington**  
Company Secretary

**Neo Soon Hup**  
Chief Financial Officer

**Kevin Brian Croley**  
Senior Vice President,  
Marketing & Sales

**Dean Rene Schreiber**  
Senior Vice President,  
Hotel Operations

**Yeong Sien Seu**  
General Counsel

**Jill Tan-Gunter**  
Vice President,  
Human Capital & Development

**Yeo Bin Hong**  
Deputy General Manager,  
Group Internal Audit

## COMPANY SECRETARIES

**Foo Thiam Fong Wellington**  
**Yeong Sien Seu**

## AUDITORS

**PricewaterhouseCoopers LLP**  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
*Partner-in-charge:*  
**Tan Khiaw Nghoh**  
Year of appointment: 2011

## PRINCIPAL BANKERS

**United Overseas Bank Limited**  
**Far Eastern Bank Limited**  
**OCBC Bank (China) Limited**  
**Public Bank Berhad**

## REGISTERED OFFICE

101 Thomson Road  
#33-00 United Square  
Singapore 307591  
**T.** (65) 6255 0233  
**F.** (65) 6252 9822

## PRINCIPAL PLACE OF BUSINESS

238A Thomson Road  
#08-00 Novena Square  
Office Tower A  
Singapore 307684  
**T.** (65) 6808 1180  
**F.** (65) 6821 8001  
**W.** www.pphg.com

## SHARE REGISTRAR

**Boardroom Corporate &  
Advisory Services Pte. Ltd.**  
50 Raffles Place, #32-01  
Singapore Land Tower  
Singapore 048623  
**T.** (65) 6536 5355  
**F.** (65) 6536 1360

\* Retiring after the Annual General Meeting  
on 19 April 2013

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**PAN PACIFIC HOTELS GROUP LIMITED**

Company Registration No. 196800248D

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