

SIHNSKA A/S
Central Business Registration No
10 13 80 94
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Annual report 2016

The Annual General Meeting adopted the annual report on 19 may 2017

Chairman of the General Meeting



Name: Tina Øster Larsen

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Entity details

Entity

SIHNSKA A/S
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Central Business Registration No: 10138094
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Knut Jan Kleiven, Chairman
Sven Gösta Andreas Fondell
Ingrid Jenny Winkler
Lars Gordon Nielsen

Executive Board

Gopal Sawhney, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SIHNSKA A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 17.05.2017

Executive Board



Gopal Sawhney
Chief Executive Officer

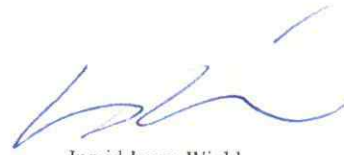
Board of Directors



Knut Jan Kleiven
Chairman



Sven Gösta Andreas Fondell



Ingrid Jenny Winkler



Lars Gordon Nielsen

Independent auditor's reports

To the shareholders of SIHSKA A/S

Opinion

We have audited the financial statements of SHISKA A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31-12-2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's reports

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

København, 17.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56



Ove Nielsen

State-Authorised

Public Account

Management commentary

Primary activities

The Entity's activity is a 50% ownership of Rezidor Royal Hotel Beijing Co. Ltd. where the objective is to own and run a first class hotel in Beijing, China. The hotel is located near the China International Exhibition Centre, which is the Chinese hotel business partner.

Development in activities and finances

Loss for the year amounts to DKK 4,481 thousand, which is considered unsatisfactory.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Accounting policies

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its Parent and all of the Parent's other Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised pro rata internal profits and losses.

Associates with negative equity are measured at DKK 0, and any receivables from these associates are written down by the share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant associate.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised over its estimated useful life which is normally five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Other external expenses		(38)	(37)
Operating profit/loss		<u>(38)</u>	<u>(37)</u>
Income from investments in associates		(5.390)	(5.964)
Financial expenses from group enterprises		(317)	(356)
Profit/loss from ordinary activities before tax		<u>(5.745)</u>	<u>(6.357)</u>
Tax on profit/loss from ordinary activities	1	1.264	1.494
Profit/loss for the year		<u><u>(4.481)</u></u>	<u><u>(4.863)</u></u>
Proposed distribution of profit/loss			
Retained earnings		(4.481)	(4.863)
		<u>(4.481)</u>	<u>(4.863)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investments in associates		-	-
Receivables from associates		81.140	86.164
Fixed asset investments	2	<u>81.140</u>	<u>86.164</u>
Fixed assets		<u>81.140</u>	<u>86.164</u>
Tax receivables		957	-
Receivables		<u>957</u>	-
Current assets		<u>957</u>	-
Assets		<u><u>82.097</u></u>	<u><u>86.164</u></u>
Contributed capital	3	3.000	3.000
Retained earnings		48.090	51.481
Equity		<u>51.090</u>	<u>54.481</u>
Payables to group enterprises		30.967	30.944
Non-current liabilities other than provisions		<u>30.967</u>	<u>30.944</u>
Income tax payable		-	699
Payables to group enterprises		-	-
Other payables		40	40
Current liabilities other than provisions		<u>40</u>	<u>739</u>
Liabilities other than provisions		<u>31.007</u>	<u>31.683</u>
Equity and liabilities		<u><u>82.097</u></u>	<u><u>86.164</u></u>
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Statement of changes in equity for 2016

	Contributed capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity beginning of year	3.000	51.481	54.481
Exchange rate adjustments	-	1.398	1.398
Tax of equity postings	-	(308)	(308)
Profit/loss for the year	-	(4.481)	(4.481)
Equity end of year	3.000	48.090	51.090

Notes

	2016 DKK'000	2015 DKK'000
1. Tax on ordinary profit/loss for the year		
Current tax	-	(1.494)
Change in deferred tax for the year	(1.264)	-
	<u>(1.264)</u>	<u>(1.494)</u>
	Invest- ments in associates DKK'000	Receivab- les from associates DKK'000
2. Fixed asset investments		
Cost beginning of year	32.481	109.272
Addition	-	(1.032)
Exchange rate adjustments	-	3.026
Cost end of year	<u>32.481</u>	<u>111.266</u>
Impairment losses beginning of year	(32.481)	(23.108)
Exchange rate adjustments	-	(1.628)
Impairment losses for the year	-	(5.390)
Impairment losses end of year	<u>(32.481)</u>	<u>(30.126)</u>
Carrying amount end of year	<u>-</u>	<u>81.140</u>

Investments in associates relate to shareholding in Rezidor Royal Hotel Beijing Co. Ltd. of USD 4.5 million nominal, which has been written off. The ownership is 50%.

Receivables from associates under fixed asset investments relate to subordinated loan capital granted to Rezidor Royal Hotel Beijing Co. Ltd. (non-interest-bearing). The receivable amounts to USD 15,752 thousand, corresponding to DKK 111,266 thousand using the exchange rate at the balance sheet date.

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Associates:					
Rezidor Royal Hotel Beijing Co. Ltd.	China	Ltd.	50,00	(171.166)	(13.429)
			Number	Par value DKK	Nominal value DKK'000
3. Contributed capital					
Ordinary shares			3.000	1.000,00	3.000
			<u>3.000</u>		<u>3.000</u>

Notes

4. Contingent liabilities

The Company participates in joint taxation (DK) with Rezidor Hospitality ApS as the administration company and consequently is jointly and severally liable as of the financial year 2013 with the other jointly taxed companies for the total corporation tax and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

5. Related parties with control

The following related parties have a controlling interest in SIHNSKA A/S:

<u>Name</u>	<u>Registered office</u>	<u>Basis of influence</u>
Rezidor Hotels ApS Danmark	Copenhagen	Parent
Rezidor Hospitality ApS	Copenhagen	Parent
Rezidor Hospitality Holding AB	Stockholm	Parent
Rezidor Hotel Group AB (publ)	Stockholm	Parent
HNA Group., Ltd	Haikou City, China	Ultimate Parent

6. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Rezidor Hotel Group AB (publ), Stockholm, Sweden

Consolidated accounts are available at <http://www.rezidor.com/phoenix.zhtml?c=205430&p=irol-library>