

**Rezidor Hotel Investment Egypt A/S**  
**Central Business Registration No**  
**25792998**  
**Amager Strandvej 60-64, 3rd floor**  
**2300 Copenhagen S**

**Annual report 2016**

The Annual General Meeting adopted the annual report on 31.05.2017

**Chairman of the General Meeting**



Name: Tina Øster Larsen

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## **Entity details**

### **Entity**

Rezidor Hotel Investment Egypt A/S  
Amager Strandvej 60-64, 3rd floor  
2300 Copenhagen S

Central Business Registration No: 25792998

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

### **Board of Directors**

Knut Jan Kleiven, Chairman

Sven Gösta Andreas Fondell

Lars Gordon Nielsen

Ingrid Jenny Winkler

### **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 Rezidor Hotel Investment Egypt 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, 31.05.2017

### Executive Board

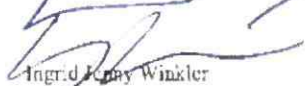
  
Gopal Sawhney  
Chief Executive Officer

### Board of Directors

  
Knut Jan Kleiven  
Chairman

  
Sven Gösta Andreas Fondell

  
Lars Gordon Nielsen

  
Ingrid Kuny Winkler

## Independent auditor's reports

### To the shareholders of Rezidor Hotel Investment Egypt A/S

#### Opinion

We have audited the financial statements of Rezidor Hotel Investment Egypt 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.

Copenhagen, 31.05.2017

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56



Ove Nielsen  
State-Authorised Public Accountant

## **Management commentary**

### **Primary activities**

The Company's activities consist in shareholding and interests in hotels.

### **Development in activities and finances**

Loss for the year amounts to DKK 4.824 thousand, which is considered unsatisfactory.

The Entity has lost more than 50% of its registered share capital and is thereby subject to the provisions governing capital loss in section 119 of the Danish Companies Act.

The Parent, Rezidor Hotels ApS Danmark, has issued a letter of support from which it appears that Rezidor Hotels ApS Danmark will provide the entity with additional and enough financial resources, if necessary, thus it is able to continue its activities and to repay its debt in the minimum period until the presentation of the annual report for 2017.

Management expects to re-establish the equity through the operation in the next few years. Alternatively, Management expects that the capital will be re-established by capital injection from the Parent.

### **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.

### Change in accounting principles

The accounting principles related to measuring investments in associates has been changed. Previously, investments in associates has been measured according to the equity-method, whereas the investments in associates from now on are measured at cost.

The change in accounting policies has no effect on the profit for the year or tax.

Beside the above change, the accounting principles applied to the financial statements are consistent with those applied last year. The change in accounting principles has no effect on the comparative figures.

### 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 group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

#### Income tax payable or receivable

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.

#### Other financial liabilities

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

**Income statement for 2016**

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Other external expenses		(38)	(37)
<b>Operating profit/loss</b>		<u>(38)</u>	<u>(37)</u>
Income from investments in associates		(4.726)	(355)
Financial expenses from group enterprises		(87)	(140)
<b>Profit/loss from ordinary activities before tax</b>		<u>(4.851)</u>	<u>(532)</u>
Tax on profit/loss from ordinary activities	2	27	41
<b>Profit/loss for the year</b>		<u>(4.824)</u>	<u>(491)</u>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>(4.824)</u>	<u>(491)</u>
		<u>(4.824)</u>	<u>(491)</u>

**Balance sheet at 31.12.2016**

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investments in associates		3.929	14.942
Receivables from associates		3.713	-
<b>Fixed asset Investments</b>	<b>3</b>	<u><b>7.642</b></u>	<u><b>14.942</b></u>
<b>Fixed assets</b>		<u><b>7.642</b></u>	<u><b>14.942</b></u>
Income tax receivable		27	42
Receivables		27	42
<b>Current assets</b>		<u><b>27</b></u>	<u><b>42</b></u>
<b>Assets</b>		<u><u><b>7.669</b></u></u>	<u><u><b>14.984</b></u></u>
Contributed capital	4	1.000	1.000
Retained earnings		(8.671)	2.440
<b>Equity</b>		<u><b>(7.671)</b></u>	<u><b>3.440</b></u>
Debt to group enterprises		15.300	11.504
Other payables		40	40
<b>Current liabilities other than provisions</b>		<u><b>15.340</b></u>	<u><b>11.544</b></u>
<b>Liabilities other than provisions</b>		<u><b>15.340</b></u>	<u><b>11.544</b></u>
<b>Equity and liabilities</b>		<u><u><b>7.669</b></u></u>	<u><u><b>14.984</b></u></u>
Going Concern	1		
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**Statement of changes in equity for 2016**

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	1.000	2.440	3.440
Exchange rate adjustments	-	(6.287)	(6.287)
Profit/loss for the year	-	(4.824)	(4.824)
<b>Equity end of year</b>	<b>1.000</b>	<b>(8.671)</b>	<b>(7.671)</b>

## Notes

## 1. Going Concern

The present credit facilities will be maintained and, if necessary, increased or extended concurrently with the continued operations. The Parent, Rezidor Hotels ApS Danmark, has issued a letter of support from which it appears that Rezidor Hotels ApS Danmark will provide the entity with additional and enough financial resources, if necessary, thus it is able to continue its activities and to repay in the minimum period until the presentation of the annual report 2017.

	2016 DKK'000	2015 DKK'000
<b>2. Tax on ordinary profit/loss for the year</b>		
Current tax	(27)	(41)
	<u>(27)</u>	<u>(41)</u>
	Invest- ments in associates DKK'000	Receivabl es from associates DKK'000
<b>3. Fixed asset investments</b>		
Cost beginning of year	20.317	-
Addition	0	3.713
Cost end of year	<u>20.317</u>	<u>3.713</u>
Impairment losses beginning of year	(5.375)	-
Exchange rate adjustments	(6.287)	-
Share of profit/loss after tax	(4.726)	-
Impairment losses end of year	<u>(16.388)</u>	<u>0</u>
Carrying amount end of year	<u>3.929</u>	<u>3.713</u>

Investments in associates comprise shareholding in Al-Quseir Company S.A.E., El Quseir. Ownership is 20%.  
The carrying amount of goodwill recognised at year-end amounts to DKK 0.

	Registered in	Corpora te form	Equity Interest	Equity	Profit/loss
			%	DKK'000	DKK'000
Associates:					
Al-Quseir Company S.A.E., El Quseir	Cairo	S.A.E	20,00	19.652	(23.632)

	Number	Par value DKK	Nominal value DKK'000
<b>4. Contributed capital</b>			
Ordinary shares	1.000	1.000,00	1.000
	<u>1.000</u>		<u>1.000</u>

## Notes

### 5. 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.

### 6. Related parties with control

Related parties with a controlling interest in Rezidor Hotel Investment Egypt 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

### 7. Consolidation

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

Rezidor Hotel Group AB, Stockholm. Group accounts are available at <https://annualreport2016.rezidor.com/>

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

HNA Group Ltd, Haikou City, China, the consolidated financial statements are not published.