

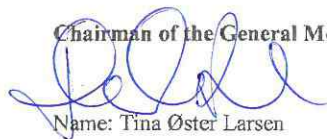
Rezidor Royal ApS
Central Business Registration No 35255095
Amager Strandvej 60-64 3rd floor
2300 Copenhagen S

Annual report 2016

The Annual General Meeting adopted the annual report on

31 may 2017

Chairman of the General Meeting



Name: Tina Øster Larsen

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Entity details

Entity

Rezidor Royal ApS
Amager Strandvej 60-64 3rd floor
2300 Copenhagen S

Central Business Registration No: 35255095

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Internet: www.radissonblu.com

Board of Directors

Thomas Christopher Flanagan, Chairman

Jan Mikael Kaunitz

Sonja Dive Dahl

Lars Gordon Nielsen

Executive Board

Brian Glesson

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 Royal ApS 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, 29.05.2017

Executive Board



Brian Gleeson

Board of Directors

Thomas Christopher Flanagan
Chairman

Sonja Dive Dahl

Lars Gordon Nielsen

Jan Mikael Kaunitz

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Independent auditor's reports

To the shareholders of Rezidor Royal ApS

Opinion

We have audited the financial statements of 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, 29.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Ove Nielsen
State-Authorised Public Accountant

Management commentary

	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights				
Key figures				
Revenue	151.746	148.760	142.257	0
Gross profit	56.758	64.648	60.930	(9)
Operating profit/loss	5.260	11.945	10.583	(9)
Net financials	(57)	(72)	(90)	0
Profit/oss for the year	4.158	8.883	7.852	(9)
Total assets	43.960	38.731	24.775	500
Investment in property, plant and equipment	13.379	5.173	379	0
Equity	17.226	17.226	8.343	491
Ratios				
Net margin (%)	2,7	6,0	5,5	-
Return on equity (%)	24,1	69,5	177,8	(1,8)
Solvency ratio (%)	39,2	44,5	33,7	98,2

Management commentary

Primary Activities

The activities of Rezidor Royal ApS consist in the operation of hotel and restaurant as well as congress facilities.

In connection with the agreed cooperation on sales and marketing with Radisson Hotels International, the Company applies the business name Radisson Blu Royal Hotel.

Development in activities and finances

Total profit for the year amounts to DDK 4,158 thousand, which is considered satisfactory.

Outlook

Total hotel revenue for 2017 is expected to increase compared to 2016. A positive net profit is expected for 2017

Environmental performance

During the last couple of years, Radisson BLU Hotels & Resorts has implemented the programme "Responsible Business". The main purpose of the programme is to obtain systematic information on the hotel's energy consumption, waste disposal and chemical consumption detrimental to the environment in order to prepare a plan for minimising environmental impacts as much as possible. Moreover, special education programmes for hotel employees are part of the programme so that they will be capable of identifying potential environmental impacts and of planning the operations of the hotel in which consideration for the environment is integrated as an important factor.

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 C enterprises (medium).

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

Revenue

The Company's revenue represents invoiced sale for the year less deduction of VAT, and price reduction directly related to revenue.

Accounting policies

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses comprise expenses for sale, marketing, administration, premises, bad debts, etc.

Staff cost

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, ect for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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 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).

Accounting policies

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The Company has not prepared any cash flow statement according to section 86(4) of the Danish Financial statements Act, as the Company's cash flows are included in the cash flow statement of Rezidor Hotel Group AB, Stockholm.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operation profitability
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the Entity by the owners
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strenght of the Entity

Income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Revenue		151.746	148.760
Cost of sales		(9.880)	(8.988)
Other external costs		(85.108)	(75.124)
Gross profit/loss		56.758	64.648
Staff costs	1	(50.954)	(52.634)
Depreciation, amortisation and impairment losses		(544)	(69)
Operating profit/loss		5.260	11.945
Other financial income		0	4
Other financial expenses		(57)	(76)
Profit/loss from ordinary activities before tax		5.203	11.873
Tax on profit/loss from ordinary activities	2	(1.045)	(2.990)
Profit/loss for the year	3	4.158	8.883

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Other fixtures and fittings, tools and equipment		1.574	1.110
Leasehold improvements		4.186	0
Property, plant and equipment in progress		7.413	4.360
Property, plant and equipment	4	13.173	5.470
Fixed assets		13.173	5.470
Manufactured goods and goods for resale		967	815
Inventories		967	815
Trade receivables		3.773	5.162
Receivables from group enterprises		20.944	24.335
Other receivables		654	29
Prepayments	5	4.299	2.589
Receivables		29.670	32.115
Cash		150	331
Current assets		30.787	33.261
Assets		43.960	38.731

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	6	500	500
Retained earnings		20.884	16.726
Equity		21.384	17.226
Provisions for deferred tax	7	157	94
Provisions		157	94
Trade payables		6.087	6.495
Debt to group enterprises		5.283	118
Income tax payable		1.158	2.915
Other payables	8	9.574	11.566
Deferred income	9	317	317
Current liabilities other than provisions		22.419	21.411
Liabilities other than provisions		22.419	21.411
Equity and liabilities		43.960	38.731
Contingent liabilities	10		
Related parties with control	11		
Consolidation	12		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	16.726	17.226
Profit/loss for the year	-	4.158	4.158
Equity end of year	500	20.884	21.384

Notes

	2016 DKK'000	2015 DKK'000	
1. Staff costs			
Wages and salaries	46.291	47.800	
Pension costs	3.427	3.572	
Other staff costs	1.236	1.262	
	50.954	52.634	
Average number of employees	128	134	
	2016 DKK'000	2015 DKK'000	
2. Tax on ordinary profit/loss for the year			
Current tax	1.158	2.906	
Change in deferred tax for the year	63	84	
Adjustment concerning previous years	(176)	0	
	1.045	2.990	
3. Proposed distribution of profit/loss			
Retained earnings	4.158	8.883	
	4.158	8.883	
	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
4. Property, plant and equipment			
Cost beginning of year	1.192	0	4.360
Transfer to and from other items	723	4.440	(5.163)
Additions	32	0	8.216
Departure	0	0	0
Cost end of year	1.947	4.440	7.413
Depreciation and impairment losses beginning of the year	(83)	0	0
Depreciation for the year	(290)	(254)	0
Depreciation and impairment losses end of the year	(373)	(254)	0
Carrying amount end of year	1.574	4.186	7.413
5. Prepayments			
Prepayments comprise incurred costs relating to subsequent financial years.			
	Number	Par value DKK	Nominal value DKK'000
6. Contributed capital			
Share capital	5.000	100,00	500
	5.000		500

Notes

	2016	2015
	DKK'000	DKK'000
7. Deferred tax		
Intangible assets	171	139
Receivables	(14)	(45)
	<u>157</u>	<u>94</u>

Changes during the year

Beginning of year	94
Recognised in the income statement	63
End of year	<u>157</u>

	2016	2015
	DKK'000	DKK'000
8. Other short-term payables		
Vat and duties	0	1.020
Wages and salaries, personal income taxes, social security costs, etc. payable	406	389
Holiday pay obligation	2.887	2.696
Other costs payable	6.281	7.461
	<u>9.574</u>	<u>11.566</u>

9. Short-term deferred income

Short-term deferred income comprises received income for recognition in subsequent financial years.

10. Contingent liabilities

The Entity 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 entities for the total corporation tax and for any obligation to withhold tax at source on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

Contractual obligations

The annual rent obligation incumbent on the Company for rent of the hotel building is partly a minimum rent partly dependent on the Company's operating profit. The tenancy is interminable by the tenant until 31.12.2034. For 2016, the rent obligation is expected to amount to DKK 40,069 thousand.

11. Related parties with control

Name	Registered office	Basis of influence
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

12. 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.