

**Issuer:** Global Premium Hotels Limited

**Security:** Global Premium Hotels Limited

**Meeting details:**

Date: 18 April 2017

Time: 09:00H

Venue: 456 Alexandra Road, #02-03, Fragrance Empire Building, Singapore 119962

**Company Description**

Global Premium Hotels Limited, an investment holding company, develops and operates hotels in Singapore. It operates a chain of 23 hotels, of which 21 are operated under the 'Fragrance' brand and 2 hotels under the 'Parc Sovereign' brand. The company provides economy-tier and mid-tier class of accommodation with 1,983 rooms. It also invests in properties. The company was incorporated in 2011 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=P9J](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=P9J))

**Q1.** The group, being one of Singapore’s largest chains of hotels with 24 hotels, has had a challenging year. Despite its positioning of economy-tier to mid-tier class of hotels, the group has suffered from falling occupancy rates and average daily room rate. The group’s revenue, net profit and operational figures are shown in the table below.

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Revenue (\$'000)	58,289	61,113	61,529	60,624	60,151
Net Profit (\$'000)	11,940	14,799	21,249	19,371	18,453
RevPAR (\$)	81.5	85.3	90.8	93.9	95.1
Average Occupancy Rate	77.6%	81.6%	85.0%	90.8%	90.8%

(Source: Global Premium Hotels Limited Annual Reports)

Even with the increase in tourist arrivals (page 2 of the annual report – Letter to Shareholders), the group has achieved lower average occupancy rate and RevPAR, resulting in a net profit of \$11.9 million in 2016 (down by about half from the 5-year peak).

- a) **Given the dynamics of the local market, does management expect the RevPAR and average occupancy rate to improve?**
- b) **What are management’s targets for the average occupancy rate and the RevPAR?**
- c) **Has the group considered new/innovative marketing efforts to better reach out to the targeted segment?**

**Q2.** For the group’s development project in Perth, the group has disclosed that the estimated amounts committed/contracted but not provided for in the financial statements (page 85) is \$10.4 million as at 31 December 2016.

- a) **What is the total development costs of the Perth project? Can the group also disclose the timeline of the development project?**
- b) **How does the group intend to fund the Perth project?**
- c) **Has the group already started the “off the plan” sale process?**

**Q3.** As noted in the circular to shareholder dated 30 March 2017, the directors who are considered independent for the purposes of making the recommendation to Shareholders in respect of the voluntary conditional cash offer by the offeror (JK Global Capital Pte. Ltd) are Mr. Khoo Chee Meng Mark, Mr. Woo Peng Kong, Mr. Kau Jee Chu, and Dr. Kwan Chee Wai.

The recommendations of the independent directors are as follows:

- i. *Overall, the financial terms of the Offer are not fair but reasonable. Accordingly, Shareholders should ACCEPT the Offer.*
- ii. *Shareholders who wish to realise their investments in the Company can also choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs).*

The current offer values the company at a price to revalued net asset value ratio (P/RNAV ratio) of 0.53x. Furthermore, the independent financial advisor (IFA) has noted that, inter alia, “the P/RNAV ratio of 0.53 times implied by the Offer Price is within range but **significantly lower than the mean and median of the corresponding P/NAV** ratios of the Precedent Privatisation

Transactions” and “the premia implied by the Offer Price over the last transacted price, VWAP for 1-month period and 3-month period prior to the Offer Announcement Date are within the range but **lower than the mean and median** of the corresponding premia of the Precedent Privatisation Transactions”.

- a) **Can the independent directors elaborate further on why they are recommending shareholders to accept an offer that is not fair?**
  
- b) **Are the independent directors unanimous in the final recommendation to shareholders? Are there are dissenting independent directors?**