

**Issuer:** Banyan Tree Holdings Limited

**Security:** Banyan Tree Holdings Limited

**Meeting details:**

Date: 21 April 2017

Time: 15:00H

Venue: Ballroom 1 Lower Lobby, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178

**Company Description**

Banyan Tree Holdings Limited, an investment holding company, develops, owns, and manages resorts, hotels, residences, and spas worldwide. It operates through Hotel Investments, Property Sales, and Fee-Based segments. The company owns and manages intellectual properties; provides business management and consultancy services; constructs and manages hotels and spas; offers management, operation, and ancillary services related to the hospitality industry; sells merchandise; and provides tourism management consultancy, marketing, travel agency, spas architect and design, project management, and materials procurement services. It also operates golf clubs and leases office building space. As of January 23, 2017, the company managed 43 hotels and resorts, 64 spas, 77 retail galleries, and 3 golf courses. It operates under the Banyan Tree, Angsana, Cassia, and Dhawa brands. The company was founded in 1984 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=B58](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B58))

**Q1.** The group’s portfolio of strategically located properties consists of 40 hotels, spanning across 25 countries, over 5,500 keys and rooms, 64 spas and 77 gallery outlets (page 11 of the annual report). In the Executive Chairman’s Statement (pages 16 to 19), it was highlighted that revenue was \$309.6 million in 2016 and that “Operating Profit increased by S\$20.7 million or 67% to S\$51.7 million in 2016”. Operating profit refers to earnings before interest, tax, depreciation and amortisation.

From the Consolidated Income Statement (page 106), the group’s loss after taxation in 2016 was (\$6.95) million. Loss attributable to owners of the company was (\$16.2) million. The earnings per share attributable to owners of the company have been (2.13) cents in 2016 and (3.62) cents in 2015.

Despite the group’s impressive expansion, shareholders have not benefitted partly due to macro-economic conditions that have negatively impacted the group’s performance. The dividends have been cut since FY2014 – even then, the dividend for 2014 was 0.13 cents.

- a) **Can management further elaborate on the strategic value of the tie-up with AccorHotels? How would that enable the group to capture and realise more value from the group’s assets? What the targeted improvements in occupancy rates, operational performance and net profit margins?**
- b) **Similarly, the joint venture with China Vanke Co Ltd (Banyan Tree China) will potentially allow the group to realise the value of its assets. Can management update shareholders on the scale and timeline of the consolidation of the assets under Banyan Tree China? Would it only include the existing Banyan Tree-branded assets in Ringha, Lijiang, Yangshuo and Huangshan? What about the new developments in other cities such as Jiuzhaigou, Xishuangbanna etc?**

**Q2.** With the two strategic tie-ups, how would the business model and the allocation of capital change? Would the group further re-organise itself to optimise its operations? Specifically:

- a) **How would the property development segment be affected? Are the potential returns from property development still attractive?**
- b) **Similarly, how will the group’s fund management business be affected? Will the group continue to manage and launch new private equity funds?**
- c) **Can management also describe how the group’s strategic growth plans will be further refined?**

**Q3.** As disclosed in Note 17 (page 160 – Associates), the carrying value of associates increased from \$0.16 million to \$93.9 million as “the group has assessed that there was a gain in significant influence over Thai Wah Public Company Limited (TWPC) and Banyan Tree Indochina Hospitality Fund L.P. (Indochina fund)” and accordingly re-classified them as “investments in associates” from the date when significant influence was gained.

TWPC was reclassified from “quoted long-term investments” and the Indochina fund was reclassified from “unquoted long-term investment”.

- a) **Can management help shareholders understand the events that led to the assessment that the group has gained significant influence over TWPC and Indochina fund?**
- b) **What are the strategic options available with regard to TWPC and Indochina fund?**