



SIAS ANNUAL REPORT Q&A

- 1. In the Chairman’s Statement (page 4 of the annual report), the group is said to be seeking an optimal mix between the three segments of Property Development, Property Investment and Hotel Ownership and also to balance the asset portfolio both geographically and across sectors for sustainable growth. The group had also made known its intention to dispose of the 59 Goulburn Street property should an offer be made at the right price to unlock value and capitalise on favourable market cycles (page 6).**
 - i. Can management elaborate further on the targeted “optimal mix” between property development, property investment and hotel ownership?**
 - The optimal mix of assets refers to an asset mix covering asset types like development properties, trading assets and recurring income assets but with consideration for market risk. Such assets may be spread geographically and across sectors (i.e. residential, hospitality and commercial). Our idea of an optimal mix is to have a combination of these assets while managing risks by reviewing our liquidity and gearing positions;
 - We have identified three pillars of growth – Property Development, Property Investment and Hospitality;
 - Over the years, we’ve built strong capabilities in property development, identifying the right sites and executing projects successfully, but we understand that by virtue of its accounting, revenue recognition may be lumpy;

- Hence, to mitigate this, we have been building up our property investment and hospitality segments that offer stable recurring income. The property investment segment has been contributing positive income to the Group, as we continue to seek yield-accretive investment opportunities to strengthen this recurring income stream;
- On the hospitality front, our flagship Grand Mercure Singapore Roxy hotel continues to report resilient performance while we look to build our internal hospitality management capabilities, like we've done for Noku Kyoto, our first self-managed boutique hotel in Japan, to increase our recurring income from this segment;
- In short, we'll monitor markets closely to prudently take on projects and calibrate our revenue mix for sustainable long-term growth.

ii. Also, what is the targeted geographical diversification that the group hopes to achieve?

- At present, the Group has identified Singapore and Sydney as key markets for full-fledged property business. This means that we will participate in all property sectors – residential, hospitality and commercial. Additionally, hospitality investments will be more geographically diversified to tap opportunities worldwide;
- We view diversification of our portfolio and businesses necessary to mitigate single-market risks, allowing us to capitalise on favourable market cycles abroad when the Singapore market is in a down-cycle, as we've experienced in the last couple of years, to protect shareholders' interests and maintain our growth;
- Although we are increasingly exploring opportunities overseas, Singapore still remains our core market, and we don't foresee other markets exceeding its revenue contribution in the near future.

iii. How does the potential sale of the 59 Goulburn Street property affect the portfolio mix? Would the capital be recycled into other attractive assets in Australia or elsewhere? What are the attractive sectors or markets that the group can recycle the capital into?

- The sale of the 59 Goulburn Street property, if successful, will not affect our strategy. The asset was purchased for a dual strategy of achieving recurring income and an increase in yield from the potential for redevelopment;
- To capitalise on an appreciation of value, we have decided to divest the asset should a suitable purchaser come along, allowing us to recycle the capital into suitable opportunities not limited to Australia or Singapore. We continue to seek opportunities in our key markets and to evaluate new opportunities and ideas.

2. The group's self-managed Noku Roxy brand will be extended to the Maldives hotel in 4Q2017 and to the Phuket hotel in 2019 following the success of the first Noku branded hotel in Kyoto which commenced operations in November 2015.

i. The average occupancy rate of Noku Kyoto in 2016 was 52.0% (page 8 – Financial & Operations review). What is management's target for Noku Kyoto in terms of average occupancy rate (AOR) and revenue per available room (RevPAR)?

- Noku Kyoto has recently crossed its first year of operations and has enjoyed high room rates (FY2016 ARR: S\$310.50) since it was launched in November 2015;
- While AOR is at 52%, being our first self-managed hospitality asset, we had focused the first year of operations on fixing teething issues and increasing productivity to run on lean operations;
- We are earning healthy yields from this asset, and our immediate priority this year is to ramp up occupancy;
- With its strong locational attributes and clear differentiation, we are optimistic that Noku Kyoto will perform better this year and ride on Japan's growing travel outlook.

ii. **The group will have hotels in Kyoto, Maldives, Phuket and potentially Perth under the Noku Roxy brand. What are the strategies to fill up the hotel rooms given that the competition is intense and the hotels are geographically diverse?**

- Noku Roxy is our newly-launched upscale boutique hospitality brand, which focuses on personalised service, and offers an authentic experience in a unique destination;
- We've identified the upscale boutique sector as a promising space we want to be, where there is good yield, and affordable entry costs;
- Unlike most large hotel chains, we first identify a choice destination and market before locating the asset in the heart of the city to provide convenience for our guests. These destinations have strong tourism outlook that we plan to capitalise on:
 - **Japan:** The country has been experiencing record tourist arrivals, and received 24% more tourists in January 2017 on a year-on-year basis, beating the earlier record in July 2016¹. In 2016, Japan received a record 24.04 million visitors, 21.8% more than 2015, and spending was at an all-time high at JPY3.75 billion, 7.8% more than a year ago. This demonstrates the robust growth of the Japanese tourism industry, as Japan steadily moves towards its target of attracting 40 million tourists in 2020, lifted by favourable visa regulatory changes and enhanced infrastructure and access to national parks and cultural attractions²;

¹ [*JTB Tourism Research & Consulting Co., March 7, 2017 – Tourism Statistics*](#)

² [*The Japan Times, January 17, 2017 – Japan saw record foreign visitors, tourist spending in 2016*](#)

- **Thailand:** The land of smiles exceeded targets set for visitor numbers and revenue earning 2.52 trillion Baht (US\$71 billion), an 11% increase over 2015 and exceeding an earlier target of 2.4 trillion Baht (US\$68 billion). The country expects tourism revenue to reach 2.77 trillion Baht (US\$78.25 billion) for the whole of 2017 and receive 9.3 million international guests between January to March 2017³. The Thai government plans to boost tourism by implementing visa concessions, coupled with infrastructure improvements; Bangkok is well poised to benefit from the emergence of new destinations as a regional stopover. Specifically for Phuket, international visitor arrivals grew 12.5% in 2015 on a y-o-y basis, while the tourism authority continues to grow arrivals by targeting Europe visitors and lifted by the expansion of the Phuket International Airport and improvements of other tourism infrastructure⁴;
- **Maldives:** Maldives welcomed a total of 1.3 million visitors in 2016, a 4.2% growth from the 1.2 million visitors in 2015⁵, with Asia-Pacific and Europe being the largest source markets. The Government plans to increase tourism to over 7 million tourist arrivals within 10 years⁶ through various national and international activities, enhanced tourism infrastructure and increased airlift from other markets. The barriers to entry in the Maldives is higher compared to other established resort destinations due to higher cost of construction and level of expertise required in operating a resort⁷.

³ [Tourism Authority of Thailand, January 30, 2017 – Thailand’s strategy to target high quality tourists pays off](#)

⁴ [JLL Hotels & Hospitality Group, January 2017 – Hotel Destinations Thailand](#)

⁵ [Ministry of Tourism, Republic of Maldives, January 2017 – Tourist Arrivals by Nationality](#)

⁶ [The Guardian, March 3, 2017 – ‘We need development’: Maldives switches focus from climate threat to mass tourism](#)

⁷ [JLL, February 2017 – Hotel Destinations Indian Ocean](#)

3. All three independent directors were appointed to the board on 14 December 2006 or 17 December 2007, thus have served for more than nine years on the board. The board has disclosed that it has requested that Mr Hew and Mr Tay serve one more term of three years. Mr Tay Kah Poh, who is due for retirement by rotation at the forthcoming annual general meeting and has agreed to serve for an additional term, is up for election. Mr Tay, if re-elected at the AGM, will potentially serve for another three year term to April 2020. Mr Hew was last re-elected as Director on 4 April 2016.

i. Can the NC or the board confirm that it currently has the intention to request Mr Hew to serve one more term of three years after the current term runs out in April 2019 or would this be his last term?

- This will be Mr Hew's last term.

ii. The board has cited the need for a smooth transition as the reason to request the IDs to serve one more term. To ensure an effective and smooth transition, progressive refreshing of the board is also critical. What are the board's plans to introduce new directors to the board?

- The indicative timeline is to bring in the new director with at least six months transitioning before Mr Hew retires from the Board and Board Committees.

iii. Can shareholders understand the search and nomination process for board directors?

- *Please refer to page 40 of the Annual Report for more details on the process for the selection, appointment and re-appointment of Directors;*
- The NC will decide on the criteria for the suitability of a candidate;
- Candidates are sourced through a network of contacts and identified based on the established criteria, such as (1) age diversity, (2) gender, (3) experience and qualifications to supplement the Board's core competencies, (4) experience and qualifications as required by the Code of Corporate Governance, (5) listed company experience, independence and (6) limits to Directorship;
- Search can be made through relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations or external search consultants;
- The NC will prepare a shortlist of candidates, conduct formal and informal interviews or sessions with the shortlisted candidates to assess their suitability as a Director of the Company. The NC will deliberate and submit their recommendation to the Board by way of a NC resolution accompanied by the curriculum vitae of the chosen candidate;
- All recommended candidates for each ID position will be shortlisted by a nominee based on the criteria and submitted to the NC. Each nominating shareholder or director should submit not more than two candidates to the NC Chairman for the first round of consideration by the NC. Should no candidates be found suitable after the first round, the nominating shareholder or director can submit another two candidates for the second round and so on;

- The NC should identify from the number of candidates submitted up to three suitable appointees for interview. This could be narrowed down to two candidates after the first round of interview and to one candidate after the second round of interview. The NC could invite the Chairman of the Board as one of the interviewers as it deems warranted;
- In accordance with the Constitution of the Company, the Board will deliberate and approve the formal appointment of the new Director to hold office until the conclusion of the next AGM of the Company, by way of a board resolution. The new Director will hold office until the next AGM, and then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

11 April 2017