

Issuer: Bonvests Holdings Limited
Security: Bonvests Holdings Limited

Meeting details:

Date: 25 April 2017

Time: 14:00H

Venue: Sheraton Towers Singapore, 39 Scotts Road, Topaz Room, Level 2, Singapore 228230

Company Description

Bonvests Holdings Limited, an investment holding company, engages in the hotel ownership and management, property development and investment, and waste management and contract cleaning businesses in Singapore. The company owns and manages various commercial properties, including its flagship building, Liat Towers in Singapore; and residential properties, as well as The Residence Golf Club comprising 141 luxury villas with an 18-hole golf course covering an area of 125 hectares. It is also involved in the construction, development, purchase, sale, hiring, and operation of hotels and hotels' facilities, thermal facilities, restaurants, bars, casinos, stores, and stands, as well as a thalassotherapy center in Tunis. The company's hotels comprise The Residence by Cenizaro, a collection of luxury hotels and resorts situated in Mauritius, Maldives, Tunis, and Zanzibar; Sheraton Towers Singapore Hotel located in the Orchard Road shopping district; and Four Points by Sheraton situated in Perth. In addition, it provides waste management services, including waste disposal and contract cleaning services for commercial, industrial, and residential buildings. Further, the company engages in securities trading activities; investment in food and beverage outlets, and tourist resorts; investment in tourism related businesses; and the development and promotion of hotel trade, tourism, and watering places. Additionally, it provides public relations consultancy, and sales and marketing support services. The company was founded in 1982 and is based in Singapore. Bonvests Holdings Limited is a subsidiary of Goldvein Holdings Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B28)

Q1. In 2016, the group has monetised many of its investments and the profile of the group's investments has changed. Some of the changes include the sale of ground floor units at Yishun 10 and retail units at Tampines and Midpoint Orchard, the sale of Cordlife shares and the purchases of Four Points by Sheraton Perth hotel (October 2015) and office buildings in Perth.

- a) **Can management help shareholders understand if there has been a shift in the group's investment strategy? Is there a deliberate allocation out of Singapore real estate and into Australia and other markets such as Indonesia (Bintan) and Maldives?**
- b) **Can shareholders get an update on the group's approach to capital allocation and its investment strategy?**

Q2. The group has recognised impairment charges related to its hotel assets in the past two years. Shareholders would like to get more clarity into the reasons for the impairments. Specifically:

- a) **Bonaventure (Perth) Pty Ltd:** The impairment charge relates to the group's purchase of the Four Points by Sheraton Perth hotel for A\$91.5 million in October 2015. Having completed the purchase price allocation in May 2016, the group has recognised an impairment charge on its goodwill of \$4.2 million (out of \$8.2 million of goodwill recognised) as at the end of the financial year. **Can management elaborate further on the factors that led to the goodwill impairment of the hotel bought just 1.5 years ago?**
- b) **Impairment loss charged on leasehold land and building for the hotel located at Zanzibar Island:** Due to the persistent poor financial performance of the hotel, an impairment loss of \$10,490,000 was recognised in 2015 (page 86). In the financial year ended 31 December 2016, it was further disclosed that there is no indication that reversal of impairment loss is required as the management is of the view that there is no increase in service potential of the Hotel. **What are management's plans with regard to this under-performing asset?**
- c) **Subsidiaries:** In Note 6 (page 86 – Subsidiaries), an impairment charge of \$168,000 (2015 – \$46,594,000) has been recognised on its investments in certain subsidiaries to reflect their recoverable amounts which were based on fair value less costs of disposal. **Can management tell shareholders which were the subsidiaries (and the assets) that recognised impairment charges in 2015 and in 2016?**
- d) **Can management help shareholders understand if the company has set its investment hurdle high enough so that it is fairly compensated for taking the risks to develop luxury hotels in exotic locations such as Tunisia and Zanzibar? What expertise does the group have to distinguish itself from the competitors?**

Q3. In the Corporate Governance Statement, the profiles of the directors are shown on pages 40 and 41. Mr Tom Yee Lat Shing, Mr Yeo Wee Kiong and Mr Chew Heng Ching, having being first appointed to the board in 1991, 1997 and 1995 respectively, have served for 26 years, 20 years and 22 years respectively. Having undertaken a rigorous review of their independence, the Board considers them independent even though they each have served on the Board for more than nine years from the respective dates of their first appointment.

The nominating committee comprises Mr Tom Yee Lat Shing, Mr Yeo Wee Kiong, Mr Chew Heng Ching and Mr Henry Ngo. Guideline 2.4 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore calls for the board to "also take into account the need for progressive refreshing of the Board".

- a) **Can the board and the nominating committee help shareholders understand the plans for the progressing refreshing of the board, as per Guideline 2.4 of the Code?**
- b) **What is the search and nomination process for new board directors?**