

Issuer: Hotel Properties Limited
Security: Hotel Properties Limited

Meeting details:

Date: 26 April 2018

Time: 4.00 p.m.

Venue: Crescent Ballroom, Level 2 Four Seasons Hotel Singapore, 190 Orchard Boulevard, Singapore 248646

Company Description

Hotel Properties Limited, an investment holding company, owns, manages, and operates hotels. It operates through Hotels, Properties, and Others segments. The company owns and operates 29 hotels under the Four Seasons, Hilton International, Como Hotels, InterContinental Hotels Group, Six Senses Hotels, Hard Rock Hotels, and Concorde Hotels & Resorts brand names, as well as resorts and shopping galleries in Singapore, Malaysia, Thailand, Indonesia, Maldives, Seychelles, Vanuatu, the United States, Bhutan, Tanzania, South Africa, and Vietnam. It also engages in the rental and sale operations on residential properties and commercial units; property development and project management activities; trading of quoted investments and share dealing; card services operations; operating casinos; and provision of administrative services and information services. The company was incorporated in 1980 and is based in Singapore. Hotel Properties Limited is a subsidiary of 68 Holdings Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=H15)

Q1. For the benefit of both new and old shareholders, could the board/chairman update shareholders on the strategic direction of the group? Specifically:

- a) **Hotel segment:** With already a strong presence in Singapore and Maldives, and a growing network in London, where are the key cities/regions that management be allocating the group's capital to in the next 2-3 years? Does the company see any opportunities in key Chinese/Asian cities?
- b) **Property development segment:** With the four projects in London at various stages of completion, and with the Singapore joint-venture development projects substantially completed, what are the plans for the group to replenish its landbank and to embark on development projects that will generate shareholder value?

At the group level, has the board determined the strategic allocation of capital between the hotel and the properties segment? Has the board also evaluated the option to spin-off the income-generating asset into a more efficient vehicle, such as an investment trust?

Q2. Can the board/management provide shareholders with better clarity on the following matters? Specifically:

- a) **Investment properties:** The group's investment properties comprise commercial properties located in Singapore which amounted to \$702.4 million as at December 31, 2017. The investment properties include Concorde Shopping Centre, Forum The Shopping Mall, units at HPL House (50 Cuscaden Road) and at Ming Arcade (21 Cuscaden Road). As disclosed in Note 17 (page 64 – Investment properties), the gross rental income amounted to \$26.1 million (2016: \$25.3 million) while the direct operating expenses amounted to \$8.5 million (2016: \$9.0 million). The gross profit was \$17.6 million or a yield of 2.5%. **How are the malls and the commercial units managed? What is the targeted rental yield?** Based on the valuation of \$702 million, the investment properties generated an estimated rental yield of 2.5%, pre tax. **Given that group's cost of capital, has the board evaluated the returns from the group's holding of its investment properties?**
- b) **Completed properties:** As at 31 December 2017, the group still held 12 units at The Met (Bangkok, Thailand) and 4 units at Tomlinson Heights (Singapore) with a value of \$42.31 million. **Can management disclose its proactive marketing plans for the completed properties?** Only 2 units at The Met were sold in the last 4 years. **Are the units rented out in the meantime to generate rental income for the group?**

Q3. The Board comprises nine Directors of whom three are executive Directors, three non-executive/non-independent Directors and three non-executive/independent Directors.

As at December 31, 2017, all three independent directors, namely Mr. Arthur Tan Keng Hock, Mr. Leslie Mah Kim Loong and Mr. Michael S. Dobbs-Higginson, have served on the Board for more than nine years.

The dates of their first appointment of the independent directors are:

- Mr. Arthur Tan Keng Hock: July 5, 1996 (21 years 9 months)
- Mr. Leslie Mah Kim Loong: August 5, 1997 (20 years 8 months)
- Mr. Michael S. Dobbs-Higginson: February 3, 1993 (25 years 1 month)

The independent directors have served on the board for at least 20 years and up to 25 years.

The board has stated that, after due and careful rigorous review, it is of the view that all three independent Directors remain independent in their exercise of judgment and objectivity in Board matters.

Notwithstanding that, Guideline 2.4 of the 2012 Code of Corporate Governance calls for the board to "also take into account the need for progressive refreshing of the Board".

- a) **What are the board's near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**

- b) **What is the search and nomination process for directors, especially independent directors?**