Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hotel Properties Limited

Stock code: H15

Meeting details:
Date: 4 June 2020
Time: 4.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's statement, the group recorded a revenue of $556.4 million for the year ended 31 December 2019, a 4% decline from the previous year. The group's results were boosted by strong performance in the hotels and resorts segment, particularly those in Bali, Indonesia.

In the annual report, management highlighted its achievements in the hotel segment, including:

- Acquisition of the 198-key 5-star Weligama Bay Marriott Resort & Spa in Sri Lanka
- Opening of InterContinental Maldives Maamunagau Resort in September 2019
- Re-opening of the renovated eco-resort Gili Lankanfushi
- Six Senses Laamu winning several accolades in the eco-resort category

The group has stated that it has interests in 36 hotels under prestigious hospitality brands such as Four Seasons, Hilton International, COMO Hotels, InterContinental Hotels Group and Six Senses Hotels and it manages its own portfolio of hotels under well-established brands such as Hard Rock Hotels and Concorde Hotels & Resorts.

From Note 35 (page 89 – Segment information), it can be seen that the group has $1.75 billion of assets in the hotels segment and a further $327 million invested in equity accounted investees.

While the chairman has stated that the performance in Bali was encouraging, a shareholder would not be able to find out more information about the Bali hotel from the annual report.

On pages 91 to 95, management listed over 100 of its direct and indirect subsidiaries but there was no meaningful information on the underlying assets. In the 2016 Annual report, the group had provided a list of its hotels and properties under "Property, plant and equipment ("PPE")" including the carrying value of land and building over three pages. It had also included the group's completed properties and investment properties.

In the 2017 annual report, the individual carrying values were removed but details of the assets and the aggregate carrying values were disclosed.

Since 2018, the list of hotels and assets held as PPE has been excluded from the annual report.

(i) **Would the independent directors help shareholders understand the reasons that important and fundamental information about the group's assets have been taken out of the annual report?**

(ii) **Would the board consider how the company can improve the quality and quantity of information in the annual report to give shareholders a balanced and understandable assessment of its performance, position and prospects?** This is one of the core principles (Principle 11) in the Code of Corporate Governance 2018.

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(iii) **In particular, would management provide shareholders with the list of hotels and assets classified as PPE, clearly showing the group's effective interests and the carrying values?**

(iv) **Would management provide a breakdown of the major cost items in the consolidated income statement (page 28)?** Cost of sales and administrative expenses were $418.6 million and $69.3 million respectively but the company has not provided any further information in the notes to the financial statement.

Q2. As disclosed in Note 35(d) (page 90 – Segment information: Information by geographic regions), the group has $1.2 billion of its $2.9 billion of non-current assets in Singapore, approximately 25% in the rest of Asia and about 18% in The Maldives.

The COVID-19 pandemic has severely affected tourism in 2020, shutting hotels and grounding planes. On 13 May 2020, the company has also revised the special dividend down to 4 cents per ordinary share as a matter of prudence to have strong cash flow reserves.

(i) **Would management help shareholders understand the impact on the hotel business in the group's key markets, especially The Maldives?**

As at 31 December 2019, the group held cash and cash equivalents of $188 million. While the group had managed to generate strong operating cash flows in the past, much of the group's hotel operations has been affected by the pandemic. The group had $156.6 million in borrowings and other liabilities due within twelve months, as at 31 December 2019.

(ii) **Did management have the opportunity to evaluate the impact caused by the pandemic on the group's cash flow and liquidity?**

(iii) **Does the group see any silver lining during this challenging time?**

(iv) **Does management see opportunities to acquire prime assets at distressed valuation?**

Q3. As disclosed in the Corporate Governance report, two independent directors have served on the board for more than nine years.

Mr. Leslie Mah Kim Loong was first appointed to the board on 5 August 1997 and has served on the board for more than 22 years.

Mr. Arthur Tan Keng Hock was appointed to the board on 5 July 1996 and has served on the board for more than 23 years. At the annual general meeting scheduled to be held on 4 June 2020, Mr. Arthur Tan Keng Hock will retire and is seeking his re-election.

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Following the resignation of Mr. Michael S. Dobbs-Higginson on 1 March 2019, Mr. Wong Liang Ying was appointed to the board with effect from 28 May 2019.

(i) **Can the nominating committee ("NC") elaborate further on the board's renewal plans, including the pace of board renewal?**

(ii) **What is the NC's search and nominating process for directors, especially independent directors?**

(iii) **How does the search and nominating process support the board diversity policy?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(iv) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(v) **Would the company be early-adopting the two-tier vote for the re-election of the long tenured directors?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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