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 Royal Limited

Stock code: H12

Meeting details:
Date: 27 June 2020
Time: 2.30 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 message, the emergence of COVID-19 has darkened the outlook for the world economy. Singapore, along with many other countries, have restricted movement across its borders. It has also implemented and extended the circuit breaker which has brought the economy to a standstill, hitting hotels and the tourism sector hard.

The chairman added that, as experience suggests, a rebound will eventually come and the group must prepare well to take advantage of it.

(i) **Can management help shareholders understand the impact of the pandemic on the various hotels in the different cities?**

(ii) **Would management be providing shareholders with timely updates of material development at its hotels and in the group's operations as part of the company's continuous disclosure obligations?**

(iii) **Does the group see any silver lining during this challenging period? Has the group evaluated any suitable assets/businesses that might be available on an opportunistic basis?**

(iv) **Can management elaborate further on the chairman's point about being well prepared to take advantage of the recovery from the pandemic?**

Q2. As shown in the annual report, the group has stated that its service credo "Every Room A Home" forms the DNA of its brand promise. In his statement, the chairman had stated that the group's commitment is to "*make our hotels more like a home away from home... staff will be trained to be multi-taskers, attentive as hosts to the varied needs of guests* (page 12 of the annual report).

In the table below, a quick online check shows the ratings of the group's 6 hotels, excluding The Baba House which is scheduled for opening in 2020 after completing a major refurbishment.

Hotel	Website T	Website B
Hotel Royal	3/5	7/10
Hotel Royal @ Queens	3.5/5	7.5/10
Hotel Royal Kuala Lumpur	3.5/5	8.1/10
Hotel Royal Penang	3.5/5	7.7/10
Hotel Royal Bangkok @ Chinatown	4/5	8.4/10
Burasari Resort	4.5/5	8.7/10

(Source: online checks)

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The group's flagship hotel, Hotel Royal, receives the lowest ratings among the 6 operating hotels in the group's portfolio. For instance, it is ranked #277 out of 355 hotels in Singapore on a popular website and has a 3/5 rating by hotel guests. A common comment about Hotel Royal is that it is in need of a refurbishment and that rooms look tired.

(i) **How does management assess and evaluate the performance of each hotel in its portfolio?**

(ii) **How does management keep its rooms comfortable and welcoming while balancing the need to carry out refurbishment that can lead to higher and more sustainable room rates in the long run? In particular, would it make sense to redevelop Hotel Royal so that the layout and configuration can be optimised and its equipment and machinery upgraded to lower the operating costs?**

(iii) The group operates on a standalone basis in an industry that has consolidated into major hotel operators with multiple brands across the spectrum. **Has the group evaluated other business models which may include engaging a third-party hotel operator for its assets or expanding its hotel operations through management contracts with hotel owners?**

Q3. As noted in the corporate governance report, the board has stated that one of its primary responsibilities is to provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its strategic objectives (page 50).

The long-term strategic objectives are to drive long-term growth and value for our shareholders.

(i) **Would the board elaborate further on how it defines and measures "long-term growth" and "value for shareholders"?**

As noted in the group's financial highlight (page 8), revenue for the period has fluctuated between $57 million and $61 million, with revenue in FY2019 at the lower end ($57.7 million). Some of the other financial measures are:

- EBITDA: $19.5 million to $24.7 million; $20.7 million in 2019
- Net profit: $2.9 million to $7.7 million; $4.9 million in 2019
- Equity: $535 million in 2015 to $688 million in 2019; with $50 million contributed by shareholders
- Adjusted Net Assets Value (ANAV) per Share: $8.23 to $8.43; $8.37 in 2019
- Market capitalisation: $284 million to $339 million; $303 million at year end 2019

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(ii) **Would the board elaborate further on the group's growth strategy and its optimal growth trajectory?** For instance, revenue grew by 1% over the 5-year period.

(iii) **Has the board reviewed, and is the board satisfied, with the pace of value-creation achieved for shareholders? In what ways can shareholders crystalise and benefit from the group's value creation?**

(iv) **Given the prime assets and the human capital in the group, what guidance has the board given to management to further improve the operational and financial performance?**

^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

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^ 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)