



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: OUE Limited

Stock code: LJ3

Meeting details:

Date: 22 May 2020

Time: 2.00 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.

Q1. On 31 December 2019, the company announced that Dr Stephen Riady, who is the executive chairman of the company, will expand his existing role and become the group chief executive officer with effect from 1 January 2020. This follows the retirement of the former chief executive officer/group managing director who was in the position for more than 11 years.

The expansion of role was part of the group's succession planning strategy which included the appointment of Mr. Brian Riady as the Deputy Chief Executive Officer of OUE.

In his expanded role as executive chairman and group CEO, Dr Stephen Riady has overall responsibility for the management, organisation, operation and development of the group and all matters arising therefrom.

The typical succession planning of a large professional organisation would entail building up a strong bench and giving the pipeline of talent opportunities to prove their mettle.

In addition, Principle 3 of the Code of Corporate governance 2018 ("CG Code 2018") provides for a clear division of responsibilities between the leadership of the board and management and that no one individual has unfettered powers of decision-making.

- (i) **Can the board help shareholders understand if it had considered appointing a replacement group CEO who could then work with Dr Stephen Riady as executive chairman?** This would enable the group to benefit from the full-time attention of a CEO who would oversee the group's extensive network of assets all over the world while Dr Stephen Riady would continue in his role as the executive chairman. Doing so would also be in line with Provisions 3.1 of the CG Code 2018 that provides for the chairman and the chief executive officer to be separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.
- (ii) **For the benefit of new and long-standing shareholders, would the board clearly (re)state its strategic growth plans, including the capital allocation targets by business and by geography given that it is rebalancing its asset portfolio.**

Q2. As noted in the annual report, the group expanded into the consumer (food and lifestyle) business via its subsidiary OUE Restaurants in 2019.

- (i) **Would the board help shareholders understand if the move into the consumer business could be scaled up profitably and become a major revenue and profit contributor to the group given that the group has total assets of \$10.7 billion as at 31 December 2019?**

- (ii) **In evaluating the consumer business, what was the investment hurdle rate used by management/board in the approval process?**
- (iii) **Would management's time, energy and attention be diverted away from its core property business to a F&B sector that is highly competitive with low barriers of entry?** With the pandemic, the food and lifestyle sector is facing strong headwinds and uncertainties.

The acquisition of a 49.7% stake in Superfood Retail Limited gave the group a foothold in a network of cafes and restaurants in Singapore and Hong Kong. The consideration of \$7.5 million was approximately 6.9 times of the EBITDA and Superfood had a book value of \$3.8 million as at 31 January 2019. Dr Stephen Riady is deemed to be interested in the shares of Silver Creek, one of the vendors. The remaining 50.3% of Superfood is indirectly held by Lippo China Resources Limited.

In February 2020, the group entered the Indonesia F&B market with the purchase of a majority stake of 88.4% in Indonesian coffee chain PT Maxx Coffee Prima. The acquisition, an interested person transaction, amounted to an aggregate consideration of IDR229 billion (approximately S\$23.1 million). The net asset value of the target as at 31 December 2019 is approximately negative IDR151 billion (approximately negative S\$15.2 million) although the target was given a valuation of IDR258.5 billion by KJPP Kusnanto & Rekan using valuation methods which include the discounted cash flow method.

- (iv) **Would management help shareholders understand how it selects and evaluates its acquisition targets?**

Q3. The attendance of directors at the annual general meeting held on 30 April 2019 is shown in the table on page 94 of the annual report and reproduced below:

Directors' Attendance for Board and Board Committees Meetings and the Annual General Meeting ('AGM')

Name of Director	Number of meetings attended in FY2019				
	Board	AC	NC	RC	AGM
Dr. Stephen Riady	3	-	-	-	1
Mr. Christopher James Williams	4	-	1	1	1
Mr. Thio Gim Hock ⁽¹⁾	4	-	-	-	1
Mr. Kelvin Lo Kee Wai	4	4	1	1	-(2)
Mr. Sin Boon Ann	4	4	1	1	1
Mr. Kin Chan	4	4	-	-	-(2)
Number of meetings held in FY2019	4	4	1	1	1

Notes:

- ⁽¹⁾ Mr. Thio Gim Hock retired as Chief Executive Officer / Group Managing Director on 31 December 2019.
- ⁽²⁾ Mr. Kelvin Lo Kee Wai (who is the chairman of the Audit Committee) and Mr. Kin Chan were unable to attend the AGM in FY2019 as they were travelling for business.

(Source: company annual report)

It is disclosed that Mr. Kelvin Lo Kee Wai (who is the chairman of the audit committee) and Mr. Kin Chan were unable to attend the AGM in FY2019 as “they were travelling for business”.

- (i) **Would the directors help shareholders understand if there were any extenuating circumstances (other than normal business) that led them to be absent for the 2019 annual general meeting held on 30 April 2019?**
- (ii) **Given that the company's shareholder meeting is an important platform for directors to engage with shareholders, how can the company and the directors better coordinate the scheduling of shareholder meetings to ensure that all directors attend the AGM/EGM?**
- (iii) **Would the company ensure that all directors attend the 2020 AGM given that this would be a virtual AGM where directors and shareholders can dial in remotely and participate via the live webcast?**

^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](http://www.sias.org.sg)

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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>)