



**HOTEL
GRAND CENTRAL LIMITED**

大中酒店有限公司

(Company Registration No. 196800243H)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING, TUESDAY, 30 APRIL 2019

Questions raised by Securities Investors Association (Singapore) on 29 April 2019 and the answers given by Hotel Grand Central Limited are given below.

Q1. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) **Singapore:** Although segment revenue from Singapore increased from \$32.9 million to \$34.8 million in FY2018, segment results fell from \$7.87 million to \$5.58 million. **Can management help shareholders understand the reasons for the drop? What is the RevPAR at the two Singapore hotels?**

The drop was mainly due to the special remuneration of \$ 3 million paid to 3 directors in conjunction with the Company's 50th anniversary.

The RevPAR for the two Singapore hotels was \$101.

- (ii) **New Zealand: What are the sentiments on the ground in New Zealand following the tragic events in March? How are operations affected and how is the group providing support to the community and to its affected staff?**

The Group does not operate hotels nor have staff in Christchurch where the incident occurred. The Group's investment properties have not been affected by the incident.

- (iii) **Optimal capital structure: Has the board evaluated the optimal capital structure that can best support the group's growth plans and current asset base? What is the board's view on leverage?**

The Board has evaluated the capital structure of the Group and consider that the leverage of the Group is currently sufficient to support the Group's immediate growth plans and current asset base.

Q2. With the group's increasing net investments overseas, the group is exposed to significant currency fluctuation risks. The group's foreign currency translation loss increased from \$(13.71) million a year ago to \$(34.15) million as at the end of the reporting period.

In FY2018, a foreign exchange loss of \$5.9 million was recognised compared to a gain of \$1.4 million last year. The company has stated that this foreign exchange loss arose principally due to the translating of Australia and New Zealand dollar fixed deposits held by the company.

- (i) **For the group's net investments in foreign assets, namely in Australia and New Zealand, what is the level of natural hedging achieved?**

The natural hedging of the New Zealand assets achieved is 20%. The Group does not have Australia denominated loans.

- (ii) **Can the board elaborate further on the group's currency risk framework?**

Surplus operating cash generated from each foreign assets are placed in fixed deposits in the respective functional currencies of the foreign assets pending re-investment in future investments.

Foreign exchange movements will result in unrealized foreign exchange gains or losses on foreign currency fixed deposits held by the Company to the Group's Income Statement.

Unrealized foreign exchange gains or losses on Net Overseas Investments are not recognized in the Group's Income Statement but reflected in the Group's Comprehensive Income under the Equity Statement.

- (iii) **Would the board help shareholders understand the rationale of holding on the AUD and NZD fixed deposits? Would that negate the hedging effects of the natural hedge?**

Surplus cash in AUD and NZD are held in fixed deposits in their original functional currencies pending future foreign investments. The Board views that the potential risks and costs of actively hedging foreign currencies outweigh the benefits of the hedge.

- (iv) **As the group scales up its investments overseas, would the board/audit committee consider it timely to review its foreign currency risks?** By not actively hedging its currency exposure, the board has in fact taken a view on the currency trends too.

The Board/audit committee recognizes the Group's foreign currency risks and will review the risks periodically.

Q3. At the company's annual general meeting scheduled to be held on 30 April 2019, Mr. Fang Swee Peng is retiring by rotation pursuant to Regulation 101 of the Company's Constitution and is seeking his re-election.

Mr Fang Swee Peng was appointed to the board on 8 April 2000. Accordingly, Mr Fang has served on the board for more than 19 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, 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.

- (i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) **Can the nominating committee (NC) elaborate further on the succession plans for the board and other key management positions?**
- (iii) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iv) **What is the appropriate balance and diversity of skills, experience, gender and knowledge of the company to be achieved on the board?**
- (v) **With the appointments of Mr Lim Thian Loong and Mr Hui Chiu Fung, what are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

Answer:

- While the Code of Corporate Governance 2018 ("2018 Code") that was issued on 6 August 2018 applies to annual report of listed issuer for the financial year ending 31 December 2019 and onwards, the Company is already committed to comply with certain provisions of the 2018 Code
 - In line with Practice Guidance 2 of the 2018 Code wherein a director is deemed to be non-independent if he is or has been directly associated with a substantial shareholder of the company, in the current and immediate past financial year, Mr. Chng Beng Siong, the previous Independent Director whose father is a substantial shareholder, stepped down as a member of the Board on 25 March 2019. The Board closely embrace the tenets of good corporate governance.
 - Independent directors made up 50% of the total number of Board members.
- Pertaining to Mr. Fang Swee Peng who has been on the board for more than nine years, the NC took into consideration Guideline 2.4 and conducted a rigorous review of his contributions to the Board and determine if he has maintained the status of independence as defined by Practice Guidance 2, Mr. Fang Swee Peng abstained from the assessment of himself.

The NC recognizes that Mr. Fang, over time has developed deep insight into the Group's businesses and operations. It acknowledges that he expresses his individual view points and objectively debated issues presented by management and that he continues to provide impartial and autonomous judgment in the discharge of his responsibilities as director of the Company. The NC is satisfied that Mr. Fang Swee Peng had remained independent in his judgment and continued to discharge his duties objectively. The Board concurred with the opinion of the NC.

To be able to retain the services of the directors as necessary, the Board therefore did not set a fixed term of office for each of its independent directors.

Board renewal, competency matrix, diversity of skill, experience, gender

The Board acknowledges that renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the Group's business. The Board seeks to refresh its membership progressively and in an orderly manner. In this regard, Board succession planning is carried out through the annual review by the NC of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign.

In undertaking its duty of reviewing and making appointment recommendations to the Board, the NC evaluates the Board's competencies on a long-term basis and identifies competencies which may be further strengthened in the long-term. Board succession planning takes into account the need to maintain flexibility to effectively address succession planning and to ensure that the Company continues to attract and retain highly qualified individuals to serve on the Board.

Candidates for appointment to the Board are considered and assessed by the NC against a range of criteria including the candidates' demonstrated business sense and judgement, skills and expertise, and market and industry knowledge (and may include elements such as financial, sustainability or other specific competency, geographical representation and business background). The NC uses such skills matrix to determine the skills gaps of the Board.

The NC and the Board also considers diversity factors such as age, educational, business and professional background of its members in determining the optimal composition of the Board in its Board renewal process. Female representation is also considered an important aspect of diversity. The current Board comprises 8 members who are corporate and business leaders, and are professionals with varied background, expertise and experience including in finance, banking, real estate, accounting and general management. The current Board has one female member.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Hotel%20Grand%20Central%20Ltd&cid=6703,4645>

The company's response could be found here: -----