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Issuer: Hotel Grand Central Limited

Stock code: H18

Meeting details:

Date: 29 Apr 2024

Time: 11.30 a.m.

Venue: Hotel Chancellor @ Orchard, Function Room, Level 2, 28 Cavenagh Road, Singapore 229635

Q1. Revenue for the financial year increased by 3.9% to \$149.1 million and the group achieved a profit before tax of \$24.3 million. In the key markets of Australia, Singapore and New Zealand, room rates and/or occupancy were mostly stronger.

- (i) Can management update shareholders on whether hotel operations have returned to, or surpassed, pre-COVID levels?**
- (ii) What operational changes have been implemented in recent years, particularly those aimed at enhancing efficiency?**
- (iii) What factors contributed to the weaker results of the Singapore and Australia operating segments in 2023 compared to 2022?**
- (iv) With the Australia hotels contributing over 60% of the group's hotel revenue, are there plans to balance out the group's geographical exposure?**
- (v) How often does the board assess hotel performance, and under what circumstances would the board consider selling a property? Are there any hotels in the portfolio that have reached a mature stage, where further growth potential is limited and could be considered optimal candidates for asset recycling?**

Q2. In February 2021, the group announced the development of a new 12-story hotel in Auckland Central, offering 191 guestrooms and suites for business and leisure travellers. In the 2022 annual report, management updated that the completion was delayed to the third quarter of 2023 due to COVID-19 restrictions.

In the 2023 annual report, shareholders were updated again that delays in the supply chain from local and foreign imports would result in the completion happening only in June 2024.

A soft opening is expected in early August 2024, barring unforeseen circumstances.

- (i) **What specific measures did the board/management put in place to ensure that the project progresses according to schedule?**
- (ii) **Have the costs of developing the project exceeded initial budgets?**
- (iii) **What is the total amount invested so far in the new hotel and how much more will be needed to furnish the hotel for its opening?**
- (iv) **Are there challenges in sourcing and hiring sufficient staff, with adequate hospitality experience, to hit the ground running when the hotel opens?**
- (v) **Is management leveraging social media platforms to market the new property, with the goal of rapidly increasing the occupancy rates?**

Q3. As shown in Note 30 (Capital management; page 93), the group is in a net cash position of \$151.65 million.

At the end of the financial year, total assets stood at \$1.56 billion (compared to \$1.55 billion in 2022), with net asset per share at \$1.79, declining slightly from \$1.83 per share as at 31 December 2022.

- (i) **Has the board evaluated the optimal capital structure to support the group’s growth strategy and enhance shareholder value?**
- (ii) **What are the major projected capital outlays or investments, other than the Auckland hotel?**
- (iii) **Would it be reasonable to assume that the group is overcapitalised given the scale of its current operations?**

Despite the strong financial position, the shares of the company trade below \$0.78 per share. Based on SGX StockFacts (see diagram below), the company trades at a price-to-book value of less than 0.45 and has a market capitalisation of approximately \$575 million.

Hotel Grand (H18/HGCS.SI) ▼ 0.775 -0.005 (-0.641%)

Industry: Cyclical Consumer Services, Hotels, Motels & Cruise Lines

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

Cum Dividend/ Distribution



(Source: <https://investors.sgx.com/securities/stocks?security=H18>)

In recent years, stock exchanges and regulators, including Tokyo Stock Exchange and Korea’s Financial Services Commission, have started to recognise that “corporate values” of listed companies have to improve and that the main driver in enhancing corporate value is the listed company itself.

Efforts have been targeted at companies that trade below a price-to-book ratio of below 1 and they have started to ask companies to set up and disclose valuation boosting plans. The initiative focusses on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies¹.

- (i) **Beyond attributing share price fluctuations solely to external factors, has the board considered formulating, disclosing and implementing strategic initiatives aimed at enhancing capital efficiency and bolstering corporate valuation, thereby crystallising value for all shareholders?**

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

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