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: 30 April 2022
Time: 2.30 p.m.

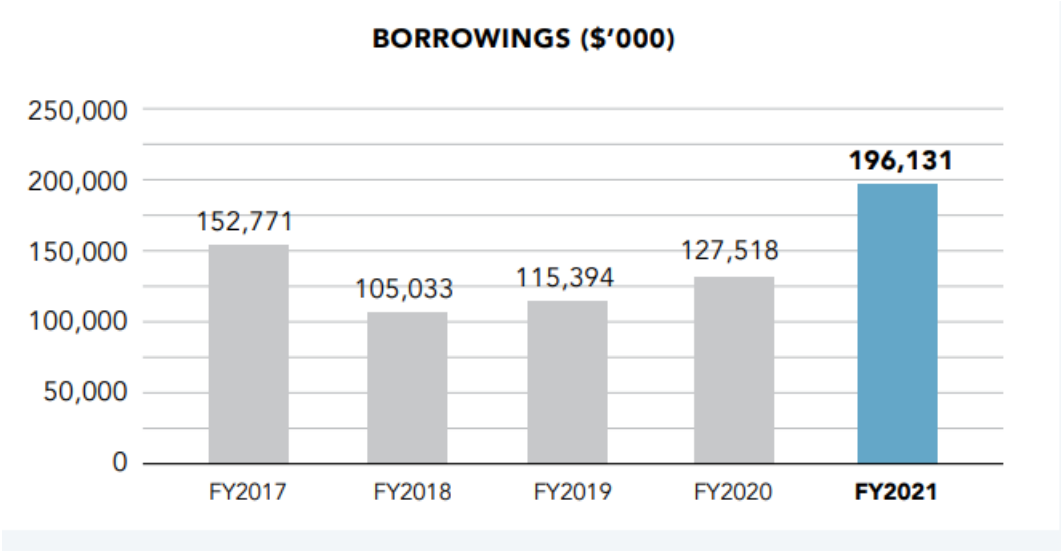
Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens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

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Q1. As noted in the chairman's statement, the group announced the cessation of operations of Hotel Royal Penang and the divestment of its unit in Maxwell House in a collective sale which netted the group $9.9 million in gains.

(i) **What are the plans for the now-closed Hotel Royal Penang?**

From FY2019 and FY2021, the group's borrowings increased from new loan drawdowns for the acquisition of Hotel Royal Bukit Bintang, the redevelopment of Baba House and upgrading of Grand Complex in New Zealand.



(Source: company annual report)

Following the sale of the group's unit in Maxwell house, the group still owns Metro Residences, units in Kapo Factory Building and Tong Lee Building, Penang Plaza and Grand Complex Properties in New Zealand. Property rental income was $7.6 million (2020: $8.2 million) while the direct operating expenses (including repairs and maintenance) arising from the rental-generating properties amounted to $6.3 million (2020: $6.1 million).

(ii) **What are the occupancy rates of the investment properties? How has the pandemic impacted the occupancy rates?**

(iii) **Given the high operating expenses relative to rental income, has the board reviewed the returns achieved by the group and come up with plans to reduce direct operating expenses?**

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The investment properties are carried at cost less depreciation of $109.8 million. A list of the investment properties can be found on page 21 of the annual report.

(iv) **Is there any intention of the board to review its investment properties with a view to monetise some of its assets, especially the mature/ underperforming assets, to unlock the value in these assets, reduce gearing and return the excess capital to shareholders?**

Q2. Management is hopeful that the group's new assets, such as Baba House in Melaka and the Hotel Royal Bukit Bintang, can capture the expected rebound in tourism in the region's recovery story.

It has also embarked on a 5-Year Roadmap to future-ready our products, services and workforce. These initiatives include innovative offerings, more extensive adoption of technology and upskilling of its staff. In particular, the group will be looking into and implementing new features towards a smart hotel environment, enhancing the Live-Work-Play concept, enhanced digital presence, flexible booking choices and more initiatives to protect the environment.

(i) **Can management help shareholders to better understand the positioning of its hotels under its new roadmap? Will the group be applying the "Every Room a Home" brand promise to all its hotels in the portfolio?**

(ii) **Can management also confirm that the opening of the Baba House has been delayed by more than 2 years? Is the refurbishment of the Baba House still within the initial budget?**

(iii) **How is the group carrying out its promotion and marketing to capture the demand for hotel rooms? How successful is the group's digital/online strategy?** Large, international hotel chains have built up loyal customers with their hotel loyalty programme. **What segment will the group be targeting?**

(iv) Capital expenditure in FY2021 increased significantly to $74.3 million, from an average of $11.5 million between 2017 and 2020. **For shareholders' benefit, can management provide a breakdown of the capital expenditure by hotel/asset? What are the ROI/projected returns based on which the board approved the group's investments?**

(v) In addition, the group has committed significant amounts of capital to the Malaysian market since the acquisition of The Baba House in 2015. **What is management's assessment of the attractiveness of the Malaysian hospitality market for the long term?**

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Q3. As noted in the corporate governance report, the company's internal audit function ("IA") has been outsourced to a professional firm, Philip Liew & Co. who is independent of the company's business activities.

The IA is staffed with persons of relevant qualifications and experience, carry out the internal audit taking guidance from the International Standards for the Professional Practice of Internal auditing set by The Institute of Internal Auditors, and report directly to the audit & risk committee (ARC) on internal audit matters. The ARC has reviewed and is satisfied with the independence, adequacy and effectiveness of the company's internal audit function.

The ARC is also satisfied that the IA is adequately resourced and has the appropriate standing within the group. The IA report directly to the ARC.

(i) **What was the scope of the internal audit in 2021?**

(ii) **How long is the internal audit cycle?**

(iii) **Can the ARC confirm that the (foreign) subsidiaries in Malaysia, New Zealand and Thailand were all included in the internal audit?**

(iv) **How were the scope and the effectiveness of the IA affected in the past two years, especially by the closure of national borders?**

(v) **For the benefit of shareholders, would management disclose the key findings and the recommendations of the IA?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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measures to comply with the safe management measures imposed by the Singapore Government.

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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