



## HOTEL PROPERTIES LIMITED

(Company Reg. No. 198000348Z)  
(Incorporated in the Republic of Singapore)

### Directors

Arthur Tan Keng Hock (Non-Executive Chairman and Independent Director)  
Ong Beng Seng (Managing Director)  
Christopher Lim Tien Lock (Group Executive Director)  
Michael S. Dobbs-Higginson (Non-Executive and Independent Director)  
Leslie Mah Kim Loong (Non-Executive and Independent Director)  
David Fu Kuo Chen (Non-Executive and Non-Independent Director)  
Stephen Lau Buong Lik (Executive Director)  
William Fu Wei Cheng (Non-Executive and Non-Independent Director)

### Registered Office

50 Cuscaden Road  
#08-01 HPL House  
Singapore 249724

5 June 2014

To: The Shareholders of Hotel Properties Limited

Dear Sir/Madam

### THE SECOND REVISED MANDATORY CONDITIONAL CASH OFFER BY SCB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

#### 1. BACKGROUND

##### 1.1 Offer Announcement and Offer Document

On 14 April 2014, Standard Chartered Bank (**SCB**) announced, for and on behalf of 68 Holdings Pte. Ltd. (**Offeror**), that the Offeror intends to make a mandatory conditional cash offer (**Offer**) to acquire all the ordinary shares (**HPL Shares**) in the capital of Hotel Properties Limited (**Company** or **HPL**) not already owned, controlled or agreed to be acquired by the Offeror, at S\$3.50 in cash (**Original Offer Price**) for each Offer Share.

Shareholders should have by now received a copy of the offer document (**Offer Document**) despatched by the Offeror on 5 May 2014, setting out, *inter alia*, the terms and conditions of the Offer.

##### 1.2 First Revision of the Offer

On 14 May 2014, SCB announced, for and on behalf of the Offeror, *inter alia*, the revision of the Original Offer Price to S\$4.00 in cash (**First Revised Offer Price**) for each Offer Share (**First Revision Announcement**).

Shareholders should have by now received a copy of the written notification from the Offeror in respect of the revisions set out in the First Revision Announcement.

##### 1.3 Offeree Circular

Shareholders should have by now received a copy of the circular dated 19 May 2014 (**Circular**) issued by the Company in relation to the Offer as revised pursuant to the First Revision Announcement.

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## LETTER TO SHAREHOLDERS

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### 1.4 Second Revision of the Offer

On 27 May 2014, SCB, for and on behalf of the Offeror, released an announcement (**Second Revision Announcement**) relating to further revisions to the Offer. According to the Second Revision Announcement, the Offer Price will be further revised (**Second Revised Offer**) to S\$4.05 in cash (**Second Revised Offer Price**) for each Offer Share.

A copy of the Second Revision Announcement is available on SGXNET.

Shareholders should have by now received a copy of the written notification (**Second Revision Notification**) issued by SCB, for and on behalf of the Offeror, in respect of the Second Revised Offer.

**Shareholders are advised to read the revised terms and conditions relating to the Second Revised Offer set out in the Second Revision Announcement and the Second Revision Notification carefully.**

**This supplemental letter (*Supplemental Letter*) is important as it contains the recommendation of the Directors of the Company who are considered independent for the purpose of the Second Revised Offer (*Independent Directors*) and the advice of CIMB Bank Berhad, Singapore Branch (*CIMB or IFA*) to the Independent Directors in relation to the Second Revised Offer. This Supplemental Letter requires the immediate attention of the shareholders of the Company (*Shareholders*) and Shareholders should read it carefully.**

### 1.5 Offer declared unconditional in all respects

On 30 May 2014, SCB announced, for and on behalf of the Offeror, *inter alia*, that the Offer has become unconditional in all respects on 30 May 2014 (**Unconditional Announcement**).

A copy of the Unconditional Announcement is available on SGXNET.

### 1.6 Definitions

Unless otherwise stated, all terms and expressions used in this Supplemental Letter shall have the meanings given to them in the Circular. References to the **Latest Practicable Date** in this Supplemental Letter are to 30 May 2014.

### 1.7 Purpose of this Supplemental Letter

The purpose of this Supplemental Letter is to provide Shareholders with relevant information relating to the Second Revised Offer and to set out the recommendation of the Independent Directors (**Recommendation on the Second Revised Offer**) and the advice of CIMB to the Independent Directors in relation to the Second Revised Offer.

Shareholders should carefully consider the recommendation of the Independent Directors and the advice of CIMB to the Independent Directors set out in this Supplemental Letter before deciding whether or not to accept the Second Revised Offer.

**If you are in any doubt in relation to this Supplemental Letter or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.**

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Supplemental Letter.

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## LETTER TO SHAREHOLDERS

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### 2. THE SECOND REVISED OFFER

The Offeror has offered to acquire the Offer Shares on the terms and subject to the conditions set out in the Second Revision Announcement, the Offer Document, the FAA and/or the FAT. The principal terms and conditions of the Second Revised Offer are set out below.

#### 2.1 Revision of Offer Price

As stated in the Second Revision Announcement, the Offer Price will be revised as follows:

For each Offer Share: **S\$4.05 in cash**, being the Second Revised Offer Price.

According to the Second Revision Announcement, **the Offeror does not intend to further revise the Second Revised Offer Price**. Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently increase the Second Revised Offer Price in any way.

**However, the Offeror has noted in the Second Revision Announcement that it reserves the right to set aside the no price increase statement and revise the terms of the Second Revised Offer if a competing offer for HPL is announced or if any other competitive situation in relation to HPL arises, after the date of the Second Revision Announcement, in which case the Offeror shall comply with the provisions of Note 2 to Rule 20.2 of the Code.**

#### 2.2 Adjustments for Distributions

As stated in the Second Revision Announcement, the Offeror will not be deducting the FY2013 Dividends from the Second Revised Offer Price and Shareholders will retain the benefit of the FY2013 Dividends to be paid by HPL to entitled Shareholders.

If any Distribution (other than the FY2013 Dividends) is declared, paid or made by HPL on or after the date of the First Revision Announcement and the Offeror is not entitled to receive and retain such Distribution in full in respect of any Offer Share tendered in acceptance of the Second Revised Offer, the Offeror reserves the right to reduce the Second Revised Offer Price payable in respect of such Offer Share by the amount of such Distribution.

#### 2.3 Extension of Closing Date

According to the Unconditional Announcement, the Closing Date of the Offer will be extended from 5.30 p.m. (Singapore time) on 12 June 2014 to **5.30 p.m. (Singapore time) on 26 June 2014**.

#### 2.4 Final Closing Date

It is stated in the Unconditional Announcement that the Offeror does not intend to extend the Offer beyond 5.30 p.m. (Singapore time) on 26 June 2014 and that **the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on 26 June 2014**.

#### 2.5 Other terms

According to the Unconditional Announcement, all other terms of the Offer set out in the Offer Document, the First Revision Announcement and the Second Revision Announcement remain unchanged.

### 3. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

#### 3.1 IFA

Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in relation to the Second Revised Offer dated 5 June 2014 (**Supplemental IFA Letter**) and the Recommendation on the Second Revised Offer before deciding on whether to accept or reject the Second Revised Offer. The Supplemental IFA Letter is reproduced in Appendix 1 to this Supplemental Letter.

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## LETTER TO SHAREHOLDERS

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### 3.2 Evaluation of the Second Revised Offer by the IFA

The summary of the IFA's analysis of its evaluation and assessment of the financial terms of the Second Revised Offer has been extracted from section 8 of the Supplemental IFA Letter and is reproduced in *italics* below. Unless otherwise defined or the context otherwise requires, all capitalised terms in the extract below shall have the same meaning as defined in the Supplemental IFA Letter.

#### **"8. SUMMARY OF ANALYSIS**

*In arriving at our advice to the Independent Directors on the Second Revised Offer, we have considered, inter alia, the following factors which should be read in the context of the full text of this letter:*

- (i) The Group's recent historical financial performance;*
- (ii) During the 3-year period leading up to the Offer Announcement Date, trading in the HPL Shares occurred on approximately 98.5% of all market days;*
- (iii) The average daily trading volume has generally declined in recent years from a 3-year average daily trading volume of 229,526 HPL Shares, representing approximately 0.21% of the Company's free float, to a volume of about 97,429 HPL Shares over the more recent 1-month period prior to the Offer Announcement Date, representing approximately 0.09% of the Company's free float;*
- (iv) For the 3-year period leading up to the Offer Announcement Date, the HPL Shares generally traded on an upward trend, from a VWAP of S\$2.648 for the 3-year period prior to the Offer Announcement Date to S\$3.027 for the 1-month period prior to the Offer Announcement Date, but have not traded at or above the Second Revised Offer Price in the 3-year period leading up to the Offer Announcement Date;*
- (v) Over the more recent 1-year period, the Second Revised Offer Price represents a premia of approximately 27.96% to 35.09% to the VWAP range of S\$2.998 to S\$3.165 per HPL Share for the 1-month, 3-month, 6-month and 1-year periods prior to the Offer Announcement Date, and a premium of approximately 29.39% over the closing price of the HPL Shares of S\$3.130 on 11 April 2014, the last traded market day prior to the Offer Announcement Date;*
- (vi) The Second Revised Offer Price is at the closing price of the HPL Shares of S\$4.050 on 26 May 2014, the last traded market day prior to the date of the Second Revision Announcement, and also at the closing price of the HPL Shares of S\$4.050 on the Latest Practicable Date;*
- (vii) The general performance of the FSSTI and the FSTREH since 14 April 2011;*
- (viii) The Second Revised Offer Price represents a premium of approximately 31.7% to the Adjusted NAV per HPL Share of S\$3.08 as at 31 March 2014;*
- (ix) The Second Revised Offer Price represents a discount of approximately 19.1% to the RNAV per Share of S\$5.01 as at 31 March 2014 on an as-is valuation basis and a discount of approximately 22.5% to the RNAV per Share of S\$5.23 as at 31 March 2014 on a GDV Valuation Basis;*
- (x) Over the 3-year period prior to the Offer Announcement Date, the HPL Shares have traded from a discount of 38.52% to a premium of 19.97% to the trailing NAV per HPL Share;*

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- (xi) *The premium implied by the Second Revised Offer Price to the Adjusted Announced NAV per HPL Share as at 31 March 2014 of approximately 29.17% is higher than the highest average premia to NAV per HPL Share for the 1, 3, 6, 12, 24 and 36-month periods prior to the Offer Announcement Date;*
- (xii) *The P/RNAV (both on an as-is valuation basis and GDV Valuation Basis), P/NAV, and EV/EBITDA multiples of the Company implied by the Second Revised Offer Price are above the range of the multiples of the Comparable Companies;*
- (xiii) *The P/E multiple of the Company implied by the Second Revised Offer Price is within the range of the multiples of the Comparable Companies and above the corresponding mean and median multiples of the Comparable Companies;*
- (xiv) *The market price premia implied by the Second Revised Offer Price is higher than the corresponding mean and median premia of the last transacted price, 1-month VWAP and 3-month VWAP of the Comparable Precedent Transactions;*
- (xv) *The P/NAV and P/RNAV (both on an as-is valuation basis and GDV Valuation Basis) multiples of the Company implied by the Second Revised Offer Price are higher than the corresponding mean and median multiples of the Comparable Precedent Transactions;*
- (xvi) *The market price premia implied by the Second Revised Offer Price is higher than the corresponding mean and median premia of the last transacted price, 1-month VWAP and 3-month VWAP of the Precedent Takeovers;*
- (xvii) *The Company has a consistent record of paying dividends. The net dividend yield of the HPL Shares implied by the Second Revised Offer Price is lower than the range of the dividend yields of Comparable Companies (save for OUE) that have paid out dividends for their respective last financial year and lower than the dividend yield of the STI ETF and the mean and median dividend yields of the Comparable Companies;*
- (xviii) *The rationale for the Offer and intention of the Offeror in relation to the listing status of HPL;*
- (xix) *The Offer does not change the management control of the Company and as at the Latest Practicable Date, as the Offer has become unconditional in all respects, the Offeror has statutory control of the Company; and*
- (xx) *The Offeror does not intend to make major changes to the Group's business.*

***Based upon, and having considered, inter alia, the factors described above and the information that has been made available to us at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Second Revised Offer Price is on balance, fair and reasonable under current prevailing market, economic, industry, monetary and other relevant conditions.***

**Shareholders should read and consider carefully the factors taken into consideration by the IFA in arriving at its advice, and in conjunction with, and in the context of the full text of the Supplemental IFA Letter.**

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## LETTER TO SHAREHOLDERS

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### 3.3 Advice of the IFA to the Independent Directors on the Second Revised Offer

The advice of the IFA to the Independent Directors in relation to the Second Revised Offer is set out in section 9 of the Supplemental IFA Letter and has been extracted and reproduced in *italics* below. It should be considered and read in conjunction with, and in the context of, the full text of the Supplemental IFA Letter. Unless otherwise defined or the context otherwise requires, all capitalised terms in the extract below shall have the same meaning as defined in the Supplemental IFA Letter.

#### **“9. CIMB’S ADVICE ON THE SECOND REVISED OFFER**

*After carefully considering all available information and based on our assessment of the financial terms of the Second Revised Offer, we advise the Independent Directors to make the following recommendations to Shareholders in relation to the Second Revised Offer:*

*Shareholders who wish to take this opportunity to realise their investments in the Company in the near term and/or who are not prepared to accept the uncertainties facing the future prospects of the Company may wish to ACCEPT the Second Revised Offer or sell their HPL Shares in the open market if they can obtain a price higher than the Second Revised Offer Price (after deducting all related expenses).*

*Shareholders who are confident and optimistic about their equity investments in the Company and the prospects of the Company under the control of the Offeror may wish to REJECT the Second Revised Offer. Shareholders who do not wish to accept the Second Revised Offer should be aware that they will be subject to the general risks associated with share investments, including but not limited to fluctuations in the price and trading liquidity of the HPL Shares. Shareholders should also note that in the 3-year period leading up to the Offer Announcement Date, the HPL Shares have not traded at or above the Second Revised Offer Price and it is likely that the market price of the HPL Shares as at the Latest Practicable Date is highly influenced by the Second Revised Offer and may not be maintained at such levels after the close of the Second Revised Offer.*

*We would advise the Independent Directors to caution the Shareholders that they should not rely on our advice to the Independent Directors as the sole basis for deciding whether or not to accept the Second Revised Offer.*

*In rendering the above advice, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Shareholders should note that the opinion and advice of CIMB should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Second Revised Offer.”*

## **4. RECOMMENDATION OF THE INDEPENDENT DIRECTORS**

### **4.1 Exemptions in relation to Directors’ Recommendation**

Arthur Tan Keng Hock, Michael S. Dobbs-Higginson and Leslie Mah Kim Loong are considered independent for the purpose of making the Recommendation on the Second Revised Offer.

The SIC, in its letter dated 8 May 2014, confirmed that Ong Beng Seng, David Fu Kuo Chen, William Fu Wei Cheng, Christopher Lim Tien Lock and Stephen Lau Buong Lik (**Excluded Directors**) are exempted from joining in making the recommendation on the Offer, in view of the matters referred to in paragraph 10.1 of the letter to Shareholders in the Circular. The Excluded Directors must, nonetheless, still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

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## LETTER TO SHAREHOLDERS

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### 4.2 Independent Directors' Recommendation on the Second Revised Offer

The Independent Directors, having considered carefully, amongst other things, the terms of the Second Revised Offer and the advice given by the IFA in the Supplemental IFA Letter, concur with the advice of the IFA in relation to the Second Revised Offer and accordingly, recommend as follows:

- (a) Shareholders who wish to take this opportunity to realise their investments in the Company in the near term and/or who are not prepared to accept the uncertainties facing the future prospects of the Company may wish to **ACCEPT** the Second Revised Offer or sell their HPL Shares in the open market if they can obtain a price higher than the Second Revised Offer Price (after deducting all related expenses).
- (b) Shareholders who are confident and optimistic about their equity investments in the Company and the prospects of the Company under the control of the Offeror may wish to **REJECT** the Second Revised Offer. Shareholders who do not wish to accept the Second Revised Offer should be aware that they will be subject to the general risks associated with share investments, including but not limited to fluctuations in the price and trading liquidity of the HPL Shares. Shareholders should also note that in the 3-year period leading up to the Offer Announcement Date, the HPL Shares have not traded at or above the Second Revised Offer Price and it is likely that the market price of the HPL Shares as at the Latest Practicable Date is highly influenced by the Second Revised Offer and may not be maintained at such levels after the close of the Second Revised Offer.

**SHAREHOLDERS ARE ADVISED TO READ THE SUPPLEMENTAL IFA LETTER SET OUT IN APPENDIX 1 TO THIS SUPPLEMENTAL LETTER CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE SECOND REVISED OFFER. SHAREHOLDERS SHOULD NOTE THAT THE IFA'S ADVICE SHOULD NOT BE RELIED UPON BY ANY SHAREHOLDER AS THE SOLE BASIS FOR DECIDING WHETHER OR NOT TO ACCEPT THE SECOND REVISED OFFER.**

In making their recommendation, the IFA and the Independent Directors have not had regard to the specific investment objectives, financial situation, tax position, or particular needs and constraints of any individual Shareholder. **As each Shareholder would have different investment objectives and profiles, any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

## 5. ACTION TO BE TAKEN BY SHAREHOLDERS

### 5.1 Shareholders who WISH TO ACCEPT the Second Revised Offer

Shareholders who wish to accept the Second Revised Offer must do so no later than 5.30 p.m. (Singapore time) on 26 June 2014 and should refer to the "Procedures for Acceptance" set out in Appendix 2 to the Offer Document.

### 5.2 Shareholders who DO NOT WISH TO ACCEPT the Second Revised Offer

Shareholders who do not wish to accept the Second Revised Offer need not take any further action in respect of the Offer Document and the Forms which have been sent to them.

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## LETTER TO SHAREHOLDERS

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### 6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of this Supplemental Letter) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Supplemental Letter (other than in the Supplemental IFA Letter for which the IFA has taken responsibility) are fair and accurate and that there are no other material facts the omission of which would make any such statement misleading. The Directors jointly and severally accept full responsibility accordingly.

In respect of the Supplemental IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

The Recommendation on the Second Revised Offer set out in paragraph 4 of this letter to Shareholders is the sole responsibility of the Independent Directors.

Where any information has been extracted or reproduced from the Offer Document, the Second Revision Announcement, the Unconditional Announcement or from published or publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Supplemental Letter.

Yours faithfully  
For and on behalf of  
The Board of Directors of  
**HOTEL PROPERTIES LIMITED**

Arthur Tan Keng Hock  
Chairman



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**APPENDIX 1: LETTER FROM CIMB TO THE INDEPENDENT DIRECTORS OF  
HOTEL PROPERTIES LIMITED**

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**LETTER FROM CIMB TO THE INDEPENDENT DIRECTORS  
IN RESPECT OF THE SECOND REVISED OFFER**

**CIMB BANK BERHAD** (13491-P)  
Singapore Branch  
(Incorporated in Malaysia)

50 Raffles Place #09-01  
Singapore Land Tower  
Singapore 048623

5 June 2014

To: **The Independent Directors**  
**Hotel Properties Limited**  
50 Cuscaden Road  
#08-01 HPL House  
Singapore 249724

Dear Sirs,

**THE SECOND REVISED MANDATORY CONDITIONAL CASH OFFER FOR ALL THE ORDINARY  
SHARES IN THE CAPITAL OF HOTEL PROPERTIES LIMITED NOT ALREADY OWNED,  
CONTROLLED OR AGREED TO BE ACQUIRED BY 68 HOLDINGS PTE. LTD.**

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**1. INTRODUCTION**

On 14 April 2014 (the “**Offer Announcement Date**”), Standard Chartered Bank (“**SCB**”) announced, for and on behalf of 68 Holdings Pte. Ltd. (the “**Offeror**”), that:

- (i) the Offeror had on the same day agreed to purchase an aggregate of 213,980,130 ordinary shares in the capital of the Company (the “**HPL Shares**”) (the “**Sale Shares**”), representing approximately 41.46 per cent. of the HPL Shares in issue, at S\$3.50 for each Sale Share from the following persons:
  - (a) 3,300,000 HPL Shares representing approximately 0.64 per cent. of the HPL Shares in issue from OBS and 90,866,780 HPL Shares representing approximately 17.61 per cent. of the HPL Shares in issue from Reef Holdings Pte. Ltd. and Como Holdings Inc., being companies controlled by OBS;
  - (b) 1,650,000 HPL Shares, representing approximately 0.32 per cent. of the HPL Shares in issue, from Ms Fu Christina (Mrs Christina Ong), the spouse of OBS;
  - (c) 102,948,000 HPL Shares, representing approximately 19.95 per cent. of the HPL Shares in issue, from Nassim Developments;
  - (d) 14,809,800 HPL Shares, representing approximately 2.87 per cent. of the HPL Shares in issue, from DB; and
  - (e) 405,550 HPL Shares, representing approximately 0.08 per cent. of the HPL Shares in issue, from Ms Tan Quee Heong (Mrs Pat Ban), the spouse of DB; and

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- (ii) in accordance with Rule 14.1(a) of the Code, the Offeror is making a mandatory conditional cash offer for all the HPL Shares not already owned, controlled or agreed to be acquired by the Offeror, at the Original Offer Price.

On 14 May 2014, SCB announced, for and on behalf of the Offeror, that the Offeror has on 14 May 2014 agreed to acquire 17,109,000 HPL Shares, representing approximately 3.31 per cent. of the HPL Shares, at the price of S\$4.00 for each HPL Share. In accordance with Rule 14.3 of the Code, the Original Offer Price has been revised to S\$4.00 in cash (the **"First Revised Offer Price"**) for each Offer Share (**"First Revision Announcement"**).

On 27 May 2014, SCB announced, for and on behalf of the Offeror, that the Offeror has on 27 May 2014 agreed to acquire 6,696,600 HPL Shares, representing approximately 1.29 per cent. of the HPL Shares, at the price of S\$4.05 for each HPL Share. In accordance with Rule 14.3 of the Code, the First Revised Offer Price has been revised (**"Second Revised Offer"**) to S\$4.05 in cash (the **"Second Revised Offer Price"**) for each Offer Share (**"Second Revision Announcement"**).

On 30 May 2014, SCB announced, for and on behalf of the Offeror, that the Offer has become unconditional in all respects on 30 May 2014 (**"Unconditional Announcement"**).

In connection with the Second Revised Offer, CIMB Bank Berhad, Singapore Branch (**"CIMB"**) has been appointed as the independent financial adviser to advise the directors of the Company who are considered independent for the purpose of making the recommendation to the Shareholders (the **"Independent Directors"**).

This letter sets out, *inter alia*, our evaluation of the financial terms of the Second Revised Offer and our advice thereon. It forms part of the supplemental letter to Shareholders dated 5 June 2014 issued by the Company setting out, *inter alia*, details of the Second Revised Offer and the recommendations of the Independent Directors in respect thereof (the **"Supplemental Letter"**).

Unless otherwise defined or the context otherwise requires, all terms defined in the Supplemental Letter, the written notification issued by SCB for and on behalf of the Offeror in respect of the Second Revised Offer (**"Second Revision Notification"**), the circular to Shareholders dated 19 May 2014 (**"Circular"**) and/or the offer document issued by SCB for and on behalf of the Offeror dated 5 May 2014 (the **"Offer Document"**), shall have the same meanings herein. Any differences between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

**To ensure that the advice we wish to put forth by means of this letter is comprehensive and yet remains concise, details contained in the Supplemental Letter, the Second Revision Notification, the Circular and/or the Offer Document, where necessary or relevant in supporting or elaborating our advice, are not wholly reproduced, but instead, made reference to or summarised throughout the sections of this letter.**

**We recommend that the Independent Directors advise the Shareholders to read these contextual references and summaries with due care.**

### 2. TERMS OF REFERENCE

We have been appointed to advise on the financial terms of the Second Revised Offer and whether Shareholders should accept or reject the Second Revised Offer, pursuant to Rules 7.1 and 24.1(b) of the Singapore Code on Take-overs and Mergers (the **"Code"**). We have confined our evaluation to the financial terms of the Second Revised Offer and our terms of reference do not require us to evaluate or comment on the commercial risks and/or commercial merits of the Second Revised Offer or the future prospects of the Company and its subsidiaries (the **"Group"**).

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## APPENDIX 1: LETTER FROM CIMB TO THE INDEPENDENT DIRECTORS OF HOTEL PROPERTIES LIMITED

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or any of its associated or joint venture companies and we have not made such evaluation or comment. However, we may draw upon the views of the Directors and/or the management of the Company (the “**Management**”) or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter. We have not been requested, and we do not express any opinion on the relative merits of the Second Revised Offer as compared to any other alternative transaction. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the HPL Shares.

We have held discussions with the Directors and the Management and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors, the Management and the Company’s other professional advisers. We have not independently verified such information, whether written or verbal, and accordingly we cannot and do not warrant or make any representation (whether express or implied) regarding, or accept any responsibility for, the accuracy, completeness or adequacy of such information. However, we have made such enquiries and exercised our judgment as we deem necessary on such information and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors (including those who may have delegated supervision of the Supplemental Letter) that they have taken all reasonable care to ensure that the facts stated and opinions expressed by them or the Company in the Supplemental Letter are fair and accurate in all material respects. The Directors have confirmed to us, that to the best of their knowledge and belief, all material information relating to the Group, its associated or joint venture companies and the Second Revised Offer have been disclosed to us, that such information is fair and accurate in all material respects and that there are no other material facts and circumstances the omission of which would make any statement in the Supplemental Letter inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real property) of the Group or of any of its associated or joint venture companies. We have not been furnished with any such evaluation or appraisal, except for the reports, letters and/or valuation certifications (“**Valuation Reports**”) from the valuers appointed by the Company in connection with the Offer (the “**Independent Valuers**”) (extracts of which are set out in Appendix 8 of the Circular) on which we have placed sole reliance in the evaluation or appraisal of the assets concerned. We have not made any independent verification of the contents of these Valuation Reports.

Our analysis and opinion is based upon market, economic, industry, monetary and other conditions prevailing as at 30 May 2014 (the “**Latest Practicable Date**”), as well as the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion or view on the future prospects, financial performance and/or financial position of the Group. Shareholders should take note of any announcement and/or documents relevant to their consideration of the Second Revised Offer which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profile or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, any Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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The Company has been separately advised in relation to the preparation of the Supplemental Letter (other than this letter). We were not involved in and have not provided any advice in the preparation, review and verification of the Supplemental Letter (other than this letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Supplemental Letter (other than this letter).

### 3. THE SECOND REVISED OFFER

The Offeror has offered to acquire the Offer Shares on the terms and subject to the conditions set out in the Second Revision Announcement, the Offer Document, the FAA and/or the FAT. The principal terms and conditions of the Second Revised Offer are set out below.

#### 3.1 Revision of Offer Price

As stated in the Second Revision Announcement, the Offer Price will be revised as follows:

For each Offer Share: **S\$4.05 in cash**, being the Second Revised Offer Price.

According to the Second Revision Announcement, **the Offeror does not intend to further revise the Second Revised Offer Price**. Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently increase the Second Revised Offer Price in any way.

**However, the Offeror has noted in the Second Revision Announcement that it reserves the right to set aside the no price increase statement and revise the terms of the Second Revised Offer if a competing offer for HPL is announced or if any other competitive situation in relation to HPL arises, after the date of the Second Revision Announcement, in which case the Offeror shall comply with the provisions of Note 2 to Rule 20.2 of the Code.**

#### 3.2 Adjustments for Distributions

As stated in the Second Revision Announcement, the Offeror will not be deducting the FY2013 Dividends from the Second Revised Offer Price and Shareholders will retain the benefit of the FY2013 Dividends to be paid by HPL to entitled Shareholders.

If any Distribution (other than the FY2013 Dividends) is declared, paid or made by HPL on or after the date of the First Revision Announcement and the Offeror is not entitled to receive and retain such Distribution in full in respect of any Offer Share tendered in acceptance of the Second Revised Offer, the Offeror reserves the right to reduce the Second Revised Offer Price payable in respect of such Offer Share by the amount of such Distribution.

#### 3.3 Extension of Closing Date

According to the Unconditional Announcement, the Closing Date of the Offer will be extended from 5.30 p.m. (Singapore time) on 12 June 2014 to **5.30 p.m. (Singapore time) on 26 June 2014**.

#### 3.4 Final Closing Date

It is stated in the Unconditional Announcement that the Offeror does not intend to extend the Offer beyond 5.30 p.m. (Singapore time) on 26 June 2014 and that **the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on 26 June 2014**.

#### 3.5 Other Terms

According to the Unconditional Announcement, all other terms of the Offer set out in the Offer Document, the First Revision Announcement and the Second Revision Announcement remain unchanged.

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### 4. RATIONALE FOR THE OFFER

The text stating the rationale for the Offer has been extracted from paragraph 9 of the Offer Document and is set out in *italics* below. Shareholders are advised to read the extract below carefully.

*“The Offeror is making the Offer in compliance with its obligation under Rule 14 of the Code, which arises as a result of its acquisition of the Sale Shares, representing approximately 41.46 per cent. of the HPL Shares in issue.”*

### 5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM

Please refer to Section 5 of the Circular for information on the Offeror and the Consortium.

### 6. INFORMATION ON THE COMPANY

Please refer to Appendix 2 to the Circular for information on the Company.

### 7. FINANCIAL EVALUATION OF THE TERMS OF THE SECOND REVISED OFFER

#### ***Methodology***

In assessing the financial terms of the Second Revised Offer, we have considered the following:

- (i) Historical financial performance and position of the Group;
- (ii) Historical trading performance of the HPL Shares;
- (iii) Net asset value (“**NAV**”) and revalued net asset value (“**RNAV**”) of the Group;
- (iv) Historical trailing NAV of the Group relative to the Second Revised Offer Price and the historical market price of the HPL Shares;
- (v) The benchmarking comparison of the Second Revised Offer Price with public information available on the traded prices of companies listed on the SGX-ST which are broadly comparable to the Group (the “**Comparable Companies**”);
- (vi) Valuation multiples of selected acquisitions of listed property-related companies in Singapore (“**Comparable Precedent Transactions**”);
- (vii) Premium/discount paid in other transactions by listed companies on the SGX-ST involving a delisting or privatisation (“**Precedent Takeovers**”);
- (viii) Dividend track record of the Company and selected alternative investments; and
- (ix) Other relevant considerations which have a bearing on our assessment.

#### ***General bases and assumptions***

We wish to highlight that unless specified otherwise, we have relied on the following general bases in our analysis:

- (i) As at the Latest Practicable Date, the issued capital of the Company comprises 519,048,851 HPL Shares; and

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- (ii) The underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., SGXNET and/or other public filings as at the Latest Practicable Date or provided by the Company where relevant. CIMB makes no representation or warranties, express or implied, as to the accuracy or completeness of such information.

### *Valuation Ratios*

We have applied the following valuation multiples in our analysis:

| Valuation Multiples | General Description  |
|---------------------|--|
| <b>P/NAV</b>        | <p>“P/NAV” or “<b>price-to-NAV</b>” multiple illustrates the market price of a company’s shares relative to its historical book NAV (as defined herein) per share as recorded in its financial statements.</p> <p>The Net Asset Value of a company (“<b>NAV</b>”) is defined as its total assets (including intangible assets) less its total liabilities, and excludes, where applicable, minority interests. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets at its book value, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.</p> <p>Where the value of a company’s key assets are adjusted to their current market values, the NAV figure derived is referred to as its “<b>Revalued NAV</b>” or “<b>RNAV</b>”.</p> |
| <b>EV/EBITDA</b>    | <p>“<b>EV</b>” or “<b>enterprise value</b>” is the sum of a company’s market capitalisation, preferred equity, minority interests, short and long term debt less its cash and cash equivalents.</p> <p>“<b>EBITDA</b>” stands for earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associate’s or joint venture’s income and excluding exceptional items, as deemed applicable.</p> <p>The EV/EBITDA multiple illustrates the market value of a company’s business relative to its pre-tax operating cashflow performance, without regard to the company’s capital structure.</p>  |
| <b>P/E</b>          | <p>“<b>P/E</b>” or “<b>price-to-earnings</b>” multiple illustrates the market price of a company’s shares relative to its earnings per share. The P/E multiple is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.</p>  |

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### 7.1 Historical Financial Performance and Position of the Group

A summary of the financial results of the Group between FY2011 to FY2013 and for the 3 months ended 31 March 2014 (“1Q2014”) is set out below.

| (S\$' 000)   | FY2011<br>(Audited) | FY2012<br>(Audited) | FY2013<br>(Audited) | 1Q2014<br>(Unaudited) |
|--|---------------------|---------------------|---------------------|-----------------------|
| <b>Financial Results</b>                             |                     |                     |                     |                       |
| Revenue  | 493,825             | 542,838             | 691,964             | 214,526               |
| Profit attributable to owners of the Company (“PAT”) | 70,441              | 129,796             | 177,645             | 44,615                |
| Net Profit Margin <sup>(1)</sup> (%)                 | 14.3                | 23.9                | 25.7                | 20.8                  |
| <b>Financial Position</b>                            |                     |                     |                     |                       |
| Total Assets   | 2,695,643           | 2,833,122           | 3,014,154           | 3,120,284             |
| Cash and bank balances                               | 76,232              | 83,189              | 115,331             | 100,997               |
| Total Borrowings                                     | 1,100,628           | 993,648             | 1,057,547           | 1,102,727             |
| NAV <sup>(2)</sup>                                   | 1,395,013           | 1,475,013           | 1,589,911           | 1,637,709             |
| Net Debt to Equity <sup>(3)</sup> (%)                | 73.4                | 61.7                | 59.3                | 61.2                  |
| Return on Equity <sup>(4)</sup> (“ROE”) (%)          | 5.1                 | 9.0                 | 11.6                | 11.1                  |

Source: Company annual reports and unaudited financial statements for 1Q2014

**Notes:**

- (1) Calculated based on the profit attributable to owners of the Company, divided by the revenue for the financial year/period.
- (2) Based on net assets excluding perpetual capital securities that is attributable to the Shareholders.
- (3) Calculated based on total borrowings less cash and bank balances, divided by equity attributable to owners of the Company for the financial year/period.
- (4) Calculated based on the profit attributable to owners of the Company and the average equity attributable to owners of the Company for the period. For 1Q2014, ROE is calculated based on the annualised 1Q2014 profit attributable to owners of the Company.

The Group’s revenue increased by approximately 9.9% from S\$493.8 million in FY2011 to S\$542.8 million in FY2012. Between FY2012 and FY2013, revenue rose further by approximately 27.5%, to S\$692.0 million. This translates to an overall increase of approximately 40.1% between FY2011 and FY2013.

The PAT correspondingly increased by approximately 84.3% from S\$70.4 million in FY2011 to S\$129.8 million in FY2012. PAT then rose again by approximately 36.9% to S\$177.6 million in FY2013, resulting in an overall increase of approximately 152.2% between FY2011 and FY2013.

Compared to the corresponding period in FY2013, the Group’s revenue increased by 31.0% to S\$214.5 million while its PAT increased by 17.1% to S\$44.6 million in 1Q2014.

The Group’s NAV has been on an uptrend, increasing by approximately 17.4% between FY2011 and 1Q2014, and its cash and bank balances is S\$101.0 million as at 31 March 2014.

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In its annual report for FY2013, the Company stated that the Group's 27.5% increase in revenue for FY2013 was mainly attributable to its income recognition from the Tomlinson Heights condominium development on a percentage of completion basis as well as better performances by the Group's hotels and resorts, especially those in Maldives.

It also indicated that the hotel and resort division is expected to continue to contribute strongly to the Group's operating results amidst an improving global economic outlook, although challenges remain from rising wage costs and increased competition. On the property front, with the various property cooling measures introduced by the Singapore Government including the latest total debt servicing ratio in place, it noted that the Singapore residential property market sentiment is expected to remain subdued.

Further, in its financial results announcement for 1Q2014, the Company indicated that the Singapore residential property market sentiment remains weak and the latest flash estimate by the Urban Redevelopment Authority indicates a decline in both volume and price of residential property transactions in 1Q2014 compared to the immediately preceding quarter in 2013. The hotels in the Group continue to face challenges such as escalating operational costs as well as increased competition and geopolitical risks. It noted that the outlook for the hospitality industry is mixed.

We also note that the Company's net profit margin and ROE have been on a general uptrend since FY2011.

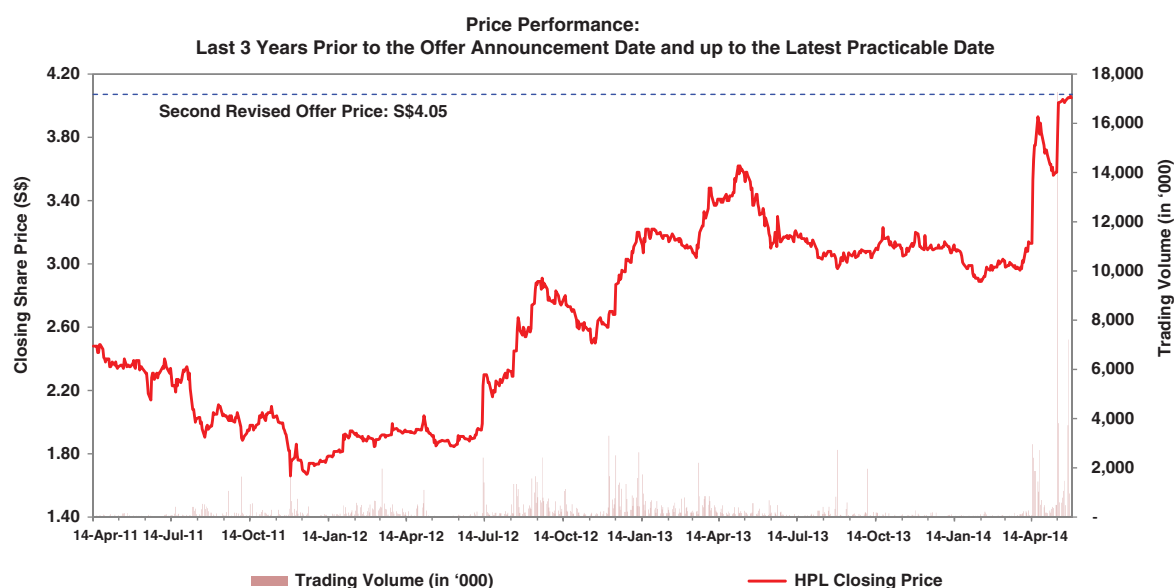
### 7.2 Historical Trading Performance of the HPL Shares

We have compared the Second Revised Offer Price to the historical price performance of the HPL Shares and considered the historical trading volume of the HPL Shares.

#### 7.2.1 Market Price Performance and Trading Activity of the HPL Shares

In evaluating the Second Revised Offer Price, it would be relevant to examine the price performance and trading volume of the HPL Shares over a reasonable period, during which the market price of the HPL Shares may ordinarily reflect investors' valuation of the HPL Shares/ Company, based on publicly available information.

We set out below the daily closing prices and trading volumes of the HPL Shares for the period between 14 April 2011 (being the 3-year period prior to the Offer Announcement Date) and the Latest Practicable Date and highlight some key events up to the Latest Practicable Date.



Source: Bloomberg L.P. and Company announcements released on SGXNET



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### Key events up to the Latest Practicable Date:

- (A) **13 May 2011:** The Company releases its 1Q2011 results.
- (B) **12 August 2011:** The Company releases its 2Q2011 results.
- (C) **10 November 2011:** The Company releases its 3Q2011 results.
- (D) **30 November 2011:** The Company receives a query from the SGX-ST regarding its trading activity, to which it provides confirmation that it (i) is not aware of any information concerning the Company which has not been previously announced, nor any other possible explanation for the trading activity; and (ii) is in compliance with the listing rules.
- (E) **27 December 2011:** The Company announces that its newly incorporated Singapore subsidiary, HPL Properties (Indian Ocean) Pte. Ltd. (“**HPLPIO**”) entered into a SPA with ASB Development Limited to acquire a 30% equity interest in Bilila Lodge Holdings Limited (“**BLHL**”), and thereby, an indirect 30% interest in Bilila Lodge, a holiday resort in Tanzania. The consideration for the acquisition of interest in BLHL by HPLPIO is approximately USD16.5 million including an assignment of shareholder loans of approximately USD12 million.
- (F) **27 February 2012:** The Company releases its FY2011 results.
- (G) **25 April 2012:** The Company announces the receipt of the approval in principal from the SGX-ST for the listing of the S\$150 million in aggregate principal amount of 6.125 per cent. perpetual capital securities, proceeds of which are intended to be used for general corporate purposes, finance capital expenditure and the expansion of the business of the Company and its subsidiaries.
- (H) **11 May 2012:** The Company releases its 1Q2012 results.
- (I) **22 May 2012:** The Company announces that its 50% owned associate, Leisure Ventures Pte Ltd entered into a share sale agreement with Hibernia Worldwide Finance BV and Ramon Investments Limited to acquire 100% of the equity of Promus Private Limited, whose principal activity is that of a hotelier, and is the owner of Soneva Gili Resort and Spa, Maldives. The intention of the acquisition is to allow the Group to expand its presence in the Maldives. The consideration was approximately USD27.41 million and assumption of the existing bank loan of approximately USD10.09 million.
- (J) **31 July 2012:** The Company announces that its wholly-owned subsidiary HPL (Mayfair) Pte. Ltd. entered into a shareholders’ agreement with Old Burlington Limited and NL (Pollen) Limited to form a joint venture to purchase a freehold and income-producing property located at 29-30 Old Burlington Street, London, the United Kingdom. The joint venture has entered into a SPA to purchase the property for a consideration of £85 million. It is intended that the acquisition of the property will allow the Group to expand its property portfolio in central London.
- (K) **13 August 2012:** The Company releases its 2Q2012 results.
- (L) **7 November 2012:** The Company releases its 3Q2012 results.
- (M) **11 December 2012:** The Company announces that HPLPIO, entered into a SPA with Areej Investment to acquire a 50% interest in Westcliff Holdings Limited (“**Westcliff**”) at a cash consideration of approximately USD5,000 and assignment of a proportionate share of shareholders’ loans, at a cash consideration of approximately USD13.1 million. Westcliff is currently in the process of acquiring all the equity interest in 80 Westcliff Pty Ltd, a company incorporated in South Africa which owns all the land and buildings that constitute the Westcliff Hotel in Westcliff, Johannesburg, South Africa.
- (N) **26 February 2013:** The Company releases its FY2012 results.
- (O) **14 May 2013:**
  - (i) The Company releases its 1Q2013 results.
  - (ii) The Company announces the appointment of Mr Tan Keng Hock Arthur, an Independent Non-Executive Director as the Chairman of the Board, with effect from 14 May 2013, in place of Mr Joseph Grimberg who has retired at the conclusion of the Company’s Thirty-Third Annual General Meeting held on 26 April 2013 and the consequential changes to the composition of the Board Committees.
- (P) **6 June 2013:** The Company announces that it acquired the remaining 15% interest in Luxury Holdings Pte Ltd (“**Luxury Holdings**”) from Grenville Holdings Limited for S\$65.495 million. Luxury Holdings is now a wholly-owned subsidiary of the Company. Luxury Holdings together with its subsidiaries owns the Concorde Hotel and 61 shop units at Concorde Shopping Centre, situated at 100 Orchard Road, Singapore 238840.

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**(Q) 14 August 2013:**

- (i) The Company releases its 2Q2013 results.
- (ii) The Company announces that its wholly-owned subsidiaries, HPL (Campden) Pte Ltd and HPL (Kensington) Pte Ltd entered into a SPA with Grosvenor Developments Limited, Grosvenor Developments (UK) Limited and Grosvenor Limited to acquire the entire members' interests in Campden Hill Investment LLP for a total consideration of approximately £45.57 million, effectively valuing the freehold prime development site with a total land area of approximately 1.98 acres located on Campden Hill, London, United Kingdom that is intended to be purchased under an agreement with the Mayor and Burgess of the Royal Borough of Kensington and Chelsea, at £190 million.

**(R) 30 August 2013:** The Company announces its 70% owned subsidiary company, HPL Resorts Maldives Pvt Ltd, subscribed for 100% of the equity interest in the capital of Leisure Frontiers Pvt Ltd, which has in turn entered into a SPA with Olhuveli Laamu Holdings Pvt Ltd for the purpose of acquiring the lease of the island of Olhuveli in Laamu Atoll, Maldives which includes the resort and the assets on the island for a total consideration of USD70 million.

**(S) 12 November 2013:** The Company releases its 3Q2013 results.

**(T) 26 February 2014:** The Company releases its FY2013 results.

**(U) 14 April 2014:**

- (i) The Company issues a request for a trading halt.
- (ii) The Company announces the mandatory conditional cash offer by 68 Holdings Pte. Ltd. to acquire all the issued ordinary shares of the Company not already owned, controlled or agreed to be acquired by it.

**(V) 12 May 2014:** The Company releases its 1Q2014 results.

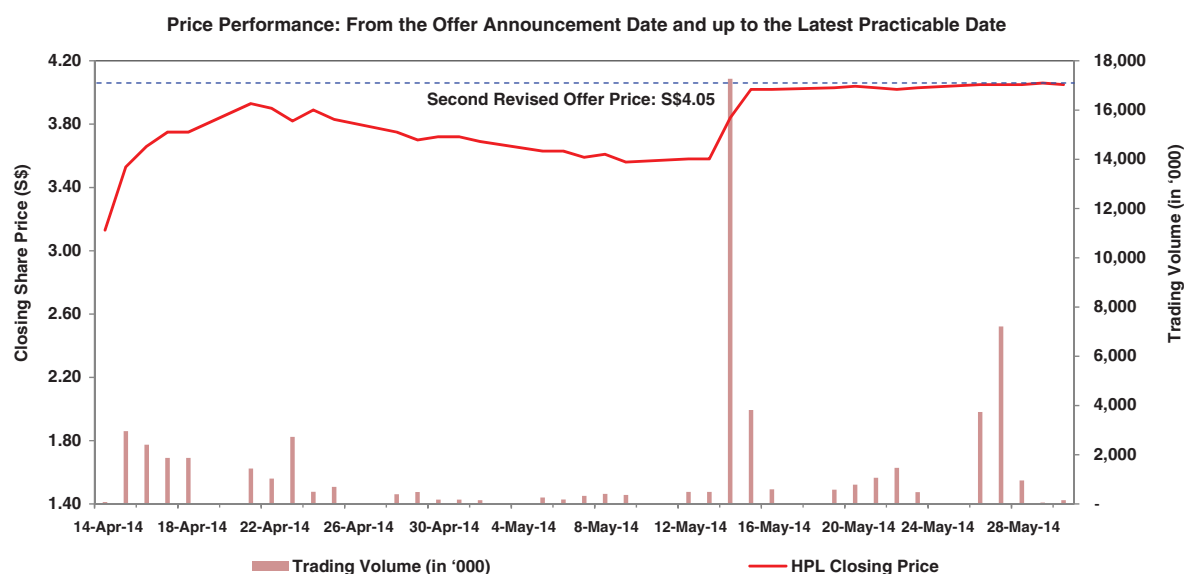
**(W) 14 May 2014:**

- (i) The Company issues a request for a trading halt.
- (ii) The Company announces that SCB has announced, for and on behalf of the Offeror, *inter alia*, the revision of the Original Offer Price to the First Revised Offer Price.

**(X) 27 May 2014:** The Company announces that SCB has announced, for and on behalf of the Offeror, *inter alia*, the revision of the First Revised Offer Price to the Second Revised Offer Price.

**(Y) 30 May 2014:** The Company announces that SCB has announced, for and on behalf of the Offeror, *inter alia*, the Offer has become unconditional in all respects on 30 May 2014.

We set out below the daily closing prices and trading volumes of the HPL Shares for the period from the Offer Announcement Date up to the Latest Practicable Date.



Source: Bloomberg L.P.

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We set out below (i) the premia implied by the Second Revised Offer Price to the historical volume weighted average price (“**VWAP**”) of the HPL Shares; and (ii) the historical average daily trading volume of the HPL Shares for the various periods between 14 April 2011 (being the 3-year period prior to the Offer Announcement Date) and up to the Latest Practicable Date.

|   | VWAP <sup>(1)</sup><br>(S\$) | Premium<br>of Second<br>Revised<br>Offer Price<br>to VWAP<br>(%) | Highest<br>price<br>(S\$) | Lowest<br>price<br>(S\$) | Average<br>daily<br>trading<br>volume <sup>(2)</sup> | Average<br>daily trading<br>volume as a<br>percentage<br>of<br>free float <sup>(3)</sup><br>(%) |
|---|------------------------------|--|---------------------------|--------------------------|--|---|
| <b>Periods prior to the Offer Announcement Date</b>   |                              |  |                           |                          |  |   |
| Last 3 years  | 2.648                        | 52.95  | 3.640                     | 1.650                    | 229,526  | 0.21  |
| Last 2 years  | 2.905                        | 39.41  | 3.640                     | 1.800                    | 261,402  | 0.24  |
| Last 1 year   | 3.165                        | 27.96  | 3.640                     | 2.880                    | 125,843  | 0.12  |
| Last 6 months   | 3.063                        | 32.22  | 3.300                     | 2.880                    | 66,854   | 0.06  |
| Last 3 months   | 2.998                        | 35.09  | 3.150                     | 2.880                    | 68,133   | 0.06  |
| Last 1 month  | 3.027                        | 33.80  | 3.150                     | 2.940                    | 97,429   | 0.09  |
| Closing price on last<br>traded market day<br>prior to the Offer<br>Announcement Date         | 3.130                        | 29.39  | 3.150                     | 3.130                    | 77,000   | 0.07  |
| <b>Period after the Offer Announcement Date</b>   |                              |  |                           |                          |  |   |
| Between Offer<br>Announcement<br>Date and the Latest<br>Practicable Date<br>(dates inclusive) | 3.923                        | 3.24   | 4.070                     | 3.500                    | 1,776,065  | 1.64  |
| Last traded price on<br>the Latest Practicable<br>Date  | 4.050                        | 0.00   | 4.060                     | 4.050                    | 152,000  | 0.14  |

Source: Bloomberg L.P. and CIMB analysis

**Notes:**

- (1) The historical VWAPs are rounded to the nearest 3 decimal places for the purpose of calculating the corresponding premium.
- (2) The average daily trading volume of the HPL Shares is calculated based on the total volume of HPL Shares traded during the period divided by the number of traded market days during that period.
- (3) Free float is approximately 108,343,324 HPL Shares as at the Latest Practicable Date as provided by the Company.

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We note the following:

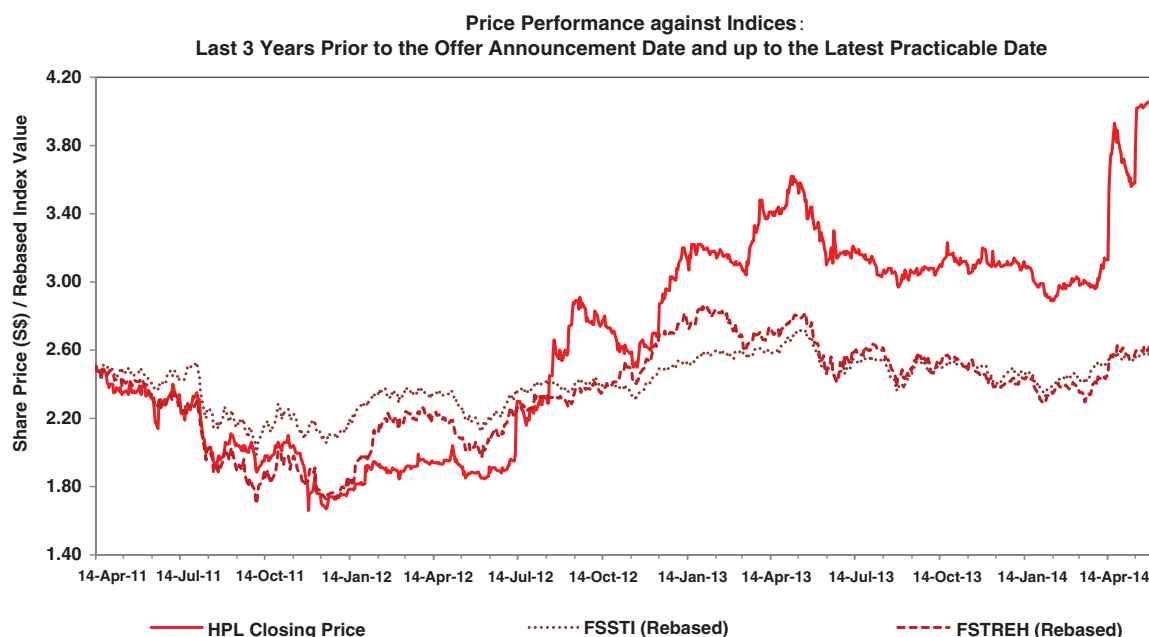
- (i) During the 3-year period leading up to the Offer Announcement Date, trading in the HPL Shares occurred on approximately 98.5% of all market days. While there appears to be a ready market for the HPL Share as indicated by its frequency of transactions, the absolute trading volume of the HPL Shares is relatively low which renders the HPL Shares less liquid for investors who wish to transact larger quantum of HPL Shares;
- (ii) The average daily trading volume has generally declined in recent years from a 3-year average daily trading volume of 229,526 HPL Shares, representing approximately 0.21% of the Company's free float, to a volume of about 97,429 HPL Shares over the more recent 1-month period prior to the Offer Announcement Date, representing approximately 0.09% of the Company's free float;
- (iii) For the 3-year period leading up to the Offer Announcement Date, the HPL Shares generally traded on an upward trend, from a VWAP of S\$2.648 for the 3-year period prior to the Offer Announcement Date to S\$3.027 for the 1-month period prior to the Offer Announcement Date, but have not traded at or above the Second Revised Offer Price in the 3-year period leading up to the Offer Announcement Date;
- (iv) Over the more recent 1-year period, the Second Revised Offer Price represents a premia of approximately 27.96% to 35.09% to the VWAP range of S\$2.998 to S\$3.165 per HPL Share for the 1-month, 3-month, 6-month and 1-year periods prior to the Offer Announcement Date;
- (v) Specifically, over the 1-month and 3-month periods prior to the Offer Announcement Date, the Second Revised Offer Price represents a premium of approximately 33.80% and 35.09% over the respective VWAP of the HPL Shares;
- (vi) The Second Revised Offer Price represents a premium of approximately 29.39% over the closing price of the HPL Shares of S\$3.130 on 11 April 2014, the last traded market day prior to the Offer Announcement Date; and
- (vii) The Second Revised Offer Price is at the closing price of the HPL Shares of S\$4.050 on 26 May 2014, the last traded market day prior to the date of the Second Revision Announcement, and also at the closing price of the HPL Shares of S\$4.050 on the Latest Practicable Date.

**Shareholders should also note that the past trading performance of the HPL Shares should not, in any way, be relied upon as an indication of its future trading performance, and the price performance of the HPL Shares may have been due to market factors and other individual factors which may not be easily isolated and identified with certainty.**

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### 7.2.2 Relative Share Price Performance

To gauge the price performance of the HPL Shares relative to the general price performance of the stock market and of property-related companies listed on the SGX-ST, we set out below the market price movement of the HPL Shares against the FTSE Straits Times Index (the “**FSSTI**”), and the FTSE ST Real Estate Holding and Development Index (“**FSTREH**”) for the period between 14 April 2011 (being 3-year period prior to the Offer Announcement Date) and the Latest Practicable Date.



Source: Bloomberg L.P.

**Notes:**

- (1) The FSSTI is a market capitalisation weighted index based on the stocks of 30 representative companies listed on the Mainboard of the SGX-ST.
- (2) The FSTREH is a market capitalisation weighted index that measures the performance of real estate holding and development companies listed on the Mainboard of the SGX-ST.

We note that during the 3-year period leading up to the Offer Announcement Date, the HPL Shares had generally performed in line with the FSSTI and FSTREH, with the market prices of the HPL Shares outperforming both indices from around August 2012 and maintaining it up to the Latest Practicable Date.

The movement in the closing prices of the HPL Shares, the FSSTI and FSTREH from the last traded market day prior to the Offer Announcement Date on 11 April 2014 and to the Latest Practicable Date is as follows:

|               | Last transacted price / index value prior to the Offer Announcement Date | Last transacted price / index value as at the Latest Practicable Date | Percentage Change (%) |
|---------------|--|---|-----------------------|
| Company (S\$) | 3.130  | 4.050   | 29.39                 |
| FSSTI         | 3,198.22   | 3,295.85  | 3.05                  |
| FSTREH        | 714.63   | 764.84  | 7.03                  |

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From the last traded market day prior to the Offer Announcement Date to the Latest Practicable Date, the market price of the HPL Shares has increased by approximately 29.39% with a total trading volume of approximately 55,135,000 HPL Shares for the period. Over the same period, the FSSTI and FSTREH increased by 3.05% and 7.03% respectively.

Based on the above, we conclude that it is likely that the market price of the HPL Shares as at the Latest Practicable Date is highly influenced by the Second Revised Offer and may not be maintained at such levels after the close of the Second Revised Offer.

### 7.3 NAV and RNAV of the Group

Given the asset intensive nature of the Company's core property business, we have adopted an NAV-based valuation approach to analyse the Second Revised Offer Price. Property-related companies such as the Company are often valued using an NAV-based approach as their asset backings are perceived as providing support for the value of their equity, while the reported annual earnings of property-related companies may vary considerably over time and between companies due to factors such as the timing of project launches and completion, redevelopment of properties and periodic revaluation of properties.

Based on the Company's latest unaudited consolidated financial statements as at 31 March 2014, the Group's completed properties held for sale, investment in associates and jointly controlled entities, property, plant and equipment and investment properties have an aggregate book value of approximately S\$2,750.6 million and represents approximately 88.2% of the Group's total assets of approximately S\$3,120.3 million, details which are as follows:

|  | As at<br>31 March 2014<br>Book Value<br>(S\$ million) |
|--|---|
| Completed properties held for sale                       | 287.4   |
| Investment in associates and jointly controlled entities | 729.7   |
| Property, plant and equipment <sup>(1)</sup>             | 1,050.5   |
| Investment properties                                    | 683.0   |
| <b>Total Book Value</b>                                  | <b>2,750.6</b>  |

**Note:**

(1) Includes properties classified as property, plant and equipment.

#### 7.3.1 NAV<sup>(1)</sup> of the Group

Based on the Company's unaudited consolidated financial statements for 1Q2014, the NAV of the Group as at 31 March 2014 was approximately S\$1,637.7 million or S\$3.16 per HPL Share, based on the issued capital of the Company as at the Latest Practicable Date. Adjusting for the FY2013 Dividends, the adjusted NAV of the Group ("**Adjusted NAV**") as at 31 March 2014 would be approximately S\$1,596.3 million or S\$3.08 per HPL Share.

We note that the Second Revised Offer Price represents a premium of approximately 31.7% to the Adjusted NAV per HPL Share of S\$3.08 as at 31 March 2014.

**Note:**

(1) Based on net assets excluding perpetual capital securities that is attributable to the Shareholders.

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### 7.3.2 RNAV of the Group

In connection with the Offer, the Company has commissioned independent valuations to determine the market value of all the properties in which the Group has interests (the “**Revalued Properties**”). A summary of the valuation figures for the Revalued Properties, and the Company’s effective share of the net revaluation surplus/deficit is set out below.

| Property   | Company’s<br>effective<br>interest<br>(%) | Valuation <sup>(1)</sup><br>(S\$ million) | Share of revaluation<br>surplus/(deficit) <sup>(2)</sup><br>(S\$ million) |  |
|--|---|---|---|--|
|  |   |   | As-is   | GDV<br>Valuation<br>Basis <sup>(3)</sup> |
| <b>Properties classified as Property, Plant and Equipment</b>                  |   |   |   |  |
| Hilton Singapore   | 100                                       | 530.0                                     | 303.7   | 303.7                                    |
| Four Seasons Hotel Singapore   | 100                                       | 365.0                                     | 224.5   | 224.5                                    |
| Concorde Hotel Singapore   | 100                                       | 243.0                                     | 153.5   | 153.5                                    |
| Units in HPL House occupied by the Company and its subsidiaries <sup>(4)</sup> | 100                                       | 28.0                                      | 5.5   | 5.5                                      |
| Plots of land located at Port Dickson, Negeri Sembilan, Malaysia               | 100                                       | 10.7                                      | 2.7   | 2.7                                      |
| The Lakehouse, Cameron Highlands   | 100                                       | 4.1                                       | 2.5   | 2.5                                      |
| Hard Rock Hotel Pattaya  | 100                                       | 67.2                                      | 24.2  | 24.2                                     |
| 2 land parcels near Hard Rock Hotel Pattaya                                    | 100                                       | As-is: 1.1<br>GDV: 5.1                    | (0.7)   | (0.1)                                    |
| The Metropolitan, Bangkok  | 100                                       | 36.5                                      | (3.7)   | (3.7)                                    |
| A plot of land located at South Sathorn Road, Bangkok, Thailand                | 100                                       | As-is: 46.3<br>GDV: 155.3                 | 24.0  | 30.3                                     |
| A condominium unit at Sathorn Park Place, Bangkok, Thailand                    | 100                                       | 0.5                                       | 0.1   | 0.1                                      |
| Concorde Hotel New York  | 100                                       | 61.8                                      | 14.8  | 14.8                                     |
| Four Seasons Resort Bali at Jimbaran Bay                                       | 93.3                                      | 149.1                                     | 43.5  | 43.5                                     |
| Four Seasons Resort Bali at Sayan  | 100                                       | 41.0                                      | 11.5  | 11.5                                     |
| Hard Rock Hotel Bali   | 100                                       | 103.4                                     | 43.6  | 43.6                                     |
| Four Seasons Private Estates at Jimbaran Bay                                   | 100                                       | 11.7                                      | 5.5   | 5.5                                      |
| Holiday Inn Resort Vanuatu and Palms Casino                                    | 100                                       | 8.3                                       | (5.1)   | (5.1)                                    |
| Four Seasons Resort Maldives at Kuda Huraa                                     | 70  | 94.5                                      | 29.3  | 29.3                                     |
| Four Seasons Resort Maldives at Landaa Giraavaru                               | 70  | 151.3                                     | 48.2  | 48.2                                     |
| Rihiveli Beach Resort  | 70  | –   | (0.4)   | (0.4)                                    |

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| Property   | Company's<br>effective<br>interest<br>(%) | Valuation <sup>(1)</sup><br>(S\$ million) | Share of revaluation<br>surplus/(deficit) <sup>(2)</sup><br>(S\$ million) |  |
|--|---|---|---|--|
|  |   |   | As-is   | GDV<br>Valuation<br>Basis <sup>(3)</sup> |
| Holiday Inn Resort Kandooma                                      | 70  | 58.0                                      | 10.4  | 10.4                                     |
| Six Senses Laamu, Maldives                                       | 70  | 89.5                                      | 0.9   | 0.9                                      |
| Maamunaagau Island   | 70  | As-is: 4.6<br>GDV: 58.0                   | –   | 1.2                                      |
| <b>Sub-total</b>   |   |   | 938.5   | 946.6                                    |
| <b>Completed Properties Held for Sale</b>                        |   |   |   |  |
| Tomlinson Heights  | 100                                       | 330.0                                     | (63.2)  | (63.2)                                   |
| The Met Condominium  | 100                                       | 16.7                                      | 0.2   | 0.2                                      |
| <b>Sub-total</b>   |   |   | (63.0)  | (63.0)                                   |
| <b>Investment Properties</b>                                     |   |   |   |  |
| 7 shop units at 21 Cuscaden Road                                 | 100                                       | 25.4                                      | –   | –  |
| Units in HPL House leased to other companies <sup>(4)</sup>      | 100                                       | 80.0                                      | –   | –  |
| Office and shop units at 583 Orchard Road                        | 100                                       | 408.0                                     | –   | –  |
| 62 shop units at 100 Orchard Road                                | 100                                       | 169.6                                     | –   | –  |
| <b>Sub-total</b>   |   |   | –   | –  |
| <b>Others</b>  |   |   |   |  |
| Properties held by Associates and<br>Jointly Controlled Entities |   |   | 125.8   | 232.2                                    |
| <b>Total revaluation surplus</b>                                 |   |   | <b>1,001.3</b>  | <b>1,115.8</b>                           |

Source: The Company's annual reports and Valuation Reports on the Revalued Properties

### Notes:

- (1) Unless otherwise indicated, the valuation reflects the open market value (as-is valuation basis) as indicated in the Valuation Reports. For land which is being developed or with development potential, the Independent Valuers have, where possible, also valued the properties based on the assumption of development and completion (gross development value ("GDV")). The valuations are translated from their respective valuations in foreign currencies to S\$, where applicable, based on rates of exchange as at 31 March 2014 provided by the Company.
- (2) The revaluation surplus/deficit for each of the Revalued Property is arrived at after taking into consideration the book value of each of the Revalued Property as at 31 March 2014, its valuation by the Independent Valuers and net of tax liabilities on the revaluation surplus. For the residential properties in Singapore, the revaluation surplus/deficit further takes into consideration Management's estimates of the relevant direct holding costs and expenses to be incurred assuming the hypothetical sale of the properties in the next four to five years, comprising (a) agents commission at 2% of valuation, (b) other marketing expenses at 1% of valuation, (c) holding costs including property taxes, maintenance charges and interest expenses; and (d) qualifying certificate extension charges at 8%, 16% and 24% of the property purchase price and proportion of unsold units for the first, second and third year of extension respectively.
- (3) GDV Valuation Basis - The revaluation surplus/deficit for each of the Revalued Property is based on the GDV valuation basis, where available. For Revalued Properties where the valuation as indicated in the Valuation Reports are based only on an as-is valuation basis, the revaluation surplus/deficit for these Revalued Properties are based on the as-is valuation basis.
- (4) The remaining units leased to other companies are classified as investment properties.



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The valuation of the Group's properties as set out above are based on the Valuation Reports from the Independent Valuers. Further information on the Revalued Properties including their basis of valuation is set out in their respective Valuation Reports, extracts of which are set out in Appendix 8 of the Circular.

We have placed sole reliance on such information provided to us by the Management and do not assume any responsibility in relation to the bases of such valuations or if the contents thereof have been prepared in accordance with all applicable regulatory requirements including Rule 26 of the Code. In relying on financial analyses and estimates provided to us by the Management, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by Management. We express no view as to such analyses or estimates or the assumptions on which they were based. We have not independently verified such information, and accordingly we cannot and do not warrant or make any representation (whether express or implied) regarding, or accept any responsibility for, the accuracy, completeness or adequacy of such information.

Save for the Revalued Properties, the held-for-trading investments which are measured at their realised value pursuant to their disposal after 31 March 2014 and available-for-sale investments which are measured at fair value as at the Latest Practicable Date, the other assets (including any intangible assets) of the Group have not been revalued for the purpose of determining the RNAV of the Group, as they relate mainly to (i) cash and bank balances, (ii) trade and other receivables, and (iii) amount due from associates.

We note that the Group has completed properties held for sale, development properties that have commenced development and which have un-contracted units expected to be completed in future, and undeveloped land parcels. This implies that the expected profits and cash flows from these assets of the Group will only be realised over a number of years in the future. In view of this, the determination of the revaluation surplus/deficit of these assets also takes into consideration the expenses and for residential properties in Singapore the relevant direct holding costs, that will be incurred over the time required in connection with the development and sale of these assets.

Based on the above, the following adjustments were made to determine the RNAV of the Group for the purpose of our evaluation.

| (S\$ million, unless otherwise indicated)   | As-is          | GDV<br>Valuation<br>Basis |
|---|----------------|---------------------------|
| The Group's Adjusted NAV as at 31 March 2014  | 1,596.3        | 1,596.3                   |
| Add: Net revaluation surplus arising from Revalued Properties                                   | 1,001.3        | 1,115.8                   |
| Add: Increase in value of held-for-trading investments which were disposed after 31 March 2014  | 0.1            | 0.1                       |
| Add: Increase in fair value of available-for-sale investments as at the Latest Practicable Date | 0.2            | 0.2                       |
| <b>RNAV as at 31 March 2014</b>   | <b>2,597.9</b> | <b>2,712.5</b>            |
| <b>RNAV per HPL Share (S\$)</b>   | <b>5.01</b>    | <b>5.23</b>               |
| <b>Discount to RNAV as implied by Second Revised Offer Price</b>                                | <b>19.1%</b>   | <b>22.5%</b>              |

Source: Management estimates, Company filings and CIMB analysis

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Shareholders should note that the above analysis assumes the hypothetical sale of the assets (including the Revalued Properties) of the Group as at the Latest Practicable Date. The Directors have confirmed to us that save for the sale of development properties and completed properties held for sale in the ordinary course of its business, the Group does not have current plans for an imminent material disposal and/or conversion of the use of the Group's properties and/or material change in the nature of the Group's business as at the Latest Practicable Date.

In addition, we wish to highlight that the RNAV per HPL Share shown above includes the estimated revaluation surpluses/deficits on unsold and/or uncompleted development properties, unsold units of completed properties held for sale and undeveloped land parcels. Shareholders should be aware that the Group has not fully earned or realised the gains on such properties as at the Latest Practicable Date. There is no assurance that the actual gains (if any) eventually recorded by the Group on such properties will be the same as that derived from the appraisals by the Independent Valuers.

The Directors have confirmed to us that to the best of their knowledge and belief:

- (i) Save for the Revalued Properties, there are no material differences between the realisable value of the Group's other assets and their respective book values as at 31 March 2014 which would have a material impact on the NAV of the Group;
- (ii) There have been no material acquisitions and disposals of assets by the Group between 31 March 2014 and the Latest Practicable Date; and
- (iii) Save as disclosed in the Company's consolidated financial statements for FY2013 and 1Q2014, there are no other contingent liabilities which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date.

We also note from the Offer Document that the Offeror intends for the Company to continue its existing business activities and there are at present no plans to (i) introduce any major changes to the business of the Company; (ii) re-deploy any of the fixed assets of the Company; or (iii) discontinue the employment of any of the existing employees of the Company and/or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company which may present themselves and which it may regard to be in the best interests of the Offeror and the Shareholders.

Based on the above, we note the following:

- (i) The Second Revised Offer Price is at a discount of approximately 19.1% to the RNAV per Share of S\$5.01 as at 31 March 2014 on an as-is valuation basis; and
- (ii) The Second Revised Offer Price is at a discount of approximately 22.5% to the RNAV per Share of S\$5.23 as at 31 March 2014 on a GDV Valuation Basis.



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We note the following:

- (i) Over the 3-year period prior to the Offer Announcement Date, the HPL Shares have traded from a discount of 38.52% to a premium of 19.97% to the trailing NAV per HPL Share; and
- (ii) The premium implied by the Second Revised Offer Price to the Adjusted Announced NAV per HPL Share as at 31 March 2014 of approximately 29.17% is higher than the highest average premia to NAV per HPL Share for the 1, 3, 6, 12, 24 and 36-month periods prior to the Offer Announcement Date.

### 7.5 Benchmarking the Second Revised Offer Price against Comparable Companies

Given the asset intensive nature of the Company's core property business, we consider NAV-based valuation methods such as P/NAV and P/RNAV as being more pertinent measures for assessing the Second Revised Offer Price relative to the earnings-based valuation methods such as P/E and EV/EBITDA. The annual earnings of property-related companies may vary considerably over time and between companies due to factors such as the timing of project launches and completion, redevelopment of properties and periodic revaluation of properties.

We have compared the valuation multiples of the Company implied by the Second Revised Offer Price with those of selected property companies listed on the SGX-ST which we consider broadly comparable to the Company ("**Comparable Companies**").

A brief description of the Comparable Companies is set out below:

| Comparable Companies  | Business description  | Market capitalisation as at the Latest Practicable Date (\$ million) |
|---|---|--|
| Bukit Sembawang Estate Limited (" <b>Bukit Sembawang</b> ") | Bukit Sembawang, through its subsidiaries, operates in property development, property mortgage financing, and the holding of properties and investments. The company provides residential property development throughout Singapore.                            | 1,612.8  |
| Frasers Centrepoint Limited (" <b>FCL</b> ")                | FCL is an integrated real estate company that provides property development and investment management.  | 5,606.2  |
| Ho Bee Investment Ltd (" <b>Ho Bee</b> ")                   | Ho Bee develops and invests in real estate properties in Singapore and United Kingdom. The company also operates hotels.  | 1,488.7  |
| OUE Limited (" <b>OUE</b> ")                                | OUE operates as a diversified real estate owner, developer, and operator with a portfolio of assets in prime locations in Singapore. The company focuses its business in the commercial, hospitality, retail and residential sectors.                           | 2,211.0  |
| UOL Group Limited (" <b>UOL</b> ")                          | UOL is a property company whose subsidiaries manage hotels and service apartments, invest in properties as well as distribute furniture and related accessories. The company also trades sporting and athletic goods, equipment and other recreation goods.     | 5,089.9  |
| Wing Tai Holdings Limited (" <b>Wing Tai</b> ")             | Wing Tai is an investment holding company whose subsidiaries invest in and develop properties, manufacture woven labels, and trade garments and architectural products and accessories. The company also provides management services and operates restaurants. | 1,532.1  |

Source: Bloomberg L.P, SGXNET and respective company's financial statements

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We wish to highlight that the Comparable Companies above are not exhaustive and they differ from the Company in terms of, *inter alia*, market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

The valuation multiples of the Company (as implied by the Second Revised Offer Price) and the Comparable Companies set out below are based on their respective last transacted share prices as at the Latest Practicable Date.

| Comparable Companies  | P/RNAV <sup>(1)</sup><br>(x) | P/NAV <sup>(2)</sup><br>(x) | EV/EBITDA <sup>(3)(4)</sup><br>(x) | P/E <sup>(3)</sup><br>(x) |
|---|------------------------------|-----------------------------|------------------------------------|---------------------------|
| Bukit Sembawang   | 0.59                         | 1.31                        | 10.56                              | 14.50                     |
| FCL   | 0.65                         | 0.90                        | 7.88                               | 8.06                      |
| Ho Bee  | 0.59                         | 0.64                        | 2.67                               | 2.74                      |
| OUE   | 0.58                         | 0.60                        | 2.64                               | 2.44                      |
| UOL   | 0.63                         | 0.74                        | 4.89                               | 6.10                      |
| Wing Tai  | 0.57                         | 0.54                        | 3.47                               | 3.96                      |
| <b>Mean</b>   | <b>0.60</b>                  | <b>0.79</b>                 | <b>5.35</b>                        | <b>6.30</b>               |
| <b>Median</b>   | <b>0.59</b>                  | <b>0.69</b>                 | <b>4.18</b>                        | <b>5.03</b>               |
| <b>Company, implied by the Second Revised Offer Price</b>           |                              | <b>1.32</b>                 | <b>10.71</b>                       | <b>11.41</b>              |
| <b>Company, implied by the Second Revised Offer Price based on:</b> |                              |                             |                                    |                           |
| - RNAV on an as-is valuation basis                                  | <b>0.81</b>                  |                             |                                    |                           |
| - RNAV on a GDV Valuation Basis                                     | <b>0.77</b>                  |                             |                                    |                           |

Source: Bloomberg L.P., respective company's financial statements and CIMB analysis

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### Notes:

- (1) The P/RNAV multiples of the Comparable Companies are calculated based on their respective average estimated RNAV in publicly available analysts/broker reports. Please note that the methods of estimating RNAV differ across analysts and Comparable Companies (for example, while some RNAV estimates are discounted for time, others may not be). The P/RNAV multiple of the Company implied in the Second Revised Offer Price is based on the RNAV of the Group as set out in Section 7.3.2 above.
- (2) The P/NAV multiples of the Comparable Companies are calculated based on their respective NAV values as set out in their latest available results as at the Latest Practicable Date.
- (3) Based on earnings and EBITDA over last twelve months. Earnings and EBITDA figures exclude exceptional items. Earnings and EBITDA of property related companies may vary considerably over time and between companies due to factors such as the timing of project launches and completion, redevelopment of properties and periodic revaluation of properties.
- (4) The EV of the respective Comparable Companies were based on (i) their market capitalisation as at the Latest Practicable Date as extracted from Bloomberg L.P.; (ii) their preferred equity, minority interests; and (iii) net debts (if any) as set out in their respective latest available financial statements.

**The valuation multiples of the Comparable Companies above do not incorporate the premium typically required to acquire control as they reflect the trades of non-controlling stakes.**

We note that at the Second Revised Offer Price,

- (i) The P/RNAV (both on an as-is valuation basis and GDV Valuation Basis), P/NAV, and EV/EBITDA multiples of the Company implied by the Second Revised Offer Price are above the range of the multiples of the Comparable Companies; and
- (ii) The P/E multiple of the Company implied by the Second Revised Offer Price is within the range of the multiples of the Comparable Companies and above the corresponding mean and median multiples of the Comparable Companies.

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### 7.6 Comparable Precedent Transaction Analysis

We have identified and reviewed the selected transactions completed during the 3-year period up to and including the Latest Practicable Date, involving the acquisitions of equity interest in property-related companies listed on the SGX-ST (the “Comparable Precedent Transactions”), which are broadly comparable to the Second Revised Offer.

A comparison of the Second Revised Offer against the Comparable Precedent Transactions is set out below.

| Announcement Date           | Target   | Transaction Summary                                   | Implied Market Cap. (\$ million) | Premium of offer price to VWAP prior to announcement <sup>(1)</sup> |                     |             |                     | P/NAV (As-is) <sup>(2)</sup> (x) | P/NAV (GDV) <sup>(3)</sup> (x) | P/NAV <sup>(4)</sup> (x) |
|-----------------------------|--|---|----------------------------------|---|---------------------|-------------|---------------------|----------------------------------|--------------------------------|--------------------------|
|                             |  |   |                                  | Last transacted price (%)   | 1-month (%)         | 3-month (%) | 3-month (%)         |                                  |                                |                          |
| 23-May-11                   | Allgreen Properties Limited (“Allgreen”)                   | Cash offer of S\$1.60 for remaining 44.3% interest    | 2,545                            | 39.1  | 40.6                | 45.3        | 0.84                | 0.78                             | 0.96                           |                          |
| 12-Aug-11                   | Centraland Limited (“Centraland”)                          | Exit offer of S\$0.40 for remaining 18.8% interest    | 738                              | 11.1  | n.a. <sup>(6)</sup> | 11.1        | 1.17 <sup>(6)</sup> |                                  | 3.25                           |                          |
| 10-May-12                   | Wing Tai   | Cash partial offer of S\$1.39 for 15.0% of the shares | 1,086                            | 18.3  | 14.3                | 9.6         | 0.44                | 0.42                             | 0.55                           |                          |
| 30-May-12                   | Brothers (Holdings) Limited                                | Cash offer of S\$0.26 for remaining 49.4% interest    | 78                               | 44.4  | 43.6                | 39.0        | 0.58 <sup>(7)</sup> |                                  | 1.44 <sup>(7)</sup>            |                          |
| 5-Dec-12                    | SC Global Developments Ltd (“SC Global”)                   | Cash offer of S\$1.80 for remaining 44.9% interest    | 745                              | 49.4  | 57.2                | 58.0        | 0.80                | 0.83                             | 1.15                           |                          |
| 21-Jun-13                   | Guthrie GTS Limited  | Cash offer of S\$0.88 for remaining 30.8% interest    | 949                              | 21.4  | 21.9                | 19.7        | 0.78 <sup>(6)</sup> |                                  | 0.87                           |                          |
| 24-Feb-14                   | Singapore Land Limited (“SLL”)                             | Cash offer of S\$9.40 for remaining 19.6% interest    | 3,877                            | 11.2  | 16.9                | 13.9        | 0.67 <sup>(6)</sup> |                                  | 0.72                           |                          |
| <b>Mean<sup>(9)</sup></b>   |  |   |                                  | <b>27.9</b>   | <b>32.4</b>         | <b>28.1</b> | <b>0.69</b>         | <b>0.68</b>                      | <b>0.95</b>                    |                          |
| <b>Median<sup>(9)</sup></b> |  |   |                                  | <b>21.4</b>   | <b>31.2</b>         | <b>19.7</b> | <b>0.72</b>         | <b>0.72</b>                      | <b>0.92</b>                    |                          |
| <b>14-Apr-14</b>            | <b>Company (Implied by the Second Revised Offer Price)</b> |   |                                  | <b>29.4</b>   | <b>33.8</b>         | <b>35.1</b> | <b>0.81</b>         | <b>0.77</b>                      | <b>1.32</b>                    |                          |

Source: Relevant offer documents, offeree circulars, company announcements and CIMB analysis

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### Notes:

- (1) The premium calculated in relation to the closing price of the respective target companies 1 day prior to the respective announcement dates and the VWAP of the 1-month and 3-month periods prior to the respective announcement dates.
- (2) Based on the RNAV figures as highlighted in the IFA opinion letter for the respective offers (where applicable), where properties under development are valued based on existing market value, without assuming development and completion.
- (3) Based on the RNAV figures as highlighted in the IFA opinion letter for the respective offers (where applicable), where properties under development are valued by assuming development and completion in accordance with the latest development proposal (for Allgreen and Wing Tai transactions) or assuming full completion and issuance of temporary occupation permit and certificate of statutory completion (for SC Global transaction).
- (4) Based on the NAV figures highlighted in the IFA opinion letter for the respective offers.
- (5) n.a. as there were no trades done in the one-month period prior to the announcement date.
- (6) Based on the RNAV figures highlighted in the IFA opinion letter for the respective offers (where applicable).
- (7) Based on the ex-cash offer price, ex-cash NAV and ex-cash RNAV figures as highlighted in the IFA opinion letter.
- (8) Based on SLL's NTA, adjusted for the fair market value of three hotels, The Pan Pacific Hotel Singapore, The Marina Mandarin Singapore and Mandarin Oriental Singapore as highlighted in the IFA opinion letter.
- (9) Calculation of the mean and median P/RNAV and P/NAV multiples exclude Centraland transaction.

We wish to highlight that the Comparable Precedent Transactions differ from the Second Revised Offer and the Company in terms of, *inter alia*, market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Hence, the comparison of the Second Revised Offer with the Comparable Precedent Transactions set out above is for illustration purpose only.

Further, we note that all the Comparable Precedent Transactions set out above, save that involving Wing Tai which was a partial offer, were offers made with an intention to privatise the target, while the Offeror is making the Offer in compliance with its obligation under Rule 14 of the Code, which arises as a result of its acquisition of the Sale Shares, representing approximately 41.46 per cent. of the HPL Shares in issue.

Based on the above, we note that:

- (i) The market price premia implied by the Second Revised Offer Price is higher than the corresponding mean and median premia of the last transacted price, 1-month VWAP and 3-month VWAP of the Comparable Precedent Transactions; and
- (ii) The P/NAV and P/RNAV (both on an as-is valuation basis and GDV Valuation Basis) multiples of the Company implied by the Second Revised Offer Price are higher than the corresponding mean and median multiples of the Comparable Precedent Transactions.

### 7.7 Premium/Discount Paid in Precedent Takeovers

We note that the Offeror's current intention is to retain the listing status of the Company on the Mainboard of the SGX-ST. However, in the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act, the Offeror reserves its rights to compulsorily acquire all the HPL Shares not acquired under the Offer. For the purpose of providing an illustrative guide as to whether the financial terms of the Second Revised Offer are attractive relative to other takeovers, we have compared the financial terms of the Second Revised Offer with those in recent successful delistings and privatisations of companies listed on the SGX-ST in the last 2 years ("**Precedent Takeovers**").



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We wish to highlight that the premium that an offeror pays in any particular takeover depends on various factors such as the potential synergy that the offeror can gain by acquiring the target, the presence of competing bids for the target, prevailing market conditions and sentiments, attractiveness and profile of the target's business and assets, size of consideration and existing and desired level of control in the target. The comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the relevant companies below. Further, the list of target companies involved in the Precedent Takeovers set out in the analysis below are not directly comparable with the Company in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, financial performance, operating and financial leverage, future prospects and other relevant criteria. Hence, the comparison of the Second Revised Offer with the Precedent Takeovers set out below is for illustration purpose only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

A summary of the relevant financial terms of the Precedent Takeovers is set out below.

| Company                                  | Date of announcement | Last transacted price (%) | Premium / (Discount) to pre-announcement share price <sup>(1)</sup> |             |
|--|----------------------|---------------------------|---|-------------|
|  |                      |                           | 1-month (%)   | 3-month (%) |
| <b>Delistings</b>                        |                      |                           |   |             |
| Cerebos Pacific Limited                  | 1-Aug-12             | 22.7                      | 22.9  | 22.9        |
| Synear Food Holdings Limited             | 15-Oct-12            | 10.1                      | 20.8  | 31.0        |
| Hup Soon Global Corporation Limited      | 8-Feb-13             | 0.0                       | (3.0)   | 1.0         |
| Pan Pacific Hotels Group Limited         | 10-May-13            | 9.0                       | 8.2   | 6.1         |
| Armstrong Industrial Corporation Limited | 5-Jul-13             | 11.1                      | 14.0  | 17.0        |
| Pertama Holdings Limited                 | 8-Jul-13             | 25.0                      | 33.4  | 20.7        |
| Superior Multi-Packaging Limited         | 6-Sep-13             | 0.0                       | 0.5   | 10.8        |
| Internet Technology Group Limited        | 25-Sep-13            | 35.3                      | 9.0   | 5.7         |
| Consciencefood Holding Limited           | 28-Sep-13            | 23.5                      | 23.3  | 18.0        |
| Devotion Energy Group Limited            | 7-Oct-13             | 23.4                      | 24.2  | 25.0        |
| Medi-Flex Limited                        | 11-Oct-13            | 15.4                      | 21.0  | 27.1        |
| WBL Corporation Limited                  | 19-Nov-13            | 27.5                      | 26.2  | 24.3        |
| Malacca Trust Limited                    | 23-Dec-13            | 15.4                      | 15.4  | 15.4        |
| <b>Mean</b>                              |                      | <b>16.8</b>               | <b>16.6</b>   | <b>17.3</b> |
| <b>Median</b>                            |                      | <b>15.4</b>               | <b>20.8</b>   | <b>18.0</b> |
| <b>High</b>                              |                      | <b>35.3</b>               | <b>33.4</b>   | <b>31.0</b> |
| <b>Low</b>                               |                      | <b>0.0</b>                | <b>(3.0)</b>  | <b>1.0</b>  |

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| Company  | Date of announcement | Last transacted price (%) | Premium / (Discount) to pre-announcement share price <sup>(1)</sup> |             |
|--|----------------------|---------------------------|---|-------------|
|  |                      |                           | 1-month (%)   | 3-month (%) |
| <b>Privatisations</b>                                      |                      |                           |   |             |
| Juken Technology Limited                                   | 16-May-12            | 28.6                      | 26.8  | 24.1        |
| Brothers (Holdings) Limited                                | 30-May-12            | 44.4                      | 43.6  | 39.0        |
| Hersing Corporation Limited                                | 8-Aug-12             | 21.1                      | 21.3  | 18.5        |
| Asia Pacific Breweries Limited                             | 18-Aug-12            | 52.8                      | 53.6  | 55.2        |
| Sakari Resources Limited                                   | 27-Aug-12            | 25.8                      | 32.0  | 36.9        |
| Luye Pharma Group Ltd.                                     | 28-Aug-12            | 16.1                      | 20.4  | 20.4        |
| Kian Ann Engineering Ltd                                   | 15-Oct-12            | 46.7                      | 60.0  | 67.9        |
| Harry's Holding Ltd.                                       | 10-Nov-12            | 53.3                      | 57.1  | 72.2        |
| China Farm Equipment Limited                               | 3-Dec-12             | 7.7                       | 2.8   | 4.2         |
| SC Global Developments Ltd                                 | 5-Dec-12             | 49.4                      | 57.2  | 58.0        |
| Kinergy Ltd  | 14-Dec-12            | 38.9                      | 37.4  | 34.4        |
| Rokko Holdings Ltd.  | 17-Dec-12            | 57.1                      | 54.9  | 50.7        |
| PCA Technology Limited                                     | 1-Feb-13             | 11.1                      | 1.4   | 13.5        |
| Tsit Wing International Holdings Limited                   | 11-Jun-13            | 36.7                      | 36.7  | 36.2        |
| Guthrie GTS Limited  | 21-Jun-13            | 21.4                      | 21.9  | 19.7        |
| Food Junction Holdings Limited                             | 24-Jun-13            | 40.1                      | 37.8  | 37.1        |
| Viz Brand Limited  | 5-Jul-13             | 9.1                       | 12.9  | 12.4        |
| Berger International Limited                               | 21-Aug-13            | 78.6                      | 67.8  | 86.6        |
| Superbowl Holdings Limited                                 | 7-Oct-13             | 15.4                      | 34.9  | 41.0        |
| People's Food Holdings Limited                             | 19-Oct-13            | 2.6                       | 4.2   | 10.0        |
| Kreuz Holdings Limited                                     | 5-Nov-13             | 4.6                       | 6.9   | 6.4         |
| Singapore Land Limited                                     | 24-Feb-14            | 11.2                      | 16.9  | 13.9        |
| <b>Mean</b>  |                      | <b>30.2</b>               | <b>32.1</b>   | <b>34.3</b> |
| <b>Median</b>  |                      | <b>25.8</b>               | <b>33.8</b>   | <b>36.2</b> |
| <b>High</b>  |                      | <b>78.6</b>               | <b>67.8</b>   | <b>86.6</b> |
| <b>Low</b>   |                      | <b>2.6</b>                | <b>1.4</b>  | <b>4.2</b>  |
| <b>Mean</b>  |                      | <b>25.6</b>               | <b>26.8</b>   | <b>28.5</b> |
| <b>Median</b>  |                      | <b>22.2</b>               | <b>23.1</b>   | <b>23.7</b> |
| <b>High</b>  |                      | <b>78.6</b>               | <b>67.8</b>   | <b>86.6</b> |
| <b>Low</b>   |                      | <b>0.0</b>                | <b>(3.0)</b>  | <b>1.0</b>  |
| <b>Company (Implied by the Second Revised Offer Price)</b> | <b>14-Apr-14</b>     | <b>29.4</b>               | <b>33.8</b>   | <b>35.1</b> |

Source: Respective company's offer documents and circulars and Bloomberg L.P.

**Note:**

- (1) The premium/discount calculated in relation to the closing price of the respective companies 1 day prior to the respective announcement dates and the VWAP of the 1-month and 3-month periods prior to the respective announcement dates.

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We note that the market price premia implied by the Second Revised Offer Price is higher than the corresponding mean and median premia of the last transacted price, 1-month VWAP and 3-month VWAP of the Precedent Takeovers.

### 7.8 Dividend Analysis

For the purpose of assessing the Second Revised Offer, we have considered the historical dividend record of the HPL Shares for the last 3 financial years prior to the Latest Practicable Date and compared them with the returns which a Shareholder may potentially obtain by re-investing the proceeds from the Second Revised Offer in other selected alternative equity investments.

#### 7.8.1 Historical Dividends Paid by the Company

The dividends declared by the Company in respect of the last 3 financial years prior to the Latest Practicable Date is set out below:

|  | FY2011 | FY2012 | FY2013 |
|--|--------|--------|--------|
| First and Final Dividend per HPL Share (S\$) | 0.02   | 0.04   | 0.04   |
| Special Dividend per HPL Share (S\$)         | 0.03   | 0.035  | 0.04   |
| Total Dividend per HPL Share (S\$)           | 0.05   | 0.075  | 0.08   |
| Share Price <sup>(1)</sup> (S\$)             | 2.04   | 3.62   | 3.61   |
| Net Dividend Yield <sup>(2)</sup> (%)        | 2.45   | 2.07   | 2.22   |

Source: Bloomberg L.P., the Company's annual reports and CIMB analysis

#### Notes:

(1) Closing price of the HPL Shares as at the last cum-dividend date.

(2) Computed as Total Dividend per HPL Share divided by Share Price.

We note that the Company has a consistent record of paying dividends with total dividend per HPL Share ranging from 5.0 cents to 8.0 cents from FY2011 to FY2013 and dividend yield ranging from approximately 2.07% to approximately 2.45% in the same period.

We note that although the Company has been consistently declaring dividends in each financial year, there is no assurance that the Company will continue to pay dividends in the future or maintain the level of dividends paid in previous periods. As such, the quantum of dividends paid by the Company in any year would depend on various factors including but not limited to the financial performance of the Group, its working capital and capital expenditure needs as well as other considerations.

#### 7.8.2 Investment in Selected Alternative Investments

Shareholders who accept the Second Revised Offer may re-invest the proceeds from the Second Revised Offer in selected alternative equity investments including the equity of the Comparable Companies and/or a broad market index instrument such as the STI Exchange Traded Fund ("STI ETF").

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For illustration purposes, the dividend yields of these selected alternative investments based on their ordinary dividends declared in respect of their respective last financial year, prior to the Latest Practicable Date, are as follows:

| Comparable Companies   | Net dividend yield (%) <sup>(1)</sup> |
|--|---------------------------------------|
| Bukit Sembawang  | 2.57                                  |
| Ho Bee   | 3.59                                  |
| OUE  | 1.23 <sup>(2)</sup>                   |
| UOL  | 3.03                                  |
| Wing Tai   | 6.15                                  |
| <b>Mean</b>  | <b>3.31</b>                           |
| <b>Median</b>  | <b>3.03</b>                           |
| <b>STI ETF</b>   | <b>2.54</b>                           |
| <b>Company (Implied by the Second Revised Offer Price)<sup>(3)</sup></b> |                                       |
| Based on Second Revised Offer Price                                      | <b>1.98</b>                           |
| Based on closing price on the Latest Practicable Date <sup>(4)</sup>     | <b>1.98</b>                           |

Source: Bloomberg L.P., annual reports or financial statements of the Comparable Companies and CIMB analysis

**Notes:**

- (1) Net dividend yield of each selected alternative investment is computed as the net ordinary dividend per share divided by the closing market price on the Latest Practicable Date (or where there was no trading on such date, the last available closing market price prior thereto).
- (2) Does not include the special cash dividend of S\$0.20 from the listing of OUE Hospitality Trust.
- (3) Based on the total dividend per HPL Share for FY2013 of S\$0.08.
- (4) Based on the market closing price of the Company on the Latest Practicable Date of S\$4.050.
- (5) The above analysis does not include FCL as it was recently listed in January 2014.

We note that the net dividend yield of the HPL Shares implied by the Second Revised Offer Price is lower than the range of the dividend yields of Comparable Companies (save for OUE) that have paid out dividends for their respective last financial year, and lower than the dividend yield of the STI ETF and the mean and median dividend yields of the Comparable Companies.

We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the Company's future dividend policy nor that of any of the Comparable Companies or the STI ETF. Furthermore, an investment in the equity of the Comparable Companies or the STI ETF also presents different risk-return profiles compared to an investment in the HPL Shares. Moreover, there is no assurance that the Company or any of the above selected alternative investments will continue to pay dividends in the future or maintain the level of dividends paid in past periods.

Further, the above analysis suggests that a shareholder who receives the proceeds from the Second Revised Offer Price may potentially experience an increase in investment income if he re-invests the proceeds from the Second Revised Offer Price in the shares of some of the Comparable Companies that has paid out dividends for their respective last financial year. This is on the assumption that the Comparable Companies that have paid out dividends for their respective last financial year maintain their respective net dividend per share at the same level as that set out above.

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### 7.9 Other Relevant Considerations

#### 7.9.1 Outlook of the Group

In its results announcement for 1Q2014, the Company stated the following in relation to the outlook of the Group:

*“The Singapore residential property market sentiment remains weak. The latest flash estimate by the Urban Redevelopment Authority indicates a decline in both volume and price of residential property transactions in Q1 2014 compared to Q4 2013.*

*The hotels in the Group continue to face challenges such as escalating operational costs as well as increased competition and geopolitical risks. The outlook for the hospitality industry is mixed.”*

#### 7.9.2 Rationale for the Offer and Intention of the Offeror in Relation to the Listing Status of HPL

As set out in Section 4 of this letter, the Offeror is making the Offer in compliance with its obligation under Rule 14 of the Code, which arises as a result of its acquisition of the Sale Shares, representing approximately 41.46 per cent. of the HPL Shares in issue.

Further, as set in Section 7.9.4 of this letter below, it is the current intention of the Offeror to retain the listing of HPL on the Mainboard of the SGX-ST. However, in the event that HPL does not meet the Free Float Requirement at the Closing Date and the SGX-ST suspends trading in the HPL Shares, the Offeror will assess the options available at that time. Accordingly, the Offeror reserves the right not to take steps to preserve the listing status of HPL on the Mainboard of the SGX-ST if the Free Float Requirement is not satisfied.

#### 7.9.3 Offeror’s Future Plans for the Company

As set out in Section 6 of the Circular, the Offeror’s intentions in relation to the Company are as follows:

*“The Offeror intends for HPL to continue its existing business activities and there are at present no plans to (i) introduce any major changes to the business of HPL; (ii) re-deploy any of the fixed assets of HPL; or (iii) discontinue the employment of any of the existing employees of HPL and/or its subsidiaries, other than in the ordinary course of business.*

*However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to HPL which may present themselves and which it may regard to be in the best interests of the Offeror and the Shareholders.”*

#### 7.9.4 Compulsory Acquisition and Delisting

The text stating the Offeror’s intentions relating to the compulsory acquisition and delisting of the Company has been extracted from paragraphs 10.2 to 10.4 of the Offer Document and reproduced in *italics* below.

***“10.2 Compulsory Acquisition Rights.*** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer, or acquires HPL Shares from the Despatch Date otherwise than through valid acceptances of the Offer, in respect of not less than 90 per cent. of the total number of the HPL Shares in issue as at the Closing Date (other than those already held by the Offeror, its related corporations or their respective nominees as at the Despatch Date), the Offeror will be entitled to exercise its right to compulsorily acquire, at the Offer Price, all HPL Shares held by Shareholders who have not accepted the Offer (the ***“Dissenting Shareholders”***).

***In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act, the Offeror reserves its right to compulsorily acquire all the HPL Shares not acquired under the Offer.***

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**10.3 Dissenting Shareholders' Rights.** *In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of HPL Shares which, together with the HPL Shares held by it, its related corporations and their respective nominees, comprise 90 per cent. or more of the total number of issued HPL Shares, the Dissenting Shareholders have the right to require the Offeror to acquire their HPL Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.*

**10.4 Listing Status of HPL.** *Pursuant to Rule 723 of the Listing Manual, HPL must ensure that at least 10 per cent. of the total number of issued HPL Shares (excluding treasury shares) is at all times held by the public (the "Free Float Requirement"). Pursuant to Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting or deemed to be acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the total number of issued HPL Shares (excluding treasury shares), the SGX-ST may suspend the trading of the HPL Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the total number of issued HPL Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.*

*In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, HPL must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the HPL Shares on the SGX-ST. Rule 724(2) of the Listing Manual states that the SGX-ST may allow HPL a period of three months, or such longer period as the SGX-ST may agree, for the percentage of the HPL Shares held by members of the public to be raised to at least 10 per cent., failing which HPL may be delisted from the SGX-ST.*

***It is the current intention of the Offeror to retain the listing of HPL on the Mainboard of the SGX-ST.*** *However, in the event that HPL does not meet the Free Float Requirement at the Closing Date and the SGX-ST suspends trading in the HPL Shares, the Offeror will assess the options available at that time. Accordingly, the Offeror reserves the right not to take steps to preserve the listing status of HPL on the Mainboard of the SGX-ST if the Free Float Requirement is not satisfied."*

We note that as at the Latest Practicable Date, the Company's free float is approximately 108,343,324 HPL Shares, or 20.87% of the HPL Shares in issue.

### 7.9.5 No Alternative Offer

As at the Latest Practicable Date, there is no publicly available evidence of any alternative offer for the HPL Shares. Further, the Directors have also confirmed that as at the Latest Practicable Date, apart from the Second Revised Offer, the Company has not received any other offer from any other party.

### 7.9.6 Minimum Acceptance Condition

Shareholders should note that the Offer is subject to the Offeror having received, by the Closing Date, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, together with the HPL Shares owned, controlled or agreed to be acquired by the Offeror or parties acting or deemed to be acting in concert with it, before or during the Offer, will result in the Offeror and parties acting or deemed to be acting in concert with it holding such number of HPL Shares carrying more than 50 per cent. of the voting rights attributable to all HPL Shares in issue as at the Closing Date.

The Offeror has announced on 30 May 2014 that the Offeror has received valid acceptances in respect of such number of Offer Shares resulting in the Offeror and parties acting or deemed to be acting in concert with it holding 260,883,657 HPL Shares, representing 50.26 per cent. of the issued share capital of HPL and 50.12 per cent. of the maximum potential issued share capital of HPL.

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The Acceptance Condition has therefore been satisfied and SCB has announced, for and on behalf of the Offeror, that the Offer has become unconditional in all respects on 30 May 2014.

According to the Unconditional Announcement, the Closing Date of the Offer will be extended from 5.30 p.m. (Singapore time) on 12 June 2014 to **5.30 p.m. (Singapore time) on 26 June 2014**.

It is stated in the Unconditional Announcement that the Offeror does not intend to extend the Offer beyond 5.30 p.m. (Singapore time) on 26 June 2014 and that **the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on 26 June 2014**.

### 7.9.7 No irrevocable undertakings

The following is extracted from paragraph 14.3 of the Offer Document and reproduced in *italics* below.

*“None of the Offeror or persons acting or deemed to be acting in concert with the Offeror has received any irrevocable undertaking from any party to accept the Offer as at the Latest Practicable Date.”*

## 8. SUMMARY OF ANALYSIS

In arriving at our advice to the Independent Directors on the Second Revised Offer, we have considered, *inter alia*, the following factors which should be read in the context of the full text of this letter:

- (i) The Group’s recent historical financial performance;
- (ii) During the 3-year period leading up to the Offer Announcement Date, trading in the HPL Shares occurred on approximately 98.5% of all market days;
- (iii) The average daily trading volume has generally declined in recent years from a 3-year average daily trading volume of 229,526 HPL Shares, representing approximately 0.21% of the Company’s free float, to a volume of about 97,429 HPL Shares over the more recent 1-month period prior to the Offer Announcement Date, representing approximately 0.09% of the Company’s free float;
- (iv) For the 3-year period leading up to the Offer Announcement Date, the HPL Shares generally traded on an upward trend, from a VWAP of S\$2.648 for the 3-year period prior to the Offer Announcement Date to S\$3.027 for the 1-month period prior to the Offer Announcement Date, but have not traded at or above the Second Revised Offer Price in the 3-year period leading up to the Offer Announcement Date;
- (v) Over the more recent 1-year period, the Second Revised Offer Price represents a premia of approximately 27.96% to 35.09% to the VWAP range of S\$2.998 to S\$3.165 per HPL Share for the 1-month, 3-month, 6-month and 1-year periods prior to the Offer Announcement Date, and a premium of approximately 29.39% over the closing price of the HPL Shares of S\$3.130 on 11 April 2014, the last traded market day prior to the Offer Announcement Date;
- (vi) The Second Revised Offer Price is at the closing price of the HPL Shares of S\$4.050 on 26 May 2014, the last traded market day prior to the date of the Second Revision Announcement, and also at the closing price of the HPL Shares of S\$4.050 on the Latest Practicable Date;
- (vii) The general performance of the FSSTI and the FSTREH since 14 April 2011;
- (viii) The Second Revised Offer Price represents a premium of approximately 31.7% to the Adjusted NAV per HPL Share of S\$3.08 as at 31 March 2014;

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- (ix) The Second Revised Offer Price represents a discount of approximately 19.1% to the RNAV per Share of S\$5.01 as at 31 March 2014 on an as-is valuation basis and a discount of approximately 22.5% to the RNAV per Share of S\$5.23 as at 31 March 2014 on a GDV Valuation Basis;
- (x) Over the 3-year period prior to the Offer Announcement Date, the HPL Shares have traded from a discount of 38.52% to a premium of 19.97% to the trailing NAV per HPL Share;
- (xi) The premium implied by the Second Revised Offer Price to the Adjusted Announced NAV per HPL Share as at 31 March 2014 of approximately 29.17% is higher than the highest average premia to NAV per HPL Share for the 1, 3, 6, 12, 24 and 36-month periods prior to the Offer Announcement Date;
- (xii) The P/RNAV (both on an as-is valuation basis and GDV Valuation Basis), P/NAV, and EV/EBITDA multiples of the Company implied by the Second Revised Offer Price are above the range of the multiples of the Comparable Companies;
- (xiii) The P/E multiple of the Company implied by the Second Revised Offer Price is within the range of the multiples of the Comparable Companies and above the corresponding mean and median multiples of the Comparable Companies;
- (xiv) The market price premia implied by the Second Revised Offer Price is higher than the corresponding mean and median premia of the last transacted price, 1-month VWAP and 3-month VWAP of the Comparable Precedent Transactions;
- (xv) The P/NAV and P/RNAV (both on an as-is valuation basis and GDV Valuation Basis) multiples of the Company implied by the Second Revised Offer Price are higher than the corresponding mean and median multiples of the Comparable Precedent Transactions;
- (xvi) The market price premia implied by the Second Revised Offer Price is higher than the corresponding mean and median premia of the last transacted price, 1-month VWAP and 3-month VWAP of the Precedent Takeovers;
- (xvii) The Company has a consistent record of paying dividends. The net dividend yield of the HPL Shares implied by the Second Revised Offer Price is lower than the range of the dividend yields of Comparable Companies (save for OUE) that have paid out dividends for their respective last financial year and lower than the dividend yield of the STI ETF and the mean and median dividend yields of the Comparable Companies;
- (xviii) The rationale for the Offer and intention of the Offeror in relation to the listing status of HPL;
- (xix) The Offer does not change the management control of the Company and as at the Latest Practicable Date, as the Offer has become unconditional in all respects, the Offeror has statutory control of the Company; and
- (xx) The Offeror does not intend to make major changes to the Group's business.

**Based upon, and having considered, *inter alia*, the factors described above and the information that has been made available to us at the Latest Practicable Date, we are of the opinion that as of the Latest Practicable Date, the Second Revised Offer Price is on balance, fair and reasonable under current prevailing market, economic, industry, monetary and other relevant conditions.**



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### 9. CIMB'S ADVICE ON THE SECOND REVISED OFFER

After carefully considering all available information and based on our assessment of the financial terms of the Second Revised Offer, we advise the Independent Directors to make the following recommendations to Shareholders in relation to the Second Revised Offer:

*Shareholders who wish to take this opportunity to realise their investments in the Company in the near term and/or who are not prepared to accept the uncertainties facing the future prospects of the Company may wish to ACCEPT the Second Revised Offer or sell their HPL Shares in the open market if they can obtain a price higher than the Second Revised Offer Price (after deducting all related expenses).*

*Shareholders who are confident and optimistic about their equity investments in the Company and the prospects of the Company under the control of the Offeror may wish to REJECT the Second Revised Offer. Shareholders who do not wish to accept the Second Revised Offer should be aware that they will be subject to the general risks associated with share investments, including but not limited to fluctuations in the price and trading liquidity of the HPL Shares. Shareholders should also note that in the 3-year period leading up to the Offer Announcement Date, the HPL Shares have not traded at or above the Second Revised Offer Price and it is likely that the market price of the HPL Shares as at the Latest Practicable Date is highly influenced by the Second Revised Offer and may not be maintained at such levels after the close of the Second Revised Offer.*

*We would advise the Independent Directors to caution the Shareholders that they should not rely on our advice to the Independent Directors as the sole basis for deciding whether or not to accept the Second Revised Offer.*

In rendering the above advice, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Shareholders should note that the opinion and advice of CIMB should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Second Revised Offer.

Yours faithfully

For and on behalf of

**CIMB BANK BERHAD, SINGAPORE BRANCH**

**MAH KAH LOON**  
HEAD  
CORPORATE FINANCE

**ERIC WONG**  
DIRECTOR  
CORPORATE FINANCE

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## APPENDIX 2: GENERAL INFORMATION

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### 1. DIRECTORS

The names, designations and address of the Directors as at the Latest Practicable Date are set out in paragraph 1 of Appendix 2 to the Circular.

### 2. HISTORY AND PRINCIPAL ACTIVITIES

The history and principal activities of the Company are set out in paragraph 2 of Appendix 2 to the Circular.

### 3. SHARE CAPITAL

#### 3.1 Issued Shares

As at the Latest Practicable Date, the issued and fully paid-up share capital of the Company is S\$707,913,387.65 comprising 519,048,851 HPL Shares.

10,992,600 HPL Shares have been issued since the end of FY2013 to the Latest Practicable Date.

Further details in relation to the HPL Shares are set out in paragraph 3.1 of Appendix 2 to the Circular.

#### 3.2 Convertible Securities

The Company has 1,450,000 HPL Options outstanding under the HPL Option Schemes as at the Latest Practicable Date.

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights in the Company save for 1,450,000 HPL Options exercisable into 1,450,000 HPL Shares under Scheme 2000.

Details of the outstanding HPL Options<sup>(1)</sup> as at the Latest Practicable Date are as follows:

| <b>Date of Grant</b>           | <b>Exercise Price (S\$)</b> | <b>Outstanding HPL Options as at the Latest Practicable Date</b> |
|--------------------------------|-----------------------------|--|
| <b>Pursuant to Scheme 2000</b> |                             |  |
| 10 October 2007                | 4.00                        | 1,420,000  |
| 20 May 2008                    | 2.33                        | 30,000   |
|                                | <b>Total Outstanding</b>    | <b>1,450,000</b>   |

Note:

(1) The HPL Options have various exercise periods. However, the respective terms and conditions provide for acceleration of exercise periods in the event of a takeover offer.

#### 3.3 Rights in respect of capital, voting and dividends

The provisions in the Articles relating to the rights of Shareholders in respect of capital, voting and dividends are reproduced in Appendix 7 to the Circular.

### 4. DISCLOSURE OF INTERESTS

#### 4.1 Interests of and dealings by the Company in shares of the Offeror

The disclosures set out in paragraphs 4.1 and 4.2 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

## APPENDIX 2: GENERAL INFORMATION

### 4.2 Interests of Directors in HPL Shares and Relevant Securities

Save as disclosed below (in respect of Ong Beng Seng) and in paragraph 4.3 of Appendix 2 of the Circular (in respect of David Fu Kuo Chen, Christopher Lim Tien Lock and Stephen Lau Buong Lik), as at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in the HPL Shares or Relevant Securities of the Company:

| Name          | Direct Interest      |   | Deemed Interest            |   |
|---------------|----------------------|---|----------------------------|---|
|               | Number of HPL Shares | % of total issued HPL Shares <sup>(1)</sup> | Number of HPL Shares       | % of total issued HPL Shares <sup>(1)</sup> |
| Ong Beng Seng | –                    | –   | 364,571,187 <sup>(2)</sup> | 70.24                                       |

Notes:

- (1) Based on 519,048,851 HPL Shares as at 30 May 2014. Figures are rounded up to the nearest two decimal places.
- (2) The HPL Shares in which OBS has a deemed interest comprise (a) 74,568,780 HPL Shares of Mrs Christina Ong (spouse) held through Coldharbour Limited; (b) 2,200,000 HPL Shares of Mrs Christina Ong held through Jermaine Limited; (c) 34,120,900 HPL Shares held by Holmshaw Services Limited; and (d) HPL Shares acquired/agreed to be acquired by the Offeror during the Offer period pursuant to market and off-market purchases and acceptances of the Offer.

### 4.3 Dealings in HPL Shares and Relevant Securities by Directors

Save as disclosed below and in paragraph 4.4 of Appendix 2 to the Circular, none of the Directors has dealt for value in HPL Shares or Relevant Securities of the Company during the period commencing 6 months prior to the Offer Announcement Date and ending on the Latest Practicable Date:

| Name          | Date of Dealing | Number of HPL Shares | Price (S\$) | Details of Dealing                    |
|---------------|-----------------|----------------------|-------------|---------------------------------------|
| Ong Beng Seng | 30 May 2014     | 15,040,777           | 4.05        | Acquisition by Offeror <sup>(1)</sup> |
|               | 29 May 2014     | 35,000               | 4.05        | Acquisition by Offeror <sup>(1)</sup> |
|               | 28 May 2014     | 329,000              | 4.05        | Acquisition by Offeror <sup>(1)</sup> |
|               | 27 May 2014     | 6,700,600            | 4.05        | Acquisition by Offeror <sup>(1)</sup> |

Note:

- (1) OBS has a deemed interest in the HPL Shares acquired/agreed to be acquired by the Offeror. Please refer to Note (2) of the table under paragraph 4.2 above for further details.

### 4.4 Interests of and dealings by Directors in shares of the Offeror

The disclosures set out in paragraphs 4.5 and 4.6 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

### 4.5 Interests of and dealings by the IFA in HPL Shares

The disclosures set out in paragraphs 4.7 and 4.8 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

### 4.6 Directors' intentions in relation to the Second Revised Offer

David Fu Kuo Chen, a Director who holds HPL Shares, intends to reject the Second Revised Offer in respect of his shareholding as set out in paragraph 4.3 of Appendix 2 to the Circular.

## 5. ARRANGEMENTS WITH DIRECTORS

The disclosures set out in paragraphs 5.1 and 5.2 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

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## APPENDIX 2: GENERAL INFORMATION

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### 6. MATERIAL CONTRACTS

The disclosures set out in paragraph 6 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

### 7. MATERIAL LITIGATION

The disclosures set out in paragraph 7 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

### 8. FINANCIAL INFORMATION

The disclosures set out in paragraph 8 of Appendix 2 to the Circular are repeated as at and with reference to the Latest Practicable Date.

### 9. VALUATION ON REVALUED PROPERTIES

The Company has commissioned independent valuations of the Revalued Properties. Extracts of the valuation reports are set out in Appendix 8 to the Circular.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. The IFA in paragraph 7.3.2 of the Supplemental IFA Letter has set out the revaluation surplus/deficit for the Revalued Properties, taking into account, *inter alia*, relevant potential tax liabilities. Save for the sale of development properties and completed properties held for sale in the ordinary course of its business, the Group does not have any current plans for an imminent material disposal of the Group's properties as at the Latest Practicable Date. As such, the aforesaid tax liabilities are not likely to crystallise save in respect of the sale of development properties and completed properties held for sale in the ordinary course of its business.

### 10. GENERAL

#### 10.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Second Revised Offer will be borne by the Company.

#### 10.2 Consent of IFA

The IFA has given and has not withdrawn its written consent to act in such capacity in relation to this Supplemental Letter and to the issue of this Supplemental Letter with the inclusion of its name, the Supplemental IFA Letter setting out its advice to the Independent Directors in relation to the Second Revised Offer and all references thereto in the form and context in which they appear in this Supplemental Letter.

#### 10.3 Documents available for inspection

Copies of the following documents are available for inspection at the registered office of the Company at 50 Cuscaden Road #08-01 HPL House Singapore 249724 during normal business hours for the period during which the Second Revised Offer remains open for acceptance:

- (a) the documents referred to in paragraph 10.5 of Appendix 2 to the Circular;
- (b) the Circular;
- (c) the Supplemental IFA Letter; and
- (d) the letter of consent referred to in paragraph 10.2 of this Appendix 2.