**ANNOUNCEMENT**

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# RESPONSES TO QUESTIONS FROM SHAREHOLDERS IN RELATION TO ANNUAL GENERAL MEETING AND SPECIAL GENERAL MEETING TO BE HELD ON 23 OCTOBER 2020

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The Board of Directors of GL Limited ("**Company**") would like to thank Shareholders for submitting their questions ahead of the Company's Annual General Meeting ("**AGM**") and Special General Meeting ("**SGM**") to be held on 23 October 2020 at 2:30 pm and 3:30 pm respectively (or as soon as the AGM concludes).

The relevant and substantial questions received by the Company and the Company's responses to such questions are set out on in Appendix A (in relation to the AGM) and Appendix B (in relation to the SGM) of this announcement.

BY ORDER OF THE BOARD

SUSAN LIM
Company Secretary
21 October 2020

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# Appendix A

**RESPONSES FROM GL LIMITED ("COMPANY") TO QUESTIONS FROM SHAREHOLDERS AHEAD OF THE 59TH ANNUAL GENERAL MEETING TO BE HELD ON 23 OCTOBER 2020**

**1. Question from Shareholder**

*Does the Company see threats or opportunities in the current COVID-19 environment, in view of its strong financial position? Can the Company share with us its thoughts and likely forthcoming action?*

**Company's Response**

As an investment holding company with a mandate to expand its existing business, the Company is always on the lookout for suitable growth opportunities. While the long-lasting impact and disruption brought about by the global pandemic remains the biggest challenge to its business, the Company is confident that the GL Limited group of companies ("**Group**") will emerge from this crisis ahead of competitors due in no small part to its robust financial position. During this period, key actions taken are primarily cash preservation, and ensuring access to adequate liquidity in the form of both committed and uncommitted credit lines. Additionally, GLH (the Group's hotel division) is taking this opportunity to review its operational structure and processes with a view to reducing cost bases while increasing efficiency post COVID-19.

**2. Question from Shareholder**

*On page 1 of the Company's Annual Report 2020 ("**AR 2020**"), it is stated that GLH is the largest owner-operator hotel company in London. 13 of its hotels – including iconic hotels The Grosvenor Hotel, The Royal Horseguards Hotel and The Tower Hotel – are in top London locations. GLH operates the majority of its hotels under four owned brands – Amba Hotels, Guoman Hotels, Thistle Hotels and Thistle Express Hotels. It also operates Hard Rock Hotel London under the Hard Rock brand. Could the Management of the Company ("**Management**") disclose the occupancy rate and RevPAR achieved in FY2019?*

**Company's Response**

We presume the reference to "FY2019" is an error and the question relates to financial year ended 30 June 2020 ("**FY2020**"). In FY2020, the total occupancy was 54%. Due to COVID-19, this was circa 20 percentage points lower than the Group's usual occupancy. Average room rate for FY2020 was £153, marginally higher than FY2019.

**3. Question from Shareholder**

*Would it be more meaningful for the Management to disclose the individual hotel's RevPAR as the four owned brands occupy different market positions and have their own branding? The hospitality business is the core business of the Company. However, Shareholders do not have good visibility of the assets and the performance of the hospitality segment.*

**Company's Response**

We believe that disclosing the performance of each individual hotel will be detrimental to the Company's competitive advantage, but a segmental analysis of the hotel division's performance is provided in the AR 2020.

**4. Question from Shareholder**

*Could the Board of the Company ("**Board**") consider how it can provide Shareholders with better visibility of the Group's hospitality assets in the AR 2020? For instance, the Company has not provided the details of the owned hotels in the AR 2020 and there is no mention of the number of rooms and key performance metrics, such as occupancy rates and RevPAR.*

**Company's Response**

Details such as location and number of rooms of each hotel are found on the Company's corporate website. We believe that disclosing individual hotel's specific performance metrics will be detrimental to our competitive advantage.

**5. Question from Shareholder**

*How is the Board / Management going to mitigate the risks associated with UK's exit from the Eurozone? Has the Management developed a contingency plan should the impact of "Brexit" on the UK economy be more severe than expected? Would it be prudent to explore a geographical diversification of the Group's hospitality assets and operations?*

**Company's Response**

We see three key potential risks from Brexit:

a. Impact on people recruitment
   - Short / Medium term: Our European employees have applied to remain and work in the UK or, where eligible, are preparing to apply for indefinite leave to remain in the UK or UK citizenship.

- Long Term: We will be developing our own talent through apprenticeships and partnerships with schools and colleges.

b. Risk to procurement costs – We have been monitoring and will continue to closely monitor risks to our purchasing. We have opened up distribution channels with UK-based companies and have negotiated rates with additional suppliers for products that originate from outside the UK.

c. Impact on the UK economy – Brexit may impact the overall UK economy and Sterling exchange rate. We have built a more flexible cost model that allows some of our costs to be flexed better in line with occupancy and to mitigate the impact of COVID-19. The company will be vigilant and respond appropriately to developments.

Currently the Group is not actively looking to explore geographical diversification of its hotel operations. This is because the Group's hotel expertise is currently focused on the UK. However, if opportunities come our way, the Group will assess each prospect on a case-by-case basis.

**6. Question from Shareholder**

*Could the Board kindly provide a current update on the hotel operation of the Company amidst the COVID-19 pandemic? What is the current average occupancy rate and RevPAR for GLH hotels owned by the Company?*

**Company's Response**

Economic and social activities in London remained very subdued due to COVID-19 restrictions in UK. Demand for hotel rooms in London is still low. The Group has re-opened seven of its hotels and the average occupancy ranges from 10% to 20%, with an average room rate of approximately £80.

**7. Question from Shareholder**

*I refer to the Chairman's Statement, on page 4 of the AR 2020, which states in respect of "MOLOKAI PROPERTIES" that "… We continue to explore options for monetising this asset while undertaking diligent cost management to contain operating losses.". What are the possible options for monetising the "Molokai Properties" owned by the Company?*

**Company's Response**

The Group has explored selling its entire interest in the entity which holds the Molokai assets.

**8. Question from Shareholder**

*Is there any update on the status of the effort to monetise the Molokai assets?*

**Company's Response**

There have been preliminary inquiries from interested parties. However, none of the parties have sought to enter into serious discussions with the Group.

**9. Question from Shareholder**

*If the Group were to dispose of the development properties, what is the expected selling price? Will it be selling at above or below the valuation price of US$171.6 million?*

**Company's Response**

Two years ago, the Molokai assets were marketed collectively for US$260 million, but we did not receive any credible offers. We are not able to say definitively what the eventual selling price would be.

**10. Question from Shareholder**

*I refer to the Segment Reporting information on page 83, under the property development segment. This segment generated revenue of US$3.1 million and US$3 million for FY2010 and FY2020 respectively. Could the Board share with Shareholders how the property is used to generate the revenue?*

**Company's Response**

We presume the reference to "FY2010" is an error and you meant to refer to FY2019. There are existing business operations on the relevant properties which generate revenue. These business operations include: (i) leasing of commercial / residential property and agricultural land to third parties; (ii) leasing of affordable housing units to local residents at rental rates regulated by authorities; (iii) licensing of land to third parties for the location of telecommunication towers; (iv) animal husbandry operations (in which calves are bred and sold); and (v) operating utility companies supplying potable water and providing waste water management services.

**11. Question from Shareholder**

*The valuation of the Molokai assets is a key audit matter ("**KAM**") highlighted by the independent auditors of the Company in their report on the audit of the Company's*

*financial statements. In the KAM, it was noted that the Group has held the assets since 1987 and operated a ranch business on Molokai island until its shutdown in March 2008. The determination of the net realisable value of the development properties is dependent on renewal of the Group's redevelopment plans and expectations of future selling prices in Hawaii. The carrying value of US$171.6 million is based on an independent valuation as at 30 June 2020. Can the Management help Shareholders understand the local socio-economic climate and the dynamics with other stakeholders on the island?*

**Company's Response**

The total population on Molokai (estimated 7,300) has remained relatively unchanged for decades. There are a limited number of decent paying jobs and a limited number of qualified workers. Most families rely on government programs to supplement their incomes. There is an active and vocal minority within the Molokai community that is strongly opposed to any development. Past resistance to projects from these groups have included vandalism, protests, and negative public testimony.

The County of Maui ("**COM**") is a significant stakeholder on the island. The Group owns approximately one-third of the land area of Molokai, with the majority of the Group's land located at the west end. COM looks to the Group to stimulate economic development at the west end.

The majority of the community would like see to an increase in economic development on the island, to prevent the need for families to move off the island in search of opportunities. However, as mentioned earlier, development will continue to be opposed by the active and vocal minority.

**12. Question from Shareholder**

*What are the development and shift in sentiments, if any, that would facilitate the sale or monetisation of the assets held by the Group on the Molokai?*

**Company's Response**

The active and vocal minority within the Molokai community remains strongly anti-development. A shift away from this sentiment may facilitate the sale of the assets.

**13. Question from Shareholder**

*What is the CAPEX for the Company in FY2021?*

**Company's Response**

All non-essential CAPEX has been deferred. The Company plans to continue with only essential CAPEX (i.e., health and safety-related expenditure).

**14. Question from Shareholder**

*I did a rough calculation on the percentage changes of the figures stated but some baffled me.*

*A. Firstly, revenue reduced by 26% but loss attributable to owners is a whopping 65% drop. Why is there such a big gap?*

*B. Then Total Assets increased by 34%, why is there a decrease in Net Assets per share by 18% instead?*

**Company's Response to Question 14A**

In our hotel division, the decline in operating expenses were not directly proportionate to the decline in operating revenues. All of our hotels were closed in the last quarter of FY2020 resulting in almost nil operating revenues for that period. However, fixed operating costs continued to incur during this period as there was very little leeway to reduce the fixed costs. Additionally, the Group made provisions for various expenses, including impairments to hotel assets and development properties; and restructuring and redundancy costs.

**Company's Response to Question 14B**

This was mainly due to the adoption of new accounting standard IFRS 16 for leases. Under this new accounting standard, the Group's total right-of- use assets increased by US$529 million. Correspondingly, our lease liabilities increased by US$700 million. There was also a decrease in equity with the adjustment resulting from the initial recognition of IFRS16 of US$120 million.

**15. Question from Shareholder**

*I see that no dividend will be given for FY2020. When is dividend expected to resume? What is the projected performance of the Company in the next two to five years?*

**Company's Response**

Currently, the Group plans to conserve cash in light of the uncertainties caused by COVID-19 pandemic. In order to resume dividend payment, the Board will assess the situation and consider all factors impacting the Group's future cash requirements. The Group's projected performance is largely dependent on the performance of its UK hotel division. In the near term, the Group expect its UK hotels to continue to face a difficult operating environment due to social distancing measures and international travel restriction. Looking further ahead, the Group expect the performance to improve if the pandemic is brought under control.

# Appendix B

**RESPONSES FROM GL LIMITED ("COMPANY") TO QUESTIONS FROM SHAREHOLDERS AHEAD OF THE SPECIAL GENERAL MEETING TO BE HELD ON 23 OCTOBER 2020**

1. **Question from Shareholder**

*Could the Company disclose how much the Company is paying in annual fees to the Bermuda government if there is no authorised capital diminution versus with authorised capital diminution? How much is the saving per year as a result if [the resolution approving the diminution of authorised but unissued share capital] is passed?*

**Company's Response**

The Company is currently paying an annual fee of around US$33,000. After the diminution, the fees should be around US$20,000. If the proposed resolution is passed, the Company should save around US$13,000 annually.