



HOTEL PROPERTIES LIMITED

Co. Reg No : 198000348Z

ANNOUNCEMENT

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNUAL REPORT 2015

The Board of Directors (the "Board") of Hotel Properties Limited (the "Company") refers to the queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 25 April 2016 in relation to the Annual Report of the Company for the financial year ended 31 December 2015 ("Annual Report 2015"), the Board would like to set out its responses to the queries as follows:-

SGX-ST's Query 1:

Guideline 2.4 of the Code of Corporate Governance ("Code") states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent. We note on page 92 that after due and careful rigorous review, the Board is of the view that all three independent Directors remain independent in their exercise of judgment and objectivity in Board matters. Please provide details on the Board's rigorous review or otherwise explain the reason(s) for the deviation from the Code recommendation.

Company's Response:

In determining the independence of a Director, the Nominating Committee ("NC") and the Board assessed in accordance with the Code's definition. The view of the NC was that a Director's independence cannot be determined solely and arbitrarily on the basis on the length of service of a Director.

The rigorous review and the factors taken into consideration by the Board to assess and determine the independence of the 3 independent Directors includes:

- a) Their contributions in terms of professionalism, integrity, objectively and ability to exercise independence of judgment in their deliberation in the interest of the Company;
- b) They have no relationship with the Company's related corporations, substantial shareholders, officers and Management that could impair their fair judgment; and
- c) They have constructively engaged and challenged Management in the best interest of the Company.

Hence, the Board is of the view that the 3 independent Directors remained independent in their exercise of judgment and objectivity in Board matters.

SGX-ST's Query 2:

Guideline 9.3 of the Code states that the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As required by Rule 1207(12) of the Listing Manual, please make disclosures as recommended in paragraph 9.3 of the Code or otherwise explain the reason(s) for the deviation from the following Code recommendations.

SGX-ST's Query 3:

Guideline 9.3 of the Code states that the company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and

awards, and other long-term incentives. In this respect, please explain why the Company has not disclosed this or otherwise explain the reason(s) for the deviation from the Code recommendation.

Company's Response to Queries 2 and 3:

As disclosed on page 96 of the Company's Annual Report 2015, it had explained that the Board believes that full disclosure of the specific remuneration of the Group's top five key management personnel (who are not Directors) in bands of S\$250,000 is not in the best interests of the Company and therefore shareholders, given the very sensitive nature of the matter among staff and the highly competitive business environment the Group operates in. The Board is of the view that disclosure of specific information may affect the retention of competent personnel in a competitive industry where poaching of executives is prevalent. Aggregate remuneration of directors and key management was disclosed on page 51 of the Company's Annual Report. The Board wishes to add that key management personnel of the Group work closely as a team. To name and disclose the remuneration of the top five key management personnel, whether in aggregate or individually, will affect the morale and team spirit.

SGX-ST's Query 4

Pursuant to Guideline 11.3 of the Code, the Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems. We note on page 94 of the Company's annual report that the Board has received assurance from Management that the risk management and internal control system is effective, the financial records have been properly maintained and the financial statements give a true and fair view of the Group and its operations and finances. Pursuant to Guideline 11.3 of the Code, please clarify whether the Company's CEO and CFO have provided assurance.

Company's Response

The Company would like to confirm that the Board has received assurance from the Managing Director, Group Financial Controller and other senior Management (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.

By Order of the Board

Lo Swee Oi
Company Secretary

27 April 2016