

HOTEL GRAND CENTRAL LIMITED
(Company Registration No. 196800243H)
(Incorporated in the Republic of Singapore)


**RESPONSE TO QUESTIONS RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) AND A SHAREHOLDER
IN RESPECT OF THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (“FY2023”)**

The Board of Directors (the “**Board**”) of HOTEL GRAND CENTRAL LIMITED (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to respond to the questions raised by SIAS and a shareholder in relation to the Company’s Annual Report for FY2023 as follows:

No.	SIAS’s Questions	Company’s Responses
1	Revenue for the financial year increased by 3.9% to \$149.1 million and the group achieved a profit before tax of \$24.3 million. In the key markets of Australia, Singapore and New Zealand, room rates and/or occupancy were mostly stronger.	
(i)	Can management update shareholders on whether hotel operations have returned to, or surpassed, pre-COVID levels?	Hotel operations are generally still 80% of pre COVID levels at higher operating cost levels.
(ii)	What operational changes have been implemented in recent years, particularly those aimed at enhancing efficiency?	In recent years, some of the operational changes implemented to enhance efficiency include multi-tasking, internal staff promotions, automation (eg in housekeeping, room status are updated using tablets) and reliance of more of the Group’s business on online travel agents and the Group’s internal booking engine.
(iii)	What factors contributed to the weaker results of the Singapore and Australia operating segments in 2023 compared to 2022?	Across all geographical segments, the Group has been affected by inflationary factors on its operating costs such as utilities, room supplies and cleaning costs. In addition, labour is in short supply across all departments resulting in higher labour costs. All the hotels managed to increase its room rates but were constrained by competitors to support rate increases in tandem with increases in labour and operating costs.

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(iv)	With the Australia hotels contributing over 60% of the group's hotel revenue, are there plans to balance out the group's geographical exposure?	The Australia hotels have historically formed the largest component of the Group's hotel revenue primarily due a higher room stock in Australia and some of its hotels having a larger food & beverage component especially in banqueting compared to room revenue. The Board is comfortable at the current percentage of the Australia segment of the Group's hotel revenue. Domestic travelling within Australia remains high. So Australia presents both segments international and domestic travellers to support demand.
(v)	How often does the board assess hotel performance, and under what circumstances would the board consider selling a property? Are there any hotels in the portfolio that have reached a mature stage, where further growth potential is limited and could be considered optimal candidates for asset recycling?	The Board continually assesses a hotel's performance at least at a half yearly interval while senior management monitors performance monthly. To the extent that the hotel is trading at cash positive levels and provides a reasonable yield to its valuation, there are no plans to sell it. At the moment, all the hotels owned by the Group continue to have growth potential. However, the Board is committed to evaluate the merits of any unsolicited offers to purchase any hotel vis a vis continuing to operate the hotel under review.
2.	<p>In February 2021, the group announced the development of a new 12-story hotel in Auckland Central, offering 191 guestrooms and suites for business and leisure travellers. In the 2022 annual report, management updated that the completion was delayed to the third quarter of 2023 due to COVID-19 restrictions.</p> <p>In the 2023 annual report, shareholders were updated again that delays in the supply chain from local and foreign imports would result in the completion happening only in June 2024.</p> <p>A soft opening is expected in early August 2024, barring unforeseen circumstances.</p>	
(i)	What specific measures did the board/management put in place to ensure that the project progresses according to schedule?	The project manager at HQ, local project manager in Auckland and the Group General Manager monitors progress by sitting in bi monthly meetings with consultants and the contractor. A General

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		Manager has been appointed since February 2024 and is now monitoring site progress daily.
(ii)	Have the costs of developing the project exceeded initial budgets?	The development costs of the Auckland project have exceeded the initial budgeted costs by about 10%.
(iii)	What is the total amount invested so far in the new hotel and how much more will be needed to furnish the hotel for its opening?	As at end of March 24, we have incurred NZD109 million in the new hotel and expect to incur an additional sum of NZD17 million to complete the project.
(iv)	Are there challenges in sourcing and hiring sufficient staff, with adequate hospitality experience, to hit the ground running when the hotel opens?	Yes, definitely. The labour market in New Zealand is tight like in Singapore due to its population size. It also has to depend on migrant workers. If necessary, we will need to pay more to get good quality staff on board to ensure that we open successfully. We have also implemented area teams by combining reservations, accounts and HR functions for the New Zealand hotels to the extent that it does not impair operations.
(v)	Is management leveraging social media platforms to market the new property, with the goal of rapidly increasing the occupancy rates?	We engage existing client base in addition to other online platforms and of course social media to build up business.
3.	<p>As shown in Note 30 (Capital management; page 93), the group is in a net cash position of \$151.65 million.</p> <p>At the end of the financial year, total assets stood at \$1.56 billion (compared to \$1.55 billion in 2022), with net asset per share at \$1.79, declining slightly from \$1.83 per share as at 31 December 2022.</p>	
(i)	Has the board evaluated the optimal capital structure to support the group's growth strategy and enhance shareholder value?	The Board is cognisant of the Group's potential to increase its gearing level to enhance shareholder value. However, this must be balanced by a disciplined approach to identifying potential asset acquisitions and ensuring that the prices offered for these acquisitions are justified by rigorous valuation studies. To the extent

No.	SIAS's Questions	Company's Responses
		that the Group is successful in securing any purchase, it would typically finance them with a balanced combination of debt and equity.
(ii)	What are the major projected capital outlays or investments, other than the Auckland hotel?	Other than the Auckland hotel, the Group continually assesses the need to carry out upgrades in its hotels and investment properties to stay competitive and to prepare for climate change.
(iii)	Would it be reasonable to assume that the group is overcapitalised given the scale of its current operations?	At current operation levels, the Group is capitalised at a comfortable level. All its hotels and investment properties are cashflow positive without need for financial support. The Group's surplus funds allow the Group flexibility in evaluating business opportunities as they present themselves.
4.	<p>Despite the strong financial position, the shares of the company trade below \$0.78 per share. Based on SGX StockFacts (see diagram below), the company trades at a price-to-book value of less than 0.45 and has a market capitalisation of approximately \$575 million.</p> <p>Hotel Grand (H18/HGCS.SI) ▼ 0.775 -0.005 (-0.641%) Industry: Cyclical Consumer Services, Hotels, Motels & Cruise Lines This company reports in this currency: SGD For latest update, please refer to Company Announcements. Cum Dividend/ Distribution</p>  <p>(Source: https://investors.sgx.com/securities/stocks?security=H18)</p>	

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	<p>In recent years, stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to recognise that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the listed company itself.</p> <p>Efforts have been targeted at companies that trade below a price-to- book ratio of below 1 and they have started to ask companies to set up and disclose valuation boosting plans. The initiative focusses on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies¹.</p>	
(i)	Beyond attributing share price fluctuations solely to external factors, has the board considered formulating, disclosing and implementing strategic initiatives aimed at enhancing capital efficiency and bolstering corporate valuation, thereby crystallising value for all shareholders?	The Board shall remain prudent and disciplined in its investment approach by seeking value accretive investments to bolster corporate valuation. At the same time, the Board will continue to finance these future investments by a conservative balance of debt and equity to improve on its capital efficiency. Beyond this, the Board will continue to focus on optimising the Group's cashflows as it believes that the main driver of shareholder value is sustainable growth in the Group's operating cashflow.

No.	Shareholder's Questions	Company's Responses
	As per section 8 & 9 of the annual report may I know so far	
1.	Has the company issued any shares to fund its expansions?	The Company did not issue any shares in FY2023.
2.	Has the company ever used the mandate to buy back own shares during turbulent times to support the shares. In the company's history so far there was only one rights issue many years ago, other than that most share issues, repurchase of shares are non event.	There was a share buyback performed in 2002. Thereafter, there were no share buyback.

¹ <https://www.jpjx.co.jp/english/news/1020/p1j4l400000014ul-att/p1j4l400000014x9.pdf>

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3.	The company's shares are thinly traded and most of the time no transaction at all. So far notice the transactions are by major shareholders like chairman himself Any way to boost liquidity of the shares	<p>The Company is unable to control the liquidity of its shares as this is a function of the market.</p> <p>Nevertheless, the Board and Management is focused on the performance of the Group to enhance value to its shareholders.</p>
4.	Has the company ever considered taking it private?	<p>The Board reviews all possible corporate actions and decides based on the circumstances beneficial to its shareholders.</p> <p>Should there be any corporate action to be undertaken, the Company would make the appropriate announcement(s).</p>

By Order of the Board

Yoo Loo Ping
Company Secretary

23 April 2024