

LETTER TO SHAREHOLDERS DATED APRIL 11, 2018 (“Letter”)

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Hotel Properties Limited, you should immediately hand this Letter, the Notice of Annual General Meeting and the accompanying proxy form to the purchaser or transferee, or the bank, stockbroker, solicitor or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, or opinions expressed, in this Letter.



HOTEL PROPERTIES LIMITED

(Incorporated in the Republic of Singapore)
(Registration No: 198000348Z)

LETTER TO SHAREHOLDERS

in relation to

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of proxy form	April 24, 2018 at 4.00 p.m.
Date and time of Annual General Meeting	April 26, 2018 at 4.00 p.m.
Place of Annual General Meeting	Crescent Ballroom, Level 2 Four Seasons Hotel Singapore, 190 Orchard Boulevard, Singapore 248646

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DEFINITIONS

In this Letter, unless the context otherwise requires, the following words and expressions shall have the following meanings:

AGM	:	The Thirty-Eighth Annual General Meeting of the Company, notice of which is set out on pages 113 to 117 of the Annual Report.
Annual Report	:	The annual report of the Company for the Financial Year ended December 31, 2017.
Board of Directors	:	The board of Directors of the Company.
CDP	:	The Central Depository (Pte) Limited.
Companies Act	:	The Companies Act, Chapter 50 of Singapore.
Company	:	Hotel Properties Limited.
Constitution	:	The memorandum and articles of association of the Company comprising the existing constitution of the Company.
control	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company.
Directors	:	The directors of the Company from time to time.
Financial Year	:	Financial year ended, or as the case may be, ending December 31.
Group	:	The Company and its subsidiaries.
Latest Practicable Date	:	The latest practicable date prior to the printing of this Letter, being March 26, 2018.
Listing Manual	:	The Listing Manual of the SGX-ST.
Market Day	:	A day on which the SGX-ST is open for trading of securities.
Securities and Futures Act	:	The Securities and Futures Act, Chapter 289 of Singapore.
SGX-ST	:	Singapore Exchange Securities Trading Limited.
Share Buy-Back	:	The buy back of Shares by the Company in accordance with the terms set out in this Letter.
Share Buy-Back Mandate	:	The general mandate to be given by Shareholders to authorise the Directors to effect Share Buy-Backs.
Shareholders	:	Registered holders of Shares except that where the registered holder is CDP, the term Shareholders shall, in relation to such Shares, mean the depositors who have Shares entered against their names in the Depository Register.
Shares	:	Ordinary shares in the capital of the Company.

DEFINITIONS

- subsidiary** : A company which is for the time being a subsidiary of another corporation, as defined in Section 5 of the Companies Act, and **subsidiaries** shall be construed accordingly.
- Subsidiary Holdings** : Shares held by subsidiaries of the Company in accordance with the Companies Act.
- Substantial Shareholder** : A person who has an interest in one or more voting shares in a company and the total votes attached to such share(s) is not less than 5% of the total votes attached to all the voting shares in the company.
- S\$** : Singapore dollars.
- Take-over Code** : The Singapore Code on Take-overs and Mergers.
- Treasury Shares** : Shares which:
- (a) are purchased by the Company in circumstances in which Section 76H of the Companies Act applies; and
 - (b) held by the Company continuously since the Treasury Shares were so purchased.
- %** : Percentage or per centum.

The terms **depositor** and **Depository Register** shall have the respective meanings ascribed to them in Section 81SF of the Securities and Futures Act.

Words importing the singular number shall include the plural number where the context admits and *vice versa*. Words importing the masculine gender shall include the feminine and neuter gender where the context admits. Words importing persons include corporations.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended, modified, extended, replaced or re-enacted whether before or after the date of this Letter so far as such amendment, modification, extension, replacement or re-enactment applies or is capable of applying to any transaction entered into hereunder. Any word defined under the Companies Act, the Listing Manual or any modification thereof and not otherwise defined in this Letter shall have the meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day shall be a reference to Singapore time unless otherwise stated.

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

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HOTEL PROPERTIES LIMITED

(Incorporated in the Republic of Singapore)

Directors:

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

Registered Office:

50 Cuscaden Road
#08-01 HPL House
Singapore 249724

Date: April 11, 2018

To: The Shareholders of Hotel Properties Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1 AGM

The Board of Directors wishes to refer Shareholders to (a) the notice of AGM convening the AGM and (b) Ordinary Resolution 9 as set out in the notice of AGM in relation to the proposed renewal of the Share Buy-Back Mandate.

1.2 Letter

The purpose of this Letter is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the proposed renewal of the Share Buy-Back Mandate to be tabled at the AGM, and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 The proposed renewal of the Share Buy-Back Mandate

Article 43A of the Company's Constitution authorises the Company to purchase or otherwise acquire its Shares. Shareholders' approval by way of an ordinary resolution is being sought at the AGM for the renewal of the Share Buy-Back Mandate, which was first adopted at the extraordinary general meeting of the Company held on April 27, 2017 and which unless renewed will expire on the date of the AGM. If the said renewal is approved, the Share Buy-Back Mandate will remain in force until the date on which the next annual general meeting of the Company is held or required by law to be held (whereupon the Share Buy-Back Mandate will lapse unless it is further renewed) or the date on which Share Buy-Backs are carried out to the full extent mandated, whichever is the earlier, unless prior to that, it is varied or revoked by a resolution of Shareholders in a general meeting.

As required under the Companies Act and the Listing Manual, a company that desires to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders at a general meeting. For this purpose, the Company is seeking the approval of its Shareholders at the AGM for the renewal of the Share Buy-Back Mandate, which renewal will take effect from the date of the AGM.

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2.2 Rationale for Share Buy-Back Mandate

The Share Buy-Back Mandate, when approved, will give the Directors the flexibility to purchase or otherwise acquire Shares of the Company, subject to market conditions, during the period when the Share Buy-Back Mandate is in force, subject to the terms and limits set out in **Paragraph 2.3**. The rationale for the Company undertaking to purchase or acquire its Shares, conducted at appropriate price levels, is as follows:

- (a) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Buy-Backs may be considered as one of the ways through which the return on equity of the Group may be enhanced;
- (b) the Share Buy-Back Mandate would provide the Company with the flexibility to purchase or acquire the Shares if and when circumstances permit, during the period when the Share Buy-Back Mandate is in force. It is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its Shareholders. In addition, the Share Buy-Back Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy; and
- (c) the purchase or acquisition of Shares under the Share Buy-Back Mandate will help mitigate short-term share price volatility (by way of stabilising the supply and demand of issued Shares) and offset the effects of short-term share price speculation, supporting the fundamental value of the issued Shares, thereby bolstering Shareholders' confidence and employees' morale.

Shareholders should note that a Share Buy-Back will only be made when the Directors consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being de-listed from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to adversely affect the listing status of the Company or the orderly trading of its Shares.

2.3 Terms and limits on the Share Buy-Back Mandate

The terms and limitations placed on purchases or acquisitions of Shares under the proposed Share Buy-Back Mandate are summarised below:

2.3.1 *Maximum number of Shares*

(i) Share Buy-Back limit

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buy-Back Mandate is limited to that number of Shares representing not more than 10% of the total number of Shares of the Company (excluding Treasury Shares and Subsidiary Holdings) as at the date of the AGM at which the Share Buy-Back Mandate is approved. Treasury Shares and Subsidiary Holdings will be disregarded for the purpose of computing the 10% limit.

Purely for illustrative purposes, on the basis that there are 520,786,451 Shares (excluding Treasury Shares and Subsidiary Holdings) as at the Latest Practicable Date and assuming that no further Shares are issued on or prior to the date of the AGM, not more than 52,078,645 Shares (representing not more than 10% of the total number of Shares of the Company as at that date (excluding Treasury Shares and Subsidiary Holdings)) may be purchased or acquired by the Company pursuant to the proposed Share Buy-Back Mandate during the period referred to in **Paragraph 2.3.2** below.

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However, purchases or acquisitions pursuant to the Share Buy-Back Mandate need not be carried out to the full extent mandated, and in any case, will not be carried out to such an extent that would result in the Company losing the minimum public float required to maintain the listing status of the Company's Shares on the SGX-ST or affect the orderly trading of its Shares.

(ii) Listing status on the SGX-ST

The Listing Manual provides that a listed company shall ensure that at least 10% of a class of its listed securities (excluding Treasury Shares) is at all times held by the public.

As at the Latest Practicable Date, 76,336,445 Shares (or approximately 14.66% of the total number of issued Shares (excluding Treasury Shares)) are held in the hands of the public.

In order to maintain the listing status and orderly trading of the Shares on the SGX-ST, the Company must ensure (pursuant to Rule 723 of the Listing Manual) that there is at all times a public float of not less than 10% of the issued Shares (excluding Treasury Shares). The Company will not carry out any Share Buy-Back to such extent that it would result in the number of Shares remaining in the hands of the public falling below the minimum level required under the Listing Manual.

Accordingly, **purely for illustrative purposes only** and assuming that 76,336,445 Shares (or approximately 14.66% of the issued Shares (excluding Treasury Shares)) are held in public hands as at the Latest Practicable Date, in order to maintain the public float of not less than 10% of the issued Shares (excluding Treasury Shares), the Company would not purchase or acquire from public Shareholders more than 26,953,111 Shares pursuant to the Share Buy-Back Mandate as at the Latest Practicable Date. **For avoidance of doubt, the above illustration should not in any way bind the Company or be construed to imply that the Company can only buy back up to 26,953,111 Shares.**

The Company is seeking Shareholders' approval to enable the Company to purchase or acquire Shares up to a maximum of 10% of the total number of Shares of the Company (excluding Treasury Shares and Subsidiary Holdings) for greater flexibility. **If approved, the Company will be able to purchase or acquire up to a maximum of 10% of the total number of Shares of the Company (excluding Treasury Shares and Subsidiary Holdings).** Nevertheless, before deciding to effect a Share Buy-Back, the Directors will ensure that, notwithstanding such purchase, a sufficient float in the hands of the public will be maintained to comply with Listing Manual requirements.

As at the Latest Practicable Date, the Company does not hold any Treasury Shares nor does any of its subsidiaries have any Subsidiary Holdings.

2.3.2 *Duration of authority*

Share Buy-Backs may be made at any time and from time to time, on and from the date of the AGM at which the Share Buy-Back Mandate is renewed up to:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or

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- (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Shareholders in general meeting,

whichever is the earliest.

The authority conferred on the Directors to purchase Shares pursuant to the Share Buy-Back Mandate may be renewed by the Shareholders at each annual general meeting or other general meeting of the Company.

2.3.3 *Manner of Share Buy-Backs*

Share Buy-Backs may be made by way of:

- (i) an on-market Share Buy-Back ("**Market Share Buy-Back**") transacted through the SGX-ST's trading system, or as the case may be, any other securities exchange on which the Shares may for the time being be listed; and/or
- (ii) an off-market Share Buy-Back ("**Off-Market Share Buy-Back**"), otherwise than on a securities exchange, effected in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all conditions prescribed by the Listing Manual and the Companies Act.

Under the Companies Act, an Off-Market Share Buy-Back on an "equal access scheme" must satisfy all of the following conditions:

- (i) the offers under the scheme must be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
 - (a) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (b) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (c) differences in the offers introduced solely to ensure that each member is left with a whole number of Shares.

If the Company wishes to make an Off-Market Share Buy-Back on an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

- (i) terms and conditions of the offer;
- (ii) period and procedures for acceptances;
- (iii) reasons for the proposed Share Buy-Back;
- (iv) the consequences, if any, of share purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the Share Buy-Back, if made, could have any effect on the listing of the Shares on the SGX-ST;

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- (vi) details of any Share Buy-Back made by the Company in the previous 12 months (whether Market Share Buy-Backs or Off-Market Share Buy-Backs), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

2.3.4 *Maximum purchase price to be paid for the Shares*

The purchase price (excluding brokerage, commission, applicable goods and services tax and other purchase-related expenses (“**related expenses**”)) to be paid for a Share shall be determined by the Directors. However, the purchase price for Shares shall not exceed:

- (i) in the case of a Market Share Buy-Back, 5% above the Average Closing Market Price (as defined below) of the Shares; and
- (ii) in the case of an Off-Market Share Buy-Back pursuant to an equal access scheme, 30% above the Average Closing Market Price of the Shares.

For the above purposes:

“**Average Closing Market Price**” means the average of the closing market prices of Shares over the last 5 Market Days on which transactions in the Shares were recorded, immediately preceding the day on which a Market Share Buy-Back was made, or as the case may be, the date of the making of the offer pursuant to an Off-Market Share Buy-Back on an equal access scheme, and deemed to be adjusted for any corporate action that occurs after the relevant 5-Market Day period; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Share Buy-Back.

The Listing Manual restricts a listed company from purchasing Shares by way of Market Share Buy-Backs at a price per Share which is more than 5% above the Average Closing Market Price.

Although the Listing Manual does not prescribe a maximum price in relation to purchases of Shares by way of Off-Market Share Buy-Backs, the Company has set a cap of 30% above the Average Closing Market Price of a Share as the maximum price for a Share to be purchased or acquired by way of Off-Market Share Buy-Backs.

2.4 **Source of funding of Share Buy-Backs**

The Company may only apply funds for the purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate as provided in its Constitution and in accordance with the applicable laws in Singapore. The Company may not buy back its Shares on the SGX-ST for settlement otherwise than in accordance with the trading rules of the SGX-ST or the Companies Act.

The Company intends to use its internal funds and/or external borrowings to finance the purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing ratio of the Company and the Group. The Company will not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse financial effect on the Company and the Group.

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2.5 Status of purchased Shares under the Share Buy-Back Mandate

The Shares purchased or acquired by the Company pursuant to the Share Buy-Back Mandate shall be deemed to be cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless held by the Company as Treasury Shares in accordance with Section 76H of the Companies Act. At the time of each such Share Buy-Back by the Company, the Directors shall decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, depending on the needs of the Company at that time.

Where Shares purchased or acquired by the Company pursuant to the Share Buy-Back Mandate are cancelled, such Shares will be automatically de-listed by the SGX-ST and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as is reasonably practicable following settlement of any such purchase or acquisition, and the total number of issued Shares will be diminished by such number of Shares that are cancelled.

2.6 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company under the Share Buy-Back Mandate may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below:

2.6.1 *Maximum holdings*

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of Shares of the Company.

2.6.2 *Voting and other rights*

The Company cannot exercise any right in respect of the Treasury Shares, in particular, (a) the right to attend or vote at meetings; and (b) the right to receive dividends or any other distribution (in cash or otherwise) of its assets (including any distribution of assets to Shareholders on a winding up).

However, the Company may allot fully paid bonus shares in respect of the Treasury Shares and the Treasury Shares may be sub-divided or consolidated so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before the subdivision or consolidation, as the case may be. Any Shares allotted as fully paid bonus shares in respect of the Treasury Shares shall be treated for the purposes of the Companies Act as if they were purchased by the Company at the time they were allotted, in circumstances in which Section 76H of the Companies Act applied.

2.6.3 *Disposal and cancellation*

When Shares purchased or acquired are held as Treasury Shares, the Company may at any time but subject always to the Take-over Code:

- (a) sell the Treasury Shares for cash;
- (b) transfer the Treasury Shares for the purposes of or pursuant to a share scheme whether for its employees, Directors or any other persons;
- (c) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the Treasury Shares; or
- (e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

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2.7 Financial effects of the Share Buy-Back Mandate

The financial effects of the acquisitions and purchases of Shares that may be made pursuant to the Share Buy-Back Mandate would depend on, *inter alia*, the aggregate number of Shares purchased, the purchase prices at the relevant time of purchase, how the purchase is funded, whether the purchase is made out of capital or profits, whether the Shares purchased or acquired are cancelled or held as Treasury Shares as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares (excluding related expenses) is made out of available profits, this will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

2.8 Illustrative financial effects

For illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited financial statements of the Group for the Financial Year ended December 31, 2017 are based on the assumptions set out below:

- (a) based on 520,786,451 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as Treasury Shares on or prior to the AGM, not more than 52,078,645 Shares (representing not more than 10% of the total number of Shares of the Company as at that date (excluding Treasury Shares and Subsidiary Holdings)) may be purchased by the Company pursuant to the proposed Share Buy-Back Mandate;
- (b) in the case of a Market Share Buy-Back and assuming that the Company purchases 52,078,645 Shares at the maximum price of S\$3.9816 for 1 Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the 5 consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 52,078,645 Shares (excluding related expenses) is S\$207,356,333; and
- (c) in the case of an Off-Market Share Buy-Back and assuming that the Company purchases 52,078,645 Shares at the maximum price of S\$4.9296 for 1 Share (being the price equivalent to 30% above the average of the closing market prices of the Shares for the 5 consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 52,078,645 Shares (excluding related expenses) is S\$256,726,888.

For illustrative purposes only, and based on the assumptions set out in (a), (b) and (c) above and assuming that:

- (i) such purchase or acquisition of Shares is financed by external sources of funds;
- (ii) the Share Buy-Back Mandate had been effective on January 1, 2017; and
- (iii) the Company had purchased or acquired 52,078,645 Shares (representing 10% of the total number of Shares of the Company as at the Latest Practicable Date (excluding Treasury Shares and Subsidiary Holdings)),

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the financial effects of the purchase or acquisition of the 52,078,645 Shares by the Company on the audited financial statements of the Group for the Financial Year ended December 31, 2017 pursuant to the Share Buy-Back Mandate:

- (1) by way of purchases made entirely out of capital and cancelled; and
 - (2) by way of purchases made entirely out of capital and held as Treasury Shares,
- are set out below.

2.8.1 Market Share Buy-Backs

Market Share Buy-Backs of up to maximum of 10% made entirely out of capital

As at December 31, 2017	Group		
(S\$'000)	Before Share Buy-Back	After Share Buy-Back	
		Shares Cancelled	Shares held as Treasury Shares
Total Equity ⁽¹⁾	2,175,241	1,967,885	1,967,885
Treasury Shares	–	–	(207,356)
Net Assets ⁽²⁾	1,931,280	1,723,924	1,723,924
Current Assets	530,586	530,586	530,586
Current Liabilities	359,401	359,401	359,401
Net Borrowings ⁽³⁾	792,376	999,732	999,732
No. of Issued and Paid Up Shares (Excluding Treasury Shares) ('000)	520,435	468,356	468,356
Financial Ratios			
Net Assets per Share (S\$)	3.71	3.68	3.68
Net Borrowings to Total Equity (times)	0.36	0.51	0.51
Earnings per Share (cents) ⁽⁴⁾	31.82	35.36	35.36

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2.8.2 Off-Market Share Buy-Backs

Off-Market Share Buy-Backs of up to maximum of 10% made entirely out of capital

As at December 31, 2017	Group		
(S\$'000)	Before Share Buy-Back	After Share Buy-Back	
		Shares Cancelled	Shares held as Treasury Shares
Total Equity ⁽¹⁾	2,175,241	1,918,514	1,918,514
Treasury Shares	–	–	(256,727)
Net Assets ⁽²⁾	1,931,280	1,674,553	1,674,553
Current Assets	530,586	530,586	530,586
Current Liabilities	359,401	359,401	359,401
Net Borrowings ⁽³⁾	792,376	1,049,103	1,049,103
No. of Issued and Paid Up Shares (Excluding Treasury Shares) ('000)	520,435	468,356	468,356
Financial Ratios			
Net Assets per Share (S\$)	3.71	3.58	3.58
Net Borrowings to Total Equity (times)	0.36	0.55	0.55
Earnings per Share (cents) ⁽⁴⁾	31.82	35.36	35.36

Notes:

- (1) "Total Equity" means the aggregate amount of issued share capital, other reserves, retained profits attributable to Shareholders, perpetual capital securities and non-controlling interests.
- (2) "Net Assets" as disclosed above excludes perpetual capital securities and non-controlling interests.
- (3) "Net Borrowings" means the aggregate of short-term and long-term borrowings net of cash and bank balances of the Group.
- (4) The borrowing cost arising from the Share Buy-Back will depend on the timing of such Share Buy-Back and cannot be ascertained as at the date of this Letter. It is therefore not included in the calculation of Earnings per Share After Share Buy-Back.

Shareholders should note that the financial effects illustrated above are purely for illustrative purposes only and based only on the abovementioned assumptions. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Group as at December 31, 2017, and is not necessarily representative of the future financial performance of the Group. Although the proposed Share Buy-Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares (excluding Treasury Shares and Subsidiary Holdings) as at the date that the Share Buy-Back Mandate is obtained, the Company may not necessarily buy back or be able to buy back 10% of the entire total number of its Shares (excluding Treasury Shares and Subsidiary Holdings) in full. The Company will, in any case, not carry out any Share Buy-Back that would result in the number of Shares remaining in the hands of the public falling below the minimum public float required or adversely affect the listing status of the Company.

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2.9 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications should consult their own professional tax advisers to take into account the tax laws applicable, whether in or outside Singapore, to their particular situations.

2.10 Reporting requirements

The Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares:

- (a) in the case of a Market Share Buy-Back, by 9.00 a.m. on the Market Day following the day on which the Market Share Buy-Back was made; and
- (b) in the case of an Off-Market Share Buy-Back under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of Treasury Shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;
- (d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of Treasury Shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

2.11 Suspension of buy back of Shares

The Company will not purchase or acquire Shares during the period commencing 2 weeks and 1 month immediately preceding the announcement of the Company's financial statements for each of the first 3 quarters of its Financial Year and the Company's full year financial statements, respectively.

2.12 Takeover implications under the Take-over Code

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.12.1 *Obligation to make a take-over offer*

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code.

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Under Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of 6 months.

Consequently, depending on the number of Shares purchased or acquired by the Company and the number of Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14 of the Take-over Code.

2.12.2 *Persons acting in concert*

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where the directors have reason to believe a *bona fide* offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

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The circumstances under which Shareholders, including Directors, and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.12.3 *Effect of Rule 14 and Appendix 2 of the Take-over Code*

In general terms, the effect of Appendix 2 of the Take-over Code is that:

- (a) unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months; and
- (b) a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate unless so required under the Companies Act.

Based on Substantial Shareholders' notifications received by the Company as at the Latest Practicable Date, none of the Substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result only of any proposed purchase by the Company of the maximum limit of 10% of its issued Shares (excluding Treasury Shares and Subsidiary Holdings) as at the Latest Practicable Date (assuming that the Company is able to exercise the Share Buy-Back Mandate and is still able to maintain the minimum public float required by the Listing Manual).

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Buy-Back Mandate are advised to consult their professional advisers and/or the Securities Industry Council before they acquire any Shares in the Company during the period when the Share Buy-Back Mandate is in force.

2.13 **Shares purchased by the Company**

The Company has not made any Share Buy-Back on or in the 12 months preceding the Latest Practicable Date.

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3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders, direct or indirect, in the Shares as recorded in the Register of Directors' Shareholding and the Register of Substantial Shareholders respectively as at the Latest Practicable Date are set out below:

	Direct/Beneficial Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Arthur Tan Keng Hock	–	–	–	–	–	–
Ong Beng Seng	100,434,455	19.29	316,825,514	60.83	417,259,969	80.12
Christopher Lim Tien Lock	1,003,200	0.19	–	–	1,003,200	0.19
Michael S. Dobbs-Higginson	–	–	–	–	–	–
Leslie Mah Kim Loong	–	–	–	–	–	–
David Fu Kuo Chen	24,326,307	4.67	–	–	24,326,307	4.67
Stephen Lau Buong Lik	704,400	0.14	–	–	704,400	0.14
William Fu Wei Cheng	–	–	–	–	–	–
Stephen Ng Tin Hoi	–	–	–	–	–	–
Substantial Shareholders						
68 Holdings Pte. Ltd.	293,368,206	56.33	–	–	293,368,206	56.33
Ong Beng Seng	100,434,455	19.29	316,825,514 ⁽²⁾	60.83	417,259,969	80.12
Cuscaden Partners Pte. Ltd.	–	–	293,368,206 ⁽³⁾	56.33	293,368,206	56.33
Nassim Developments Pte. Ltd.	–	–	293,368,206 ⁽⁴⁾	56.33	293,368,206	56.33
WPS Capital Pte. Ltd.	–	–	293,368,206 ⁽⁴⁾	56.33	293,368,206	56.33
Wheelock Properties (Singapore) Limited	–	–	293,368,206 ⁽⁴⁾	56.33	293,368,206	56.33
Star Attraction Limited	–	–	293,368,206 ⁽⁴⁾	56.33	293,368,206	56.33
Wheelock Investments Limited	–	–	293,368,206 ⁽⁴⁾	56.33	293,368,206	56.33
Wheelock and Company Limited	–	–	293,368,206 ⁽⁴⁾	56.33	293,368,206	56.33

Notes:

- (1) The percentage shareholding interest is based on the total number of issued Shares of 520,786,451 Shares as at the Latest Practicable Date.
- (2) Mr. Ong Beng Seng is deemed to have an interest in the Shares held by 68 Holdings Pte. Ltd. and the Shares held by his spouse.
- (3) Cuscaden Partners Pte. Ltd. is deemed to have an interest in the Shares held by 68 Holdings Pte. Ltd.
- (4) Nassim Developments Pte. Ltd., WPS Capital Pte. Ltd., Wheelock Properties (Singapore) Limited, Star Attraction Limited, Wheelock Investments Limited and Wheelock and Company Limited are deemed to have an interest in the 293,368,206 Shares held by 68 Holdings Pte. Ltd.

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4. AGM

The AGM, notice of which is set out on pages 113 to 117 of the Annual Report, will be held at Crescent Ballroom, Level 2 Four Seasons Hotel Singapore, 190 Orchard Boulevard, Singapore 248646 on April 26, 2018 at 4.00 p.m. for the purpose of, *inter alia*, considering and, if thought fit, passing with or without amendments, Ordinary Resolution 9 as set out in the notice of AGM in relation to the proposed renewal of the Share Buy-Back Mandate.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the accompanying proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not later than 48 hours before the time fixed for the AGM. Completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes in place of the proxy.

6. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Buy-Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 9 relating to the proposed renewal of the Share Buy-Back Mandate to be proposed at the AGM as set out in the notice of AGM on pages 113 to 117 of the Annual Report.

7. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

Yours faithfully
for and on behalf of
the Board of Directors
HOTEL PROPERTIES LIMITED

ARTHUR TAN KENG HOCK
Chairman

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