



AMARA HOLDINGS LIMITED

ANNUAL GENERAL MEETING TO BE HELD ON 9 JUNE 2020 RESPONSE TO QUESTIONS FROM SHAREHOLDERS

- Q1. Share price of Amara Holdings has been rather depressed compared to the current NAV of \$0.7025. What strategy does the management have going forward to:**
- (i) increase the profit of the Company?**
 - (ii) increase the share price and hence returns to shareholders?**

Company's response

We would like to point out that we do not dictate capital market sentiment and that there will always be volatilities in the share price. The dip in share price in March to April 2020 period coincided with the global COVID-19 pandemic which affected various industries and caused investors to turn bearish. Since then, the share price of Amara Holdings as of closing price on 8 June 2020 has recovered to about 85% as compared to 20 January 2020, when Shanghai reported its first case of COVID-19, suggesting that some investor confidence has returned.

We are in the hospitality segment that is largely reliant on the travel and tourism industry. For FY2020, with the global outbreak of COVID-19, international and domestic travel have come to a standstill for upwards of two months. The Singapore Tourism Board is estimating visitor arrivals this year to fall by about 25% to 30%.

Amidst challenging market conditions, we will continue to strive towards resiliency through a balanced asset portfolio that is geographically diversified, and an emphasis on cost prudence and efficiencies in the way we manage our businesses, both in Singapore and our overseas markets.

We intend to continue to focus on recurring income streams through our three interrelated segments of Hotel Investment and Management, Property Investment and Development, and Specialty Restaurants and Food Services. In particular, for Property Development, we will clear our current stock of residential units and explore opportunities in the growing economies of the region. The management believes in the Group's strong fundamentals and clear growth prospects, and will leave the share price to market forces, which we believe will reflect our focused efforts in time to come.

Q2. Future dividend maintained at current rate?

Company's response

While we do not have a fixed dividend policy, we believe in rewarding our shareholders, and we have been consistently distributing dividends of 1 to 3 cents per ordinary share in recent years. For reference, dividend payout ratio is 40.8% in FY2019; 36.0% in FY2018; 24.1% in FY2017; 47.0% in FY2016 and 40.2% in FY2015.

The dividend paid each year will depend on factors that include our profit level, cash position and future cash needs. The Group regularly reviews and manages its capital structure, comprising shareholders' equity and borrowings, to ensure optimal capital structure and shareholders' returns, taking into consideration operating cash flows, capital expenditures, investment opportunities, gearing ratio and prevailing market interest rates. We will continue our ethos to look into redeploying surplus funds into higher yielding business areas to enhance shareholders' value.

Q3. How has COVID-19 affected Amara's operations and what steps are management doing to mitigate its impact?

Q4. In view of COVID-19 and its impact:

- (i) Are there any reliefs given to tenants?
- (ii) What is management's view on the financial impact in FY2020 and what are the actions taken to mitigate losses?

Company's response

Kindly refer to our SGXNet announcement released on 8 June 2020, in which we have detailed the impact of COVID-19 on our operations, and the steps we are doing to mitigate its impact.

Our ethos has always been to treat our tenants as long-term business partners in the notion of a win-win business relationship. In this pandemic, we are proactively engaging our tenants by offering them business advisory where necessary, on top of financial support.

At this point in time, 100 AM is extending base rental rebate support to eligible tenants in addition to the Government's property tax rebates. We are waiting to hear from IRAS, around end-June 2020, regarding more details on the additional cash grants for qualifying SMEs following the announcement of the Fortitude Budget.

Q5. What percentage of the hotel's revenues and profits are derived from locals versus tourists?

Company's response

Prior to the pandemic, local guests contributed to 23% of the Group's hotel room revenue, whereas the other 77% was contributed by international tourists.

Q6. What is the occupancy rate and average room rate of various company hotels?

Company's response

The Group's local and overseas operations in the Hotel Investment and Management segment have been negatively affected by the COVID-19 outbreak. Kindly refer to our SGXNet announcement released on 8 June 2020, in which we have detailed the impact of COVID-19 on our operations, and the steps we are doing to mitigate its impact.

Q7. Is Bangkok hotel able to serve overseas customer now? How is the occupancy rate now at all the hotels?

Company's response

Currently, all inbound international flights to Thailand are temporarily suspended until 30 June 2020. All land and sea borders are also closed until 30 June 2020. In line with this, Amara Bangkok has been closed since 10 April 2020. Barring any unforeseen changes, Amara Bangkok is scheduled to re-open in July 2020.

The Tourism Authority of Thailand is hoping foreign visitors will return to Thailand in October 2020, the country's peak tourist season. We remain confident in the prospects of Thailand and Bangkok as a tourism destination – a comprehensive new survey “*China Thailand Travel Sentiment Survey 2020*” conducted by C9 Hotelworks and Delivering Asia Communications, that studied consumers in China's first-tier cities, has concluded that 53% of respondents would like to travel overseas within 2020. Moreover, 71% of those surveyed said they would like to travel to Thailand, with Bangkok at the top of the list.

Looking further ahead, Thailand is expected to remain a popular destination for Chinese travellers due to the following reasons:

- Chinese Yuan (RMB) has continued to appreciate against the Thai Baht in 2020, after reaching a low point in Q4 2019, thus making travel to Thailand more attractive;
- Short-haul travel due to flight health concerns is expected to be a key mover in Asia's travel recovery; and
- Thailand's policy of visa-on-arrival for Chinese travellers is a strong driver of demand.

Apart from Amara Bangkok's strategic location, we differentiate our hotel through our unique design and distinct Singaporean flavour. Looking past COVID-19, we are optimistic that Amara Bangkok will continue to do well, as these aspects allow us to capture the recovery of tourism in Bangkok.

The impact of travel restrictions, event cancellations and individuals' reticence to travel have been immediately felt in the hospitality sector. Our hotels in the three key markets of Singapore, Shanghai and Bangkok have seen occupancy rates falling in the short term.

Q8. In relation to the investments:

- (i) Based on the investments in Singapore, Sentosa, Bangkok and Shanghai, which location provides the best return on investments?**
- (ii) Prior to COVID-19 which asset provides a better return, Amara Hotel or 100 AM?**
- (iii) Most of the Group's hotels are leasehold assets with less than 60 years remaining. What are the management's plans on assets renewal to sustain recurring hotel revenue?**

Company's response

Our properties operate in different markets and hence face very different operating conditions, hence such comparisons are not equitable. Every property has its own strengths and differentiating factors.

The Group's key properties as at 31 December 2019 are set out below.

| | Address | Held by | Title | Description |
|-------|--|--|--|---|
| (i) | 165 Tanjong Pagar Road, Singapore | Amara Hotel Properties Pte Ltd | Leasehold 99 years from 1979 | Amara Singapore, a 388-guestroom hotel |
| (ii) | 582 and 600 Changshou Road, Shanghai, The People's Republic of China | Shanghai Amara Hotel Co., Ltd. | Land use rights of 45 years and 40 years from 1997 and 2004 respectively | Amara Signature Shanghai, a 343-guestroom hotel |
| (iii) | 1 Larkhill Road, Sentosa, Singapore | Amara Sentosa Investments Pte. Ltd. | Leasehold 70 years from 2005 | Amara Sanctuary Resort Sentosa, a resort hotel comprising 140-guestrooms, suites and villas |
| (iv) | 23, Surawong Road, Bangkok, Thailand | Amara Hospitality (Thailand) Co., Ltd. | Leasehold 63 years from 2010 | Amara Bangkok, a 250-guestroom hotel |

As outlined above, with the exception of our property in Shanghai, all the other properties have more than 50 years of lease remaining. When the properties' leases are close to expiration, we shall consider the option of applying for extension of leases from the respective countries' relevant land authorities.

We will continue to follow on the latest development of laws and policies in respect of the renewal of land tenure for commercial land for all our key markets.

We will also continue to explore new opportunities in other markets globally, particularly in the Asean region, where capital investment may be lower, but yields are higher.

- Q9. What is the office rental that we obtained from office property at Shanghai?**
- Q10. How much has the company earned from the office rental from Shanghai office property?**

Company's response

The office component at 100 AM Shanghai is fully leased to JA Space, which operates and provides office co-sharing services to other enterprises. We are unable to provide specific rental contributions, as this would be against our business interests, given the highly competitive industry conditions.

- Q11. What is the vacancy rate for 100 AM retail mall in Shanghai and Singapore?**
- Q12. What is the rental earning and occupancy rate for various retail malls of the company?**

Company's response

Being the only full-fledged shopping mall in the west-end of the Central Business District in Singapore, we are pleased to have maintained healthy occupancy of 98% as at 31 December 2019 for our retail podium as well as a high footfall. We welcomed two popular Japanese brands – Daiso and Don Don Donki – in 2018. They collectively occupy a total of 23,800 sq ft of retail space. This is in addition to our anchor tenant, itadakimasu by PARCO, which leases 17,000 sq ft of F&B space on the second and third floors of 100 AM, bringing a wide variety of popular and new-to-market F&B concepts. We are also currently in talks with strong brands to strengthen our tenant mix.

100 AM Shanghai mall and office officially opened on 21 April 2019. A refreshing lifestyle mall, it features a varied collection of dining options, a boutique cinema, lifestyle services as well as cultural elements to offer consumers a differentiated experience. 100 AM Shanghai mall has an occupancy of 66% as at 31 December 2019.

We are unable to provide specific rental contributions, given the highly competitive industry conditions.

- Q13. In view of COVID-19 and its impact, does the Chairman expect to see the number of vacancies in the shopping centre at Tanjong Pagar increasing?**

Company's response

Following the implementation of the Circuit Breaker measures in Singapore, some of the Group's retail tenants in Singapore have temporarily suspended operations. The Singapore government has provided some support through the four Budgets, in the form of the Enhanced Jobs Support Scheme, property tax rebates to tenants and cash grants for qualifying SME tenants. To support our tenants in tiding over this difficult period, the Group is providing support and assistance to eligible tenants, such as rental rebates and offsetting of cash security deposit, and also passing on the full amount of property tax rebates to the tenants of 100 AM Singapore.

100 AM is a well-positioned city fringe mall popular with office crowd and urbanites working and living around the Tanjong Pagar area. Our mall's occupancy is 98% as at 31 December 2019, which we expect may drop between 4% to 6%, due to the impact of COVID-19.

Our marketing team is recalibrating the tenancy mix to mitigate this drop with the aim to rebound our occupancy to the pre-COVID-19 levels of approximately 98%, by matching tenants to enhance the mall's appeal after the COVID-19 pandemic. Meanwhile, we will continue to keep in close communications with our tenants and closely monitor the impact of the COVID-19 outbreak.

Q14. What is the percentage of sale achieved for the property at River Valley and at Newton?

Company's response

As at end-April 2020, we have sold approximately 33% of the total 33 units at M5 at Jalan Mutiara, located at River Valley, and approximately 9% of the total 56 units at 10 Evelyn, located at Newton.

Q15. What will be the drivers of the Company's growth over the next 3 years?

Company's response

The global COVID-19 pandemic will inevitably affect Amara's operations and results in FY2020 and possibly even further. However, we remain cautiously optimistic, and we are looking forward to the recovery of the hospitality and tourism sector worldwide. Taking into consideration geopolitical changes unfolding globally, we will proactively expand our footprint in the region through collaboration, merger and acquisition to grow our future businesses.

Ahead of the Government's call for hotels to adopt productivity solutions and manpower-lean business models, as well as to pursue growth through internationalisation via the Hotel Industry Transformation Map launched in November 2016, our efforts to embrace technology and investments to upgrade our employees have been recognised by the Singapore Business Federation when we were conferred the Singapore Productivity Award 2016 (Excellence in Hotel Sector). We continuously review our efforts to embrace technology and innovate, in mid-2019, we implemented contactless facial recognition technology at Amara Singapore, and guests can also check into their rooms with a digital key on their mobile devices, and control features in the newly revamped guestrooms such as air-con temperature, control lighting and more.

In view of the headwinds faced by the Singapore hospitality sector, we are also looking at broadening our online distribution channels, forming strategic partnership with online travel agents, and boosting our attractiveness as a choice MICE destination.

The Amara brand has always prided itself on its agility and adaptability to emerging consumer trends in our efforts to provide differentiated guest experiences, as well as embracing innovation and driving efficiency that will allow us to remain ahead of the curve amidst intense competition, rising operational costs and a labour crunch.