



AMARA HOLDINGS LIMITED

FY2019 AGM

RESPONSE TO QUESTIONS FROM SIAS

Q1. With the opening of Amara Signature Shanghai and 100 AM Shanghai in 2018 and 2019 respectively, the group's new investments are now operational. The portfolio now includes:

- **Amara Singapore**
- **Amara Sanctuary Resort, Sentosa**
- **Amara Bangkok**
- **Amara Signature Shanghai**
- **100 AM**
- **100 AM Shanghai**
- **Specialty restaurants and food services**
- **Property development projects such as M5, 10 Evelyn and Bedok Avenue**

(i) Would management help shareholders understand how the group's operations in the key markets are impacted differently by the COVID-19 pandemic?

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 taking to mitigate its impact.

- (ii) With the completion of the major developments in the group, can the company elaborate in greater detail the growth opportunities in the next 3-5 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, lighting and more.

In view of the headwinds of the Singapore hospitality sector, in addition to exploring staycations for residents in Singapore, we are also looking at broadening our online distribution channels, forming strategic partnerships with online travel agents, for the next phase when borders gradually open up.

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.

(iii) Does the group see any silver lining during this challenging time? Would the group be exploring opportunistic acquisitions of prime assets?

Company's response

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

We have used this time to work on training and upskilling our staff, improving internal processes and operational efficiencies to ready ourselves for when the market recovers.

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 push the sale of our current stock of residential units.

At the same time, we are looking opportunistically at expanding our footprint in the region, namely South East Asia and East Asia, capitalising on a weak operating environment to acquire assets at low entry levels with the prospect of higher yields when the tourism market recovers.

Q2. In the CEO’s message, it was said that the group has “successfully launched [the] freehold, prime developments, 10 Evelyn off Newton Road and M5 at Jalan Mutiara”.

In the operations reviews, management stated that the group’s projects are well-located, tastefully designed and uniquely positioned and it is confident that these projects will resonate well with buyers and investors and stand out amidst the resilient Singapore property market.

Based on available information on URA, the group has sold 11 out of 33 units at M5 and 5 out of 56 units at 10 Evelyn. M5 obtained its temporary occupation permit in March 2018 while the estimated date of completion for 10 Evelyn is 2021.

Project Name	Street Name	Developer	Property Type	Locality	Total Number of Units in Project	Cumulative Units Launched to-date	Cumulative Units Sold to-date	Total Number of Unsold Units	Cumulative Units Launched but Unsold	Units Launched in the Month	Units Sold in the Month	Median Price (\$psf) # in the Month	Lowest Price (\$psf) # in the Month	Highest Price (\$psf) # in the Month
10 EVELYN	EVELYN ROAD	Creative Investments Pte Ltd	Non-Landed	CCR	56	56	5	51	51	0	0	-	-	-
M5	JALAN MUTIARA	TTH Development Pte Ltd	Non-Landed	CCR	33	33	11	22	22	0	0	-	-	-

(Source: URA; data updated to April 2020, retrieved on May 28, 2020)

(i) Has management reviewed the reasons for the relatively slow sales at its development projects, especially M5 which was completed in the first quarter of 2018?

Company's response

After M5 had obtained its temporary occupation permit in March 2018, the unexpected announcement of cooling measures by the Government in July 2018 adversely impacted overall buying demand, and the property market in Singapore was badly hit. Sales at our properties were not spared. Our target market for both properties is not the mass market, but those who are appreciative of the luxury and boutique apartments in the central districts.

While we continue to push sales for both M5 and 10 Evelyn, we believe the strong selling propositions/fundamentals of our projects will resonate well with the market.

(ii) Has management gathered feedback from agents and prospective buyers on M5's location, design and layout?

Company's response

We have spoken to agents and prospective buyers. While we have received interest, the property market has taken a hit in the recent years with the implementation of cooling measures in July 2018, dampened buyer sentiments due to the macroeconomy, as well as the outbreak of COVID-19, which has restricted house viewings during the circuit breaker period and Phase 1 of the reopening.

(iii) Are the unsold completed units rented out? What are the costs to hold these completed properties?

Company's response

The unsold completed units are currently not rented out. The Group undertakes stringent due diligence and planning before committing resources to a development project. In our view, the sites were acquired ahead of the 'property run' and at comfortable/affordable levels. We are unable to disclose the exact figures due to competitive reasons.

(iv) Having successfully launched the developments, how does management intend to sell out the units at M5 and 10 Evelyn to de-risk the group and to realise the development profits?

Company's response

For 10 Evelyn, we currently have a sales gallery and show suite set up in 100 AM mall, a novel concept and a first for the marketing of our property projects, tapping on our expertise of creating integrated holistic experiences.

We will continue to monitor the property market conditions closely to market our property projects and push the sales of our current stock of residential units.

Q3. The Monetary Authority of Singapore updated its Code of Corporate Governance 2018 (“2018 Code”) which came into effect for the financial year starting January 1, 2019. Compliance with the Principles in the 2018 Code is mandatory.

Rule 710 of the SGX-ST Listing Rules requires companies to comply with the Principles in the Code. Companies must explicitly state and explain how their practices are consistent with the intent of the relevant Principle.

In particular, Principles 7 and 8 of the Code are as follows:

Principle 7. The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8. The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The company has made the following disclosure on the remuneration of directors (page 64).

For confidentiality reasons and given the sensitivity of remuneration information, the Company believes that the disclosure of exact remuneration of Directors with breakdown is not in the best interests of the Company and therefore it wishes to maintain confidentiality on each individual Director's remuneration. Instead disclosures are made under the broad band of remuneration as follows:

Remuneration Band	No. of Directors	
	2019	2018
S\$750,000 to below S\$1,000,000	1	1
S\$500,000 to below S\$750,000	1	1
S\$250,000 to below S\$500,000	-	-
Below S\$250,000	4	4
Total	6	6

(Source: company annual report)

Principle 8 requires the company to be transparent on its remuneration policies, level and mix of remuneration amongst others. The company has not even named the two directors who received more than \$250,000 to “maintain confidentiality”. As required by Rule 710, companies have to explicitly state and explain how their practices are consistent with the intent of the principle. In that regard, the company practices appear not to be consistent with the intent of Principle 8.

As there are two executive directors, and Mr. Albert Teo Hock Chuan is the executive director/chief executive officer, a reader of the annual report would assume that he would be receiving the higher remuneration of \$750,000-\$1,000,000. One would also make an educated guess that Ms Susan Teo Geok Tin, being the other executive director, received a remuneration of \$500,000-\$750,000. All four non-executive directors received less than \$250,000.

In Note 6 (page 117 – Other related party transactions), the company disclosed that the executive directors received \$1.452 million. Accordingly, the range of the remuneration for the executive directors could be further adjusted to:

- **Mr. Albert Teo: \$750,000-\$952,000**
- **Ms. Susan Teo: \$500,000-\$702,000**

- (i) **Would the board consider how it could improve on the remuneration disclosure to better comply with the intent of Principle 8 with regard to the disclosure of remuneration? Stating that the disclosure is “not in the best interests of the company” does not appear to comply with the intent of Principle 8.**

- (ii) **Please disclosure the mix of remuneration to allow shareholders to assess the relationships between remuneration, performance and value creation.**

Similarly, on the disclosure of the remuneration of key management personnel (“KMP”), the company has stated the following:

The Company has many competitors in the same industry. By disclosing the top five key management personnel individually in bands of S\$250,000, the Company is susceptible to poaching of its key management personnel in a highly competitive market place vying for talent. Loss of its key management personnel involves considerable loss of operational know-how and cost in recruitment of similar talent and gestation period for new key management personnel to be fully inducted into the Company’s work practices. All these would impact its business competitive edge vis-à-vis its competitors. Disclosure of the names of the key management personnel will not be in the best interests of the Company from a business perspective.

Contrary to what the company has stated, it is more likely that any competitor who is in the position to poach its KMPs would already know the identity, experience and track record of these KMPs. Shareholders depend on the board and on management to provide them with a balanced and understandable assessment of its performance, position and prospects, including an overview of the bench strength of the senior management team. Naming and showcasing the KMPs would also be a way to give them the recognition they deserve for contributing to the group’s successes, thereby possibly strengthening their bonds with the group.

- (iii) **Would the board consider providing the profiles of the KMPs and to include the remuneration practices with regard to the KMPs? This would allow the company to comply with Provision 8.1 of the 2018 Code.**

Provision 8.2 also requires the company to disclose the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000.

The company has deviated from the Code with the following explanation:

There are three employees who are immediate family members of Mr Albert Teo Hock Chuan, Director and CEO. They are his brother, sister and daughter and their remuneration individually exceeded S\$100,000 during the year.

The RC has oversight on the remuneration of the above-mentioned family members to ensure independence in remuneration of such immediate family members of the Directors and CEO. To indicate remuneration bands (including the upper limits) for each of them would give rise to visibility of their remunerations vis-à-vis their fellow colleagues who are not employees related to the Directors and CEO, and they would be unfairly disadvantaged while confidentiality of other employees' remuneration is maintained.

The Company believes that it is not in the best interests of the Group to disclose the details as required under Provision 8.2 of the Code because of the highly competitive industry conditions and also because it wishes to maintain confidentiality for more harmonious and effective human resource management within the Group.

- (iv) Would the remuneration committee help shareholders understand if the above-mentioned family members are remunerated relatively higher than their peers? The company has stated that it wishes to maintain confidentiality for more harmonious and effective human resource management within the group. Disclosing the remuneration of the above-mentioned family members may lead to disharmony within the group if their remunerations are relatively higher than their comparable co-workers.**
- (v) Would the board consider how it could reframe its approach to its obligations under the listing rules and instead leverage its strength as a listed company to drive the group forward?**

Company's response

As mentioned in the Annual Report, we believe in maintaining confidentiality of staff remuneration matters and that disclosure of the remuneration of individual executives is against our business interest, given the highly competitive industry conditions to maintain morale and prevent poaching and internal comparison.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, ex-gratia payments and benefits-in-kind, are reviewed by the Remuneration Committee (RC). No member of the RC or any Director is involved in the deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him or her.

The Company's remuneration structure for its Executive Directors and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Group's and the Company's performance as well as the individual's performance. The performance criteria are selected based on key drivers of business performance and are aligned to shareholders' value. Such performance-related remuneration is designed to align with the interests of shareholders and promote long-term success of the Group. In setting remuneration packages, the RC takes into

consideration the pay and employment conditions within the industry and in comparable companies.

For FY2019, an independent professional advisor has been engaged to assist the RC on remuneration matters. The professional advisors were free from any relationships with the Company as that will affect their objectivity and independence.

Our Nominating Committee (NC) goes through a vigorous process when it comes to our search for suitable candidates, including consideration of the relevant experience and skillsets to our Company's business.

The Board has the appropriate mix of skills, knowledge, expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making, to provide entrepreneurial leadership to the management.