**UNI-ASIA GROUP LIMITED**
Company Registration No: 201701284Z
Incorporated in the Republic of Singapore

# ANNUAL GENERAL MEETING ON 4 JUNE 2020
# KEY QUESTIONS AND ANSWERS

**1. What is the Company's view on shipping industry, whether it has recovered from bottom?**

The shipping industry, like many other industries globally, is greatly affected by Covid-19 pandemic. In the absence of Covid-19, the fundamentals of the shipping industry present a more optimistic picture.

From the shipping demand's point of view, the US-China trade war was the most negative factor affecting shipping demand in 2019. However in the beginning of 2020 before the outbreak of Covid-19, there were signs that US and China were trying to defuse trade tension. Expectations were high that the additional tariffs imposed by both countries would ease gradually after both countries reached a tentative agreement for the "first phase" of a trade deal. Although at this juncture, this could be disrupted as US began exploring punishment of, or compensation from, China for China's handling of the pandemic.

From the shipping supply's point of view, tonnage supply for the coming three years would be much lower than previous years, with an almost zero projected average growth rate in 2021/2022 for handysize bulker sector. This is mainly due to a more subdued newbuilding market as well as an increase in scrapping of older tonnages driven by the current difficult market.

It is impossible to predict when the pandemic would end. However, as more countries began opening up their economies following a series of lockdowns, coupled with the various enormous economic stimulus packages introduced by countries worldwide, the general market consensus is that the shipping market would reach its bottom followed by a gradual recovery sometime during the 2nd half of 2020. Thereafter, a more stable and sustained market would follow in 2021.

**2. The company has greatly reduced its borrowings in the past year. Is the current level of borrowings at a level the management would be satisfied with or would the management look to reduce borrowings even further this year?**

As an investment and asset management company, the Group's borrowings are mainly to finance investment projects so as to leverage up the returns of these projects. Accordingly, the borrowings are collaterised by such investment projects. As at 31 December 2019, out of the total borrowings of US$142.6 million, US$117.8 million were collaterised by cash deposits, property investments and ship investments (for further information, please refer to the Group's announcement on FY2019's results on 28 February 2020, page 5).

The Group's borrowings declined in FY2019 as compared to that of FY2018 mainly due to the disposal of underlying property investment projects and repayment of the corresponding collaterised borrowings, as well as scheduled instalment repayments of existing borrowings in FY2019.

As part of the Group's business model, the Group sources for good investment opportunities continually, and would deploy capital, including from the Group's own cash and external borrowings, when good investment opportunities arise. In addition, the Company may need to provide additional capital to existing investment projects. As such, the Group may need to increase borrowings to fund new or existing investments.

On the other hand, the Group may dispose of existing investment projects to realise gains. Upon such disposal, the Group may repay borrowings collaterised by the disposed investment project.

Therefore, the total borrowings in 2020 may vary from that of 2019 depending on the funding needs of new and/or existing projects, as well as whether there would be disposal of existing investment projects in 2020.

**3. Gearing of the company is very high. Is the company at risk of breaching any financial covenants, especially if the asset value comes down in a recession?**

The Group has in place procedures to monitor compliance with financial covenants, and has dedicated teams in Hong Kong and Japan to manage the relationships with our bankers. When taking collaterised loans, the Group would ensure there is sufficient headroom in the loan-to-value ratio for possible decline in asset value. Further, for assets that are generating recurring income, such income would be used to reduce the principal loan amount over time. Based on the current market valuation trend of the Group's assets and given the headroom, should there be cases where such loan-to-value ratio be breached, such gaps would unlikely be material. Accordingly, the Group's cash-on-hand would be sufficient to bridge such loan-to-value gap.

**4. With reference to page 23 of the annual report, is it fair to say that there will not be any realised gains from the Hong Kong projects in 2020?**

Currently, the Group's 2$^{nd}$ and 3$^{rd}$ Hong Kong projects still have some unsold carpark lots, as well as 5 office units in the Group's 3$^{rd}$ Hong Kong project for sale. The costs of these units had been recovered. The disposal of these units depends on whether the offer price achieves the target selling price.

For projects under construction, while the construction for the 4$^{th}$ and 5$^{th}$ Hong Kong projects could be completed by the end of 2020, it may not be advantageous to rush for pre-sale due to the uncertainties in the current market as well as the backlog of outstanding approvals by the relevant Hong Kong authorities. Notwithstanding, we have been making preparation for pre-sale of these two projects. Once there is a window of opportunity, pre-sale would be launched.

Construction-wise, the 4th, 5th and 6th Hong Kong projects are in-line with the original development schedule and plan. While we have no control of the market sentiment, we are in control to ensure the quality of our construction so that upon the launch of pre-sale, we are able to achieve the optimum selling price for our projects.

Therefore, unless the market for the second half of 2020 presents a favourable opportunity, there may not be material realised gains from the Group's Hong Kong projects in 2020.

**5. Covid-19 has impacted all 3 business segments of the company. Pls provide an update on how the company intends to recover from this crisis.**

While Covid-19 has impacted all the Group's business segments, some segments are impacted to a lesser extent than others. Being an investment and asset management company of diversified assets, the Group's has more strategic options as well as varied income source, which help to cushion the impact of this pandemic.

**<u>Shipping</u>**

Covid-19 has impacted the Group's shipping segment mainly on vessels (i) which charter hires are index-linked; or (ii) which charters were renewed after Covid-19 outbreak which started in late January. On the other hand, vessels which are on longer term fixed charter rate unaffected by spot rates are not impacted as much by the pandemic because the Group's charterers are of good credit standing.

Around 90% of global trade is seaborne and shipping is still the main mode of trade transport. Shipping market will eventually recover upon the passing of the pandemic, although the timing is an unknown factor. Due to the current depressed market, it is not wise to dispose of vessels affected by the pandemic. Instead, the Group is focusing on the upkeep and operational efficiency of all vessels during this period to maximise recurring income and cash flow, and upon market recovery, would consider suitable exits to generate capital returns.

Separately, our structure finance arrangement deal team is working tirelessly to close existing deals as well as to bring in new deals. In fact, the team had successfully completed some deals in early 2020. Fees from these deals helped to support the Group's bottom-line during this period.

**<u>Property</u>**

For the Group's Hong Kong property business, the Group is not rushing to launch pre-sale for the projects under construction, although preparation has been made to take advantage of any possible window of opportunity. Meanwhile, the progress and quality of the construction are being monitored closely. Please refer to Question 4 above for more information.

For the Group's property business in Japan, as mentioned in the Corporate Update Announcement on 15 May 2020, while all property sectors in Japan are affected by Covid-19, the residential and logistics sectors are the most resilient while the hospitality sector is the worst-hit amongst all the sectors. The Group has slowed down our sales activities for our residential projects in Japan while we wait for the market to normalise. Meanwhile, the leasing market is not affected by Covid-19 and our newly completed projects this year were leased out in accordance with our business plan thus far.

**Hotel Operations**

The hotel industry in Japan has been hard hit by Covid-19, with bookings falling to an unprecedented low level following Japanese government's state-of-emergency measures in early April. Since then, the Japanese government announced several emergency measures to support the nation's economy including the following:

- US$600 billion interest-free loan and US$120 billion preferred stock and subordinated loan to be provided by state-owned banks including Development Bank of Japan, Japan Finance Corporation, Japan Investment Corporation and Regional Economy Vitalization Corporation of Japan. Such loans are targeted at companies needing financing for survival during this period.
- US$3,000/employee Monthly Employment Support Scheme
- US$17 billion "Go To Promotion" to stimulate travel demand by subsidising half of domestic travel expenses

The Group's hotel operation has benefitted from the above measures by successfully securing long term loans from mostly state-owned banks in Japan since February 2020. In addition, the Group has initiated negotiations with hotel owners and has gradually achieved reduction or suspension of lease payment through such negotiations. These initiatives by the Group and measures from Japanese government have helped to support our hotel operation's cashflow.

9 hotels which were temporarily closed have resumed operation in the first week of June soon after the cancellation of the state-of-emergency declaration on 25 May 2020.

The Group continues to focus on prudent cashflow management. While preparing itself to ride on the upward travel demand recovery curve when the end of Covid-19 pandemic come to pass, the Group is simultaneously reviewing various options in respect of its hotel operation business with a view to align with its strategic priorities and to enhance shareholder value.

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