

### **CENTURION CORPORATION LIMITED (“Centurion” or the “Company”)**

Annual General Meeting held on 25 April 2019

Summary of Questions & Answers

**1. (a) In the consolidated statement of cash flows on Page 116, under additions to investment properties, can you explain the loss of S\$119.4 million in FY2018 compared to S\$21.8 million in FY2017? What is this amount classified as under investing activities?**

Answer

- This is the consolidated cash flow statement and S\$119.4 million is a cash outflow item under investing activities and not a loss in the profit and loss account. The increase in cash outflow in FY2018 is substantially related to the recent assets that have been newly developed, which include dwell East End Adelaide/RMIT Village/Westlite Bukit Minyak that were completed last year.

**(b) Centurion had over S\$200 million in borrowings in FY2018. Can you explain your financing activities?**

Answer

- The S\$213 million borrowings under financing activities was mainly new bank loans taken up to finance the three developments. About S\$65 million fixed rate notes under our Multicurrency Debt Issuance Programme matured last year and was repaid in part through a bank loan as well.
- There was also a repayment of bank borrowings of S\$115 million under financing activities. This relates to redemption of the S\$65 million fixed rate notes. In addition, we do pay a fair amount of principal payment every year (about S\$40 million) for our assets at the project level.
- Overall the net increase in borrowings was about S\$98 million.

**2. Centurion has increased its investment in the United Kingdom (“UK”). Given Brexit, do you foresee this as an increased risk moving forward? Countries such as Germany and France also appear to be hotspots for investment - why are you not looking at them?**

Answer

- Brexit is expected to have an impact over its economy. It has affected certain real estate classes - primarily residential and office properties.

- Notably, however, it has not affected the education sector. Furthermore, a weaker UK currency has also encouraged more international students to register for tertiary courses in the country. Purpose-built student accommodation ("PBSA") being a niche and resilient asset class, has not being materially affected and in fact has appreciated in value last year, leading to fair valuation gains being recognised in our financial statement.
- We are also looking at opportunities in other European countries besides the UK. As we continue to study various geographies, we will also explore markets selectively when the opportunity arises, as part of the Company's strategy to grow the business and attain further diversification of its earnings base.

### **3. There are many players in the PBSA/PBWA space, how does Centurion position itself against competitors?**

Answer

- We recognise there are new entrants in the industry, however, we are one of the few companies whose core business is focused primarily on PBWA and PBSA assets. For the purpose-built worker accommodation ("PBWA") market, we do not think that there is stiff competition due to the high barriers to entry – specific skill sets are also essential to manage purpose-built foreign workers accommodation.
- Although we see new entrants in the PBSA market, such players are usually looking for opportunities to build large portfolios. Comparatively, we may be smaller in size but we see opportunities in-market that these bigger players may not take into consideration. We do not usually pursue large portfolios but seek selective opportunities that comprise properties which fulfil our investment requirements, which are aligned with our business strategy.
- More importantly, our position as an owner, developer and manager in this space gives us a competitive edge. Before we embark on any investment, we review the potential of the selected assets and assess if we can further enhance them in future. Additionally, we will also look at smaller or off-market deals where the yields are higher.

### **4. Given your owner-operator model, would you say that your Company's business model is unique?**

Answer

- There are not many owner-operators who are in both the PBWA and PBSA classes which we specialise in.
- Pertaining to our business model, apart from looking at net initial yields and cash flows which are not our only focus, we analyse the asset's potential and

how we can add value to it. RMIT Village would be a good example of how we have expanded the bed capacity of the asset through AEP.

**5. Your debt maturity is over S\$100 million in 2019 [sic]<sup>1</sup>. How are you going to manage it?**

Answer

- The Company had an outstanding S\$85 million fixed rate notes as at 31 December 2018 which matures in 2020. However, an early redemption for these bonds has been conducted in 2019. These notes have since been fully redeemed in April 2019, partially through issuing S\$60 million new notes via an Exchange Offer Exercise to existing note holders and reverse enquiries in Feb 2019. The remaining S\$25 million was funded through bank facilities and internal resources.

<sup>1</sup>The question was based on a recording where a shareholder mistook the debt maturity date as 2019. The debt maturity date should be 2020, as outlined in Centurion's Annual Report.

**6. What's the fee structure of the fund?**

Answer

- The fee structure is in line with market rates, with asset/property management fees, etc.

**7. What is the current assets under management ("AUM") for the Funds?**

Answer

- The first fund closed at US\$89.5 million, which we used to acquire a portfolio of PBSA assets in the United States ("US") worth over US\$200 million. The second fund has a first closing at S\$70 million in committed capital.

**8. Your net gearing is at 54%, and 60% is the maximum. That will slightly limit Centurion in terms of expansion plans. Are you planning to scale down your debt in the near future so you can take out new borrowings to fund acquisitions when opportunities arise?**

Answer

- In our efforts to keep our debt manageable, we have moved towards adopting an asset-light model. An asset-light model will put us on a stronger footing to work with like-minded investors, to enable scalable growth for us in the future. We are also looking at various options to recycle our capital.

### **9. Are your debts fixed or floating?**

Answer

- Majority of our debts are based on floating interest rates. We have been actively monitoring interest rate movements and may fix the rates when appropriate, taking into consideration hedging premiums.

### **10. What is the annual fee to maintain the Hong Kong listing? Are there differences between the listing requirements in Hong Kong and Singapore?**

Answer

- The recurring compliance cost per year is approximately S\$400K, which is not a material cost compared to our revenues and profits.
- The regulatory requirements in Hong Kong are generally similar to those in Singapore.

### **11. Do you have plans to set up other structures such as a real estate investment trust (REIT)?**

Answer

- The Board has and will continue to explore all possible exit options, taking into consideration market conditions at the point of exit, which will best add value to our shareholders and investors. This may include trade sales, or portfolio sales, IPO listings or setting up a REIT.

### **12. Why did Centurion dual list in Hong Kong? Is there an intention to delist from the Singapore Exchange?**

Answer

- With the greater depth of capital market in Hong Kong, we can have greater exposure and access to a wider investor base, especially in North Asia. We have managed to gain access to institutional investors, who have shown interest in both our stock as well as our private fund investments.
- Since the dual primary listing on The Stock Exchange of Hong Kong Limited ("SEHK"), we have continued to gain visibility among international investors as a global brand. This is a continuous process and with the continued profiling of the Group via the media and IR activities in Hong Kong, it will continue to promote brand recognition and our presence in the international market. We believe that the Group and our shareholders will benefit from the long-term growth opportunities derived from the listing on SEHK.

- While there might be a possibility to de-list from Singapore Exchange, we have no immediate intention to do so. As we are largely Singapore-based, it would be appropriate for us to maintain our listing in Singapore.

**13. What are the transaction volumes in both markets? What has been done in terms of publicity to generate more interest from investors and analysts in Singapore and Hong Kong?**

Answer

- Transaction/trading volumes are subject to market conditions and not within our control. Our average daily volumes for the SGX and SEHK market are 432,748 and 176,793 respectively for the period 31/12/2017 to 31/12/2018.
- To raise awareness and interest, there are activities we participate in to actively engage investors and analysts. Just to name a few, we do a lot of roadshows, analyst briefings in both Singapore and Hong Kong, in addition to participating in seminars and conferences – these are detailed on page 44 of our Annual Report.
- We also meet a lot of investors regularly from Singapore and Hong Kong, as well as those from other countries. Our continued efforts to communicate with investors, shareholders and analysts provide them a better understanding of the Company.

**14. How much director fees are paid in cash and shares?**

Answer

- Our Directors are all paid in cash.

**15. Have you considered paying the Directors in shares? This may be a better option as this will help ensure that directors' interest is aligned with shareholders'?**

Answer

- Your suggestion is noted and we will evaluate this option where necessary.

**16. How long has PricewaterhouseCoopers LLP ("PwC") been Centurion's auditor?**

Answer

- PwC has been the Company's auditor for approximately 24 years since listing in 1995.

**17. PwC is one of the big 4 accounting firms. I have no doubt of their integrity and they have done a good job. Also, I understand that PwC meets requirements to rotate audit partners-in-charge every 5 years. Nonetheless, would the Audit Committee consider a change of auditors, after having the same auditors for so long?**

Answer

- In our engagement with PwC, they have been doing a good job over the years and we believe in maintaining this quality of work. Indeed, in terms of internal practices, PwC's partners who manage our account are rotated once every 5 years. Thus we do not change our auditor for the sake of changing. PwC has a deep understanding of our business and continuing this engagement is beneficial to us from a business perspective.

**18. Does the Company have any treasury shares?**

Answer

- The Company does not hold any treasury shares at the moment, as the SEHK Listing Rules do not permit us to do so.

**19. What is the Company's view on share repurchase?**

Answer

- We buy back the Company's shares when the shares are in a depressed share-price situation. We last carried out share buybacks in 2017 and did not do so last year. We are also mindful of competing needs with our cash flow and this will be our consideration before carrying out a share buyback.