Appendix 2

Centurion Corporation Limited ("Centurion" or the "Company")
Incorporated in the Republic of Singapore with limited liability
Company Registration No. 198401088W

Annual General Meeting ("AGM") held on 27 April 2023
Summary of Questions & Answers

Question 1
[This question was submitted by a shareholder before the AGM and addressed during the AGM.]

The DPS for pre-covid years of 2018 and 2019 forms about 37.5% and 44% of core EPS while it is about 15% for 2022. May I know the Group's dividend policy moving forward?

Company's response:

Centurion has consistently paid out a good proportion of its earnings to shareholders, despite not having a fixed dividend policy. The Board intends to continue proposing the distribution of dividends to reward shareholders, after taking into consideration the Group's capital expenditure requirements in line with its growth trajectory and future operational needs affecting cashflows as well as other factors which the Board deems relevant. Currently, we are still conserving our cash resources as we monitor our recovery in the various markets we operate in, being mindful of the headwinds presented globally by inflation and interest rate hikes. We will consider resuming dividends to past levels when market conditions normalise.

[The following questions were raised by shareholders and addressed by the Board and Management (CEO and CFO) during the course of the AGM.]

Question 2

Using orange color for the Annual Report is very blurry. The words/numbers can't be seen properly.

Company's response:

Noted and thanks for your comments. We will do better next year.

Question 3

I would like to comment on the costs, which seem to have increased. Are there any plans to cut costs?

Company's response:
As we all know, costs have increased due to inflationary pressures across the globe and we see this reflected in manpower costs, contractors' costs and even materials for repairs and maintenance. We have been doing a lot of cost management and benchmarking internally, which includes increasing our supplier bases and comparing costs from different suppliers.

During the Covid-19 pandemic years, we had reduced our costs to conserve cash, for example by cutting Management & staff salaries, deferring staff replacements and eliminating travelling expenses due to Covid-19 travel restrictions. With the recovery, we now see costs also returning to pre-Covid-19 pandemic levels, with reinstated salaries, staff recruitment and increased operating expenses in line with heightened occupancy and business activities, including travelling expenses to manage our operations globally, and expenses related to our strategic review of our asset portfolio.

Rest assured that we are monitoring expenses and some of the costs will not recur year on year.

Question 4

Regarding profitability, do you have targets you can share? Based on the Annual Report, it seems like there hasn't been much improvement in the profitability. The Company's net profit margin in 2021 was 65% and in 2022, it was 68%. The growth is very little. Shareholders want to know about the Company's progress.

Company's response:

Internally we do have targets, however we do not provide profit targets to the public. As shared during the earlier AGM presentation, you can see that there has been consistent growth over the years and 2022 was a record year for us, with S$180.5 million in revenue. Similarly, we have achieved good growth in terms of profits on a year-on-year basis as well.

On the other hand, net profit margins should be stable, and we expect this to continue. It should be noted that net profit and net profit margins are different. While our net profit has increased by more than 35%, the net profit margin has remained stable. Despite rising costs, we have still managed to maintain our margins consistently.

Question 5

Interest rates are increasing and we're uncertain when this would ease. Is there any impact to Centurion? Are profits enough to cover the high interest rates and any debts?

Company's response:

While high interest rates certainly affect the Group to some extent, the demand for Centurion's specialised asset classes has been strong. Leases for the Group's specialised accommodations are committed for one year, hence rental revisions can be progressively implemented upon the leases expiring during the year and such rental rate increments would cushion the impacts of interest rate increases.

Whilst it is difficult to project interest rate hikes in the future, current rental revisions have been doing well and the Group's interest cover ratio is healthy at 3.9%. We have also, in the past years, focused on reducing our leverage, which has also reduced the impact of interest rate increases on the Company.

Question 6

(a) Do not quite understand trade and non-trade receivables under Note 13 of the Financial Statements in the Annual Report. What does that mean? If want to calculate receivables days, which figure to refer to?

(b) In Note 26 and 27 of the Financial Statements in the Annual Report, could you explain more about the trade and non-trade payables, as well as the accruals for operating expenses, and accrued capital expenditure?

(c) As at 31 December 2022, the Group was in a net current liability position. Able to meet working capital needs?

Company's response:

These classifications are in accordance with the accounting standards, IFRS.

Trade receivables are generally sales related, meaning receivables generated by selling a product or providing a service to a customer. Non-trade receivables include receivables due from subsidiaries or associated companies, who are not customers. For example, the non-trade receivables of about S$2.2 million due from associated companies were payments we made on behalf of our associated companies (i.e., management fee for Centurion US Student Housing Fund ("US Fund I") portfolio).

Receivables days should be based on trade receivables (trade debtors).

On Note 26 of the Financial Statements in the Annual Report, the amount of non-trade payables was substantially due to associated companies (i.e., Lian Beng-Centurion (Mandai) Pte. Ltd. and US Fund I portfolio). S$24 million are related to deposits received from our tenants, such as tenants at our worker dormitories who are required to pay 2 to 4 months' rental deposits in advance. S$8 million are advance rentals received from tenants, such as from tenants of our student accommodations.

Accruals for operating expenses refer to wages or expenses that have not yet been invoiced, but for accounting completeness we accrue for these expenses. On Note 27 of the Financial Statements in the Annual Report, the reinstatement costs are relating to Quick Built Dormitories that need to be reinstated on return to the government authorities, which the Group has accrued as Reinstatement Costs.

In the real estate industry, it is not uncommon to be in a net liability position. This is due mainly to classification under accounting standards. As reported in the Annual Report, the Group is expected to generate sufficient operating cash flows to enable the Group to pay its debts as and when they fall due within the next 12 months from 31 December 2022. In addition, it has unutilized committed bank facilities of more than S$100 million to meet current liabilities.

Question 7

For Note 17 of the Financial Statements in the Annual Report, financial assets, at fair value through profit or loss at S$51,000 seems low. What's the unquoted equity investment there and what's the percentage of holding?

Company's response:

This pertains to an investment in a Singapore private company of about 1.5% equity which was needed as an investment in a larger fund – US Fund 1 (Centurion US Student Housing Fund) in the US.

Question 8

According to Page 115 of the Annual Report, the operating cash flow seems to be doing well at over S$1 million. What's the balance after repaying the debt and distributing the dividends to shareholders? Asked this as the Company seems to have focused on debt repayment and funds had been utilized for that, rather than paying shareholders higher dividends. Maybe in the future, say next year when the interest rate may be lower, the Company can consider paying higher dividends to shareholders.

Company's response:

Overall, the net increase in cash equivalents as at 31 December 2022 was S$2.2 million. Cash was substantially used in the repayment of loans, interest rate and dividend payments and investments.

Your comments on dividend payments are noted. For now, Management has been prudent in terms of managing risk, debts, and cash. We have been trying to lower the debt level and to save on interest costs in a rising interest rate environment, as well as other costs. Cash flow is good at the moment. Decision on any future dividend payments will be based on strong cash flow, interest rate environment and various factors.

Question 9

Referring to page 29 of the Annual Report, noted that the Net Asset Value Per Share and Earnings Per Share had increased. Thanks to the Directors for doing a good job.

Regarding dividend, noted that the Company paid total dividend of 2 Singapore cents per ordinary share for a financial year pre-Covid 19. An interim dividend of 0.5 Singapore cent per ordinary share was declared during FY2022 and now the Board is recommending a final dividend of 0.5 Singapore cent per ordinary share in respect of FY2022.

Will Centurion consider paying a special dividend?

Company's response:

The Board will consider such a payout as soon as the Group has ample cash and liquidity after taking into consideration heightening interest rate risks, debt levels and operational overheads. Given the uncertain macroeconomic outlook, the Group will exercise prudent financial management. As stated in our Annual Report, we have been paying down debt and interest rates are still expected to remain high. As of now, we are keeping an eye on the interest rates and are looking at the Company's dividend payouts closely.

Question 10

What are community recovery facilities and is this a profitable business?

Company's response:

These facilities were introduced by the government authorities during the COVID-19 pandemic to cater for infected migrant workers. Infected migrant workers will be sent to these facilities for recovery for 7-14 days. The Covid-19 pandemic has still not ended and there has since been a new wave – which explains why relevant authorities are keen to continue such facilities. We would like to assure you that this is a profitable business and Centurion will do its part to support the authorities in pandemic management.

Question 11

Could you share further information on changes on rental reversions?

Company's response:

Globally, we are looking at rental revisions ranging between 10% to 30% depending on the country, market conditions and the type of properties.

Question 12

How would new regulations by MOM on Covid measures affect Westlite dormitories? Any updates on Westlite Toh Guan about redevelopment?

Company's response:

The new specifications announced by MOM in September 2021 are applicable to new developments and not existing dormitories. New standards for existing dormitories are yet to be announced. There might be a transition period for dormitories to comply with the new standards, and we do not expect significant impact in the short term due to the demand and supply of beds at the moment.

As for Westlite Toh Guan, we had commenced the intensifications pre-Covid-19 in accordance with the planning permission approved by URA and block 14 was demolished for redevelopment based on the then prevailing standards. Due to the Covid-19 pandemic and announcement of new standards, this redevelopment had to be suspended. We are now in the process of submitting plans to redevelop the block with the intention to comply with the new standards and expect the redevelopment to contribute positively to the Group when completed.

Question 13

How many Directors are there for the recommended payment of Directors' fees of up to S$497,738 for FY2023? Are Directors paid according to their performance/contribution?

Company's response:

Most of the Directors on our Board are Non-Executive Directors, and out of nine Directors five are Independent Directors. The Directors oversee the direction and governance of the Company and Management, and ensure that shareholders, especially minority shareholders' interests, are protected. Directors' fees are paid to the Independent Directors and they each contribute actively to the various Sub-Committees and activities of the Board. *(For details of the Directors' responsibilities and contributions as well as Directors' fee structure, please see the Corporate Governance section on pages 71 to 97 of the Company's Annual Report 2022.)*