

# Appendix 3



# Responses to questions received from shareholders



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Further to the announcement released via SGXNet on 9 April 2020, we have received questions from various shareholders and note that many of these questions are overlapping.

To avoid repetition, we will not answer each question individually and we instead have organised them into 7 main questions and our corresponding responses are set out below.

For questions which have been addressed earlier in our CEO's Presentation and answers to SIAS questions, we will not raise them again.

- 1) **Please comment on the outbreak of Covid-19 in your dormitories and how it will affect the current year earnings.**
  - The Covid-19 outbreak situation in our worker dormitories or PBWA have been covered in our CEO's update presentation. Do note that we have also similarly implemented tailored measures for our PBSA properties
  - There are cost increases to deal with Covid-19 in our dormitories due to operational disruptions and precautionary measures. This cost is high but it is not significant relative to the Group
  - PBWA has thus far not been impacted on the financial occupancy and we expect it to be stable in the near term

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With regards to the proposed reconstruction of an existing block at Westlite Toh Guan,

**2a) Please explain the origin and history with regards to the lease at Westlite Toh Guan, including the recent extension, and why no development premium was payable?**

- The site was originally on lease for a duration of 60 years from 01 Dec 1997 for Clean and Light Industrial
- In 2002, a supplemental lease was issued for the use of the site as workers' dormitory up to September 2032
- In 2019, planning application was made and Provisional Permission (PP) was obtained for the proposed reconstruction of an existing 5-storey block of dormitory facility to a 8-Storey block of Industrial training centre and dormitory facility. No new beds are added in the re-development
- In 2020, Written Permission (WP) was obtained for the proposed redevelopment, and the right of use as workers' dormitory was extended to 2057, subject to the conditions in the WP
- DP is administered by SLA and is computed with reference to the Development Charge Table. The applicant is guided by SLA on the amount payable. In this case, SLA informed that DP is not payable

**2b) What is the basis for the valuer determining that a valuation gain of approximately S\$70m arose?**

- The valuer has adopted valuation methodology in accordance to accepted principle and took into account the value resulting from the extended use as dormitory
- The significant increase in value is attributable to the extended use as dormitory from 2032 to 2057 (25 years) as workers' dormitory use derives a higher value as compared to industrial use



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## 3) Have many workers have been sent home so far? What is expected occupancy going forward?

- So far, we are not seeing any FW being sent back to their origin countries
- There has so far not been any impact on the financial occupancy and we expect it to be stable in the near term

## 4) With reference to the recent announcement on early lease termination policy for UK student accommodation, what is the expected impact in terms of revenue and profit respectively?

- For UK, we expect a decline in revenue of GBP3 million to GBP5 million, which represents approximately 4% to 7% of total FY 2019 Group revenue due to the early lease termination
- As for the impact to profits, we are not able to comment at this moment as there many other variables to consider that we need to take into account such as government reliefs and managing various fixed and variable costs

## 5) What is the impact to interest coverage?

- The Group's interest cover for FY2019 was 2.8x (or 3.7x excluding interest from MTN)
- At the moment, we are unable to comment on the impact to interest cover with similar reasons given in question 4
- Despite the expected reduction in revenue, the Group will be able to pay its UK loan interest as and when it falls due

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## 6) What strategies are the Management taking to navigate through this Covid-19 pandemic situation?

- First and foremost, the safety and well-being of our residents are of the utmost importance and we will not compromise on this
- We will navigate through this unprecedented period through
  - improving on our operational capabilities
  - strengthening our cash flow management and control to conserve cash by adopting measures such as
    - increasing our focus on operating cost management
    - deferring developments and any discretionary capital expenditures
  - considering suspension of future dividend distributions until market conditions stabilise
  - tapping on the relief packages rolled out by the various governments in the different countries where the Group operates
  - have approached all the banks within the Group to provide a moratorium on principal repayments and grant additional working capital facilities – Our requests have been strongly supported by the banks
  - Directors and Senior Management have volunteered to take a fee/pay cut. Directors by 15% with senior management ranging from 10% to 15% subject to review at 31 Dec 2020

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- 7) **How will the Covid-19 outbreak impact Centurion's future expansion plans and growth? Post Covid-19, how does Centurion expect the workers accommodation industry to change?**
- We will have to wait till the Covid-19 pandemic situations across our markets resume back to normalcy
  - We will reevaluate our expansion plans then and recalibrate according to the market situations at that point
  - We remain confident in the fundamentals of the business, and the resilience of the student and worker accommodation sectors.
  - We believe the sector will recover fairly quickly once market normalises and we will continue with our course of expansion plans into these sectors
  - Any improvement of standards and conditions that may come to the industry will be a good thing
    - Likely to push for consolidation and shift towards purpose-built housing
  - Operators with scalable management platform, strong expertise and experience and a proven track record will stand to benefit from such changes