

Centurion Corporation Limited (“Centurion” or the “Company”)

Incorporated in the Republic of Singapore with limited liability

Company Registration No. 198401088W

Annual General Meeting held on 26 April 2024 (“AGM”)

Summary of Questions & Answers

[The following questions were submitted by a shareholder before the AGM, and addressed during the AGM.]

Question 1

Please explain the sharp drop in PBWA bed capacity from 73,656 to 60,211 in 2022 (reference page 34 of annual report).

Company’s response:

The notable decrease in purpose-built workers accommodation (“PBWA”) bed capacity, from 73,656 beds in 2021 to 60,211 beds in 2022, was mainly due to a decrease in bed capacity in the Group’s Malaysia PBWA portfolio.

Malaysia PBWA bed capacity reduced by 15,347 beds with effect from 1 Jan 2022, from 39,758 beds in 2021 to 24,411 beds in 2022, following reconfiguration works to comply with the Workers’ Minimum Standards of Housing and Amenities (Amendment) Act 2019 (“Act 446”).

The reduction in Malaysia bed capacity did not affect occupancy and revenue, as the majority of Malaysian employers lease entire units instead of loose beds.

Following certification by the Department of Labour Peninsular Malaysia (“JTKSM”), the Group completed Asset Enhancement Initiatives at Westlite Tebrau in 2Q 2022 adding 688 beds, and at Westlite Tampoi in 4Q 2022 adding 1,214 beds. The Group continues to explore opportunities to enhance its investment properties, to optimise the value and yield of its assets.

Question 2

Was there any divestment gain from the sale of the two worker accommodation assets in Malaysia to Kumpulan Wang Persaraan (Diperbadankan) [KWAP]?

Company’s response:

The Group conducts external valuation of its investment properties annually. Accordingly, fair value adjustments whether gains or losses are recorded in its yearly financial statements.

The two accommodation assets sold to KWAP were transacted close to valuation and we therefore do not expect material divestment gains/losses to be made against their last recorded asset valuation. However, the valuation of both assets had appreciated over the years and the Group realised a gain of approximately S\$22.4 million on their divestment.

Question 3

Would there be a revaluation gain when the new PBWA in Ubi turns operational at the end of the year?

Company's response:

Typically, there would be an increase in value over cost when assets turn operational, to account for development risks undertaken by the developer, subject to market conditions at that point in time.

Question 4

With regards to Centurion US Student Housing Fund ("CUSSHF" or "Fund") that is coming to the end of its term in November 2024, what would be the financial impact to Centurion? Is there a potential divestment gain?

Company's response:

Ahead of the Fund coming to the end of its term in November 2024, CUSSHF is evaluating the divestment of its assets. In 2Q 2023, the Fund successfully disposed of a single asset, dwell Tenn Street in Tallahassee, Florida, and has also begun the process of disposing the remaining assets.

We do not expect the divestment of Tenn Street to have a material financial impact (less than 3%) to the Group's net profit before tax. We are unable, at this point, to provide a projection whether there will be a divestment gain on the sale of the remaining assets.

Question 5

Centurion has delivered significant growth in revenue, profitability, Net Asset Value ("NAV") and dividend in FY2023. However, its share price is currently trading at less than half the latest NAV of 98.21c – a valuation that is normally associated with companies in distress. Can the company address the depressed valuation, perhaps by conducting share buybacks?

Company's response:

Despite our record performance last year, we note that share price may be influenced by several factors, such as market perceptions of risks associated with evolving regulatory landscapes, or uncertainties in the global economy.

Additionally, investor sentiment and market dynamics can affect share price, often leading to short or mid-term discrepancies between NAV/book value and share price.

We are actively engaging with investors and stakeholders to communicate our strategic initiatives and the strength of our business model. We are also exploring various capital management strategies.

It is worth noting that our long-term fundamentals are strong, supported by a resilient business model, a diversified portfolio, and strategic growth initiatives. We believe that as market conditions stabilise and our operational performance continue to improve, the discount to NAV will narrow.

Our focus remains on delivering long-term value and sustainable growth to our shareholders.

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

Question 6

Congratulations on the Group's FY2023 results despite all the headwinds.

Thank you for the CEO presentation. Regarding the Company's entry into a master lease for a property in Hong Kong, can you clarify if the property is meant to house workers or students?

Company's response:

Hong Kong presents ample opportunities for the Group's specialised accommodations business with its influx of international students, mainland Chinese students as well as foreign labour. The master lease for the 66-bed accommodation in Hong Kong will primarily house students under the Group's dwell student accommodation brand and management platform. This is an initial test bed for us and is in line with the Group's strategy to grow its accommodation business globally, via an asset light business model. The Group will explore further opportunities in the Hong Kong specialised accommodation market.

Question 7

According to Note 29(b)(ii) on page 162 of the Annual Report, it was indicated under the notes payable section that Series 006 Notes bear an interest of 9% per annum payable semi-annually in arrears from 28 May 2025. Interest rates are coming down. Could you share what is your current exposure in the Series 006 Notes?

Company's response:

Our current exposure in the Series 006 Notes stands at S\$53 million, which represents less than 10% of total borrowings. The Group is mindful of the step-up interest provision in the bond, and we plan to redeem or refinance the notes before the step-up occurs. This proactive approach ensures that the Group manages its interest costs effectively and optimises its financial position in line with its long-term financial strategy.

Question 8

May I know what is the prevailing rent for the dorm in Singapore currently?

Company's response:

As part of the Group's commitment to foster long-term relationships with valued customers, the Group has persisted to provide competitive and affordable rental rates. While prevailing rents in Singapore generally fall within the range of S\$500 to S\$600 per bed per month for purpose-built dormitories (PBDs), we have chosen to position ourselves at the lower end of this spectrum, currently charging at about S\$500 per PBD bed per month. This approach reflects our commitment to ensure that our services remain accessible to meet the needs of the local dormitory landscape.

Question 9

Based on the presentation by the CEO, noted that Centurion has decided to dispose the Fund in the United States.

Company's response:

The portfolio assets in CUSSHF continue to deliver healthy and stable occupancy, and in November 2022, approval had been obtained from unitholders of CUSSHF to extend the term of CUSSHF to November 2024. As the Fund's term is coming to an end this year, the Fund has begun the process of divesting its assets, either on a piecemeal basis or as a whole portfolio. This divestment decision lies with the Fund's unitholders/investors and not the Group who is the fund manager.

Question 10

There was a recent article in The Straits Times about Centurion. The author noted that another company recently acquired student beds in Britain and Germany for \$1.7 billion, which translates to about \$200,000 per bed. Centurion, on the other hand, has 5,218 student beds in Britain, the US, and Australia. Do you think it's realistic to apply this valuation to Centurion? Any comments on this?

Company's response:

A direct comparison may not be entirely realistic. The difference could be due to bed configurations, size, location and other market complexities. There are also various factors that can affect valuations, such as market perceptions of risks associated with evolving regulations or uncertainties in the global economy.

Question 11

I noted that this year, the Company is paying a final dividend of 1.5 Singapore cents per ordinary share, whereas in the past few years, the final dividend payout was 0.5 or 1.0 Singapore cent per ordinary share. Is there a policy for dividend payout?

Company's response:

While we do not currently have a formal dividend policy, we have been paying dividends taking into account the Group's annual profitability, cashflow requirements for business expansion and the repayment of bank loans, amongst other factors.

Question 12

Appreciate that the Company is mindful of its cash management policy and to reduce bank borrowings. In the past, the Company had a lot of borrowings, and its gearing was high. The Company's gearing has now improved, and you can pay a final dividend of 1.5 Singapore cents per ordinary share. Will this dividend payout carried on next year?

Company's response:

While a significant portion of capital is currently allocated towards loan repayments and expansion initiatives, the Group is mindful of the importance of shareholder interests and will continue to seek an equitable balance between our growth needs and rewarding our shareholders.