

The Singapore Exchange Securities Trading Limited, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CENTURION CORPORATION LIMITED

勝捷企業有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Co. Reg. No.: 198401088W)

(SGX Stock Code: OU8)

(SEHK Stock Code: 6090)

BUSINESS UPDATES FOR THE FIRST QUARTER ENDED 31 MARCH 2020

This announcement is made by Centurion Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as well as in accordance with Rule 703 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX Listing Manual**”). Reference is also made to the overseas regulatory announcement of the Company dated 14 May 2020 relating to “Business updates for the first quarter ended 31 March 2020” (the “**ORA Announcement**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the Group’s business updates together with unaudited operational information for the first quarter ended 31 March 2020 (“**1Q 2020**”) to keep the shareholders of the Company and potential investors informed of the latest business development of the Group in a timely manner. The comparative figures for the first quarter ended 31 March 2019 (“**1Q 2019**”) and the year ended 31 December 2019 (“**FY2019**”) are also disclosed in this announcement.

* *For identification purpose only*

KEY BUSINESS AND UNAUDITED OPERATIONAL INFORMATION FOR THE FIRST QUARTER ENDED 31 MARCH 2020

Revenue

As at 31 March 2020, the Group operated a diversified portfolio of 33 operational purpose-built workers and student accommodation assets (“**PBWA**” and “**PBSA**” respectively) comprising approximately 65,133 beds across Australia, South Korea, Malaysia, Singapore, the United Kingdom (“**UK**”) and United States of America (“**US**”).

The Group’s revenue remained healthy in 1Q 2020, with approximately 13% growth in core business revenue as compared to 1Q 2019, reaching approximately S\$35.5 million, mainly due to the Group’s increased portfolio capacity such as Westlite Juniper, a PBWA in Singapore which commenced operations in the third quarter of 2019 and dwell Archer House, a PBSA in the UK, which commenced operations in the fourth quarter ended 31 December 2019. Higher revenue was also derived from dwell East End Adelaide in Australia, which commenced operations in 1Q 2019, and achieved higher occupancy rates in 1Q 2020 due to ramped up efforts in FY2019.

For 1Q 2020, the Group’s portfolio occupancy had largely not been affected by the novel coronavirus (“**COVID-19**”) outbreak which has contributed to higher revenue.

Average financial occupancy of the PBWA assets in Singapore and Malaysia have shown an increase of approximately 3pp to approximately 96.4% for 1Q 2020, as compared to average financial occupancy of approximately 93.2% for 1Q 2019. The calculation of average financial occupancy rates of the PBWA assets for 1Q 2020 and 1Q 2019 has excluded Westlite Bukit Minyak in Penang, Malaysia, which continues to ramp up occupancy after its completion in the second quarter of 2019.

Average financial occupancy for the Group’s PBSA portfolio for 1Q 2020 was approximately 84.9% as compared to 88.1% for 1Q 2019, or a decline of approximately 3pp. This calculation excluded the US portfolio which is held under a private fund in which the Group holds an interest of approximately 28.7%.

Approximately 59.5% of the Group’s revenue for 1Q 2020 was derived from assets in Singapore, with just over 40% of revenue deriving from the Group’s international portfolio operations in the UK, Australia, Malaysia, the US and South Korea.

The table below summarises the Group's revenue by business segment and geographical area, bed capacity and financial occupancy rate for 1Q 2020 together with the comparative figures for 1Q 2019:

		Group	
	1Q 2020	1Q 2019	Change
	\$'000	\$'000	%
	(unaudited)	(unaudited)	
Revenue	35,487	31,285	13
<u>Revenue by business segment</u>			
Workers Accommodation	22,841	19,941	15
Student Accommodation	12,404	10,942	13
Others	242	402	(40)
	<u>35,487</u>	<u>31,285</u>	<u>13</u>
<u>Revenue by geographical area</u>			
Singapore	21,120	18,750	13
Malaysia	2,759	2,401	15
Australia	2,642	2,119	25
United Kingdom	8,336	7,493	11
United States of America	424	372	14
Other countries	206	150	37
	<u>35,487</u>	<u>31,285</u>	<u>13</u>
Bed Capacity	<u>Total Beds</u>	<u>Total Beds</u>	<u>Total Beds</u>
Singapore	28,000	26,100	+1,900
Malaysia	30,700	30,300	+ 400
Total for PBWA	58,700	56,400	+ 2,300
	A		
Singapore	332	332	—
Australia	896	896	—
Korea	208	208	—
United Kingdom	2,852	2,675	+ 177
United States of America	2,145	2,145	—
Total for PBSA	6,433	6,256	+ 177
	B		
Total for PBWA and PBSA	65,133	62,656	+ 2,477
	A+B		

	1Q 2020	Group 1Q 2019	Change
Financial Occupancy Rate			
Singapore	99.1%	95.9%	+ 3pp
Malaysia — exclude Bukit Minyak ¹	93.2%	90.3%	+ 3pp
Total for PBWA — exclude Bukit Minyak¹	96.4%	93.2%	+ 3pp
Singapore	86.5%	91.0%	– 5pp
Australia ²	72.9%	71.5%	+ 1pp
Korea ³	25.0%	11.1%	+ 14pp
United Kingdom	93.4%	91.1%	+ 2pp
Total for PBSA⁴	84.9%	88.1%	– 3pp

Notes:

- ¹ Westlite Bukit Minyak is ramping up the occupancy progressively. Including Westlite Bukit Minyak, the average financial occupancy would be 79.9% for Malaysia and 89.0% for total PBWA.
- ² dwell East End Adelaide began accepting occupancy in January 2019 and was in the process of ramping up in 1Q 2019.
- ³ dwell Dongdaemun began accepting occupancy by end of February 2019 and was in the process of ramping up.
- ⁴ Occupancy excludes US where the properties are held under a private fund structure.

Shareholders of the Company and potential investors may refer to the ORA Announcement for further information on the revenue of the Group for 1Q 2020.

Balance sheet review

As at 31 March 2020, the Group's balance sheet remained healthy with approximately S\$48.0 million in cash and bank balances.

The total assets of the Group as at 31 March 2020 remained stable as compared to the total assets of the Group as at 31 December 2019, at approximately S\$1.5 billion, which includes a S\$1.4 billion PBWA and PBSA asset portfolio (classified as investment properties and investments in associated companies in the balance sheet) which the Group owns and manages.

The Group's borrowings reduced from approximately S\$739.0 million as at 31 December 2019 to approximately S\$724.8 million as at 31 March 2020, largely due to repayment of borrowings upon due.

The Group's net gearing ratio was 50% as at 31 March 2020, an improvement from 51% as at 31 December 2019. The Group's acquired operating assets and assets under development are primarily funded through bank borrowings, which has an average remaining maturity profile of seven years. The Group uses long term bank debt with regular principal repayments to finance its long-term assets.

The table below summarises key balance sheet items and certain financial ratios of the Group as at 31 March 2020 together with the comparative figures as at 31 December 2019:

	31-Mar-20	Group 31-Dec-19	Change
	\$'000	\$'000	
	(unaudited)	(unaudited)	
Cash and bank balances	47,958	48,588	
Total assets	1,469,496	1,478,967	
Total borrowings	724,831	739,039	
Net Gearing Ratio ¹	50%	51%	– 1pp
Interest Cover Ratio ²	3.4x	2.8x	+ 0.6x
Interest Cover Ratio ³	4.4x	3.7x	+ 0.7x
Average Debt Maturity	7 years	7 years	—

Notes:

¹ Net gearing ratio is computed as borrowings less cash and bank balances divided by total capital. Total capital is calculated as borrowings plus net assets of the Group.

² Interest cover ratio including Multicurrency Medium Term Notes interest, interest on lease liability and bank facility fees.

³ Interest cover ratio excluding Multicurrency Medium Term Notes interest, interest on lease liability and bank facility fees.

Shareholders of the Company and potential investors may refer to the ORA Announcement for further information on the key balance sheet information of the Group as at 31 March 2020.

BUSINESS OUTLOOK WITH IMPACT FROM COVID-19

COVID-19 was officially declared a pandemic by the World Health Organisation on 11 March 2020. Governments worldwide placed unprecedented stringent measures in a bid to contain the virus and economists have since lowered their estimates for global growth.

In advance of the declaration, the Group had activated its Pandemic Management Plan and contingency actions to ensure business continuity and sustainability. The Group has been working with relevant local authorities to monitor, respond to and manage the COVID-19 situation as it develops.

Impact from COVID-19

The Group's PBSA and PBWA businesses, like any other businesses, are not immune to disruptions from COVID-19, and we expect to be impacted in some of the Group's geographies.

Workers accommodation

As at 31 March 2020, the Group had approximately 58,700 beds across five PBWA assets in Singapore and seven PBWA assets in Malaysia.

While financial occupancy and demand for PBWA beds remain stable across our PBWA assets in the short term, the Group has experienced increasing operating requirements and costs as the Group continues to scale up its precautionary and movement restriction enforcement measures.

The Group anticipates that we may experience an increase in debt delinquencies and longer collection cycles, as the Group's employer clients' businesses may be impacted by the crisis. Correspondingly, the Group may have to address requests for rental waivers, discounts and deferment of payments to assist customers in financial distress.

Further, with impact to the wider economy, the Group may also be affected by a resultant reduction in demand for foreign workers and PBWA beds.

Following the Ministry of Manpower's update in Parliament, policies to improve the standards and conditions within the Singapore dormitory industry are expected. Upon further details being released, the Group will review and analyse the opportunities and impact of such policies.

Student accommodation

As at 31 March 2020, the Group had a portfolio of approximately 6,433 beds across 21 operational PBSA assets in Australia, South Korea, Singapore, the UK, and the US.

With the COVID-19 situation, travel restrictions in various countries have resulted in reduced bookings and occupancy in PBSA in these countries, due to international students being unable to enter their city of study.

Also, universities have moved their curricula online and closed their campuses, which has led to some student residents choosing to return home for the duration.

After due consideration of the needs of all stakeholders, the Group announced on 20 April 2020 that it would allow residents of its UK PBSA properties to early terminate their tenancy leases for academic year 2019–2020, from 1 May 2020. Based on termination requests received, the reduction of revenue from this policy is approximately GBP3.1 million, which is at the low end of the anticipated reduction of GBP3 million to GBP5 million. This will affect the Group's revenue from 1 May 2020 till September 2020.

Should universities resume on-campus programmes¹ and travel restrictions be eased in the affected countries², we expect a quick recovery in bookings and occupancy with the release of pent-up education demand.

Managing the impact

To manage the current and possibly prolonged situation, the Group will work on improving operational capabilities and strengthening cash flow management and cost controls.

To that effect, future expansion plans have been put on hold across markets and will only be revisited and recalibrated when markets return to normalcy. This includes the temporary suspension of development works on the additional blocks to be added to Westlite Tampoi in Johor, the postponement of its planned Asset Enhancement Initiative at Westlite Toh Guan in Singapore, and the termination of its planned development of a new asset in Juru, Penang.

Remarks:

¹ Source: Inside Higher Ed – American College Health Association Issues Guidelines for Reopening, 7 May 2020

² Source: <https://www.straitstimes.com/asia/australianz/australia-lays-out-road-map-to-lift-most-virus-curbs-by-july>

The Group will also tap on relief packages rolled out by the various governments in the different countries where the Group operates.

Additionally, the Group has approached all the banks to provide moratoria on principal repayments and to grant additional working capital facilities. These requests have been supported by the banks.

Despite challenges from the COVID-19 outbreak, the Group remains confident in the fundamentals of its businesses and the resilience of both the workers and student accommodation sectors in the long term. The Group continues to closely monitor developments and manage accordingly.

CAUTION STATEMENT

The Board wishes to remind shareholders of the Company and potential investors that the operational information for 1Q 2020 contained in this announcement is based on the Group's internal records and management accounts and has not been reviewed or audited by the auditor. Shareholders of the Company and potential investors are cautioned not to rely unduly on the operational information for 1Q 2020. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Centurion Corporation Limited
Kong Chee Min
Chief Executive Officer

Hong Kong, Singapore, 14 May 2020

As at the date of this announcement, the Board comprises Mr. Wong Kok Hoe and Mr. Teo Peng Kwang as executive Directors; Mr. Han Seng Juan and Mr. Loh Kim Kang David as non-executive Directors; and Mr. Gn Hiang Meng, Mr. Chandra Mohan s/o Rethnam, Mr. Owi Kek Hean, Ms. Tan Poh Hong and Mr. Lee Wei Loon as independent non-executive Directors.