



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Centurion Corporation Limited

Security: Centurion Corporation Limited

Meeting details:

Date: 25 April 2019

Time: 10.00 a.m.

Venue: Topaz All, Level 2, Sheraton Towers Singapore Hotel, 39 Scotts Road, Singapore 228230

Company Description

Centurion Corporation Limited, an investment holding company, develops, owns, and manages workers and students accommodation assets in Singapore, the United Kingdom, Malaysia, Australia, and internationally. The company conducts its operations through Workers Accommodation, Student Accommodation, and Others segments. It offers dormitory accommodation and services for workers; and accommodation and services for students. As of October 30, 2018, the company owned and managed a portfolio of 28 operational accommodation assets totaling 55,554 beds. It also manufactures and sells optical discs and related data storage products. In addition, the company offers laundry and dry cleaning; management; utilities and transportation; fund management; and trustee services. Further, it is involved in property investment activities. The company was founded in 1981 and is headquartered in Singapore. Centurion Corporation Limited is a subsidiary of Centurion Properties Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=OU8)

1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) Occupancy rate:** The group has highlighted that the performance of the 28 operational assets, with 55,408 beds, across five countries in the portfolio remained stable in FY2018 and it achieved average occupancy rates of 95.2% for the year. In addition, the group expects several assets to become operational soon, including the 6,600-bed Westlite Bukit Minyak workers accommodation, 280-bed dwell East End Adelaide, 208-bed dwell Dongdaemun and an additional 160 beds at RMIT Village AEP. **Would management help shareholders understand how much time is needed to scale up a new asset to the optimised level? Would management provide shareholders with a clear and concise summary of the occupancy rates of the assets in the portfolio to help shareholders understand the performance of each asset?**
- (ii) Fund management:** In line with the group's asset light strategy, the group started its first private fund, Centurion US Student Housing Fund, which has been fully drawn down to acquire a portfolio of six purpose-built student accommodation assets in the United States. The group has a 28.7% stake in the fund was closed in November 2017 after reaching US\$89.5 million. The second private fund, Centurion Student Accommodation Fund, was started to invest in PBSA assets globally (excluding the US) and has achieved a first closing of S\$70 million. It is observed that the group committed nearly 30% in the first fund, while taking a 14% (or a \$10 million stake) in the second fund. At moment, the second fund only has one external investor who invested \$60 million although management has targeted at least \$100 million for the second fund. **How does management carry out its marketing and fundraising for its fund? What is the profile of the targeted Limited Partner?**
- (iii) Leverage:** The group has a net gearing ratio of 53%, up from 51% as at 31 December 2017. Net gearing ratio is calculated as net debt divided by total capital where total capital is calculated as borrowings plus net assets of the group. As at the end of the financial year, the net debt amounted to \$675.5 million while total capital was \$1.26 billion. The group's total equity stood at just \$525.0 million. **Has the board evaluated the optimal capital structure and set an internal limit to the amount of leverage use?**
- (iv) Exit:** Given that funds usually have fixed terms of up to 8-10 years (with extensions possible), what would be the group's exit strategy for the assets in the funds and also for the assets held directly by the group? **Has the board evaluated its options, including setting up a more efficient structure like a real estate investment trust?**

2. The company was listed on the SGX in 1995 and it obtained a dual listing status on the Main Board of The Hong Kong Stock Exchange Limited (SEHK) on 12 December 2017 with the issuance of 36 million new shares, representing approximately 4.5% of the enlarged share capital.

- (i) Can the company disclose the total amount of fees and charges incurred for the dual primary listing on SEHK?**
- (ii) In the circular dated 14 August 2017, the company has stated that the dual primary listing will help the company access different group of investors, promote its brand recognition and presence in the international market and gain access to a wider range of private and institutional investors. Can the board update shareholders if the group has realised any of these potential benefits?**
- (iii) Does the dual primary listing significantly increase management's time spent on reporting and the compliance costs?**

3. As noted in the Corporate Governance report, two of the independent directors, namely Mr. Gn Hiang Meng and Mr Chandra Mohan s/o Rethnam, were first appointed to the board on 17 May 2007 and thus have served on the board of the company for nearly 12 years.

The company has recently appointed two other independent directors, namely Mr. Owi Kek Hean and Ms. Tan Poh Hong, on 1 January 2017 and 8 May 2018 respectively.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments, especially as the group has branched out into fund management?**

The nominating committee (NC) stated that it has in place a Director Nomination Policy for selection, nomination and appointment of new directors and when a vacancy arises, the NC will identify potential candidates for appointments.

- (iii) Can the NC elaborate further on its search and nominating process for directors, especially independent directors? How often are professional search firms used to cast a wider net for the best candidate?**
- (iv) Following the appointment of Mr. Owi and Ms. Tan, what are the company's other near term plans to refresh the membership of the board to comply**



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with the new 2018 Code in good time? Doing so would avoid undue disruption and maintain institutional knowledge and continuity in the board.

