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**Issuer:** Perennial Real Estate Holdings Limited

**Security:** Perennial Real Estate Holdings Limited

**Meeting details:**

Date: 25 April 2019

Time: 2.30 p.m.

Venue: Capitol Theatre, 17 Stamford Road, Singapore 178907

**Company Description**

Perennial Real Estate Holdings Limited, formerly St. James Holdings Limited, is an integrated real estate and healthcare company. The Company's segments include Singapore, China, management businesses, and corporate and others. The China segment consists of large scale integrated mixed-use projects, which are under development, over two operational retail malls and an operational integrated development. The Singapore segment consists of income producing projects located in downtown civic district, central business district and Orchard Road precinct. Its Management businesses include asset and retail management, project development, project and design management, as well as investment advisory services. Other developing markets together with corporate function are included under corporate and others. It has a portfolio of approximately 45 million square feet in gross floor area. Its healthcare business services include medical, hospital, and maternal and child health management. (Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=40S](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=40S))

**Q1.** On 3 January 2018, the company announced that it has established a joint venture with various partners for an initial committed capital of US\$500 million to jointly invest in, acquire and develop predominantly healthcare integrated mixed-use developments which are connected to high speed railway (“HSR”) stations in China. In the year, the JV vehicle successfully acquired two HSR projects, being the Tianjin South HSR Integrated Development (July 2018) and Kunming South HSR Integrated Development (December 2018). Planning has commenced for these two sites. The total committed capital may be increased to US\$1.2 billion.

For the group’s other HSR project, building works are “*well underway*” at Xi’an North HSR Integrated Development.

On page 42 of the annual report, the company has provided a good overview of the business structure of the group, by the business segment and by geography. Based on an effective stake basis, Singapore and China real estate accounted for 30.5% and 60.1% respectively.

- (i) Capitol Singapore:** With full ownership of the asset, the repositioning of Capitol is underway with Kempinski Hotels S.A. being chosen to operate the hotel component and Eden Residences Capitol being relaunched. **What is the improvement in footfall and tenant sales? When does management expect to complete the repositioning to realise the full potential of Capitol Singapore?**
- (ii) 111 Somerset:** Can management help shareholders understand if the asset enhancement initiative (AEI) is on schedule and on budget? **What portion of the strata office units has been earmarked for sale?**
- (iii) Chengdu East HSR Integrated Development:** It was a watershed year for the group as the Perennial International Health and Medical Hub (“PIHMH”) opened its door at Chengdu East HSR Integrated Development. The group’s first HSR project commenced operations in June 2018 and achieved committed occupancy of approximately 91% as at 31 December 2018. **What were the lessons gleaned from the Chengdu project that would shape the group’s future HSR projects? With this experience, is the group able to shorten the development timeframe needed for its other HSR projects?**

In addition, as noted in the CEO’s statement, the group has made smaller investments into a Singapore and an Indonesia residential pure-play development project. Elsewhere, the group also has secured other notable developments with stakes varying from 20-55%, including a call option for an effective 20% stake in Aviva Tower which can be redeveloped into the tallest building in London.

- (iv) Would the board articulate in greater detail the group's growth strategies?**
- (v) Please help shareholders understand how the smaller investments into residential and integrated developments all over the world fit into the overall strategy. What competitive advantage does the group have in these new markets?**
- (vi) Is there a systematic approach to its capital allocation based on the long-term targets set by the board after careful consideration of opportunities and long term growth trends?**
- (vii) What is the group's long term target by geography (Singapore, China, Other markets) by asset type (integrated development, retail, commercial etc)?**
- (viii) As seen in Note 33 (page 202 – Commitments), the group has more than \$1.08 billion of capital and development expenditure/commitment. Does the group have sufficient resources to fund all the projects?**

**Q2.** On 27 February 2019, the company announced that Mr. Liak Teng Lit would be stepping down as the Group Chief Operating Officer with effect from 1 March 2019. Mr. Liak was also the CEO of Perennial Healthcare Pte. Ltd. Mr Liak was appointed on 6 March 2017 to the position and has been appointed as the advisor to Perennial Healthcare with effect from 1 March 2019.

- (i) Is the company looking for a full time COO to replace Mr Liak?**

The Chief Executive Officer and executive director, Mr Pua Seck Guan, also holds the role of Chief Operating Officer and executive director of Wilmar International Limited.

- (ii) Has the board considered if the group would further benefit from a full time CEO who is 100% focused on driving the group's businesses?**
- (iii) Would the board help shareholders understand the group's leadership bench strength for its different business units (e.g. Singapore, China, healthcare etc)?**

**Q3.** As disclosed in the Financial review (page 86), the group has \$2.9 million in borrowings and an equity base of \$4.0 billion. The debt maturity profile is shown below:



(Source: Company annual report)

The company has stated that, where practicable, it will borrow in the same functional currencies required for its overseas projects to achieve a natural foreign currency hedge.

As can be seen from the charts above, the group has approximately 65% of total property value in China but 3.7% of its borrowings is denominated in RMB.

**(i) Would the company help shareholders understand the level of natural hedging achieved?**

As seen in the Consolidated statement of changes in equity, the foreign currency translation reserve increased from \$(66.3) million to \$(158.1) million as at 31 December 2018.

**(ii) Has the audit and risk committee considered if there is substantial currency risk with the current sources of funding given the group's investments?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Perennial%20Real%20Estate%20Holdings%20Ltd&cid=4554>

The company's response could be found here: -----