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GST Reg No: M90367530Y

Issuer: Centurion Corporation Limited

Stock code: OU8

Meeting details:

Date: 28 April 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the joint chairmen letter to shareholders, 2021 marked the group's 10th year foray into specialised accommodation. From a single workers accommodation of 5,300 beds in Singapore, the group has grown this stable and resilient business into a portfolio of 36 accommodation assets under management with over 79,700 beds in 17 cities across six countries.

In FY2021, the group delivered a 11% growth in revenue to \$143 million despite the continued challenging environment from the pandemic. The higher revenue was due to newly leased and operated assets for worker accommodation in Singapore and Malaysia, including 4 Quick Build Dormitories ("QBDs") as well as a Purpose-Built Dormitory ("PBD") in Malaysia.

The group's net profit in FY2021 was \$55.8 million or 198% higher than the \$18.7 million recorded in FY2020. Excluding the effects on fair value adjustments, net profit from core business operations attributable to equity holders was \$46.5 million in FY2021 compared to \$41.3 million in FY2020.



CENTURION CORPORATION LIMITED
 ANNUAL REPORT 2021

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

(S\$'000)	FY2021	FY2020	Change
Revenue	143,017	128,355	11%
Gross Profit	94,316	89,599	5%
Gross Margin	66%	70%	-4pp
Net Profit After Tax	55,797	18,711	198%
Net Profit After Tax Attributable to Equity Holders	52,679	17,171	207%
Net Profit from Core Business Operations attributable to Equity Holders (Non IFRS Measure)	46,486	41,320	13%

(Source: company annual report)

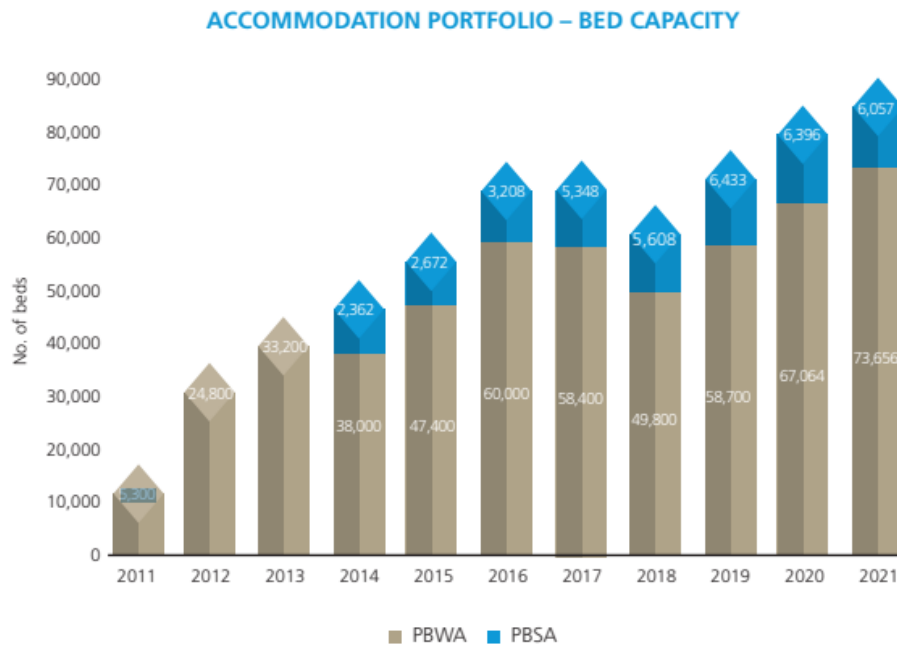
- (i) **Migrant Worker Onboarding Centres (“MWOCs”): Can management help shareholders better understand the significance of the MWOCs? Are these likely to be temporary facilities/services that will be phased out as the government scales back the COVID-19 measures? Has the Ministry of Manpower renamed these as “Onboard centres”? What will be the impact on revenue and occupancy if MWOCs were phased out?**
- (ii) **QBDs: These refer to the interim dormitories which were developed by the Singapore government at speed during 2020 and 2021 as part of pandemic management measures, with short leases of 4 years or less. Similarly, are these going to be phased out after the initial lease? What will be the impact on occupancy and revenue if QBDs were phased out?**

As shown in the summary of events in 2021 (page 3), capacity at the group’s new facilities have been reduced significantly. For instance, Westlite Tampoi in Johor, Malaysia opened with approximately 2,000 beds instead of the initial 3,600 beds to comply with Department of Labour of Peninsular Malaysia’s requirement after completion of asset enhancement initiative. In the CEO’s statement, it was stated that the portfolio bed count in Malaysia has reduced from 39,758 beds to 24,411 as of 1 January 2022.

In Singapore, new specifications for existing worker dormitories are expected to be announced in 2022.

- (iii) **Strategic changes in the landscape: Does management see further changes in the specifications for dormitories in Singapore? With these specification changes, does the board/management expect profit margins to decrease as a result?**
- (iv) **How does the board/management balance profitability and living standards in the workers accommodations?**
- (v) **Westlite Toh Guan: What is the planned capital expenditure for the redevelopment at Westlite Toh Guan? What was the projected return estimated by management and approved by the board during the approval process?**

Q2. As shown in Note 39 (page 202 – Segment information), the group has \$858 million (61%) and \$555 million (39%) of assets in the workers accommodation and student accommodation segments respectively.



(Source: company annual report)

In terms of bed capacity, the PBSA segment, which was started in 2014, has experienced more gradual growth.

- (i) As shown in the table below, the operating capacity of Malaysia workers accommodation has been reduced by nearly 40% due to new regulations.

EXPECTED GROWTH IN BED CAPACITY IN 2022 MARKETS

	Operating Capacity (approximate no. of beds)	
	FY2021	Expected (2022)
Workers Accommodation		
Singapore	33,898	33,898
Malaysia	39,758	24,411 [^]
Student Accommodation		
UK [*]	2,808	2,807
US [*]	2,145	2,145
Australia	896	920
South Korea	208	208
Total	79,713	64,389

[^] Post reconfiguration works to comply with Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 ("Act 446") with effect from 1 January 2022

^{*} Centurion Overseas Investments Pte. Ltd. holds approximately 14.3% of the total number of units in the Centurion Student Accommodation Fund, which acquired dwell Castle Gate Haus

^{*} Centurion Overseas Investments Pte. Ltd. holds approximately 28.7% of the total number of units in the Centurion US Student Housing Fund, which acquired all six US properties

Would government regulations, such as the new specifications for existing PBDs in Singapore and the Workers Minimum Housing and Amenities Act (Amendment) 2019 in Malaysia, reduce the attractiveness of the segment vis-à-vis the student accommodation segment?

- (ii) **As such, can the board elaborate further on its capital allocation strategy for the two segments? In particular, what are the long-term targets (by bed capacity and by investment amount) for each segment at the portfolio level?**

Q3. As noted in the corporate governance report, the company has outsourced its internal audit function to BDO LLP.

The internal auditor is provided with unfettered access to the company's properties, documents, information, records and personnel (Provision 10.4 of 2018 Code) and performs their reviews in accordance with the BDO Global Internal Audit Methodology which is consistent with the International Standards for the Professional Practices of Internal Auditing established by the Institute of Internal Auditors

- (i) **How was the scope of the internal audit determined?**
- (ii) **What was the scope of the internal audit in FY2021?**
- (iii) **Can the audit committee clarify if the internal audit covers all of the group's foreign entities and the material associated companies?**
- (iv) **For the benefit of shareholders and investors, what are the key findings of the internal auditor in FY2021?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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