



PERENNIAL REAL ESTATE HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200210338M)

RESPONSES TO SGX QUERIES

Perennial Real Estate Holdings Limited (the “**Company**”) refers to its announcement dated 7 August 2019 on the “Unaudited Financial Statements for the Second Quarter and Half Year Ended 30 June 2019” and wishes to provide the following clarifications in response to queries received from the Singapore Exchange Trading Limited (the “**SGX**”) on 14 August 2019.

SGX’s queries:

1) We refer to the Company’s financial statements for the second quarter ended 30 June 2019 announced on 7 August 2019 (the “**Announcement**”). In the Announcement, it was disclosed that “finance costs comprised mainly interest on bank borrowings and medium term notes, and amortisation of transaction costs incurred on financing facilities” and “as at 30 June 2019, the Group’s net debt-to-equity ratio stood at 0.76 times (31 Dec 2018: 0.72x)”. Please:-

i) Provide a breakdown and quantify the items contributing to the finance cost;

Company’s response: The breakdown of the finance costs for the three months ended 30 June 2019 is as follows:-

| | 2Q19 S\$'000 |
|-----------------------------------|-----------------|
| Interest on Bank Borrowings | 22,246 |
| Interest on Medium Term Notes | 4,797 |
| Interest on Retail Bonds | 3,176 |
| Amortisation of transaction costs | 1,626 |
| | 31,845 |
| | |

ii) Set out a table of all of the Company's bank borrowings and medium term notes as at 30 June 2019;

Company's response: The Group's borrowings net of unamortised financing related transaction costs as at 30 June 2019 are as follows:-

| | S\$'000 |
|-------------------|-----------|
| Bank Borrowings | 2,345,340 |
| Medium Term Notes | 399,009 |
| Retail Bonds | 279,756 |
| | 3,024,105 |
| | |

iii) Provide details on how the Company's net debt-to-equity ratio compares to that of its peers;

Company's response: The Group's net debt-to-equity ratio as at 30 June 2019 was 0.76 times. The Company's peers, which are listed real estate companies in Singapore, have debt equity ratios ranging from 0.58 to 2.49 times, majority of which are within 0.7 to 0.9 times. The Company's debt ratio of 0.76 times is well within the majority range.

iv) Disclose the Board's views on the sustainability of its current debt level and the basis for its views; and

Company's response: The Company's gross debt level increased slightly from \$2.94 billion in December 2018 to \$3.0 billion in June 2019.

The Board works closely with the Management to strategically manage the Company's debt level. The Company has been disciplined and has not pursued any major acquisitions or investments for the past one year. Its last major investment was the acquisition of the remaining 50% stake in Capitol Singapore in 1H 2018. In addition, the Management is actively executing plans to improve recurring income stream via the repositioning exercise at Capitol Singapore and to ramp up the operations at Perennial International Health and Medical Hub ("PIHMH") in Chengdu which opened in mid-2018. Since January 2019, the Company has also embarked on two divestment plans as part of its capital recycling strategy, which included the full divestment of its 20% equity stake in Shenzhen Aidigong Modern Maternal and Child Health Management Co, Ltd. and the sale of the entire equity stake in Chinatown Point in Singapore.

As disclosed in the recent 2Q 2019 financial results presentation slides, the Company is also exploring enbloc sale opportunities for AXA Tower. The Company is concurrently working on other potential divestment initiatives with the aim to further unlock capital and will make the relevant disclosures at the appropriate juncture.

The Board is of the view that the current debt level is manageable and within the internal approved limit. Given that proactive actions have been taken to improve operating cash flows, the Board believes that the debt level would not increase significantly and may reduce if the potential divestment initiatives are realised.

v) Disclose the steps taken by the Company to reduce its finance costs.

Company's response: The Company monitors its funding capacity and requirements, including finance costs, very closely. As mentioned in our reply to Question 1(iv), the Company is actively taking steps to improve its operating cash flows through the repositioning of Capitol Singapore and the ramping up of the operations at PIHMH. Concurrently, the Company is actively exploring divestment opportunities with a view to deploy the proceeds to reduce its debt and thereby the associated finance costs.

2) Please disclose any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Company's response: The prolonged US-China trade war and the weakening growth in the Singapore economy are factors which may indirectly affect the Group's performance. Further, the Group may be affected if the pace of ramping up the operating performance of Capitol Singapore and PIHMH is slower than expected or if the planned divestment opportunities do not materialise. In addition, any increase in interest rates will also affect the Group to a certain extent.

BY ORDER OF THE BOARD

Wong Chuen Shya
Company Secretary

16 August 2019
Singapore

About Perennial Real Estate Holdings Limited (www.perennialrealestate.com.sg)

Perennial Real Estate Holdings Limited ("**Perennial**") is an integrated real estate and healthcare company headquartered and listed in Singapore. As a real estate owner, developer and manager, Perennial focuses strategically on large-scale mixed-use developments and has a presence in China, Singapore, Malaysia, Indonesia, Myanmar and Ghana with a combined portfolio spanning over 65 million square feet in gross floor area. Perennial is also a healthcare services owner, operator and provider in China with two core business segments, being hospitals and medical centres as well as eldercare and senior housing.

In China, Perennial is a dominant commercial developer with large-scale mixed-use integrated developments. Four of Perennial's developments, Chengdu East High Speed Railway ("**HSR**") Integrated Development, Xi'an North HSR Integrated Development, Tianjin South HSR Integrated Development and Kunming South HSR Integrated Development, are regional healthcare and commercial hubs which are situated adjacent to four of the country's largest HSR stations and incorporate medical, healthcare and eldercare facilities. Other notable projects in Perennial's portfolio include Beijing Tongzhou Integrated Development, Shenyang Longemont Integrated Development, Zhuhai Hengqin Integrated Development, Perennial Jihua Mall in Foshan and Perennial Qingyang Mall in Chengdu.

In Singapore, Perennial has invested in and/or manages prime iconic properties located in the Civic District, Central Business District and Orchard Road precinct, such as Capitol Singapore, CHIJMES, AXA Tower, 111 Somerset, Chinatown Point and House of Tan Yeok Nee.