Issuer: GuocoLand Limited
Security: GuocoLand Limited

Meeting details:
Date: 19 October 2017
Time: 2.30 p.m.
Venue: Wallich II, Level 5 Sofitel Singapore City Centre, 9 Wallich Street Singapore 078885

Company Description
GuocoLand Limited, an investment holding company, engages in the development, investment, and management of various properties. It operates through GuocoLand Singapore, GuocoLand China, GuocoLand Malaysia, and GuocoLand Vietnam segments. The company develops residential, hospitality, commercial, retail, and integrated properties; rents properties; and operates and manages hotels. It also offers management, marketing, and maintenance services. The company was formerly known as First Capital Corporation Ltd. and changed its name to GuocoLand Limited in November 2002. GuocoLand Limited was incorporated in 1976 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=F17)

Q1. As disclosed in the Chairman's Statement (pages 2-3 of the annual report), the group has made built up a substantial land bank for its property development business with selective land acquisitions being made in Singapore, Chongqing in China and Malaysia's Klang Valley.

The upcoming projects include:

- Jiefangbei (Liberation Square), Chongqing: potential gross development value of approximately 16 billion yuan and above ground gross floor area of approximately 5.5 million sq ft when completed

- Changfeng, Shanghai: potential gross development value of approximately 6 billion yuan and gross floor area of approximately two million sq ft

- Batu 9 Cheras in the Klang Valley: potential gross development value of 1.5 billion ringgit and gross floor area of approximately three million sq ft

Also, in September 2017, the group emerged as the top bidder for a commercial site at Beach Road with a bid of S$1.62 billion and has been awarded the site in October 2017.

a) **Can management provide better visibility on the development timeline of the group's major projects?**

b) **How is the group going to fund these major developments given that they will all be carried out in the next 2-3 years?**

c) The group's gearing dropped from 1.47x in 2015 to 0.73x in 2016, but increased to 0.91x in 2017. The group's gearing was as high as 1.68x in 2013. **How will the group's gearing be affected as the group commences the development of all its projects?**

d) **Has the board considered if it is prudent to have a limit of the group's gearing? Is there a need for the board to re-examine the group's capital management policy?**

Q2. In Note 7 (page 106 – Associates and Joint ventures), it is shown that the group has invested RM777.6 million ($245.3 million) for a 27.00% ownership interest in Eco World International Berhad ("EWI"). The group has classified its interest in this entity as a joint venture, which is equity accounted.

In the Business Review (page 6), the UK and Australia are regarded as "*new markets with potential for growth due to their scalability, transparency and relatively high levels of governance*".

a) **Can management elaborate further on the level of oversight and control it has over EWI?**

b) **How much influence does management have on the strategic direction of EWI?**

c) **Are there plans to go into new joint developments with EWI in the United Kingdom or in Australia? Does EWI have the mandate or the expertise to develop commercial sites as well?**

Q3. The company has made the following disclosure in Note 31 (page 132 – Related party transactions):

> *"On 26 July 2017, the Company signed a renewal of the Management Agreement with an intermediate holding company, Guoco Group Limited ("GGL"), in relation to the provision of services to the Group for a further period of 3 years to 30 June 2020, on the same terms and conditions as the previous Agreement which expired on 30 June 2017. The payment of the annual fee will be based on the equivalent of 3% of the profit before tax of its subsidiaries. The aggregate fees payable by*

the Group in each financial year to GGL shall in any event not exceed 2% of the audited consolidated net tangible assets of the Company for the relevant financial year. Two directors of the Company are also directors and shareholders of GGL (see note 26)".

a) **Can the board help shareholders understand the rationale of a Management Agreement with the intermediate holding company?**

b) **What are the range and nature of services provided by the intermediate holding company?**

c) **What deliberations did the board have regarding the annual fee which is set at the equivalent of 3% of the profits before tax of the company's subsidiaries, subject to a maximum of 2% of the audited consolidated net tangible assets?**

d) **Is the company/group required to renew the Management Agreement when it expires? How self-sufficient is the company in running its own operations?**