

Issuer: CapitaLand Limited

Security: CapitaLand Limited

Meeting details:

Date: 30 April 2018

Time: 10.00 a.m.

Venue: The Star Theatre, Level 5, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617

Company Description

CapitaLand Limited, together with its subsidiaries, develops, owns, and manages real estate properties in Singapore, China, other Asian countries, Europe, and internationally. The company operates through four segments: CapitaLand Singapore, CapitaLand China, CapitaLand Mall Asia, and Ascott. Its real estate portfolio includes integrated developments, shopping malls, serviced residences, offices, and homes. CapitaLand Limited also owns and manages real estate investment trusts and funds; invests in real estate financial products and assets; and provides investment advisory and management services. The company was formerly known as Pidemco Land Limited and changed its name to CapitaLand Limited in November 2000. CapitaLand Limited was founded in 1989 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C31)

1. As noted in the Message to Shareholders, the group reorganised its structure into two parts, namely the real estate investment and operating platforms, with effect from 1 January 2018.

An overview of the business units and operating platforms was provided (page 9 of the annual report), as follows:

The real estate investment business is now undertaken by four principal investment units, mainly Singapore/Malaysia/Indonesia; China; Vietnam; and rest of the world [...] To complement our real estate investment units, we have set out to build three best-in-class global operating platforms in retail, lodging, and commercial.

The new structure will allow management to allocate capital more efficiently across different property cycles.

- (i) **Can management help shareholders understand the opportunities it sees in the key markets in the next 2-3 years? What are the current capital allocation plans for FY2018?**
- (ii) **With this new organisational structure, are the business units and operating platforms required to compete for capital and thus leading to a more efficient allocation of capital?**
- (iii) **Has there been a slight shift in the group's strategy to focus more on "acquiring and managing" assets?** While the group has ventured into the development of Funan and CapitaSpring, it has also invested into income-producing assets such as the four retail properties in Greater Tokyo, Innov Center in Shanghai, Asia Square Tower 2 in Singapore, Rock Square in Guangzhou and Main Airport Center in Frankfurt.

In terms of real estate development, the local property scene witnessed a recent spate of en-bloc sales and market sentiments have improved considerably in the first few months of 2018.

- (iv) As seen in Note 11 (page 179 – Development properties for sale and stocks), the level of completed development properties held has halved from \$1.998 billion a year ago to \$970.8 million as at 31 December 2017. **Can management provide the number of units and the value of such units that remain unsold in Sky Habitat, Marine Blue, The Interlace and d'Leedon? What is the group's strategy to maximise the returns given the current trends and sentiments?**

In February 2018, the group acquired Pearl Bank Apartments through a private treaty collective sale for \$728 million. This translates to a land price of \$1,515 per square foot per plot ratio including a \$201.4 million premium payable for a lease top-up to a fresh 99-year tenure.

- (v) **Has the group adapted to changing consumer preferences and adjusted its products accordingly? What are the lessons learnt from the recent developments such as The Interlace and d'Leedon?**
- (vi) The group has said that it will adopt a disciplined approach and continue to evaluate and source for well-located sites to replenish its pipeline of homes. **How does the group strike a balance between being disciplined and being nimble to seize opportunities?**

2. The "accounting for investments in REITs" was one of three key audit matters highlighted in the Independent Auditors' Report. Key audit matters are those matters that, in the professional judgement of the Independent Auditors, were of most significance in the audit of the financial statements of the current period (page 121).

In the financial year, the group concluded that it now also has control over CapitaLand Mall Trust (CMT) and CapitaLand Retail China Trust (CRCT) and therefore, consolidated them into the group's financial statements during the year.

In the footnote on page 76 (Performance review), the group disclosed that "[w]ith effect from August 2017, the Group consolidated the financial results of CMT, CRCT and RCST which were previously equity accounted for as associates or joint venture. The

consolidation of these three trusts increased the Group's FY 2017 revenue, EBIT and PATMI by S\$425.6 million, S\$278.2 million and S\$12.0 million respectively."

- (i) **Can management elaborate further on the factors that led it to conclude that it has control over CMT and CRCT since August 2017? What were the changes in the circumstances that led to the newly-assessed control over CMT and CRCT?** For example, the effective interest held by the group in CMT increased to 29.4% as at 31 December 2017 from 29.3% a year ago.
- (ii) **Can the audit committee (AC) tell shareholders the deliberations it had on the above-mentioned key audit matter? How did the AC members evaluate the group's processes for the review and determination of the accounting for its investments in REITs?**
- (iii) **Can the audit committee confirm that the 2016 figures reported in the 2017 annual report do not need to be restated and thus the comparisons between 2017 and 2016 figures in the consolidated statements for the financial year ending 31 December 2017 may not be meaningful?**

3. In the Corporate Governance Report, the company disclosed that it has a strong stance against bribery and corruption and all employees of the group are required to make a declaration on an annual basis where they pledge to uphold the company's core values and not to engage in any corrupt or unethical practices.

Management has also set the tone at the top by reiterating the company's stance against bribery and corruption during its regular staff communication sessions.

- (i) **Have the board and the risk committee assessed if bribery and corruption risk is considered a key risk for the group?**
- (ii) **With a global portfolio having Singapore and China as core markets and other countries such as Vietnam and Indonesia as growing markets (page 1 – Corporate profile), how was the risk assessment carried out and how robust was the assessment?**

The company has a clearly stated policy of zero tolerance towards bribery and corruption that also extends to the group's business dealings with third parties.

- (iii) **Can the company give some recent examples of the improvements made to group's preventative anti-corruption controls, if any?**
- (iv) **How have the board and management armed themselves (and the group) with effective anti-corruption monitoring tools?**
- (v) **For countries that are considered high risk, how then does the group carry out its business activities in that country?**