



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: CapitaLand Mall Trust Management Limited

Security: CapitaLand Mall Trust

Meeting details:

Date: 11 April 2019

Time: 10.00 a.m.

Venue: The Star Gallery, Level 3, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617

Company Description

CMT is the first real estate investment trust (REIT) listed on Singapore Exchange Securities Trading Limited (SGX-ST) in July 2002. CMT is also the largest retail REIT by market capitalisation, S\$8.3 billion (as at 31 December 2018) in Singapore. CMT has been affirmed an 'A2' issuer rating by Moody's Investors Service on 28 August 2018. The 'A2' issuer rating is the highest rating assigned to a Singapore REIT. CMT owns and invests in quality income-producing assets which are used, or predominantly used, for retail purposes primarily in Singapore. As at 31 December 2018, CMT's portfolio comprised a diverse list of close to 2,800 leases with local and international retailers and achieved a committed occupancy of 99.2%. CMT's 15 quality shopping malls, which are strategically located in the suburban areas and downtown core of Singapore, comprise Tampines Mall, Junction 8, Funan, IMM Building, Plaza Singapura, Bugis Junction, JCube, Raffles City Singapore (40.0% interest), Lot One Shoppers' Mall, 90 out of 91 strata lots in Bukit Panjang Plaza, The Atrium@Orchard, Clarke Quay, Bugis+, Bedok Mall and Westgate. CMT also owns 122.7 million units in CapitaLand Retail China Trust, the first China shopping mall REIT listed on SGX-ST in December 2006. CMT is managed by an external manager, CapitaLand Mall Trust Management Limited, which is an indirect wholly owned subsidiary of CapitaLand Limited, one of Asia's largest real estate companies headquartered and listed in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C38U)

1. Would the REIT manager/board provide unitholders with better clarity on the following operational matters? Specifically:

- (i) **Funan:** In the announcement dated 28 September 2018, the REIT highlighted many “firsts” that will be made available in the new mall, including automated guided vehicles for shoppers, video-based smart carparking facilities and facial recognition. The experiential offerings include a cycling lane, cooking studio, futsal court and rock-climbing facilities. **While these are innovative offerings for the new mall, how does the manager evaluate and determine that there will be sustainable demand in the long run? How is the manager thinking out of the box to overcome the lack of a large catchment area in the vicinity of the mall? What is the lease commitment (excluding leases under active negotiations)?**
- (ii) **Asset Enhancement Initiative (Tampines Mall):** The \$8.2 million rejuvenation of Tampines Mall was completed in the fourth quarter of 2018. The REIT has stated that AElS serve to drive visitor traffic, elevate shopping experiences and create value for the retailers. For Tampines Mall, it achieved a retention rate of 89.9% and a rental reversion rate of 1.7% in FY2018 following the AEI. **Did the REIT manager review if the AEI achieved the expected rate of return?**
- (iii) **AEI:** Has the REIT identified other AElS for the assets in its portfolio? Given the market conditions, especially the threat of online shopping, are the REIT’s AElS more defensive or offensive in nature? What is the minimum hurdle rate required for budgeting, planning and approval purposes?
- (iv) **StarPay:** Can the REIT disclose the uptake rate of StarPay? How is the REIT going to acquire new users given that there are already a myriad of e-payment systems and platforms fighting for the same consumers?
- (v) **Gross turnover rent:** Due to the prevalence of online shopping, especially with a “click and collect” system, does the REIT find that there is leakage to its gross turnover rent?

2. As mentioned in the Message to unitholders, in November 2018, the REIT acquired the remaining 70% interest in Westgate for \$789.6 million. The acquisition valued Westgate at an agreed price of \$1,128.0 million, on a completed basis.

According to the REIT’s announcement, the property yield of Westgate is 4.3% at the point of acquisition.

- (i) **Did the deferment of Kuala Lumpur-Singapore High-Speed Rail (HSR) affect the prospects of the planned Jurong Lake District, and thus the future growth potential of the asset?**
- (ii) **Did the REIT initiate the discussion with the vendors to acquire the balance 70% of the mall? Was it prudent for the REIT to go ahead with the**

acquisition of the 70% interest when the dust has barely settled after the agreement to defer the project was inked in September?

- (iii)** In addition, the REIT has mentioned ongoing works to enhance shopper experience, including converting selected alfresco F&B outlets and adding new escalator between level 1 and level 2. **Can the REIT manager clarify if these improvements were already included in the purchase price?**
- (iv)** Prior to the acquisition, the REIT held 30% of Infinity Mall Trust (IMT) which holds Westgate. Nevertheless, a fee of \$7.9 million (in the form of 3,693,343 units) was paid to the manager as acquisition fee for IMT. **Given that the REIT already owned 30% of IMT, can the REIT manager/board justify the need for the REIT to pay 1% in acquisition fees for the balance 70%?**
- (v) Has the asset performed up to expectations since the acquisition?**

3. In 2015, the Monetary Authority of Singapore (“MAS”) announced the Enhancements to the Regulatory Regime Governing REITs and REIT Managers following its consultation.

The changes include:

- Ensuring that at least half of the manager’s board of directors must be independent directors if unitholders do not have the right to appoint the manager’s directors
- An independent director does not serve on the board of the REIT manager for a continuous period of nine years or longer.

- (i) Has the board deliberated on giving unitholders the right to appoint the manager’s directors?**

Adj Prof Richard R. Magnus, as chairman of the board, has served for 8 years and 8 months.

- (ii) What is the manager’s search and nomination process for independent directors? How does the REIT manager select the chairman of the board?**

In addition, 4 independent directors, namely Mr Ng Chee Khern, Mr Lee Khai Fatt, Kyle, Mr Fong Kwok Jen and Mr Gay Chee Cheong, were appointed approximately 6 years ago.

All 4 independent directors have tenures on the board of between 6 years 2 months and 6 years 7 months (as at 31 December 2018).

- (iii) Has the manager evaluated the impact on the board when all four independent directors reach the 9-year mark in just over 2 years’ time?**

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=CapitaLand%20Mall%20Trust&cid=6282,4528>



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

