



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: GuocoLand Limited

Security: GuocoLand Limited

Meeting details:

Date: 25 October 2018

Time: 2.30 p.m.

Venue: Wallich Ballroom 2, 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, mixed-use, 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)

1. The group progressively built up its land bank in the core market of Singapore with three acquisitions of well-located, prime land sites in the past 12 months, namely the Beach Road Downtown Core commercial site through the government land sales and the Pacific Mansion and Casa Meyfort freehold residential sites through en bloc acquisitions. These give the group a pipeline of projects in mixed-use, commercial and residential developments.

While the government announced additional cooling measures on 5 July 2018, raising the Additional Buyer's Stamp Duty rates and tightening loan-to-value limits on residential property purchases, the group proceeded with its acquisition of Casa Meyfort on 10 July through a collective sale for \$319.88 million. Pacific Mansion was acquired in March 2018 for nearly \$1 billion while the Beach Road site was acquired in October 2017 at a price of \$1.62 billion, or a record \$1,706 per square foot per plot ratio.

The chairman justified the optimism by stating that the group "*believes in the long term growth of the Singapore market and will continue to look for opportunities to acquire suitable land sites (page 2)*", a sentiment that was echoed by the CEO in his statement.

With the issuance of \$400 million of subordinated perpetual securities, the group maintained its gearing ratio at approximately 1x as at 30 June 2018.

- (i) Would management help shareholders understand the basis of its confidence in the Singapore property market, especially the residential/high-end market?**
- (ii) What is the impact of the 5 July cooling measure on the demand and sales of the group's launched properties, such as Martin Modern? Have the development plans for the three sites been fine-tuned following the additional cooling measures?**
- (iii) For the group's budgeting and planning relating to the three acquisitions, what is the group's minimum/required developer's margin?**

2. Would the board/management help shareholders better understand the deliberations it has had relating to the group's optimal capital structure? Specifically:

- (i) Has management evaluated the need to raise new equity to support the group's growth, especially with Changfeng, Shanghai and 18 Steps, Chongqing in its pipeline?**

From the disclosure in Note 33b(ii) (page 121 – Financial instruments: Market risk – Interest rate risk), the group has variable rate financial liabilities with notional amounts of approximately \$3.8 billion. The company has also stated that an increase in the interest rates of 54 (2017: 60) basis points at the reporting date would decrease the group's profit before income tax and accumulated profits by \$18.2 million (2017: \$14.2 million).

- (ii) If/when interest rate rises, the additional interest payments may likely impact the group's profitability. **Does the board/management intend to review the group's interest rate exposure and pro-actively manage this risk?**

As disclosed in Note 16 (page 99 – Share capital: Capital management), total loans and borrowings amounted to \$4.92 billion while net debt was \$4.04 billion. The group's net debt to equity ratio as at 30 June 2018 was 0.95x (2017: 0.91x).

- (iii) **What is the total working capital required to fund and complete the three Singapore projects? What would be a prudent (maximum) gearing ratio for the group, given the uncertainties in global economy and the risks associated with real estate development in Singapore and China?**
- (iv) The group issued a \$400 million subordinated perpetual securities that bear distributions at a rate of 4.6% per annum for the period from 23 January 2018 to 22 January 2025. **Does management have plans to issue more perpetual securities under the \$3 billion multicurrency Medium Term Note programme?**

3. At the company's 42nd Annual General Meeting scheduled to be held on 25 October 2018, the company is proposing to adopt the GuocoLand Limited Executive Share Scheme 2018. This new scheme replaces the Executives' Share Option Scheme 2008 (ESOS 2008) that is set to expire on 20 November 2018.

On 8 December 2017, the remuneration committee (RC), which administers the ESOS 2008, granted 39,700,000 options to key executives, including Mr. Raymond Choong Yee How (Group President & Chief Executive Officer) at the exercise price of S\$1.984 per share which was set at a discount of 5.8% to the market price of the shares based on the 5-day weighted average market price of the shares immediately prior to the date of grant.

- (i) **Can the RC explain how a discount of 5.8% was determined?**
- (ii) **Has the RC evaluated how successful was the ESOS 2008 in achieving its stated purposes of (a) to align the long-term interests of selected confirmed Employees with those of the shareholders of the Company and to encourage such Employees to assume greater responsibility for the performance of the businesses that they manage; (b) to motivate Employees towards strategic business objectives; (c) to reward Employees with an equity stake in the success of the Group; and (d) to make the total compensation package more competitive in order to attract, retain and motivate high calibre executives?**

Additional comments: On pages 18-20 of the annual report, the company has provided shareholders with an overview of its Sustainability report*. The group showed its key stakeholder groups, the engagement process with the stakeholders and its responses to the topics raised. **Could the board/management elaborate further on how the group's strategies have been fine-tuned following the feedback arising from its stakeholder engagement efforts (pages 18-19)?"**



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(*The full Sustainability Report is published exclusively online and is available for download from the corporate website at <https://www.guocoland.com.sg/sustainabilityreports.shtml>)

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=GuocoLand%20Ltd>

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