

# PROPELLING OUR GROWTH JOURNEY





## PROPELLING OUR GROWTH JOURNEY

At CapitalLand, we strive to enrich lives through high-quality real estate products and services. Inspired by our credo of 'Building People. Building Communities.', the design for this year's annual report employs the creative use of mosaic to recreate an image of Raffles City Changning - an iconic integrated development in our portfolio. Like different mosaic pieces coming together to form a complete picture, CapitalLand continues to build on our multidisciplinary strengths across the real estate value chain, creating greater value for the future and propelling our growth journey.

## VISION

To be a leading global enterprise that enriches people and communities through high-quality real estate products and services.

## MISSION

**Customers:** We create great customer value and experiences through high-quality products and services.

**People:** We develop high-performing people and teams through rewarding opportunities.

**Investors:** We deliver sustainable shareholder returns and build a strong global network of capital partners.

**Communities:** We care for and contribute to the economic, environmental and social development of communities.

## CORE VALUES

**Respect:** We believe in mutual trust and respect at all levels. This is fundamental to a high-performance culture that embraces diversity and teamwork as One CapitalLand.

**Integrity:** We embrace the highest standards of integrity. We have the courage to do what is right, and earn the trust of all our stakeholders.

**Creativity:** We constantly innovate to enhance value and stay ahead.

**Excellence:** We pursue excellence and persevere in everything we do.

## CORPORATE PROFILE

CapitaLand is one of Asia's largest real estate companies. Headquartered and listed in Singapore, it is an owner and manager of a global portfolio worth more than S\$88 billion as at 31 December 2017, comprising integrated developments, shopping malls, serviced residences, offices, homes, real estate investment trusts (REITs) and funds. Present across more than 150 cities in over 30 countries, the Group focuses on Singapore and China as core markets, while it continues to expand in markets such as Vietnam and Indonesia.

CapitaLand's competitive advantage is its significant asset base and extensive market network. Coupled with extensive design, development and operational capabilities, the Group develops and manages high-quality real estate products and services. It also has one of the largest investment management businesses in Asia and a stable of five REITs listed in Singapore and Malaysia – CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust.

Any discrepancies in the tables and charts between the listed figures and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

## CONTENTS

### OVERVIEW

Global Presence	2
2017 Highlights	4
Significant Scale Achieved	5
5-Year Financial Summary	6
Group Business Structure	7
Message to Shareholders	8
Year in Brief 2017	12

### BUSINESS REVIEW

Performance Overview	76
CapitaLand Singapore	83
CapitaLand China	84
CapitaLand Vietnam	85
CapitaLand Mall Asia	86
The Ascott Limited	87
CapitaLand Investment Management	88

### CORPORATE GOVERNANCE & TRANSPARENCY

Board of Directors	14
Senior Management	21
Corporate Governance	28
Enterprise Risk Management	60
Investor & Media Relations	64
Awards & Accolades	68

### PORTFOLIO DETAILS

Integrated Developments	89
Shopping Malls	91
Serviced Residences	95
Commercial	101
Self Storage	102
Residential	103

### SUSTAINABILITY

Sustainability Management	71
---------------------------	----

### FINANCIALS & ADDITIONAL INFORMATION

Financial Statements	108
Economic Value Added Statement	251
Value Added Statement	252
Supplemental Information	253
Shareholding Statistics	254
Corporate Information	

# GLOBAL PRESENCE

**32**  
Countries

**155**  
Cities and 19 cities with  
CapitaLand Hope School



- Integrated Developments ●
- Shopping Malls ●
- Serviced Residences ●
- Offices ●
- Homes ●
- Investment Fund Management ●
- Raffles City Developments ■
- CapitaLand Hope Schools ♥

## AFRICA

### Ghana

Accra ●

## AMERICAS

### Brazil

Sao Paulo ●

## United States of America

New York ●  
Sunnyvale ●

## ASIA PACIFIC

### Australia

Adelaide ●  
Brisbane ●  
Canberra ●  
Darwin ●  
Hobart ●  
Melbourne ● ●  
Perth ● ●  
Sydney ● ●

### Cambodia

Phnom Penh ●

### China

Anyang ● ●  
Beijing ● ● ● ■  
Changsha ● ●  
Chengdu ● ● ● ● ■  
Chifeng ♥  
Chongqing ● ● ■ ♥

Dalian ● ● ●  
Deyang ● ●  
Dongguan ● ●  
Duolun ♥  
Foshan ● ● ● ●  
Guangyuan ♥  
Guangzhou ● ● ● ●  
Haikou ●  
Handan ●  
Hangzhou ● ● ● ■  
Harbin ● ●  
Hefei ●  
Hong Kong ●  
Honghezhou ♥  
Hotan ♥  
Huanggang ♥  
Huhhot ● ●  
Huzhou ♥  
Jingmen ♥  
Kunming ●  
Kunshan ● ● ●  
Lechang ♥  
Leshan ♥  
Lishui ♥  
Macau ●  
Macheng ♥  
Maoming ● ● ♥  
Mianyang ● ●  
Mianzhu ♥  
Nanchang ● ●  
Nanjing ●  
Nantong ●  
Ningbo ● ● ● ■

Pu'er ♥  
Qingdao ● ●  
Qingyuan ♥  
Quanzhou ● ●  
Rizhao ● ●  
Shanghai ● ● ● ● ● ■  
Shangluo ♥  
Shaoxing ●  
Shenyang ● ● ●  
Shenzhen ● ● ■  
Suzhou ● ● ● ●  
Tianjin ● ● ● ● ♥  
Weifang ● ●  
Wuhan ● ● ● ● ●  
Wuhu ● ●  
Wuxi ● ●  
Xi'an ● ● ● ● ●  
Xiamen ●  
Xuzhou ● ♥  
Yangzhou ● ●  
Yibin ● ●  
Yichang ●  
Yinchuan ●  
Yiyang ● ●  
Zhangzhou ● ●  
Zhanjiang ● ●  
Zhaoqing ● ●  
Zhengzhou ● ●  
Zibo ● ● ♥  
Zigong ♥

### Fiji

Suva ●

## India

Ahmedabad ●  
Bangalore ●  
Chennai ●  
Gurgaon ●  
Hyderabad ●  
Jalandhar ● ●  
Mumbai ●  
Nagpur ● ●  
Sri City ●

## Indonesia

Bali ●  
Bandung ●  
Jakarta ● ● ● ●  
Makassar ●  
Surabaya ●  
Yogyakarta ●

## Japan

Fukuoka ● ●  
Funabashi ●  
Hiroshima ● ●  
Kobe ● ●  
Kyoto ● ●  
Nagoya ●



Osaka  
Saitama  
Sapporo  
Tokyo



**Laos**  
Vientiane



**Malaysia**  
Cyberjaya  
Iskandar Puteri  
Kota Kinabalu  
Kuala Lumpur  
Kuantan  
Kuching  
Miri  
Penang  
Petaling Jaya  
Putrajaya  
Shah Alam



**Myanmar**  
Yangon



**New Zealand**  
Auckland  
Christchurch  
Wellington



**Philippines**  
Cebu  
Iloilo  
Manila



**Singapore**  
Singapore



**South Korea**  
Busan  
Jeju  
Seoul



**Thailand**  
Bangkok  
Pattaya  
Sri Racha



**Vietnam**  
Danang  
Hai Phong  
Halong City  
Hanoi  
Ho Chi Minh City  
Nha Trang  
Tan An  
Viet Tri



**EUROPE**  
**Belgium**  
Brussels



**France**  
Cannes  
Ferney-Voltaire  
Grenoble  
Lille



Lyon  
Marseille  
Montpellier  
Nantes  
Paris  
Strasbourg  
Toulouse



**Georgia**  
Tbilisi



**Germany**  
Berlin  
Frankfurt  
Hamburg  
Munich



**Ireland**  
Dublin



**Spain**  
Barcelona



**United Kingdom**  
London



**GCC COUNTRIES & OTHERS**

**Bahrain**  
Manama



**Oman**  
Muscat  
Sohar



**Qatar**  
Doha



**Saudi Arabia**  
Abha  
Al Khobar  
Jeddah  
Makkah  
Riyadh



**Turkey**  
Istanbul



**United Arab Emirates**  
Abu Dhabi  
Dubai



# 2017 HIGHLIGHTS

Group Managed  
Real Estate Assets<sup>1</sup>

**S\$88.8**

billion

S\$78.4 billion in 2016



Earnings before  
Interest & Tax

**S\$3,110.5**

million

S\$2,359.5 million in 2016

Profit Attributable to  
Shareholders

**S\$1,550.7**

million

Increased 30% YoY



Operating PATMI

**S\$908.3**

million

Increased 5% YoY

Net Tangible Assets  
per Share

**S\$4.20**

S\$4.05 in 2016



Dividend per Share

**12**cents

20% increase from  
10 cents in 2016



Net Debt to Equity

**0.49**times

Up from 0.41 times  
in 2016

Return on Equity

**8.5%**


Up from 6.6% in 2016




<sup>1</sup> Refers to value of all real estate managed by CapitaLand Group entities stated at 100% of the property carrying value.

# SIGNIFICANT SCALE ACHIEVED

**Revenue Under Management**  
**S\$8.5**  
billion  
of which  
Rental RUM is  
S\$4.9 billion



**Total Home Units Constructed (Since 2000)**  
**>91,000**



**Office Tenants in Singapore & China**  
**>1,300**



**Gross Turnover Sales of Retailers**  
**S\$12.2**  
billion

**Shopper Traffic Across 5 Countries<sup>1</sup>**  
**>1.1 billion**



**Retail Leases Across 5 Countries<sup>1</sup>**  
**~18,000**

**Unique Serviced Residence Customers**  
**>1.2 million**



1 Singapore, China, Malaysia, Japan and India.

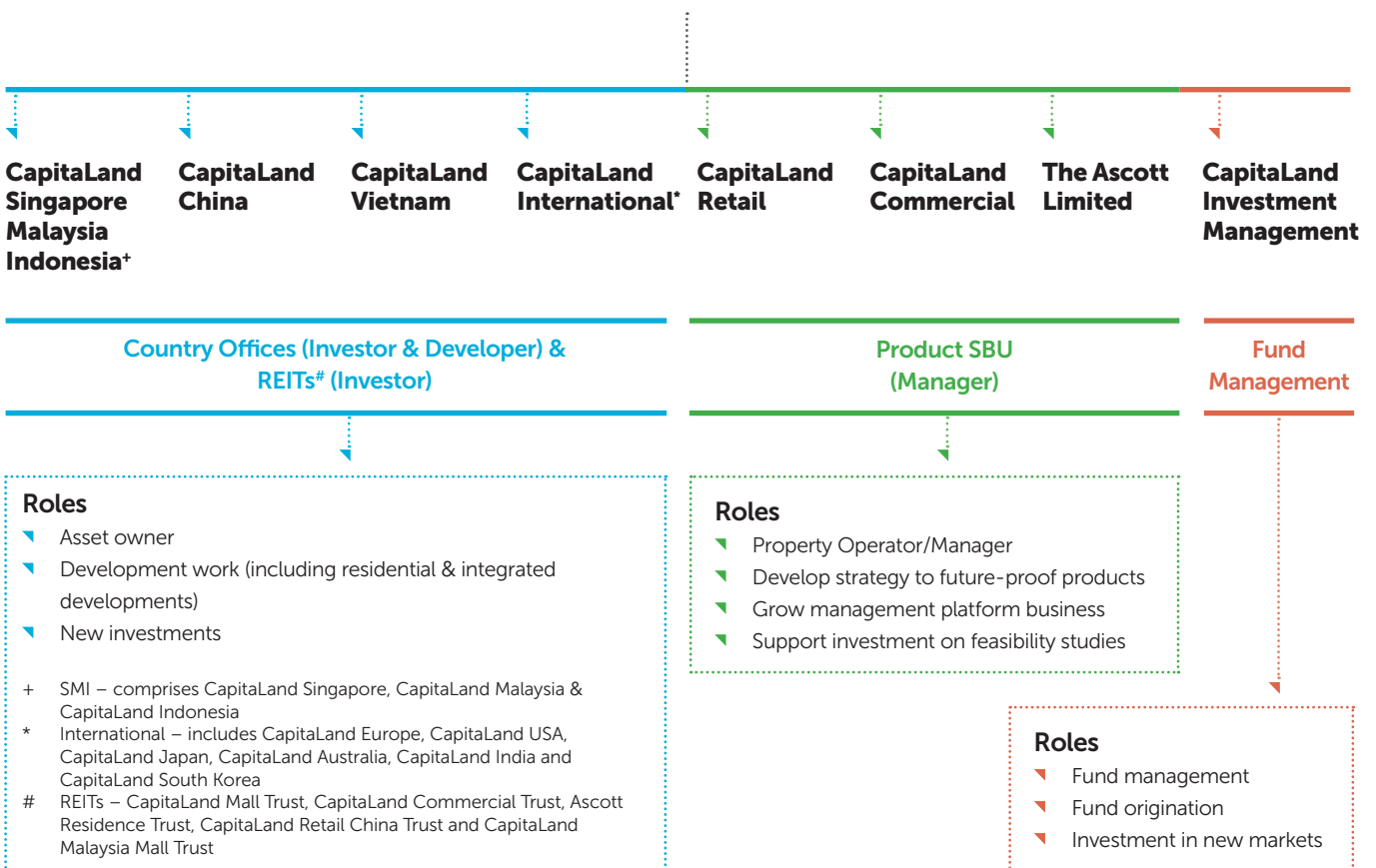
## 5-YEAR FINANCIAL SUMMARY

	2013 Restated	2014	2015	2016	2017
<b>(A) INCOME STATEMENT (S\$ million)</b>					
Revenue	3,511.0	3,924.6	4,761.9	5,252.3	<b>4,609.8</b>
Earnings before interest and tax (EBIT)	2,258.6	2,436.9	2,316.0	2,359.5	<b>3,110.5</b>
<b>Profit attributable to shareholders (PATMI)</b>	<b>840.2</b>	<b>1,160.8</b>	<b>1,065.7</b>	<b>1,190.3</b>	<b>1,550.7</b>
<b>Operating PATMI</b>	<b>502.5</b>	<b>705.3</b>	<b>823.6</b>	<b>865.3</b>	<b>908.3</b>
<b>(B) BALANCE SHEET (S\$ million)</b>					
Investment properties	15,495.9	17,149.2	19,427.5	18,998.4	<b>36,479.4</b>
Development properties for sale and stocks	7,382.4	7,673.7	6,936.3	4,837.1	<b>4,073.7</b>
Associates and joint ventures	12,673.2	12,780.9	12,858.1	12,617.3	<b>10,197.2</b>
Cash and cash equivalents	6,306.3	2,749.4	4,173.3	4,792.6	<b>6,105.3</b>
Other assets	3,205.3	3,760.3	3,657.4	4,495.4	<b>4,590.1</b>
<b>Total assets</b>	<b>45,063.1</b>	<b>44,113.5</b>	<b>47,052.6</b>	<b>45,740.8</b>	<b>61,445.7</b>
Equity attributable to owners of the Company	16,108.9	16,758.0	17,905.3	17,604.8	<b>18,382.4</b>
Total borrowings	15,936.2	15,985.8	16,058.5	14,852.4	<b>21,694.9</b>
Non-controlling interests and other liabilities	13,018.0	11,369.7	13,088.8	13,283.6	<b>21,368.4</b>
<b>Total equities &amp; liabilities</b>	<b>45,063.1</b>	<b>44,113.5</b>	<b>47,052.6</b>	<b>45,740.8</b>	<b>61,445.7</b>
<b>(C) FINANCIAL RATIOS</b>					
<b>Earnings per share (cents)</b>	<b>19.7</b>	<b>27.3</b>	<b>25.0</b>	<b>28.0</b>	<b>36.5</b>
<b>Net tangible assets per share (S\$)</b>	<b>3.68</b>	<b>3.83</b>	<b>4.11</b>	<b>4.05</b>	<b>4.20</b>
<b>Return on equity (%)</b>	<b>5.4</b>	<b>7.1</b>	<b>6.1</b>	<b>6.6</b>	<b>8.5</b>
<b>Return on total assets (%)</b>	<b>4.9</b>	<b>5.1</b>	<b>4.4</b>	<b>4.4</b>	<b>5.3</b>
<b>Debt equity ratio (net of cash) (times)</b>	<b>0.39</b>	<b>0.57</b>	<b>0.48</b>	<b>0.41</b>	<b>0.49</b>
<b>Net debt/Total assets (net of cash) (times)</b>	<b>0.25</b>	<b>0.32</b>	<b>0.28</b>	<b>0.25</b>	<b>0.28</b>
<b>Interest cover (times)</b>	<b>5.7</b>	<b>7.2</b>	<b>6.1</b>	<b>6.5</b>	<b>8.1</b>
<b>Interest service (times)</b>	<b>4.6</b>	<b>4.6</b>	<b>6.7</b>	<b>10.3</b>	<b>6.7</b>
<b>Dividend</b>					
Ordinary dividend per share (cents)	8.0	9.0	9.0	10.0	<b>12.0</b>
Dividend cover (times)	2.5	3.0	2.8	2.8	<b>3.0</b>

Note:  
Comparatives for 2013 have been restated to take into account:  
(i) the retrospective adjustment relating to FRS 110 Consolidated Financial Statements and  
(ii) re-presentation of Australand's results under "discontinued operation" in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operation.



# GROUP BUSINESS STRUCTURE



**Roles**

- Asset owner
- Development work (including residential & integrated developments)
- New investments

+ SMI – comprises CapitaLand Singapore, CapitaLand Malaysia & CapitaLand Indonesia

\* International – includes CapitaLand Europe, CapitaLand USA, CapitaLand Japan, CapitaLand Australia, CapitaLand India and CapitaLand South Korea

# REITs – CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust

**Roles**

- Property Operator/Manager
- Develop strategy to future-proof products
- Grow management platform business
- Support investment on feasibility studies

**Roles**

- Fund management
- Fund origination
- Investment in new markets

# MESSAGE TO SHAREHOLDERS



**NG KEE CHOE**  
Chairman

**LIM MING YAN**  
President & Group Chief Executive Officer

## Dear Shareholders,

On behalf of the Board and all staff in CapitaLand, we would like to thank you for your continued support in 2017.

The Group achieved S\$1.6 billion profit after tax and minority interests (PATMI) for financial year 2017 (FY 2017), the highest in the past five years. Group profit continued to be underpinned by strong recurring income from investment properties in 2017. Our operating profit of S\$908.3 million accounted for approximately 60% of PATMI.

The Group also delivered an improved Return on Equity of 8.5% for FY 2017, compared to 6.6% in FY 2016. In line with CapitaLand's policy to grow dividends on a sustainable basis, the Board is proposing a final ordinary dividend of 12 Singapore cents a share for FY 2017.

### ROBUST CAPITAL STRUCTURE

Our financial position remains strong. We ended 2017 with a consolidated cash balance of S\$6.1 billion and a further S\$2.9 billion in undrawn bank facilities. Our liquidity and cash generation continue to be healthy with net debt to equity, interest coverage and interest service ratios at 0.49

times, 8.1 times and 6.7 times respectively. This provides us with the financial strength and agility to respond swiftly to any new investment opportunities. Approximately 70% of the Group's debt as at end 2017 is on a fixed rate basis. This mitigates against possible interest rate hikes. Our average cost of borrowings in 2017 continues to be low at 3.2%. Average debt maturity is lengthened to 3.4 years from 3.3 years a year ago and debt maturities are spread out to avoid debt towers.

### A RESILIENT BUSINESS MODEL – TWO ENGINES OF GROWTH

With healthy financials forming a solid foundation, CapitaLand is set to embark on the next phase of growth to create long-term sustainable value and enhanced returns to all stakeholders. Since 1 January 2018, we have reorganised the Group structure into two parts – the real estate investment and operating platforms. These two engines of growth allow us to harness the Group's competitive advantages and core competences across various asset classes. At the same time, they enable us to allocate capital more efficiently across different property cycles.

The real estate investment business is now undertaken by four principal investment units, mainly Singapore/Malaysia/Indonesia; China; Vietnam; and rest of the world. Each dedicated investment team will now have better visibility and perspective of the investment opportunities across our core asset classes. This also allows each team to actively reconstitute our assets, recycle our capital, and leverage on our five real estate investment trusts (REITs) and 15 private funds.

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. While the demand for traditional “brick-and-mortar” real estate remains strong, it has evolved beyond physical infrastructure to the underlying customer experiences, including experiential content, convenience and customer engagement. Our three core operating platforms will aim to enhance the long-term value of our investment portfolio by allowing us to serve our customers better across the “live, work and play” ecosystem.

As part of our strategic focus on assets under management (AUM), we also look to further grow our private fund management platform to leverage our core competencies alongside likeminded third-party capital providers.

## REAL ESTATE INVESTMENT

### *Active Portfolio Reconstitution - Higher Quality Portfolio*

As part of the strategy to be more capital efficient and to generate better returns, the Group has increased our pace of reconstituting assets, resulting in a better quality portfolio that is focused on dominant assets in core city clusters. In 2017, the Group committed approximately S\$5.7 billion in new investments. Through major acquisitions such as Asia Square Tower 2 in Singapore, Innov Center Phase 1 & 2 in Shanghai, as well as Rock Square in Guangzhou, the Group further deepened our presence in core markets. We also acquired our first office property in Frankfurt, Germany, as well as an office and retail portfolio in Greater Tokyo, Japan.

To unlock value, the Group divested Wilkie Edge and a 50% stake in One George Street, office buildings at the fringe of Singapore’s Central Business District (CBD). In China, we

sold CapitaMall Anzhen, a master leased mall in Beijing, as well as Innov Tower, an office building in Shanghai. In total, the Group recycled approximately S\$2.5 billion in assets and recognised about S\$318 million in divestment gains in 2017.

We continue to seek out opportunities to enhance our existing properties. During the financial year, we embarked on the S\$1.8 billion redevelopment of Golden Shoe Car Park in the heart of Singapore’s CBD into an integrated property with office and serviced residence components. This follows our successful redevelopment of Market Street Car Park into CapitaGreen in 2014.

### *Strengthening Our Stable Recurring Income Base*

The Group’s stable recurring income base is a key competitive differentiator for CapitaLand which we continue to strengthen and grow. As at 31 December 2017, the Group maintained an asset mix comprising 82% investment properties and the remaining 18% are mainly trading assets.

We have remained as one of the leading developers in our core residential markets. In 2017, we achieved more than S\$5.0 billion in residential sales value across Singapore, China and Vietnam, whilst judiciously seeking to replenish our landbank in these markets. In Singapore, we sold 407 units, representing S\$1.5 billion in sales value. Residential sales in China has also remained stable with 8,479 units sold worth RMB15.4 billion (S\$3.1 billion). For Vietnam, we ended the year with a record annual sales value of S\$460 million across 1,400 units. We also made progress in growing our presence in Malaysia and Indonesia.

Our investment properties across various asset classes contributed S\$477 million in recurring PATMI in 2017. During the year, we saw the opening of six integrated projects, including Raffles City developments in Hangzhou, Changning in Shanghai and Shenzhen, as well as Capital Square in Shanghai, CapitaMall Westgate in Wuhan and CapitaLand’s largest mall in Suzhou. The Group also marked approximately one million square metres of new retail space collectively in China, Singapore and Malaysia. Our serviced residence business expanded its global portfolio through acquisitions such as the Hotel Central Fifth Avenue and DoubleTree by Hilton Hotel – Times Square South, both in New York.

# MESSAGE TO SHAREHOLDERS

We continue to grow our funds management business which is an important source of recurring fee income to the Group and a capital efficient way to grow our AUM. In August 2017, we launched the US\$300 million CapitaLand Vietnam Commercial Fund 1, which further cements our position as one of Asia's largest real estate fund managers, with a global portfolio of assets under management of S\$51.2 billion across our five listed REITs and 15 private vehicles. This is also consistent with the Group's strategy of diversifying funding sources, enhancing returns and balancing risk exposure. We are on-track to achieve the target set in 2015 to grow another S\$10 billion AUM in our private fund business by 2020.

## OPERATING PLATFORMS

### *Building Global World Class Operating Platforms*

To remain in the forefront of the future of real estate and scale up in an asset light manner, the Group continues our global expansion of existing operating platforms in retail and lodging, as well as a new operating platform focused on commercial office. We are also looking to broaden our coverage in the hospitality and accommodation sector beyond serviced residences, through investments in alternative lodging businesses. Through these global operating platforms, the Group can further explore and invest in emerging sub-sectors such as coworking, online reservations and other retail-related platforms to enhance our value propositions to our customers.

#### **Retail**

Complementing the Group's retail investment properties, CapitaLand Retail has embarked on a strategy to deepen its presence in our city clusters through managing third-party shopping malls. We have currently signed seven mall management contracts, six in China and one in Singapore. This is an efficient way of expanding our operating network, as well as building another source of recurring revenue through management fees. We continue to evaluate opportunities to further expand our operating footprint, combining our investment property portfolio with third-party management contracts as we consolidate our position as a leading mall developer, owner and manager in Asia.

We are also accelerating the integration of online-to-offline (O2O) spaces to create an interconnected retail platform for our shoppers. In August 2017, the Group signed an agreement to launch an exclusive online mall on Lazada Singapore, which is part of Lazada Group, Southeast Asia's

largest e-commerce platform. Complemented by the "click-and-collect" service for shoppers, we are well-positioned to be Singapore's first omni-channel retail landlord.

#### **Lodging**

Our serviced residence business through Ascott continues to expand its global footprint mainly through third-party management contracts. In 2017, Ascott added 18 new cities across nine countries including South America and Africa and secured a record of about 24,000 units. Furthermore, through our acquisitions of Quest Apartment Hotels and Synergy Global Housing, the Group also grew our global cross-selling and distribution networks. As such, Ascott is set to surpass its original target of 80,000 units well ahead of 2020; and in 2018, doubled its target to achieve 160,000 units by 2023.

Given that the millennial traveller segment is already making up a quarter of Ascott's global customer base, and is poised to further expand, our new millennial-focused "live-your-freedom" (lyf) brand enables us to directly address the specific preferences of this rapidly growing market. In 2017, we secured four contracts - lyf Wu Tong Island Shenzhen and lyf DDA Dalian which are scheduled to open in 2018 and 2019 respectively, while lyf Funan Singapore and lyf Farrer Park Singapore are both slated to open in 2020.

### *Pushing New Frontiers With Technology*

To stay relevant, the Group constantly leverages technology to innovate our assets and businesses. Much progress has been made to harness the benefits of technology in various aspects of our operations. To improve business management, the Group has now united the common processes of our business units in a single IT platform. This will allow us to be nimble and to scale our businesses efficiently across geographies. We have also launched our new website at [www.capitaland.com](http://www.capitaland.com) to further enhance our online interaction with our stakeholders. The website's interactive features can better capture customers' preferences when they are being used and enable our different platforms to more efficiently engage with our customers.

Looking ahead, we plan to roll out more initiatives across our operating platforms, such as cashless payments, facial recognition, electronic check-in and out, video analytics, and smart mall technology, to help us create spaces offering both choice and convenience for our customers. We also intend to further personalise our customer experience with the help of data analytics. Notably, our hallmark CapitaStar

loyalty programme has close to five million members today, and it is able to provide our retailers with aggregated data on shoppers' purchasing habits, which will in turn help them to optimise inventory management and promotion.

## CREATING A FUTURE-READY TEAM

CapitaLand's current position would not have been possible if not for the hard work of our staff. We strongly believe in attracting the right talent, and to nurture and retain them. Our consistent focus to develop our talent pool ensures that we have depth in our management bench strength. In addition, we actively identify talent internally and externally for future leadership succession.

While we strive to provide a positive and dynamic work environment for staff to grow together with us, we also ensure they are equipped with the right skills and mindset to adapt to new market conditions. In 2017, we launched the CapitaLand ELEVATE, a S\$10 million programme to train our people in new proptech-enabled capabilities, such as data analytics, digital marketing, and digital asset management.

## BEING A RESPONSIBLE CORPORATE CITIZEN

CapitaLand remains committed to improving the economic, environmental and social well-being of our stakeholders. We rigorously strive to balance commercial viability with sustainability for future generations. Our sustainability efforts are well-recognised with various prestigious awards such as the Global 100 Most Sustainable Corporations in the World.

Through the CapitaLand Hope Foundation (CHF), the Group also contributes to community development programmes for education, healthcare and shelter needs of underprivileged children in countries where we operate. In Singapore, CapitaLand was recognised as a Champion of Good by the National Volunteer and Philanthropy Centre for being an exemplary leader and multiplier of corporate giving. Outside Singapore, CHF currently has 27 CapitaLand Hope Schools in China and Vietnam. As part of our continuous engagement, we regularly organise staff international volunteer expeditions and visits to these schools.

The Group also believes that good corporate governance supports long-term value creation. As a testament to our commitment to corporate governance best practices,

CapitaLand was awarded Silver for the Best Managed Board (for companies with S\$1 billion and above in market capitalisation) at the Singapore Corporate Awards in 2017.

## ACKNOWLEDGEMENT

Mr John Powell Morschel, who has served with distinction on the Board of CapitaLand for more than seven years, will not be seeking re-election as a Director at the upcoming Annual General Meeting. The Board and management have benefitted immensely from his counsel. We thank him for his invaluable contributions and wish him well in all his endeavours.

We would also like to extend our warmest welcome to Mr Anthony Lim Weng Kin, Mr Gabriel Lim Meng Liang, and Ms Goh Swee Chen, who joined the Board as Non-Executive Independent Directors in 2017. Going forward, the Group will benefit from these new directors who bring with them extensive and diverse experience.

We wish to express our deep appreciation to our Board members for their counsel and advice; to our staff for their dedicated service and commitment; and to all our shareholders, business partners, customers, financiers and other stakeholders for their strong support.

## LOOKING FORWARD

As we progress into 2018 and beyond, the Group with a resilient model comprising two engines of growth, is in a much stronger position to compete and thrive. We have also strengthened our core competencies and are set to grow our global operating platforms. Whilst Singapore and China remain as our core markets, we look to increase our presence in Asia and beyond. With a strong foundation in place, CapitaLand is now well-positioned to continue evolving our business, capturing opportunities ahead, and at the same time, creating long-term sustainable value and enhanced returns to all stakeholders. We look forward to your support in 2018 and beyond.

**Ng Kee Choe**  
Chairman

**Lim Ming Yan**  
President &  
Group Chief Executive Officer

6 April 2018

# YEAR IN BRIEF 2017

## JANUARY

- CapitalLand (CL) secured a contract to manage a mall in La Botanica Township in Xi'an, China, while Ascott secured contracts to manage over 1,200 serviced residence (SR) units in six properties, including one each in the new footprint cities of Handan and Xuzhou, China.

## FEBRUARY

- CL acquired Yokohama Blue Avenue, Sun Hamada, Kokugikan Front and Seiyu & Sundrug in Greater Tokyo, Japan for ~JPY51.0 billion (~S\$636.3 million).
- Ascott unveiled its first living lab, lyf@SMU, to field test its newest brand, lyf.

## MARCH

- Ascott Residence Trust (ART) acquired Ascott Orchard Singapore (220 units), Citadines City Centre Frankfurt (165 units) and Citadines Michel Hamburg (127 units) in Singapore and Germany for S\$502.2 million.
- CL secured a contract to manage SingPost Centre mall in Singapore.
- The Oxygen mall in Ho Chi Minh City, Vietnam, opened.



Ascott Orchard  
Singapore

## APRIL

- Raffles City Shenzhen, Raffles City Changning, Shanghai, Raffles City Hangzhou, and CapitaMall Westgate, Wuhan in China, opened.
- Funan Showsuite, the first retail showsuite in Singapore open to the public, was launched.
- Ascott forayed into South America through franchise agreements for 214 SR units in two properties in São Paulo, Brazil.
- CapitaStar, CL's digital membership platform, launched its application in China.

## MAY

- In the United States, Ascott acquired Hotel Central Fifth Avenue New York (125 units) for ~US\$50.0 million (S\$68.0 million), while ART acquired DoubleTree by Hilton Hotel New York – Times Square South (224 units) for US\$106.0 million (S\$148.4 million).
- CapitalLand Commercial Trust (CCT) announced the divestment of One George Street at an agreed value of S\$1,183.2 million to One George Street LLP, in which CCT owns 50%.
- CL organised an International Volunteer Expedition to CapitalLand-Ascott GK Eco Village in Batangas City, the Philippines.

## JUNE

- In Shanghai, China, CL acquired Innov Center for RMB 2.1 billion (~\$424.1 million), and divested Innov Tower for US\$ 195 million (~S\$271.0 million).
- CL secured three contracts in China to manage the retail components of Leshijie, Chengdu, Hehua International Commercial Plaza, Foshan, and Capital Square, Shanghai. Meanwhile, Ascott added about 1,800 SR units through 10 management contracts, including one each in the new footprint cities of Kunming and Yichang, China.
- CapitalLand Hope Foundation donated S\$300,000 to benefit six children's charities under President's Challenge 2017.

## JULY

- CL, CCT and Mitsubishi Estate Co., Ltd. formed a joint venture to redevelop Golden Shoe Car Park in Raffles Place, Singapore, into an integrated development.
- CCT announced the divestment of Wilkie Edge at S\$280.0 million.
- Melawati Mall in Kuala Lumpur, Malaysia, opened.
- Ascott acquired an additional 60% stake in Quest Apartment Hotels for A\$180.0 million (S\$191.0 million) and an 80% stake in Synergy Global Housing, a leading accommodation provider in the United States, for US\$33.7 million (S\$46.7 million). It also acquired its first serviced residence in Brisbane, Australia for A\$24.0 million (S\$25.0 million).
- CL launched DIMENSION, in District 1, Ho Chi Minh City, Vietnam.
- CL donated S\$500,000 to the CapitalLand-CARE Network Children Support Programme, to develop cognitive and socio emotional skills programme for children of offenders.

## AUGUST

- CL entered into agreements to manage Alibaba Shanghai Center in China and launch an online mall on Lazada Singapore. Meanwhile, Ascott secured contracts to manage over 460 SR units in two properties in Singapore.
- Ascott Serviced Residence (Global) Fund announced to invest S\$170.3 million to develop lyf Funan Singapore (279 units).

## SEPTEMBER

- CCT announced the acquisition of Asia Square Tower 2 in Singapore, at an agreed property value of S\$2,094 million.
- Capital Square in Shanghai, China, opened.
- In Indonesia, Ascott Serviced Residence (Global) Fund acquired Ascott Sudirman Jakarta (192 units) for S\$74.3 million, while Ascott secured a contract to manage Citadines Canggu Bali (230 units).
- CL received global recognition for sustainable practices in the Dow Jones Sustainability World Index and Global Real Estate Sustainability Benchmark.
- CL organised an International Volunteer Expedition to CL Xingfuzhilu Hope School in Inner Mongolia, China.



Asia Square Tower 2, Singapore

## OCTOBER

- Ascott acquired The Domain Hotel (136 units), its first property in California, United States, for S\$81.5 million, and secured a contract to manage Citadines Rochor Singapore (320 units).
- CL partnered with The Business Times on a fundraising concert to benefit the Muscular Dystrophy Association Singapore and the School of the Arts' Student Assistance Fund.

## NOVEMBER

- CL and CapitaLand Retail China Trust entered into an agreement to jointly acquire Rock Square in Guangzhou, China, for RMB3.3 billion (~S\$688.9 million).
- Suzhou Center Mall in China, the largest mall in CL's portfolio, opened.
- CL renewed a tripartite partnership with International Enterprise Singapore and UCOMMUNE (formerly UrWork) that includes the setting up of innovation centres in China to incubate Singapore startups.
- CL held its first Volunteer Day in Malaysia, in conjunction with the My Schoolbag programme.
- CL was recognised as a Champion of Good by the National Volunteer and Philanthropy Centre.
- CL donated S\$250,000 to National Arthritis Foundation Singapore.
- CL mentored student beneficiaries of its CapitaLand Young Architect Programme in participatory design to develop sustainable solutions for community spaces across Singapore.



Rock Square, Guangzhou, China

## DECEMBER

- CL acquired Main Airport Center, Frankfurt, its first office building in Germany for €245 million.
- CL entered into an agreement to acquire a commercial site in in Shanghai, China, for RMB838 million (~S\$171.0 million).
- Ascott forayed into Africa, having secured contracts to manage 260 SR units in two properties in Accra, Ghana.
- CL inked a S\$10-million innovation partnership with Singapore Economic Development Board.

# BOARD OF DIRECTORS



**NG KEE CHOE**  
Chairman  
Non-Executive Independent Director

**LIM MING YAN**  
President & Group Chief Executive Officer  
Executive Non-Independent Director

**JOHN POWELL MORSCHEL**  
Non-Executive Independent Director



**EULEEN GOH YIU KIANG**  
Non-Executive Independent Director

**TAN SRI AMIRSHAM BIN A AZIZ**  
Non-Executive Independent Director

**STEPHEN LEE CHING YEN**  
Non-Executive Independent Director



**DR PHILIP NALLIAH PILLAI**  
Non-Executive Independent Director

**KEE TECK KOON**  
Non-Executive Independent Director

**CHALY MAH CHEE KHEONG**  
Non-Executive Independent Director



**ANTHONY LIM WENG KIN**  
Non-Executive Independent Director

**GABRIEL LIM MENG LIANG**  
Non-Executive Independent Director

**GOH SWEE CHEN**  
Non-Executive Independent Director



## NG KEE CHOE, 73

Chairman

Non-Executive Independent Director

Bachelor of Science (Honours), University of Singapore

Date of first appointment as a director:

**16 April 2010**

Date of appointment as Chairman:

**1 May 2012**

Date of last re-appointment as a director:

**18 April 2016**

Length of service as a director (as at 31 December 2017):

**7 years 8 months**

### Board committees served on

- ▶ Executive Resource and Compensation Committee (Chairman)
- ▶ Finance and Investment Committee (Chairman)
- ▶ Nominating Committee (Member)

### Present directorship in other listed company

- ▶ PT Bank Danamon Indonesia, Tbk (President-Commissioner)

### Present principal commitments (other than directorship in other listed company)

- ▶ China Development Bank (Member of the International Advisory Council)
- ▶ Fullerton Financial Holdings Pte Ltd (Director)
- ▶ Tanah Merah Country Club (Chairman)
- ▶ Temasek Trust (Member of the Board of Trustees)

### Past directorship in other listed company held over the preceding three years

- ▶ AusNet Services (Chairman)

### Background and working experience

- ▶ Vice-Chairman of DBS Group Holdings Ltd (DBS), retired from his executive position in DBS in July 2003 after 33 years of service

### Awards

- ▶ The Distinguished Service Award by the Singapore National Trades Union Congress in 2013
- ▶ The Meritorious Service Medal at the Singapore National Day Awards 2012
- ▶ The Public Service Star at the Singapore National Day Awards 2001

## LIM MING YAN, 55

President & Group Chief Executive Officer

Executive Non-Independent Director

Bachelor of Engineering (Mechanical) and Economics (First Class Honours), University of Birmingham, UK

Date of first appointment as a director:

**1 January 2013**

Date of last re-election as a director:

**18 April 2016**

Length of service as a director (as at 31 December 2017):

**5 years**

### Present directorships in other listed companies

- ▶ Ascott Residence Trust Management Limited (Manager of Ascott Residence Trust) (Deputy Chairman)
- ▶ CapitaLand Commercial Trust Management Limited (Manager of CapitaLand Commercial Trust) (Deputy Chairman)
- ▶ CapitaLand Mall Trust Management Limited (Manager of CapitaLand Mall Trust) (Deputy Chairman)
- ▶ CapitaLand Retail China Trust Management Limited (Manager of CapitaLand Retail China Trust) (Deputy Chairman)

### Present principal commitments (other than directorships in other listed companies)

- ▶ Business China (Director)
- ▶ Future Economy Council (Member)
- ▶ Shanghai YiDian Holding (Group) Company (Director)
- ▶ Singapore Tourism Board (Member of the Board)
- ▶ Workforce Singapore Agency (Chairman)

### Background and working experience

- ▶ Chief Operating Officer of CapitaLand Limited (From May 2011 to December 2012)
- ▶ CEO of The Ascott Limited (From July 2009 to February 2012)
- ▶ CEO of CapitaLand China Holdings Pte Ltd (From July 2000 to June 2009)

### Awards

- ▶ Outstanding Chief Executive (Overseas) at the Singapore Business Awards 2006
- ▶ Magnolia Award by the Shanghai Municipal Government in 2003 and 2005

# BOARD OF DIRECTORS

## JOHN POWELL MORSCHER, 74

### Non-Executive Independent Director

Diploma in Quantity Surveying, University of New South Wales, Australia

Fellow, Institute of Company Directors, Australia

Fellow, Institute of Management, Australia

Date of first appointment as a director:

**1 February 2010**

Date of last re-appointment as a director:

**18 April 2016**

Length of service as a director (as at 31 December 2017):

**7 years 11 months**

#### Board committees served on

- ▼ Finance and Investment Committee (Member)
- ▼ Nominating Committee (Member)

#### Present principal commitments

- ▼ Gifford Communications Pty Ltd (Director)
- ▼ Tenix Group Pty Limited (Director)

#### Past directorships in other listed companies held over the preceding years

- ▼ Australia and New Zealand Banking Group Limited (Chairman and Director) (2004 – 2014)
- ▼ Rinker Group Limited (Chairman and Director) (2003 – 2007)
- ▼ Rio Tinto Limited (Director) (1998 – 2005)
- ▼ Singapore Telecommunications Limited (Director) (2001 – 2010)
- ▼ Westpac Banking Corporation (Director) (1993 – 2001)

#### Background and working experience

- ▼ Executive Director, Managing Director and CEO of Lend Lease Corporation Limited (From 1983 – 1995)
- ▼ Executive Director of Westpac Banking Corporation Limited, responsible for the Australian Consumer and Small Business sectors, Information Technology and Property (From 1993 – 2001)

## EULEEN GOH YIU KIANG, 63

### Non-Executive Independent Director

Fellow, Institute of Singapore Chartered Accountants

Associate, Institute of Chartered Accountants in England and Wales

Associate, London Institute of Banking and Finance

Member, Chartered Institute of Taxation, UK

Fellow, Singapore Institute of Directors

Date of first appointment as a director:

**1 October 2011**

Date of last re-election as a director:

**24 April 2017**

Length of service as a director (as at 31 December 2017):

**6 years 3 months**

#### Board committees served on

- ▼ Finance and Investment Committee (Member)
- ▼ Risk Committee (Member)

#### Present directorships in other listed companies

- ▼ DBS Group Holdings Ltd
- ▼ Royal Dutch Shell plc
- ▼ SATS Ltd (Chairman)

#### Present principal commitments (other than directorships in other listed companies)

- ▼ Cinnamon College, National University of Singapore (Rector)
- ▼ DBS Bank Ltd (Director)
- ▼ DBS Foundation Ltd (Chairman)
- ▼ Northlight School (Chairman, Board of Governors)
- ▼ Singapore Health Services Pte Ltd (Director)
- ▼ Singapore Institute of Management (Member of Governing Council)
- ▼ Temasek Trust (Member of the Board of Trustees)

#### Background and working experience

- ▼ CEO of Standard Chartered Bank, Singapore (From 2001 until March 2006)
- ▼ Various senior management positions in Standard Chartered Bank, retired in March 2006 after some 21 years with the bank

#### Awards

- ▼ The Public Service Star at the Singapore National Day Awards 2012
- ▼ Her World Woman of the Year 2005
- ▼ The Public Service Medal at the Singapore National Day Awards 2005

### TAN SRI AMIRSHAM BIN A AZIZ, 67

#### Non-Executive Independent Director

Bachelor of Economics (Honours), University of Malaya, Malaysia  
Certified Public Accountant

Date of first appointment as a director:

**30 July 2012**

Date of last re-election as a director:

**30 April 2015**

Length of service as a director (as at 31 December 2017):

**5 years 5 months**

#### Board committees served on

- ▼ Audit Committee (Member)
- ▼ Risk Committee (Chairman)

#### Present directorship in other listed company

- ▼ Bursa Malaysia Berhad (Chairman)

#### Present principal commitments (other than directorship in other listed company)

- ▼ Financial Services Talent Council (Chairman)
- ▼ Malaysian Investment Development Authority (Chairman)
- ▼ Petroliam Nasional Berhad (Director)
- ▼ RAM Holdings Berhad (Director)
- ▼ Samling Global Limited (Director)
- ▼ StarChase Motorsports Limited (Director)
- ▼ Themed Attractions Resorts & Hotels Sdn Bhd (Chairman)
- ▼ Wearnes Automotive Pte Limited (Director)

#### Background and working experience

- ▼ President & CEO of Malayan Banking Berhad (From 1994 to 2008)
- ▼ Minister in the Malaysian Prime Minister's Department heading the Economic Planning Unit and Department of Statistics, Malaysia (From March 2008 to April 2009)
- ▼ Chairman of the Malaysian National Economic Advisory Council (From 1 June 2009 to 31 May 2011)

#### Awards

- ▼ Global Hall of Fame by the International Association of Outsourcing Professionals 2009
- ▼ Asian Bankers Lifetime Achievement Award 2008

### STEPHEN LEE CHING YEN, 71

#### Non-Executive Independent Director

Master of Business Administration, Northwestern University, USA

Date of first appointment as a director:

**1 January 2013**

Date of last re-election as a director:

**18 April 2016**

Length of service as a director (as at 31 December 2017):

**5 years**

#### Board committees served on

- ▼ Executive Resource and Compensation Committee (Member)
- ▼ Nominating Committee (Chairman)

#### Present directorship in other listed company

- ▼ SIA Engineering Company Limited (Chairman)

#### Present principal commitments (other than directorship in other listed company)

- ▼ Council of Presidential Advisers (Member)
- ▼ Dr Goh Keng Swee Scholarship Fund (Board Member)
- ▼ G2000 Apparel (S) Private Limited (Director)
- ▼ Great Malaysia Textile Investments Pte Ltd (Managing Director)
- ▼ Kidney Dialysis Foundation (Director)
- ▼ NTUC Enterprise Co-operative Limited (Director)
- ▼ NTUC Income Insurance Co-operative Limited (Chairman)
- ▼ NTUC-ARU (Administration & Research Unit) (Member of the Board of Trustees)
- ▼ Shanghai Commercial Bank Ltd (Chairman)
- ▼ Shanghai Commercial & Savings Bank Limited (Managing Director)
- ▼ Singapore Labour Foundation (Director)
- ▼ Temasek Holdings (Private) Limited (Director)
- ▼ Tripartite Alliance Limited (Chairman)

#### Past directorship in other listed company held over the preceding three years

- ▼ Singapore Airlines Limited (Chairman)

#### Background and working experience

- ▼ Chairman of Singapore Airlines Limited (From 2006 – 2016)
- ▼ Chairman of International Enterprise Singapore (From 1995 – 2002)
- ▼ Chairman/Advisor of PSA International Pte Ltd (From 2002 – 2005)
- ▼ Chairman of Singapore Business Federation (From 2002 – 2008)
- ▼ President of Singapore National Employers Federation (From 1988 – 2014)

#### Awards

- ▼ The Order of Nila Utama (First Class) at the Singapore National Day Awards 2015
- ▼ The Distinguished Comrade of Labour Award by the Singapore National Trades Union Congress in 2015
- ▼ The Distinguished Service Order at the Singapore National Day Awards 2006
- ▼ The Public Service Star at the Singapore National Day Awards 1998

# BOARD OF DIRECTORS

## DR PHILIP NALLIAH PILLAI, 70

### Non-Executive Independent Director

Bachelor of Laws (First Class Honours), University of Singapore  
LLM (Master of Laws) & SJD (Doctor of Juridical Sciences), Harvard Law School, USA  
Advocate & Solicitor, Singapore  
Solicitor, England & Wales

Date of first appointment as a director:

**25 April 2014**

Date of last re-election as a director:

**24 April 2017**

Length of service as a director (as at 31 December 2017):

**3 year 8 months**

#### Board committees served on

- ▼ Audit Committee (Member)
- ▼ Risk Committee (Member)

#### Present principal commitments

- ▼ Inland Revenue Authority of Singapore (Director)
- ▼ SMRT Corporation Ltd (Director)
- ▼ SMRT Trains Ltd. (Director)

#### Background and working experience

- ▼ Judge of the Supreme Court of Singapore (From June 2010 to December 2012)
- ▼ Judicial Commissioner (From October 2009 to June 2010)
- ▼ Member of the Legal Service Commission (From 2007 to 2013)
- ▼ Joint Managing Partner, Allen & Overy, Shook Lin & Bok JLV (From 2000 to 2008)
- ▼ Partner and Managing Partner, Shook Lin & Bok, Singapore (From 1986 to 2009)
- ▼ Over 23 years experience in legal practice specialised in corporate, corporate finance and securities law

#### Award

- ▼ The Public Service Medal at the Singapore National Day Awards 2003

## KEE TECK KOON, 61

### Non-Executive Independent Director

Bachelor of Arts, University of Oxford, UK  
Master of Arts, University of Oxford, UK

Date of first appointment as a director:

**22 September 2014**

Date of last re-election as a director:

**30 April 2015**

Length of service as a director (as at 31 December 2017):

**3 year 3 months**

#### Board committees served on

- ▼ Executive Resource and Compensation Committee (Member)
- ▼ Finance and Investment Committee (Member)

#### Present directorship in other listed company

- ▼ Raffles Medical Group Ltd

#### Present principal commitments (other than directorship in other listed company)

- ▼ Changi Airports International Pte Ltd (Chairman)
- ▼ Mandai Safari Park Holdings Pte. Ltd. (Director)
- ▼ Lien Foundation (Director)
- ▼ NTUC Enterprise Co-operative Limited (Executive Director)
- ▼ NTUC Income Insurance Co-operative Limited (Deputy Chairman)
- ▼ Temasek International Advisors Pte Ltd (Corporate Advisor)

#### Background and working experience

- ▼ Retired from his executive positions in CapitaLand Group in July 2009 after 13 years of service

### CHALY MAH CHEE KHEONG, 62

#### Non-Executive Independent Director

Bachelor of Commerce, University of Melbourne, Australia  
Associate, Institute of Chartered Accountants, Australia  
Fellow, Certified Practising Accountants, Australia  
Fellow, Institute of Singapore Chartered Accountants

Date of first appointment as a director:

**1 February 2017**

Date of last re-election as a director:

**24 April 2017**

Length of service as a director (as at 31 December 2017):

**11 months**

#### Board committees served on

- ▼ Audit Committee (Chairman)
- ▼ Risk Committee (Member)

#### Present directorship in other listed company

- ▼ Netlink NBN Management Pte Ltd  
(Manager of Netlink NBN Trust) (Chairman)

#### Present principal commitments (other than directorship in other listed company)

- ▼ Asian Infrastructure Investment Bank  
(External Member of Audit Committee)
- ▼ National University of Singapore  
(Member of the Board of Trustees)
- ▼ National University of Singapore Business School  
Accounting Advisory Board (Chairman)
- ▼ Singapore Accountancy Commission (Chairman)
- ▼ Singapore Economic Development Board (Director)
- ▼ Singapore Tourism Board (Chairman)

#### Background and working experience

- ▼ CEO of Deloitte Asia Pacific, Chairman of Deloitte Singapore, Member of the Deloitte Global Executive, and Deloitte Global Board (Vice Chairman), retired in May 2016 after some 38 years with Deloitte

#### Award

- ▼ The Public Service Medal at the Singapore National Day Awards 2014

### ANTHONY LIM WENG KIN, 59

#### Non-Executive Independent Director

Bachelor of Science, University of Singapore  
Advanced Management Program, Harvard Business School, USA

Date of first appointment as a director:

**11 August 2017**

Length of service as a director (as at 31 December 2017):

**5 months**

#### Board committee served on

- ▼ Finance and Investment Committee (Member)

#### Present directorship in other listed company

- ▼ Vista Oil & Gas S.A.B. de C.V. (Director)

#### Background and working experience

- ▼ President (Americas) of GIC Pte Ltd (GIC), retired from GIC in 2017 after 19 years of service

# BOARD OF DIRECTORS

## GABRIEL LIM MENG LIANG, 42

### Non-Executive Independent Director

Bachelor of Arts in Economics, University of Cambridge, UK  
 Master of Science in Economics, London School of Economics, UK  
 Master of Science in Management, University of Stanford, USA

Date of first appointment as a director:

**11 August 2017**

Length of service as a director (as at 31 December 2017):

**5 months**

#### Board committees served on

- ▾ Audit Committee (Member)
- ▾ Risk Committee (Member)

#### Present principal commitments

- ▾ Civil Service College (Director)
- ▾ Ministry of Communications and Information (Permanent Secretary)
- ▾ National Healthcare Group Pte Ltd (Director)
- ▾ National Research Foundation (Director)
- ▾ Singapore Innovate Pte. Ltd. (Director)
- ▾ St. Joseph's Institution International Ltd (Member of the Board of Governors)
- ▾ St. Joseph's Institution International Elementary School Ltd (Member of the Board of Governors)

#### Background and working experience

- ▾ The Permanent Secretary of Ministry of Communications and Information
- ▾ Served in the Infocomm Development Authority of Singapore, Media Development Authority of Singapore, the Prime Minister's Office, Ministries of Defence and Health

## GOH SWEE CHEN, 57

### Non-Executive Independent Director

Bachelor of Science in Information Science, Victoria University of Wellington, NZ  
 Master of Business Administration, University of Chicago, USA

Date of first appointment as a director:

**1 September 2017**

Length of service as a director (as at 31 December 2017):

**4 months**

#### Board committee served on

- ▾ Executive Resource and Compensation Committee (Member)

#### Present principal commitments

- ▾ Shell Companies in Singapore (Chairman)
- ▾ Global Compact Network Singapore (President)
- ▾ Human Capital Leadership Institute Pte. Ltd. (Director)
- ▾ Institute of Human Resource Professionals Limited (Chairman)
- ▾ Singapore National Employer Federation (Vice President)
- ▾ Singapore University of Technology and Design (Director)
- ▾ The Centre for Liveable Cities (Advisory Board member)

#### Background and working experience

- ▾ Chairman, Shell and President of Global Compact Network, Singapore; joined Shell in 2003 and held various executive positions before being appointed as Chairman of Shell Companies in Singapore in October 2014

# SENIOR MANAGEMENT



**LIM MING YAN**  
President & Group Chief Executive Officer  
CapitaLand Group

**ANDREW LIM**  
Group Chief Financial Officer  
CapitaLand Group

**TAN SENG CHAI**  
Group Chief People Officer  
(From 1 January 2018)  
CapitaLand Group



**NG KOK SIONG**  
Group Chief Digital Officer  
(From 1 January 2018)  
CapitaLand Group

**JASON LEOW**  
Group Chief Operating Officer  
(From 1 January 2018)  
CapitaLand Group

**LEE CHEE KOON**  
Group Chief Investment Officer  
(From 1 January 2018)  
CapitaLand Group



**LUCAS LOH**  
Chief Executive Officer  
CapitaLand China

**CHEN LIAN PANG**  
Chief Executive Officer  
CapitaLand Vietnam

**RONALD TAY**  
Chief Executive Officer  
CapitaLand Singapore, Malaysia &  
Indonesia

# SENIOR MANAGEMENT



**GERALD YONG**  
Deputy Chief Investment Officer and  
Head, CapitaLand International  
(From 1 January 2018)  
CapitaLand Group

**WILSON TAN WEE YAN**  
Chief Executive Officer  
(From 1 January 2018)  
CapitaLand Retail

**LYNETTE LEONG**  
Chief Executive Officer  
CapitaLand Commercial



**KEVIN GOH**  
Chief Executive Officer  
(From 1 January 2018)  
The Ascott Limited

**JAMES LIM**  
Chief Executive Officer  
CapitaLand Investment Management



**LIM MING YAN****President & Group Chief Executive Officer  
CapitaLand Group**

Mr Lim Ming Yan is President and Group Chief Executive Officer of CapitaLand Group. He is a Director of CapitaLand Limited, as well as Deputy Chairman of CapitaLand Mall Trust Management Limited, CapitaLand Commercial Trust Management Limited, CapitaLand Retail China Trust Management Limited and Ascott Residence Trust Management Limited. He is also a Director of CapitaLand Hope Foundation, the Group's philanthropic arm.

Mr Lim is a Director of Business China, an organisation that promotes bilingualism and biculturalism between Singapore and China, and a Board Member of the Singapore Tourism Board. Mr Lim is also the Chairman of Workforce Singapore, a statutory board set up under the Ministry of Manpower to promote the development, competitiveness, inclusiveness, and employability of all levels of the workforce.

Mr Lim was the Chief Operating Officer of CapitaLand from May 2011 to December 2012 and Chief Executive Officer of The Ascott Limited from July 2009 to February 2012. Prior to joining Ascott, Mr Lim was the Chief Executive Officer of CapitaLand China Holdings Pte Ltd from July 2000 to June 2009, responsible for growing CapitaLand into a leading foreign real estate developer in China.

Mr Lim obtained first class honours in Mechanical Engineering and Economics from the University of Birmingham, United Kingdom in 1985. He attended the Advanced Management Program at Harvard Business School in 2002.

**ANDREW LIM****Group Chief Financial Officer  
CapitaLand Group**

Mr Andrew Lim is the Group Chief Financial Officer of CapitaLand Group. In his current role, he has direct oversight of the functions of treasury, financial reporting and controls, risk management, tax, investor relations and capital markets compliance and looks after the administrative matters of the internal audit department of CapitaLand. He has also been appointed as a member of CNBC's Global CFO Council, a member of the ISCA CFO Committee, a member of the Accounting Standards Council, and serves on the Executive Committee for REITAS.

Prior to joining CapitaLand, he was at HSBC where he served as Managing Director and Head of South East Asia Advisory Coverage, Real Estate and Hospitality.

Mr Lim has a Master of Business Administration and a Bachelor of Commerce degree from the Rotman School of Business at the University of Toronto, and is a Chartered Financial Analyst charterholder.

**TAN SENG CHAI****Group Chief Corporate Officer (Until 31 December 2017)  
Group Chief People Officer (From 1 January 2018)  
CapitaLand Group**

Mr Tan Seng Chai is the Group Chief People Officer (GCPO) of CapitaLand Group. As GCPO, he is responsible for building human capital, leadership pipeline and talent development to support the capability needs of the organisation and businesses. Mr Tan is also the Executive Director of CapitaLand Hope Foundation, the philanthropic arm of CapitaLand.

Mr Tan was previously the Group Chief Corporate Officer of CapitaLand. Mr Tan oversaw the Group's corporate functions including Human Resource and Administration, Group Communications, Group Legal, Company Secretariat & Compliance and Corporate Security. Prior to this, he was Deputy Chief Corporate Officer and Chief Human Resource Officer of CapitaLand.

Prior to joining CapitaLand in February 2008, Mr Tan was with Chartered Semiconductor Manufacturing Ltd, Singapore (Chartered) for 12 years. He held key positions in the company including heading its worldwide human resource organisation as well as overseeing key project implementation and strategic investment activities.

An engineer by training, Mr Tan started his career with National Semiconductor Manufacturer Singapore Pte Ltd as a Process Engineer and subsequently became the company's Human Resource Manager. He continued his career progression to head the human resource function at Creative Technology Ltd, Singapore before joining Chartered.

Mr Tan holds an honours degree in Civil & Structural Engineering and a Master of Science degree in Industrial & System Engineering from the National University of Singapore.

# SENIOR MANAGEMENT

## NG KOK SIONG

**Chief Corporate Development Officer  
(Until 31 December 2017)  
Group Chief Digital Officer (From 1 January 2018)  
CapitaLand Group**

Mr Ng Kok Siong is the Group Chief Digital Officer of CapitaLand Group. Prior to this appointment, he was the Chief Corporate Development Officer.

In this role, he is entrusted with the planning and implementation of technology and change management to corporate systems and processes to drive efficiency and productivity as well as spearheading the digitisation efforts of the Group to create better experiences, solutions, insights and opportunities.

He currently serves as a Director and Audit Committee member of CapitaLand Malaysia Mall REIT Management Sdn. Bhd. (the manager of CapitaLand Malaysia Mall Trust listed on Bursa Malaysia).

Since joining CapitaLand in 2005, Mr Ng has held various business development and finance positions, including Senior Vice President of CapitaLand Eurasia and Senior Vice President, Strategic Finance. Mr Ng was the Chief Financial Officer of CapitaMalls Asia Limited<sup>1</sup> (CMA), a role he relinquished subsequent to the privatisation of CMA.

Prior to joining CapitaLand, Mr Ng held various positions in planning and appraisal, information systems, finance and investment management in ExxonMobil and Royal Dutch Shell across Asia Pacific and Europe.

Mr Ng graduated with a Degree of Bachelor of Accountancy (Honours) from Nanyang Technological University of Singapore and attended the Tuck Executive Program in Dartmouth College.

## JASON LEOW

**Chief Executive Officer, CapitaLand Mall Asia  
Coordinating Chief Executive Officer, Asia (excluding  
China) (Until 31 December 2017)  
Group Chief Operating Officer (From 1 January 2018)  
CapitaLand Group**

Mr Jason Leow is the Group Chief Operating Officer of CapitaLand Group. Prior to this appointment, he was the Chief Executive Officer of CapitaLand Mall Asia Limited.

Mr Leow was the Chief Executive Officer of CapitaLand China from 2009 to 2014. He led the China teams in

streamlining as well as growing the integrated development and residential businesses, including the development and operations of the eight Raffles City projects in China. Mr Leow started his career with CapitaLand in 1994 and was based in China from 2001 to 2014.

Mr Leow is a Chartered Accountant of Singapore and a member of the Institute of Singapore Chartered Accountants. He obtained an Executive Master in Business Administration from Fudan University and in 2007, attended the Advanced Management Program at Harvard Business School.

## LEE CHEE KOON

**Chief Executive Officer, The Ascott Limited  
(Until 31 December 2017)  
Group Chief Investment Officer (From 1 January 2018)  
CapitaLand Group**

Mr Lee Chee Koon is the Group Chief Investment Officer of CapitaLand Group. As Group Chief Investment Officer, he is responsible for group strategy and coordinating resource allocation to optimise return of investment and portfolio growth. He has oversight responsibilities on the growth of the serviced residence business of the Group.

Mr Lee was the Chief Executive Officer of The Ascott Limited, one of the leading international serviced residence owner-operators, until 31 December 2017. Prior to this, he was appointed as Ascott's Deputy CEO in February 2012, assisting the CEO in strategic planning and investment of the serviced residence business. He was concurrently Ascott's Managing Director for North Asia, responsible for driving the company's investment and business development as well as managing operations in China, Japan and Korea.

Before Mr Lee joined Ascott in July 2009 as Managing Director for China, he was Vice President in the Office of the President at CapitaLand. Prior to joining CapitaLand in February 2007, he held appointments in various Ministries such as the Ministry of Trade and Industry, Ministry of Finance, and the Monetary Authority of Singapore.

Mr Lee was presented with the Business China Young Achiever Award for Ascott's contributions to Singapore-China relations by Singapore's Prime Minister Lee Hsien Loong in 2017. In 2016, Mr Lee was conferred the prestigious National Order of Merit (Chevalier de l'Ordre National du Mérite) by the President of the French Republic for Ascott's contributions to France. For Mr Lee's contribution to the hospitality industry in China, he was named one of the 'Top 10 Hoteliers of the Year' by China Hotel Starlight Awards for three consecutive years in 2010, 2011 and 2012.

<sup>1</sup> Subsequently renamed as CapitaLand Mall Asia Limited

Mr Lee obtained a first class honours degree in Mechanical Engineering from the National University of Singapore in 1999. He also holds a Master of Science degree in Mechanical Engineering from Imperial College London, United Kingdom.

### LUCAS LOH

**Chief Executive Officer**  
**CapitaLand China**  
**Coordinating Chief Executive Officer, China**  
**(Until 31 December 2017)**

Mr Lucas Loh is the Chief Executive Officer of CapitaLand China. Mr Loh joined CapitaLand in September 2001 and has been based in China since August 2004. Prior to his appointment as Chief Executive Officer, he was the Deputy Chief Executive Officer cum Chief Investment Officer as well as Regional General Manager for South China, CapitaLand China. He also held several appointments within the Group, including Managing Director for China of The Ascott Limited.

During his term with Ascott from August 2004 to July 2007, Mr Loh successfully led the company to win top spot in China's prestigious 'Top 100 Serviced Residences' Ranking' for two consecutive years and grew its business from eight to 22 properties across 10 cities in China. In 2007, he joined CapitaLand China and was instrumental in growing its integrated development and residential businesses in South China. He was also responsible for the company's real estate financial business, including the Raffles City China Fund and establishment of the US\$1.5 billion Raffles City China Investment Partners III.

Mr Loh started his career in real estate in 1991. Prior to joining CapitaLand, Mr Loh was the Associate Director for Private Equity Investment at Temasek Holdings, leading its private equity investment business in the Asia Pacific region.

Mr Loh obtained a Bachelor of Science in Estate Management from the National University of Singapore. He also holds a Master of Business Administration from Oklahoma City University and attended the Advanced Management Program at Harvard Business School in 2013.

### CHEN LIAN PANG

**Chief Executive Officer**  
**CapitaLand Vietnam**

Mr Chen Lian Pang is Chief Executive Officer of CapitaLand Vietnam.

Prior to this, he was Chief Executive Officer of CapitaValue Homes Limited. He has held several appointments in the Group including Chief Executive Officer (Southeast Asia) of CapitaLand Commercial Limited and Chief Executive Officer & Managing Director of TCC Capital Land, where he spearheaded the Group's business in the new markets including Vietnam and Thailand.

Mr Chen has over 30 years of international experience in construction and real estate. He started his career with the Housing and Development Board of Singapore. Prior to joining CapitaLand, he held senior positions at L&M International and Torie Construction Pte Ltd.

Mr Chen holds a Master of Science in Civil Engineering from the National University of Singapore and a Bachelor of Science in Civil Engineering (First Class Honours) from the University of Cardiff, United Kingdom. He completed the General Management Program at Harvard Business School and an International Business Fellowship Executive Programme with Tsinghua University in 2000 and 2011 respectively.

Mr Chen is a registered professional engineer.

### RONALD TAY

**Chief Executive Officer**  
**CapitaLand Singapore, Malaysia & Indonesia**

Mr Ronald Tay is the Chief Executive Officer of CapitaLand Singapore, Malaysia & Indonesia.

Prior to this, Mr Ronald Tay was Chief Executive Officer of Ascott Residence Trust Management Limited (ARTML), a role he assumed on 27 February 2012. Before that, he was also both Chief Investment Officer of The Ascott Limited and Head of Business Development and Asset Management of ARTML until February 2012.

Mr Tay has been with CapitaLand for more than 15 years. Prior to joining The Ascott Limited, Mr Tay was with CapitaLand Residential Limited as Senior Vice President (Finance and Investment). Mr Tay began his career in the banking industry, where he spent nine years in various senior positions in corporate and investment banking.

Mr Tay holds a Bachelor of Business (Honours) from the Nanyang Technological University.

# SENIOR MANAGEMENT

## GERALD YONG

**Chief Investment Officer, The Ascott Limited**

**(Until 31 December 2017)**

**Deputy Chief Investment Officer and Head, CapitaLand International (From 1 January 2018)**

**CapitaLand Group**

Mr Gerald Yong is the Deputy Chief Investment Officer of CapitaLand Group and Head of CapitaLand International. He supports CapitaLand Group's strategic investments and portfolio management and is responsible for spearheading the growth of CapitaLand's real estate portfolio in markets including Europe, USA, Japan, Australia, India and South Korea.

Prior to this, Mr Yong was Chief Investment Officer of The Ascott Limited (Ascott) from October 2012 to December 2017. Ascott is a wholly owned business unit of CapitaLand and one of the leading international serviced residence owner-operators. He was Ascott's Senior Vice President, Business Development and Asset Management for North Asia based in Shanghai from March 2008 to September 2012.

Mr Yong played an instrumental role in the initial public offering of Ascott Residence Trust in 2006 when he was the Head of Investment and Asset Management of Ascott Residence Trust Management Limited. He spearheaded the acquisitions of properties across various countries including Australia, China, Japan, the Philippines and Vietnam. Prior to this, Mr Yong was Ascott's Vice President, Business Development and Asset Management. Before joining Ascott in February 2005, he was Vice President, Business Development and Strategic Planning at Sembcorp Industries.

Mr Yong holds a Master of Business Administration (Distinction) degree from Imperial College Business School on the Raffles-Chevening scholarship. He also obtained a Second Upper Honours degree in Mechanical Engineering from the National University of Singapore on the SembCorp Industries scholarship.

## WILSON TAN WEE YAN

**Deputy Chief Executive Officer, CapitaLand Mall Asia (Until 31 December 2017)**

**Chief Executive Officer (From 1 January 2018)**

**CapitaLand Retail**

Mr Wilson Tan Wee Yan is the Chief Executive Officer of CapitaLand Retail. Prior to this appointment, he was the Chief Executive Officer of CapitaLand Mall Trust Management Limited (CMTML).

Before joining CMTML, Mr Tan has over 26 years of experience in senior appointments in the telecommunication and information technology industries. He was Group Chief Executive Officer of Singapore Post Limited from October 2007 to April 2010. His other experiences include advisory and senior leadership roles in companies with regional businesses such as NEC Solutions Asia Pacific, Mercury Interactive, Software AG, Informix, Apple Singapore and Xerox Singapore.

Mr Tan is currently the Chairman of EZ Link Pte Limited and he has also served in various boards and advisory committees in private, education and government-related organisations. He is currently a member of the National Arts Council – Council Member, The Republic Polytechnic - Board of Governors and Chairman of the Admin Committee; and Singapore Polytechnic School of Digital Media and Infocomm Technology (DMIT) - Chairman, Advisory Committee.

## LYNETTE LEONG

**Chief Executive Officer**

**CapitaLand Commercial**

Ms Lynette Leong was appointed Chief Executive Officer (CEO) of CapitaLand Commercial, a wholly owned business unit of CapitaLand, with effect from 1 November 2017 to grow a global office operating platform, including capabilities relating to the future of work. She also concurrently serves on the boards of Singapore's National Environment Agency, the Singapore International Chamber of Commerce and the advisory board of Singapore Management University's Lee Kong Chian School of Business.

Ms Leong has a proven track record of growing new businesses to reach unprecedented levels. Prior to her current appointment at CapitaLand, she was the CEO and Executive Director of CapitaLand Commercial Trust Management Limited (CCTML) for 10 years. CCTML is the manager of CapitaLand Commercial Trust (CCT), the first and largest commercial real estate investment trust (REIT) listed on the Singapore Exchange Securities Trading Limited. Under her leadership, CCT grew to become the largest office landlord in Singapore with a prestigious commercial portfolio. Its assets under management increased from approximately S\$4 billion in 2007 to more than S\$10 billion in 2017 with a committed pipeline worth S\$1.6 billion. Over the same period, CCT achieved a total return in excess of 120%, notwithstanding the global financial crisis.

CCT has won multiple awards for excellence in management, corporate governance, investor relations and its annual report. CCT's properties have also won numerous local and international awards for sustainability and design.

CCT is included in indices such as MSCI Global Standard Indices, FTSE4Good Index Series and FTSE Straits Times Index, FTSE4Good Asean 5 Index and SGX Sustainability Leaders Index.

Prior to joining CCTML, Ms Leong was CEO of Ascendas' South Korea office where she had spearheaded Ascendas' strong foothold in the country's real estate market, including the acquisition of office and logistics properties and the establishment of its first real estate fund that was invested by several large Korean institutions.

Ms Leong has more than 20 years of international experience, including banking and finance with Standard Chartered Bank and United Malayan Banking Corporation Berhad in Singapore and Malaysia, and real estate acquisitions, asset management and fund management in the London, New York, Chicago and Asian offices of LaSalle Investment Management.

Ms Leong holds a Master of Science in Real Estate and a Bachelor of Science degree in Estate Management from the National University of Singapore.

#### **KEVIN GOH**

**Chief Operating Officer (Until 31 December 2017)**  
**Chief Executive Officer (From 1 January 2018)**  
**The Ascott Limited**

Mr Kevin Goh is the Chief Executive Officer of Ascott, CapitaLand's wholly owned serviced residence business unit. He was previously the Chief Operating Officer, a role he assumed since 1 December 2016, to oversee operational aspects of the serviced residence business and new growth opportunities. Prior to this, Mr Goh was Ascott's Managing Director for North Asia since 2013, responsible for Ascott's investments and operations in China, Japan and Korea.

Mr Goh joined Ascott China in 2007 and he was based in China for over 10 years. During his stay in China, Mr Goh took on various leadership positions such as Regional General Manager for South & East China, Vice President for Asset Management and Vice President for Corporate Services.

Prior to joining Ascott, Mr Goh was part of Accenture, one of Fortune 500's largest global management consulting, technology services and outsourcing companies. Throughout his seven-year career with Accenture, he worked on various systems implementation projects in the telecommunications and high-technology industry in both Singapore and Australia.

Mr Goh graduated from the National University of Singapore with a Bachelor of Mechanical Engineering (Honours) degree and is a CFA charterholder.

#### **JAMES LIM**

**Chief Executive Officer**  
**CapitaLand Investment Management**

Mr James Lim is the Chief Executive Officer of CapitaLand Investment Management and is responsible for managing all aspects of the global real estate private equity funds business of the Group.

Prior to his current role, Mr Lim was a managing director and Asia Pacific head of HSBC's real estate finance group where he was responsible for managing and driving all aspects of one of the largest commercial real estate financing businesses across the region. He was also a member of HSBC's Global Asset Finance Management Committee.

Prior to joining HSBC, Mr Lim was a managing director and Asia Pacific head of real estate finance at BNP Paribas. He established from ground-up and managed a market leading Asia Pacific commercial real estate lending platform. Mr Lim was also a member of the bank's Asia Pacific Structured Finance Management Committee.

Prior to BNP Paribas, Mr Lim held senior executive roles at various global financial institutions including Morgan Stanley and ANZ in Hong Kong and Lehman Brothers in Tokyo, Japan.

Mr Lim received his Bachelor of Arts from University of California Irvine and his Juris Doctorate from University of California Davis. He currently serves on the Board of Trustees at University of California Davis and serves on the University of California Davis Foundation's Global Campaign Leadership Council representing the international regions. Mr Lim also is an executive board member of the Asian Association for Investors in Non-listed Real Estate Vehicles.

# CORPORATE GOVERNANCE

CapitaLand Limited (the Company and, together with its subsidiaries, the Group) aspires to the highest standards of corporate governance. The Company is committed to regularly improving its corporate governance practices. It has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business needs of the Group and to provide a firm foundation for a trusted and respected business enterprise. The Company remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering the Group's long-term strategic objectives. The Board of Directors (Board) is responsible for the Company's corporate governance standards and policies, underscoring their importance to the Group.

The Company has received accolades from the investment community for excellence in corporate governance. More details can be found in the Awards & Accolades section on pages 68 to 70 of this Annual Report.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2017 with reference to the principles of the Code. The Company has complied in all material aspects with the principles, guidelines and recommendations in the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report. In addition, the Company has included its answers to the questions in the Disclosure Guide provided by the Singapore Exchange Securities Trading Limited (SGX-ST) on pages 51 to 59 of this Annual Report.

## (A) BOARD MATTERS

### The Board's Conduct of Affairs

**Principle 1:**  
**Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

The Board comprises 12 Directors, 11 of whom are non-executive independent Directors. The President & Group Chief Executive Officer (P&GCEO), who is an executive Director, is the only non-independent Director. The Board has diversity of skills and knowledge, experience, educational background, ethnicity and gender. Each Director brings to the Board skills, experience, insights and sound judgement which, together with his or her strategic networking relationships, serve to further the interests of the Group.

### Board's Duties and Responsibilities

The Board oversees the strategic direction, performance and affairs of the Group and provides overall guidance to Management. The Board has the primary responsibility to foster the success of the Company so as to deliver sustainable value over the long term to shareholders.

The Board appoints the P&GCEO who is responsible for developing and implementing the Group's strategic plans approved by the Board and managing the Group's business.

The Board Charter sets out the Board's role, responsibilities, duties and powers. The duties and powers of the Board include:

- (a) approving the strategies and objectives for the Company, and monitoring their progress;
- (b) approving the financial plan (including annual budgets and capital management plans) and monitoring the financial performance of the Company;
- (c) approving share issuances, dividends and other returns to shareholders;
- (d) approving corporate and financial restructuring, mergers, major acquisitions and divestments;
- (e) approving the risk appetite of the Company, and reviewing the adequacy and effectiveness of the risk management and internal control systems;
- (f) considering sustainability issues as part of its strategic formulation;
- (g) approving the overall remuneration policy and compensation framework, and the compensation package for the P&GCEO and other key management positions; and
- (h) reviewing matters which involve a conflict of interest for a substantial shareholder or a Director.

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of the Company. The Company has established a policy that its Directors disclose their interest in transactions, and recuse themselves from the deliberations on any matter in which they may be in a conflict of interest situation. Every Director has complied with this policy. Compliance by the relevant Director is duly minuted in the proceedings of the relevant meeting.

### Board Committees

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC), the Executive Resource and Compensation Committee (ERCC), the Finance and Investment Committee (FIC), the Nominating Committee (NC) and the Risk Committee (RC). Each of these Board Committees operates under delegated authority from the Board with the Board retaining overall oversight and has its

own terms of reference. The composition of the various Board Committees is set out on the inside back cover of this Annual Report. The establishment of the AC, ERCC, NC and RC is consistent with the recommendations in the Code. The duties and responsibilities of the above committees are set out in this Report.

In addition to the AC, ERCC, NC and RC, the Board has established the FIC to assist the Board in its review of investment, and credit and funding proposals, as well as the long term strategy of the Company. The FIC carries out this responsibility within the authorities/limits approved by the Board. All members of the FIC, including the Chairman of the FIC, are non-executive independent Directors.

The Board may form other Board Committees from time to time.

The Board regularly undertakes a review of its Board Committees including their membership and terms of reference. The last review was undertaken in FY 2017. The composition of the Board Committees is also reviewed as and when there are changes to Board membership. The composition of the Board Committees is such that it fosters active participation and contributions from Board members and there is an equitable distribution of responsibilities among Board members. Diversity of experience and appropriate skills are considered in the composition of the Board Committees.

### Sustainability Management

The Board's role includes considering sustainability issues as part of its strategic formulation. The Company is committed to sustainability and incorporates the key principles of environment, social and governance in setting its business strategies and operations. The Company has received recognition for its efforts; it is listed in the Sustainability Yearbook, Dow Jones Sustainability World Index, FTSE4Good Index Series and SGX Sustainability Indices, among others. More information on the Company's efforts on sustainability management can be found on pages 71 to 75 of this Annual Report and in the CapitaLand Global Sustainability Report which will be published by end May.

### China Advisory Panel and CapitaLand Technology Council

In addition to Board Committees, the Company has also established the China Advisory Panel (CAP) in 2014 and CapitaLand Technology Council (CTC) in 2015. The CAP shares strategic insights on general, economic and real estate industry developments and trends in China. The CTC advises the Board on technology developments and initiatives to support the Company's efforts to harness technology to develop real estate of the future.

### Delegation of Authority

The Board has adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of shares as well as debt and equity-linked instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board Committees and Management.

### Meetings of Board and Board Committees

The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year. The Constitution of the Company (Constitution) also provides for Directors to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing.

Prior to the start of each Board meeting, where required, the non-executive Directors meet without the presence of Management. The Board also meets annually to review and discuss the Group's strategies with Senior Management. At Board and Board Committee meetings, non-executive Directors review the performance of the business, the progress made by Management in achieving agreed goals and objectives and monitor the reporting of such performance.

The Company adopts and practices the principle of collective decisions. This ensures that no individual influences or dominates the decision-making process. Where a Director has a conflict of interest in a particular matter, he or she will be required to recuse himself or herself from the deliberations and abstain from voting on the matter.

A total of six Board meetings were held in FY 2017. This included an annual offsite meeting with Senior Management to review and plan the Group's strategies. A record of the Directors' attendance at Board and Board Committee meetings in FY 2017 is set out on page 48 of this Annual Report. The P&GCEO who is also a Director attends all Board meetings. He also attends all Board Committee meetings on an ex officio basis. Other senior executives attend Board and Board Committee meetings as required to brief the Board on specific business matters.

### Directors' Development

In view of the increasingly demanding, complex and multi-dimensional role of a Director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors of the Company to the best of their abilities. The Company has in place a training framework to guide and support the Company towards meeting the objective of having a Board which comprises individuals

# CORPORATE GOVERNANCE

who are competent and possess up-to-date knowledge and skills necessary to discharge their responsibilities. The costs of training are borne by the Company. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a Director). All Directors upon appointment also undergo an induction programme which focuses on orientating the Director to the Company's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices. The induction programme also includes site visits. Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors may also propose training and development in relevant areas of interest to the Board. In FY 2017, the training and professional development programmes for Directors included forums and dialogues with experts and senior business leaders on issues facing boards and board practices. The Directors also participated in sessions with members of CTC and CAP.

## Board Composition and Guidance

### Principle 2:

**There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

The Board, through the NC, reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making taking into account the scope and nature of the Group's operations, and that the Board has a strong independent element.

The Board comprises 12 Directors, 11 of whom (including the Chairman) are non-executive independent Directors. The Board has a strong independent element. In addition, the Chairman and the P&GCEO are separate individuals and not related to each other. The recommendation in the Code for a lead independent director is therefore not applicable. Profiles of the Directors are provided on pages 14 to 20 of this Annual Report.

The Board, taking into account the views of the NC, assesses the independence of each Director in accordance with the guidance in the Code. An independent Director is one who has no relationship with the Company, its related corporations and its shareholders who hold 10% or more of the voting shares of the Company, or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his or her independent business judgement.

The Board has established a process for assessing the independence of its Directors. As part of the process:

- (a) each non-executive Director provides information of his or her business interests and confirms, on an annual basis, that there are no relationships which interfere with the exercise of his or her independent business judgment with a view to the best interests of the Company; such information is then reviewed by the NC; and
- (b) the NC also considers the respective Directors' contributions at Board and Board Committee meetings, specifically, if they have exercised independent judgement in discharging their responsibilities.

Thereafter, the NC's recommendation is presented to the Board for its determination. Each Director is required to recuse himself or herself from the NC's and the Board's deliberations respectively on his or her own independence.

The Board has carried out the assessment of each of its Directors for FY 2017 and the paragraphs below set out the outcome of the assessment. All of the Directors have served on the Board for fewer than nine years.

### Mr Ng Kee Choe

Mr Ng serves as a member on the Board of Trustees of Temasek Trust. Temasek Trust is the philanthropic arm of Temasek Holdings (Private) Limited (Temasek), which is the controlling shareholder of the Company as defined by the Listing Manual of the SGX-ST (Listing Manual). Temasek Trust is a not-for-profit organisation which independently oversees the management and disbursement of Temasek's endowments and gifts. Mr Ng's role as a member of the Board of Trustees is non-executive in nature and he is not involved in the day-to-day conduct of the business of Temasek Trust.

The Board also considered the conduct of Mr Ng in the discharge of his responsibilities as a Director, and is of the view that the relationship set out above did not impair his ability to act with independent judgement in the discharge of his responsibilities as a Director. Based on the above, the Board arrived at the determination that he is an independent Director. Mr Ng had recused himself from the NC's and the Board's deliberations respectively on his independence.



**Ms Euleen Goh**

Ms Goh also serves as a member on the Board of Trustees of Temasek Trust. Like Mr Ng, Ms Goh's role as a member of the Board of Trustees is non-executive in nature and she is not involved in the day-to-day conduct of the business of Temasek Trust.

Ms Goh is also a non-executive director of DBS Bank Ltd (DBS Bank) which provides banking services to the Group. Ms Goh's role in DBS Bank is non-executive in nature and she is not involved in the business operations of the bank. The decision to engage DBS Bank was made by Management in the ordinary course of business and on normal commercial terms, based on merit and competitive terms negotiated by Management. Ms Goh was not involved in the process or approval of the engagement. The magnitude of the fees and payments made to DBS Bank was also considered. Although the amounts were not insignificant in absolute terms, they were not material when compared to DBS Bank's total income and the Company's total expenses respectively.

The Board also considered the conduct of Ms Goh in the discharge of her responsibilities as a Director, and is of the view that the relationships set out above did not impair her ability to act with independent judgement in the discharge of her responsibilities as a Director. Based on the above, the Board arrived at the determination that she is an independent Director. Ms Goh had also recused herself from participating in any Board deliberation on any transactions that could potentially have given rise to a conflict of interest. Ms Goh had recused herself from the Board's deliberations on her independence.

**Mr Stephen Lee**

Mr Lee was appointed as a non-executive director of Temasek on 1 July 2017. Mr Lee's role on the Temasek board is non-executive in nature and he is not involved in the day-to-day conduct of the business of Temasek. He had also provided confirmation that he was not under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.

The Board also considered the conduct of Mr Lee in the discharge of his responsibilities as a Director, and is of the view that the relationship set out above did not impair his ability to act with independent judgement in the discharge of his responsibilities as a Director. Based on the above, the Board arrived at the determination that he is an independent Director. Mr Lee had also recused himself from participating in any Board deliberation on any transactions that could potentially have given rise to a conflict of interest. Mr Lee had recused himself from the NC's and the Board's deliberations respectively on his independence.

**Mr Kee Teck Koon**

Mr Kee serves as a corporate advisor of Temasek International Advisors Pte Ltd (TIA), a wholly owned subsidiary of Temasek. In this role, Mr Kee provides corporate advisory services to TIA in relation to proposed investments or projects of Temasek which are non-real estate in nature. Mr Kee's role in TIA is non-executive and advisory in nature, and he is not involved in the day-to-day conduct of the business of TIA.

Mr Kee is also a non-executive director of Raffles Medical Group Ltd (RMG) which provides healthcare insurance and medical services as part of the welfare and benefits scheme for CapitaLand Group employees. Mr Kee's role in RMG is non-executive in nature and he is not involved in the business operations of RMG. The decision to engage RMG was made by Management in the ordinary course of business and on normal commercial terms, based on merit and competitive terms negotiated by Management. Mr Kee was not involved in the process or approval of the engagement. The magnitude of the fees and payments made to RMG was also considered. Although the amounts were not insignificant in absolute terms, they were not material when compared to RMG's total income and the Company's total expenses respectively.

The Board also considered the conduct of Mr Kee in the discharge of his responsibilities as a Director, and is of the view that the relationships set out above did not impair his ability to act with independent judgement in the discharge of his responsibilities as a Director. Based on the above, the Board arrived at the determination that he is an independent Director. Mr Kee had also recused himself from participating in any Board deliberation on any transactions that could potentially have given rise to a conflict of interest. Mr Kee had recused himself from the Board's deliberations on his independence.

**Dr Philip Pillai and Mr Gabriel Lim**

Both Dr Pillai and Mr Lim do not have any relationships and are not faced with any of the circumstances identified in the Code, or any other relationships which may affect their independent judgement. The Board noted that:

- (a) Dr Pillai is also a non-executive board member of the Inland Revenue Authority of Singapore, a statutory board which functions as the tax collecting agency of Singapore. This role generates no conflict of interest in respect of his role as a Director of the Company.
- (b) Mr Lim is the Permanent Secretary of the Ministry of Communications and Information. His public office duties do not require him to take or subject him to any obligation to follow any instructions from any government authorities in relation to the corporate affairs of the Company.

# CORPORATE GOVERNANCE

The Board also considered the conduct of Dr Pillai and Mr Lim in the discharge of their responsibilities as Directors, and is of the view that they had acted with independent judgement in the discharge of their responsibilities as Directors. Based on the above, the Board arrived at the determination that each of Dr Pillai and Mr Lim is an independent Director. Each of Dr Pillai and Mr Lim had recused himself from the Board's deliberations on his independence.

## **Mr John Morschel, Tan Sri Amirsham A Aziz, Mr Chaly Mah, Mr Anthony Lim and Ms Goh Swee Chen**

Mr John Morschel, Tan Sri Amirsham A Aziz, Mr Chaly Mah, Mr Anthony Lim and Ms Goh Swee Chen do not have any relationships and are not faced with any of the circumstances identified in the Code, or any other relationships which may affect their independent judgement. The Board considered whether each of them had demonstrated independence in character and judgement in the discharge of his or her responsibilities as a Director and concluded that each of them had acted with independent judgement. Based on the above, the Board arrived at the determination that each of Mr John Morschel, Tan Sri Amirsham A Aziz, Mr Chaly Mah, Mr Anthony Lim and Ms Goh Swee Chen is an independent Director. Each of the above Directors had recused himself or herself from the Board's deliberations on his or her independence. Mr Morschel who is also an NC member had also recused himself from the NC's deliberations on his independence.

The Board has determined that Mr Lim Ming Yan, the Company's P&GCEO, is the only non-independent Director. All other members of the Board are independent Directors as defined under the Code. The Board has a strong independent element in that the P&GCEO is the only non-independent Director.

## **Chairman and Chief Executive Officer**

**Principle 3:**  
**There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

The roles and responsibilities of the Chairman and the P&GCEO are held by separate individuals. The non-executive independent Chairman, Mr Ng Kee Choe, is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The P&GCEO, Mr Lim Ming Yan, has full executive responsibilities to manage the Group's business and to develop and implement Board approved policies.

The Chairman is responsible for leadership of the Board and for facilitating the conditions for the overall effectiveness of

the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the P&GCEO to ensure that there is sufficient information and time to address all agenda items, and promoting open and constructive engagement among the Directors as well as between the Board and the P&GCEO on strategic issues. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the P&GCEO on strategies. He also maintains open lines of communication and engages with other members of the senior leadership regularly, and acts as a sounding board on strategic and operational matters.

The Chairman and the P&GCEO are not immediate family members. The separation of the roles of the Chairman and the P&GCEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the Group's business activities and the exchange of ideas and views to help shape the strategic process. As the roles of the Chairman and P&GCEO are held by separate individuals who are not related to each other, and the Chairman is an independent Director, no lead independent director is required to be appointed.

## **Board Membership**

**Principle 4:**  
**There should be a formal and transparent process for the appointment and reappointment of Directors to the Board.**

The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to the Group's business.

All NC members, including the Chairman of the NC, are non-executive independent Directors. The NC met two times in the year under review. The NC also reviewed and approved various matters within its remit via circulating papers.

Under its terms of reference, the NC's scope of duties and responsibilities is as follows:

- (a) reviewing and making recommendations to the Board on the size and composition of the Board, the succession plans for Directors, and the structure and membership of the Board Committees;
- (b) reviewing and recommending the process for the evaluation of the performance of the Board, Board Committees and Directors;

- (c) identifying and developing training and professional development programmes for the Board;
- (d) considering annually and, as and when circumstances require, if a Director is independent and providing its views to the Board for consideration; and
- (e) reviewing whether a Director has been adequately carrying out his or her duties as a director.

The Board supports the principle that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the Group's business. Replacement of a Director therefore does not necessarily reflect his or her performance or contributions to date. The Board seeks to refresh its membership progressively and in an orderly manner. In this regard, Board succession planning is carried out through the annual review of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign.

The NC carries out a proactive review of the Board composition at least annually as well as on each occasion that an existing non-executive Director gives notice of his or her intention to retire or resign. The review includes assessing the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Group's strategic and operational objectives. The outcome of that assessment is reported to the Board. In carrying out this review, the NC takes into account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity). The NC also identifies suitable candidates for appointment to the Board. External consultants may be retained from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including background, experience, professional skills and personal qualities including integrity, reputation as well as expected contributions to the highest standards of corporate governance. The NC and the Board will also consider whether a candidate's skills and experience will complement the existing Board, and whether the candidate has sufficient time available to commit to his or her responsibilities as a Director.

The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, legal, investment, accounting, and technology backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse

backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational, business and professional background of its members. The Board is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational, business and professional background in determining the optimal composition of the Board in its Board renewal process.

In the year under review, no alternate Directors were appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Company, the NC has adopted the principle that it will generally not approve the appointment of alternate Directors.

Election of Board members is the prerogative and right of shareholders. The Constitution requires one-third of its Directors (prioritised by length of service since the previous reelection or appointment and who are not otherwise required to retire) to retire and subject themselves to reelection by shareholders (one-third rotation rule) at every annual general meeting (AGM). In addition, any newly appointed Director (whether as an additional Director or to fill a casual vacancy) will submit himself or herself for retirement and election at the AGM immediately following his or her appointment. Thereafter, he or she is subject to the one-third rotation rule.

With regard to the reelection of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the provisions of the Constitution. The NC makes recommendations to the Board as to whether the Board should support the reelection of a Director who is retiring and, for that purpose, undertakes a review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board. Each member of the NC is required to and recuses himself or herself from deliberations on his or her own reelection. Shareholders elect the Directors or candidates put up for election and reelection at the AGM individually and are provided with relevant information in the Annual Report on the Directors or candidates who are seeking election or reelection.

The P&GCEO, as a Board member, is also subject to the one-third rotation rule. His role as P&GCEO is separate from his position as a Board member, and does not affect the ability of shareholders to exercise their right to select all Board members.

During FY 2017, Mr Simon Israel retired from the Board and three new Directors, namely, Mr Gabriel Lim, Mr Anthony Lim and Ms Goh Swee Chen, joined the Board.

# CORPORATE GOVERNANCE

The NC also conducts a review of the commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director. Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board appointments which any Director may hold, and discloses this in the annual report. In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Company.

All Directors are required to confirm on an annual basis, and for FY 2017, have confirmed that they were able to devote sufficient time and attention to the affairs of the Company. The NC has assessed each Director's ability to commit time to the affairs of the Company, taking into consideration also their commitments and their attendance record at meetings of the Board and Board Committees (the attendance record for FY 2017 is set out on page 48 of this Annual Report), and has determined that each Director has been adequately carrying out his or her duties as a Director of the Company.

The Board, taking into consideration the assessment of the NC, is satisfied that each Director can devote sufficient time and attention to the affairs of the Company.

## Board Performance

**Principle 5:**  
**There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.**

The Company believes that oversight from a strong and effective Board goes a long way toward guiding a business enterprise to achieving success.

The Board, through the NC, strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to the Group's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of the Group.

Whilst Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of self-assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

The NC undertakes a process to evaluate the effectiveness of the Board as a whole and the Board Committees for every financial year. An external consultant is engaged to facilitate the evaluation process. The consultant is independent of and is not related to the Company or any of its Directors. As part of the process, questionnaires are sent by the consultant to the Directors and Management and interviews are conducted where required. The objective of the interviews is to seek clarifications to the feedback obtained from the responses in the questionnaires, during which broader questions might also be raised to help validate certain survey findings. The findings are then evaluated by the consultant and reported, together with the recommendations of the consultant, to the Board. The evaluation categories covered in the questionnaire included Board composition, information management, Board processes, corporate integrity and social responsibility, managing company performance, strategy review, Board Committee effectiveness, P&GCEO performance and succession planning, Director development and management, and managing risk and adversity. The findings and the recommendations of the consultant which include benchmarking information and best practices of other boards, are considered by the Board and follow up action is taken, where necessary.

In respect of individual Directors, formal evaluation is carried out by the NC as and when a Director is due for retirement by rotation and is seeking reelection. The Board also recognises that contributions by an individual Board member can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings.

The Board further believes that the collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering the Company in the appropriate direction, as well as the long-term performance of the Company whether under favourable or challenging market conditions.

## Access to Information

**Principle 6:**  
In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of providing the Board with relevant information on a timely basis prior to Board and Board Committee meetings and on an ongoing basis, to enable Directors to make informed decisions to discharge their duties and responsibilities.

In addition to providing complete, adequate and timely information to the Board on Board affairs and issues requiring the Board's decision, Management also provides ongoing reports relating to the operational and financial performance of the Company, such as monthly management reports.

As a general rule, Board papers are sent to Board or Board Committee members at least five working days prior to each Board or Board Committee meeting, to allow them to prepare for the meetings and to enable discussions to focus on any questions that they may have. Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

The Board meets regularly and Board meetings, in general, last up to a full day. At each Board meeting:

- (a) the Chairperson of each Board Committee provides an update on the significant matters discussed at the Board Committee meetings which are typically scheduled before the quarterly Board meetings;
- (b) the P&GCEO provides updates on the Group's business and operations;
- (c) the Group Chief Financial Officer (GCFO) presents the financial performance; and
- (d) presentations in relation to specific business areas are also made by senior executives, external consultants or experts.

This allows the Board to develop a good understanding of the progress of the Group's business as well as the issues and challenges facing the Group, and also promotes active engagement with the key executives of the Group.

In line with the Company's ongoing commitment to limit paper waste and reduce its carbon footprint, the Company does not provide printed copies of Board papers. Instead,

Directors are provided with tablet devices to enable them to access and read Board and Board Committee papers prior to and in meetings. This initiative also enhances information security as the papers are downloaded to the tablet devices through an encrypted channel.

The Board has separate and independent access to Management, including the Company Secretary, at all times. The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, at the Company's expense.

The Board sets aside time at each scheduled meeting to meet without the presence of Management. There were no separate meetings of the independent Directors without the presence of other Directors in FY 2017 as all the non-executive Directors are independent Directors. The AC also meets the internal and external auditors separately at least once a year without the presence of the P&GCEO and Management.

The Board has unfettered access to any Management staff for any information that it may require.

Through the training framework adopted for the professional development of the Directors, Directors also receive on a regular basis reading materials on topical matters or subjects and regulatory updates and implications. In addition, where appropriate, briefings from industry players or consultants are also arranged.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 7:**  
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

# CORPORATE GOVERNANCE

## Level and Mix of Remuneration

### Principle 8:

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

## Disclosure on Remuneration

### Principle 9:

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The Board has established the ERCC to oversee executive compensation and development. In carrying out this role, the ERCC also aims to build capable and committed management teams through competitive compensation and progressive policies which are aligned to the long-term interests and risk policies of the Group. The ERCC thus plays a crucial role in helping to ensure that the Company is able to attract, motivate and retain the best talents to drive the Group's business forward.

All ERCC members, including the Chairman of the ERCC, are non-executive independent Directors. The ERCC met four times in the year under review.

The ERCC is guided by its terms of reference. In particular, the ERCC recommends to the Board for approval a general framework of remuneration for the non-executive Directors and key management personnel of the Group, and the specific remuneration package for each key management personnel. The ERCC also recommends to the Board for endorsement the specific remuneration package for each Director.

The ERCC conducts, on an annual basis, the evaluation of the P&GCEO's performance and a succession planning review of the P&GCEO and key management positions in the Group, and presents its findings and recommendations to the Board. Potential candidates for leadership succession are reviewed for their readiness in the immediate, medium and longer term.

## Remuneration policy for key management personnel

The principles governing the Company's key management personnel remuneration policy are as follows:

- ▼ **Business Alignment**
  - Build sustainable value creation and drive dollar returns above the risk-adjusted cost of capital to align with longer term shareholder interests
  - Provide sound and structured funding to ensure affordability and cost-effectiveness in line with performance goals
  - Enhance retention of key talents to build strong organisational capabilities
- ▼ **Motivate Right Behaviour**
  - Pay for performance – align, differentiate and balance rewards according to multiple dimensions of performance
  - Strengthen line-of-sight linking rewards and performance
  - Foster group-wide interests to recognise the interdependence of the various businesses of the Group and drive superior outcomes
- ▼ **Fair & Appropriate**
  - Ensure competitive remuneration relative to the appropriate external talent markets
  - Manage internal equity such that remuneration systems are viewed as fair across the Group
  - Significant and appropriate portion of pay-at-risk, taking into account risk policies of the Group, symmetrical with risk outcomes and sensitive to the risk time horizon
- ▼ **Effective Implementation**
  - Maintain rigorous corporate governance standards
  - Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations
  - Facilitate employee understanding to maximise the value of the remuneration programmes

The Board sets the remuneration policies in line with the Company's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has access to independent remuneration consultants to advise as required.

Consistent with its practice in previous years, the ERCC appointed an independent remuneration consultant, Mercer (Singapore) Pte Ltd, to provide professional advice on Board and executive remuneration in FY 2017. The consultant is not related to the Company or any of its Directors. In its deliberations, the ERCC also took into consideration industry practices and norms in compensation.

## Remuneration for Key Management Personnel

Remuneration for key management personnel comprises fixed components, variable cash components, share-based components and employee benefits:

### A. Fixed Components:

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund.

### B. Variable Cash Components:

The variable cash components comprise the Balanced Scorecard Bonus Plan (BSBP) and Economic Value-Added (EVA)-based Incentive Plan (EBIP).

#### *Balanced Scorecard Bonus Plan*

The BSBP is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board and/or the P&GCEO, as the case may be.

Under the Balanced Scorecard framework, the Group's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets in the dimensions of *Financial, Execution, Growth and People*; these are cascaded down throughout the organisation, thereby creating alignment across the Group.

After the close of each year, the ERCC reviews the Group's achievements against the targets set in the Balanced Scorecard, determines the overall performance taking into consideration qualitative factors such as the quality of earnings, business environment, regulatory landscape and industry trends, and approves a bonus pool that corresponds to the performance achieved.

In determining the payout quantum for each key management personnel under the plan, the ERCC considers the overall business performance and individual performance as well as the affordability of the payout to the Company.

#### *Economic Value-Added-based Incentive Plan*

The EBIP is based on sharing with employees a portion of the EVA, which varies according to the actual achievement of residual economic profit.

The EBIP rewards sustainable shareholder value creation over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of a real estate business.

Under this plan, the bonus declared to each EBIP participant for the current year is added to the participant's balance carried forward from the previous year, upon which one-third of the resulting total balance is paid out in cash, with the remaining two-thirds to be carried forward to the following year. The balance in each participant's EBIP account is at risk because a significant reduction in EVA in any year may result in retraction (performance clawback) of the EBIP bonus declared in preceding years. The EBIP encourages key management personnel to work for sustained EVA generation and to take actions that are aligned with the longer term interests of shareholders.

In determining the EBIP bonus declared to each participant, the ERCC considers the overall business performance, individual job responsibilities, performance and contribution, as well as the relevant market remuneration benchmarks.

### C. Share-based Components:

Share awards were granted in FY 2017 pursuant to the CapitaLand Performance Share Plan 2010 (PSP) and the CapitaLand Restricted Share Plan 2010 (RSP) (together, the Share Plans), approved and adopted by the shareholders of the Company at the Extraordinary General Meeting held on 16 April 2010.

For FY 2017, the total number of shares in the awards granted under the Share Plans did not exceed the yearly limit of 1% of the total number of issued shares (excluding treasury shares). The obligation to deliver the shares is expected to be satisfied out of treasury shares.

Details of the Share Plans as well as awards granted under the Share Plans are given in the Share Plans section of the Directors' Statement on pages 112 to 115 and the Equity Compensation Benefits section of the Notes to the FY 2017 Financial Statements on pages 191 to 195.

#### *CapitaLand Performance Share Plan 2010*

In FY 2017, the ERCC granted awards which are conditional on targets set for a performance period, currently prescribed to be a three-year performance period. A specified number of shares will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold targets are achieved.

# CORPORATE GOVERNANCE

Under the PSP, an initial number of shares (baseline award) is allocated according to the following performance conditions:

- Absolute Total Shareholder Return (TSR) of the Group measured as a multiple of Cost of Equity;
- Relative TSR of the Group measured as a percentile ranking of the Group's TSR against those of a peer group comprising public-listed companies of comparable scale, scope and business mix in Singapore, Hong Kong and China; and
- Average Return on Equity (ROE) of the Group for the second and third years of the performance period.

The above performance measures have been selected as key measurements of wealth creation for shareholders. The final number of shares to be released will depend on the achievement of pre-determined targets over the three-year qualifying performance period. No share will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more shares than the baseline award can be delivered up to a maximum of 200% of the baseline award. Recipients will receive fully paid shares at no cost.

For the year under review, the relevant award for assessment of the performance achieved by the Group is the award granted in FY 2015 in respect of which the qualifying performance period was FY 2015 to FY 2017. Based on the ERCC's assessment that the performance achieved by the Group has partially met the pre-determined performance targets for the three-year qualifying performance period of FY 2015 to FY 2017, the resulting number of shares released has been adjusted accordingly to reflect the performance level. In respect of the share awards granted in FY 2016 and FY 2017, the respective qualifying performance periods have not ended as at the date of this Report.

### **CapitaLand Restricted Share Plan 2010**

In FY 2017, the ERCC granted awards which are conditional on targets set for a qualifying performance period, currently prescribed to be a one-year performance period. A specified number of shares will only be released to the recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved.

An initial number of shares (baseline award) is allocated according to the following performance conditions:

- Operating Earnings Before Interest and Tax of the Group; and
- Operating ROE of the Group.

The above performance measures have been selected as they are the key drivers of business performance and are aligned to shareholder value. The final number of shares to be released will depend on the achievement of pre-determined targets at the end of the one-year qualifying performance period and the release will be over a vesting period of three years. No share will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more shares than the baseline award can be delivered up to a maximum of 150% of the baseline award. Recipients can receive fully paid shares, their equivalent cash value or combinations thereof, at no cost.

In respect of the award granted in FY 2017, based on the ERCC's assessment that the performance achieved by the Group has met the pre-determined performance targets for the qualifying performance period of FY 2017, the resulting number of shares released has been adjusted accordingly to reflect the performance level.

To further promote the alignment of Management's interests with that of shareholders, the ERCC has approved share ownership guidelines for Senior Management to instill stronger identification by senior executives with the longer term performance and growth of the Group. Under these guidelines, Senior Management participants are required to retain a prescribed proportion of the Company's shares received under the Share Plans.

## **D. Employee Benefits**

The benefits provided are comparable with local market practices.

The Code requires an issuer to disclose the names and remuneration of at least the top five key management personnel (who are not also Directors or the P&GCEO) of the Company.

The details of the remuneration for the P&GCEO are provided in the Directors' Remuneration section on page 49 of this Annual Report. The details of the other top five key management personnel's remuneration in bands of S\$250,000 and a breakdown in percentage terms are provided in the Key Management Personnel's Remuneration section on page 50 of this Annual Report.



The ERCC seeks to ensure that the remuneration paid to the P&GCEO and key management personnel are strongly linked to the achievement of business and individual performance targets. The performance targets endorsed by the ERCC and approved by the Board are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short- and longer-term quantifiable objectives. A pay-for-performance alignment study was conducted by the appointed independent remuneration consultant and reviewed by the ERCC; the findings indicate that there has been adequate pay-for-performance alignment for the Group in both absolute and relative terms against a peer group of large listed companies in Singapore and the region over a multi-year period.

In FY 2017, there were no termination, retirement or post-employment benefits granted to Directors, the P&GCEO and key management personnel. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel.

There were no employees of the Group who were immediate family members of a Director or the P&GCEO in FY 2017. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

### Non-Executive Director Remuneration

The compensation policy for Directors is based on a scale of fees divided into basic retainer fees for serving as Director and additional fees for attendance and serving on Board Committees. The compensation package is market benchmarked, taking into account the demanding responsibilities on the part of the Directors in light of the scale, complexity and the international nature of the business.

The remuneration framework for the non-executive Directors remains unchanged from that for the previous financial year. The fee structure for non-executive Directors for FY 2017 is as follows:

<b>Basic Retainer Fee</b>	
Board Chairman	750,000 <sup>1</sup>
Director	78,000
<b>Fee for appointment to Audit Committee and Finance &amp; Investment Committee</b>	
Committee Chairman	60,000
Committee member	30,000
<b>Fee for appointment to Executive Resource &amp; Compensation Committee and Risk Committee</b>	
Committee Chairman	35,000
Committee member	22,000
<b>Fee for appointment to any other Board Committee</b>	
Committee Chairman	28,000
Committee member	20,000
<b>Attendance fee for Board/Board Committee meetings (per meeting)</b>	
<b>(a) Attendance in person</b>	
<i>Board meeting</i>	
Local	4,000
Overseas	7,000
<i>Board Committee meeting</i>	
Local	2,200
Overseas	7,000
<b>(b) Attendance via conference telephone or similar communication equipment</b>	
Local and Overseas	1,700
<b>Attendance fee in person or otherwise for project committee meetings/verification meetings/other meetings where attendance of Directors is required (per meeting)</b>	
Local and Overseas	1,000

1 The fee is all-inclusive and there will be no separate board retainer fee, committee fee or attendance fee for the Chairman.

# CORPORATE GOVERNANCE

Directors' fees of the non-executive Directors (including the Chairman) will be paid as to about 70% in cash and about 30% in the form of share awards under the RSP, save in the case of (i) a Director who is retiring from the Board at the conclusion of the AGM, a Director who has retired from the Board at the conclusion of the last AGM, both of whom will receive all of their Directors' fees in cash; and (ii) a Director whose Director's fees will be paid fully in cash to a government agency, The Directorship & Consultancy Appointments Council. The awards consist of the grant of fully paid shares, with no performance conditions attached and no vesting periods imposed. In order to encourage the alignment of the interests of the non-executive Directors with the interests of shareholders, a non-executive Director is required to hold shares in the Company worth at least one year of his or her basic retainer fee or the total number of shares awarded under the above policy, whichever is lower, at all times during his or her Board tenure. For the Chairman, the shares are required to be held for at least two years from the date of award, and the two-year moratorium shall continue to apply in the event of retirement. Details of the Directors' remuneration are provided in the Directors' Remuneration section on page 49 of this Annual Report. The P&GCEO as Executive Director is remunerated as part of key management personnel and therefore does not receive Director's fees. No individual Director by himself or herself could decide his or her own remuneration. The Directors' fees will only be paid upon approval by the shareholders at the AGM. These measures serve to assure that the independence of the non-executive Directors is not compromised by their compensation.

## Compensation Risk Assessment

Under the Code, the compensation system shall take into account the risk policies of the Group, and be symmetrical with risk outcomes and sensitive to the time horizon of risks. The ERCC has conducted a Compensation Risk Assessment to review the various compensation risks that may arise as well as the mitigating policies to better manage risk exposures identified. The ERCC is satisfied that there are adequate risk mitigation features in the Group's compensation system, such as the use of malus, deferral and performance clawback features in the Share Plans and EBIP. The ERCC will continue to undertake periodic reviews of compensation-related risks.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

**Principle 10:**  
**The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

The Company provides shareholders with quarterly and annual financial statements within the relevant periods prescribed by the Listing Manual. These quarterly and annual financial statements are reviewed and approved by the Board prior to release to shareholders by announcement on the SGXNet. The releases of quarterly and annual financial statements are accompanied by news releases issued to the media and which are also posted on the SGXNet. In presenting the quarterly and annual financial statements to shareholders, the Board aims to provide shareholders with a balanced, clear and understandable assessment of the Company and the Group's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of the Group's financial performance, position and prospects.

In addition to quarterly and annual financial statements, the Company also keeps its shareholders, stakeholders and analysts informed of the performance and changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions. The Group has a formal policy on corporate disclosure controls and procedures to ensure that the Company complies with its disclosure obligations under the Listing Manual. These controls and procedures incorporate decision-making procedures and an obligation on internal reporting of decisions made.

The Company believes in conducting itself in ways that seek to deliver maximum sustainable value to its shareholders. Best practices are promoted as a means to build an excellent business for its shareholders and the Company is accountable to shareholders for its performance. Prompt fulfilment of statutory reporting requirements is but one way to maintain shareholders' confidence and trust in the capability and integrity of the Company.

## Risk Management and Internal Controls

**Principle 11:**  
**The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Company has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard shareholders' interests and the Group's assets.

The Board has overall responsibility for the governance of risk, including determining the risk strategy, risk appetite and risk limits, as well as risk policies. The RC assists the Board in carrying out the Board's responsibility of overseeing the Company's risk management framework and policies for the Group.

All RC members, including the Chairman of the RC, are non-executive independent Directors. To facilitate sharing of information and knowledge, four members of the RC are also members of the AC and they are Tan Sri Amirsham A Aziz, Dr Philip Pillai, Mr Chaly Mah and Mr Gabriel Lim. The RC met three times in the year under review.

Under its terms of reference, the RC's scope of duties and responsibilities is as follows:

- (a) making recommendations to the Board on risk strategy, risk appetite and risk limits;
- (b) reviewing the risk management framework, including the processes and resources to identify and manage material risks;
- (c) overseeing Management in the design, implementation and monitoring of the system of risk management and internal controls;
- (d) reviewing the material risks facing the Group and the management of risks thereof;
- (e) reviewing the adequacy and effectiveness of the system of risk management and internal controls covering material risks and the assurance given by Management, as well as the disclosures in the annual report; and
- (f) considering and advising on risk matters referred to it by the Board or Management.

The Company adopts for the Group an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually. A team comprising the P&GCEO and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group.

Management consistently seeks to improve and strengthen its ERM Framework. As part of the ERM Framework, Management, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) annually. As a result of the RCSA, Management produces and maintains

a risk register which identifies the material risks the Group faces and the corresponding internal controls it has in place to mitigate those risks. The RC also reviews the approach of identifying and assessing risks and internal controls in the risk register. The material risks, including the mitigating measures, are reviewed regularly by the RC and, where appropriate, the AC, and reported to the Board.

The system of risk management and internal controls is reviewed and, where appropriate, refined regularly by Management, the RC, the AC and the Board. Where relevant, reference is made to the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The Company has established an approach on how risk appetite is defined, monitored and reviewed across the Group. Approved by the Board, the Group Risk Appetite Statement (RAS), incorporating the risk limits, addresses the management of material risks faced by the Group. Alignment of the Group's risk profile to the Group RAS is achieved through various communication and monitoring mechanisms (including key performance indicators set for Management) put in place across the Group.

More information on the Company's ERM Framework can be found in the Enterprise Risk Management section on pages 60 to 63 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls addressing financial, operational, compliance and IT risks. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by Management on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the P&GCEO and the GCFO that:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY 2017 give a true and fair view of the Group's operations and finances; and
- (b) the system of risk management and internal controls within the Group is adequate and effective to address the financial, operational, compliance and IT risks which the Company considers relevant and material to its current business environment.

# CORPORATE GOVERNANCE

The P&GCEO and the GCFO have obtained similar assurances from the respective business and corporate executive heads in the Group.

In addition, in FY 2017, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to shareholders as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the P&GCEO and the GCFO, the Board concurs with the recommendation of the AC and RC and is of the opinion that the system of risk management and internal controls within the Group is adequate and effective to address the financial, operational, compliance and IT risks which the Company considers relevant and material to its current business environment as at 31 December 2017.

The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

## Audit Committee

### Principle 12:

**The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

All members of the AC, including the Chairman of the AC, are non-executive independent Directors. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular the Chairman of the AC is a Fellow of the Institute of Singapore Chartered Accountants, among other professional affiliations, and Tan Sri Amirsham A Aziz, another AC member, is a Certified Public Accountant of Malaysia. None of the AC members were previously partners or directors of the incumbent external auditors, KPMG LLP, within the previous 12 months nor does any of the AC members hold any financial interest in KPMG LLP.

The AC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest co-operation in providing information

and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) in conjunction with the assessment by the RC, assessing the adequacy and effectiveness of the internal controls (including material financial, operational, compliance and IT controls) and risk management system;
- (c) reviewing the adequacy and effectiveness of the Company's internal audit function and also ensures that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (d) reviewing the scope and results of the external audit, and independence and objectivity of the external auditors;
- (e) making recommendations to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration of the external auditors;
- (f) reviewing and approving processes to regulate interested person transactions and to ensure compliance with the applicable regulations, in particular, the requirement that the transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders; and
- (g) reviewing the whistleblowing policy and arrangements by which employees of the Company and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

In order to maintain the independence of the external auditors, the Company has developed policies regarding the types of non-audit services that the external auditors can provide to the Group and the related approval processes. The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2017 and

the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The total audit and non-audit fees for FY 2017 were S\$7,720,000 and S\$1,677,000, respectively.

In FY 2017, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions

issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of the Group and the Company for FY 2017, the AC had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the following key audit matters as reported by the external auditors for the financial year ended 31 December 2017.

Key audit matters	How these issues were addressed by the AC
<b>Valuation of investment properties</b>	<p>The AC reviewed the outcomes of the half-yearly valuation process and discussed the details of the valuation with Management, focusing on properties which registered higher fair value gains/losses during the period under review and key drivers for the changes.</p> <p>The AC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of investment properties.</p> <p>The AC was satisfied with the valuation process, the methodologies used and the valuation for investment properties as adopted and disclosed in the financial statements.</p>
<b>Implementation of new IT system</b>	<p>Management updated the board on the progress of new IT system implementation quarterly, focusing on project scope and governance, change management activities, risks and mitigation actions.</p> <p>The AC also considered the findings of the external auditors, including their assessment of the adequacy of the processes and control in place for the implementation of new IT system, as well as the results of their independent validation of the account balances being migrated and review of the reconciliation and mitigating controls.</p> <p>The AC was satisfied with the Group's processes and project governance over the implementation of new IT system.</p>
<b>Accounting for investments in real estate investment trusts (REITs)</b>	<p>The AC reviewed the Group's processes for the review and determination of the accounting for its investments in REITs.</p> <p>Management briefed the Board on the plans for the investments in REITs. Management also presented to the AC the methodology used in determining the aggregate economic interests held in the REITs, the results and the basis of its conclusion, focusing on the Group's investment in CMT and CRCT which led to the Group concluding that it now has control over these two REITs.</p> <p>The AC also considered the findings of the external auditors, including the Group's processes for the review and the determination of the accounting for its investments in REITs.</p> <p>The AC was satisfied with the appropriateness of accounting and disclosures in the financial statements for the Group's investments in REITs.</p>

# CORPORATE GOVERNANCE

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings. Directors are also invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

The Company confirms that it complies with Rules 712, 715 and 716 of the Listing Manual.

## Internal Audit

**Principle 13:**  
**The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The Company has an Internal Audit Department (CL IA) which reports directly to the AC and administratively to the GCFO. The performance evaluation of the head of CL IA is carried out by the AC with inputs from the GCFO. The AC is of the view that the internal audit function performed by CL IA is adequately resourced and has appropriate standing within the Company. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CL IA at least once a year without the presence of Management. CL IA has unfettered access to the Group's documents, records, properties and employees, including access to the AC.

CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America (USA). CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA, and has incorporated these Standards into its audit practices.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

CL IA identifies and provides training and development opportunities for its staff to ensure their technical knowledge and skill sets remain current and relevant.

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

**Principle 14:**  
**Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

The Company is committed to treating all its shareholders fairly and equitably. All shareholders enjoy specific rights under the Constitution and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate shareholder, through its appointed representative). Shareholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of the Company.

### Communication with Shareholders

**Principle 15:**  
**Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

The Company is committed to keeping all its shareholders and other stakeholders and analysts informed of its performance and any changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities, on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions.

The Company has in place an Investor Relations department and a Group Communications department which facilitate effective communication with the Company's shareholders, analysts, fund managers and the media.

The Company actively engages with its shareholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with its shareholders. The Policy is available at the Group's website at [www.capitaland.com](http://www.capitaland.com).

The Group has a formal policy on corporate disclosure controls and procedures to ensure that the Company complies with its disclosure obligations under the Listing Manual.

More information on the Company's investor and media relations with shareholders can be found in the Investor & Media Relations section on pages 64 to 67 of this Annual Report.

The Company has a policy on the payment of dividends. Barring unforeseen circumstances, the Company's policy is to declare a dividend of at least 30% of the annual profit after tax and non-controlling interests excluding unrealised revaluation gains or losses as well as impairment charges or write backs. Upon approval by shareholders at the general meeting, dividends are paid within 15 market days of the record date.

### Conduct of Shareholder Meetings

**Principle 16:**  
**Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

The Company supports the principle of encouraging shareholder participation and voting at general meetings. Shareholders may download the Annual Report (printed copies are available upon request) and notice of the general meeting from the Company's website at [www.capitaland.com](http://www.capitaland.com). Notices of the general meetings are also advertised in the press and issued on SGXNet. The requisite notice period for a general meeting is adhered to. All shareholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, shareholders are encouraged to communicate their views and discuss with the Board and Management matters affecting the Company. All Directors (including the Chairpersons of the respective Board Committees), Management and the external auditors, would be present at general meetings to address any queries that the shareholders may have. All Directors attended the last general meeting. A record of the Directors' attendance of the last general meeting held on 24 April 2017 can be found in the record of their attendance of Board and Board Committee meetings set out on page 48 of this Annual Report.

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect shareholders' interests, the Company conducts electronic poll voting for all the resolutions proposed at the general meetings. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes

cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to shareholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings. Voting in absentia and by email, which are currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Minutes of the general meetings, recording the substantial and relevant comments made and questions raised, are prepared and are available to shareholders for their inspection upon request. Since 2015, minutes of the AGMs are also uploaded to the Company's website at [www.capitaland.com](http://www.capitaland.com).

Shareholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting the Company after the general meetings.

## (E) ADDITIONAL INFORMATION

### Dealings in Securities

The Company has devised and adopted a securities dealing policy for the Group's officers and employees which applies the best practice recommendations in the Listing Manual. Under the policy, Directors and employees in the Group are required to refrain from dealing in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of the Company's financial statements for each of the first three quarters of its financial year and, (iii) during the one month immediately preceding, and up to the time of the announcement of the Company's financial statements for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Group to inform them of the duration of the period.

Directors and employees of the Group are also required to refrain from dealing in securities of the Company and/or other relevant listed entities in the Group if they are in possession of unpublished price-sensitive information of the Company and/or these other listed entities by virtue of their status as Directors and/or employees. As and when appropriate, they would be issued an advisory to refrain from dealing in the relevant securities.

# CORPORATE GOVERNANCE

Under the policy, Directors and employees are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

## Code of Business Conduct

The Company adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published on the Company's Intranet, which is accessible by all employees.

The policies the Company has implemented aim to help to detect and prevent occupational fraud in mainly three ways.

First, the Company offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Company also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Company seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

## Bribery and Corruption Prevention Policy

The Company adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, 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. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The Company's stance against bribery and corruption is also reiterated by Management during its regular staff communication sessions.

The Company's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Company requires that certain agreements of the Group incorporate anti-bribery and anti-corruption provisions.

## Whistle-Blowing Policy

A whistle-blowing policy and other procedures are put in place to provide the Group's employees and parties who have dealings with the Group with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters – that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the extent possible, be protected from reprisal.



## Composition Of Board And Board Committees In 2017

Board Members	Audit Committee	Executive Resource and Compensation Committee	Finance and Investment Committee	Nominating Committee	Risk Committee
Ng Kee Choe		C	C	M	
John Powell Morschel			M	M	
Simon Claude Israel <sup>1</sup>		M	M	M	
Euleen Goh Yiu Kiang			M		M
Tan Sri Amirsham A Aziz	M				C
Stephen Lee Ching Yen		M		C	
Dr Philip Nalliah Pillai	M				M
Kee Teck Koon		M	M		
Chaly Mah Chee Kheong <sup>2</sup>	C				M
Anthony Lim Weng Kin <sup>3</sup>			M		
Gabriel Lim Meng Liang <sup>4</sup>	M				M
Goh Swee Chen <sup>5</sup>		M			

Denotes: C – Chairman                      M – Member

### Notes:

- 1 Stepped down as a Director; and a Member of the Finance and Investment Committee (FIC), the Executive Resource and Compensation Committee (ERCC) and the Nominating Committee at the conclusion of the last AGM held on 24 April 2017.
- 2 Appointed as a Director on 1 February 2017; and Chairman of the Audit Committee (AC) and a Member of the Risk Committee (RC) on 26 April 2017.
- 3 Appointed as a Director on 11 August 2017; and a Member of the FIC on 15 September 2017.
- 4 Appointed as a Director on 11 August 2017; a Member of the RC on 15 September 2017 and a Member of the AC on 5 December 2017.
- 5 Appointed as a Director on 1 September 2017; and a Member of the ERCC on 15 September 2017.

# CORPORATE GOVERNANCE

## Attendance Record Of Meetings Of The Board And Board Committees in 2017

	Board	Audit Committee	Executive Resource and Compensation Committee	Finance and Investment Committee	Nominating Committee	Risk Committee	AGM
No. of Meetings Held	6	4	4	8	2	3	1
<b>Board Members</b>							
Ng Kee Choe	6 out of 6	-	4 out of 4	8 out of 8	2 out of 2	-	1 out of 1
Lim Ming Yan <sup>1</sup>	6 out of 6	-	-	-	-	-	1 out of 1
John Powell Morschel	6 out of 6	-	-	8 out of 8	2 out of 2	-	1 out of 1
Euleen Goh Yiu Kiang <sup>2</sup>	6 out of 6	2 out of 2	-	6 out of 6	-	3 out of 3	1 out of 1
Tan Sri Amirsham Bin A Aziz	6 out of 6	4 out of 4	-	-	-	3 out of 3	1 out of 1
Stephen Lee Ching Yen	6 out of 6	-	4 out of 4	-	2 out of 2	-	1 out of 1
Dr Philip Nalliah Pillai	6 out of 6	4 out of 4	-	-	-	3 out of 3	1 out of 1
Kee Teck Koon <sup>3</sup>	5 out of 6	-	2 out of 2	8 out of 8	-	1 out of 1	1 out of 1
Simon Claude Israel <sup>4</sup>	1 out of 1	-	2 out of 2	2 out of 2	1 out of 1	-	1 out of 1
Chaly Mah Chee Kheong <sup>5</sup>	6 out of 6	2 out of 2	-	-	-	2 out of 2	1 out of 1
Anthony Lim Weng Kin <sup>6</sup>	3 out of 3	-	-	1 out of 1	-	-	-
Gabriel Lim Meng Liang <sup>7</sup>	3 out of 3	-	-	-	-	-	-
Goh Swee Chen <sup>8</sup>	2 out of 3	-	0 out of 1	-	-	-	-

### Notes:

- 1 Attended all Board committee meetings on ex-officio basis.
- 2 Stepped down as Chairman of the Audit Committee (AC) and appointed as a Member of the Finance and Investment Committee (FIC) on 26 April 2017.
- 3 Stepped down as a Member of the Risk Committee (RC) and appointed as a Member of the Executive Resource and Compensation Committee (ERCC) on 26 April 2017.
- 4 Stepped down as a Director; and a Member of the FIC, the ERCC and the Nominating Committee at the conclusion of the last AGM held on 24 April 2017.
- 5 Appointed as a Director on 1 February 2017; and Chairman of the AC and a Member of the RC on 26 April 2017.
- 6 Appointed as a Director on 11 August 2017; and a Member of the FIC on 15 September 2017.
- 7 Appointed as a Director on 11 August 2017; a Member of the RC on 15 September 2017 and a Member of the AC on 5 December 2017.
- 8 Appointed as a Director on 1 September 2017; and a Member of the ERCC on 15 September 2017.

## Directors' Remuneration Table for the Financial Year Ended 31 December 2017

Directors of the Company	Salary inclusive of AWS and employer's CPF	Bonus and other benefits inclusive of employer's CPF <sup>1</sup>	Awards of shares <sup>2</sup>	Directors' fees <sup>3</sup>		Total
				Cash Component	Shares component	
	\$	\$	\$	\$	\$	\$
<b>Payable by Company:</b>						
<b>Executive Director</b>						
Lim Ming Yan	1,153,890	2,726,606	2,138,570	-	-	6,019,066
<b>Sub-Total 1</b>	<b>1,153,890</b>	<b>2,726,606</b>	<b>2,138,570</b>	<b>-</b>	<b>-</b>	<b>6,019,066</b>
<b>Non-Executive Directors</b>						
Ng Kee Choe	-	-	-	525,000	225,000	750,000
John Powell Morschel <sup>3</sup>	-	-	-	197,600	-	197,600
Simon Claude Israel <sup>3</sup>	-	-	-	61,851	-	61,851
Euleen Goh Yiu Kiang	-	-	-	131,357	56,296	187,653
Tan Sri Amirsham A Aziz	-	-	-	163,800	70,200	234,000
Stephen Lee Ching Yen	-	-	-	113,527	48,654	162,181
Dr Philip Nalliah Pillai	-	-	-	118,580	50,820	169,400
Kee Teck Koon	-	-	-	121,941	52,260	174,201
Chaly Mah Chee Kheong	-	-	-	112,239	48,102	160,341
Anthony Lim Weng Kin	-	-	-	47,205	20,231	67,436
Gabriel Lim Meng Liang <sup>3</sup>	-	-	-	51,289	-	51,289
Goh Swee Chen	-	-	-	28,407	12,175	40,582
<b>Sub-Total 2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,672,796</b>	<b>583,738</b>	<b>2,256,534</b>
<b>Total for Directors of the Company</b>	<b>1,153,890</b>	<b>2,726,606</b>	<b>2,138,570</b>	<b>2,256,534</b>	<b>583,738</b>	<b>8,275,600</b>

Notes:

- The amounts disclosed include bonuses earned under the EBIP and the other incentive plans which have been accrued for in FY 2017. Under the EBIP, EVA bonus declared during the year is added to the bonus account and one-third of the accumulated balance in the bonus account will be paid out in cash annually with the remaining two-thirds to be carried forward to the following year; any negative EVA bonus declared will result in an offset against the current EVA bonus balance.
- For FY 2017, contingent awards of shares under the Share Plans were granted to Mr Lim Ming Yan. The final number of shares to be released under these awards will depend on the achievement of pre-determined targets over the respective performance periods and vesting periods under the Share Plans. The share awards disclosed are based on the fair value of the shares comprised in the contingent awards at the time of grant. There was no contingent award of RSP or PSP to the other Directors.
- If approved, the aggregate amount of Directors' fees of S\$2,256,534 will be paid as to S\$1,672,796 in cash, and S\$583,738 in the form of share awards under the RSP with any residual balance to be paid in cash. Directors' fees of the non-executive Directors (including the Chairman) will be paid as to about 70% in cash and about 30% in the form of share awards under the RSP, save in the case of (i) Mr John Powell Morschel (who is retiring from the Board at the conclusion of the AGM), and Mr Simon Claude Israel (who has retired from the Board at the conclusion of the last AGM), both of whom will receive all of their Directors' fees in cash; and (ii) Mr Gabriel Lim Meng Liang whose Director's fees will be paid fully in cash to a government agency, The Directorship & Consultancy Appointments Council. The actual number of shares to be awarded will be based on the volume-weighted average price of a share of the Company on the SGX-ST over the 14 trading days from (and including) the ex-dividend date following the AGM. The actual number of shares to be awarded will be rounded down to the nearest share, and any residual balance settled in cash. The awards will consist of the grant of fully paid shares, with no performance conditions attached and no vesting periods imposed, although a share retention policy applies. The Directors' fees will only be paid upon approval by shareholders at the AGM.

# CORPORATE GOVERNANCE

## KEY MANAGEMENT PERSONNEL'S REMUNERATION

### Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2017

Total Remuneration Bands	Salary inclusive of AWS and employer's CPF	Bonus and other benefits inclusive of employer's CPF <sup>1</sup>	Award of Shares <sup>2</sup>	Total
<b>Above S\$6,000,000 to S\$6,250,000</b>				
Lim Ming Yan	19%	45%	36%	100%
<b>Above S\$3,000,000 to S\$3,250,000</b>				
Lee Chee Koon	24%	42%	34%	100%
Jason Leow Juan Thong	27%	40%	33%	100%
Lucas Ignatius Loh Jen Yuh <sup>3</sup>	24%	42%	34%	100%
<b>Above S\$2,250,000 to S\$2,500,000</b>				
Andrew Geoffrey Lim Cho Pin	23%	40%	37%	100%
Tan Seng Chai	27%	35%	38%	100%
<b>Total</b>				<b>S\$20,044,732</b>

Notes:

- The amounts disclosed include the bonuses earned under the EBIP and the other incentive plans which have been accrued for in FY 2017. Under the EBIP, EVA bonus declared during the year is added to the bonus account and one-third of the accumulated balance in the bonus account will be paid out in cash annually with the remaining two-thirds to be carried forward to the following year; any negative EVA bonus declared will result in an offset against the current EVA bonus account balance.
- The share awards are based on the fair value of the shares comprised in the contingent awards under the Share Plans at the time of grant. The final number of shares released under the contingent awards of shares for RSP and PSP will depend on the achievement of pre-determined targets and subject to the respective vesting period under RSP and PSP.
- The amount disclosed excludes overseas posting allowances and benefits of approximately S\$255,000.

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes.</p> <p>Where there are deviations from any of the guidelines of the Code, an explanation has been provided within the Annual Report.</p>

### Board Responsibility

Guideline 1.5	<p>What are the types of material transactions which require approval from the Board?</p>	<p>The specific matters which are reserved for the Board's approval include:</p> <ul style="list-style-type: none"> <li>(a) strategies and objectives;</li> <li>(b) financial plan;</li> <li>(c) share issuances, dividends and other returns to shareholders;</li> <li>(d) corporate and financial restructuring, mergers, major acquisitions and divestments;</li> <li>(e) risk appetite of the Company;</li> <li>(f) sustainability issues;</li> <li>(g) the overall remuneration policy and compensation package for the P&amp;GCEO; and</li> <li>(h) matters which involve a conflict of interest for a substantial shareholder or a Director.</li> </ul>
---------------	---	--

# CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
<b>Members of the Board</b>		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC carries out a proactive review of the Board composition at least annually as well as on each occasion that an existing non-executive Director gives notice of his or her intention to retire or resign. The review includes assessing the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Group's strategic and operational objectives.</p> <p>The outcome of that assessment is reported to the Board. In carrying out this review, the NC takes into account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity). The NC also identifies suitable candidates for appointment to the Board. External consultants may be retained from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including background, experience, professional skills and personal qualities including integrity, reputation as well as expected contributions to the highest standards of corporate governance. The NC and the Board will also consider whether a candidate's skills and experience will complement the existing Board, and whether the candidate has sufficient time available to commit to his or her responsibilities as a Director.</p> <p>The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, legal, investment, accounting, and technology backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational, business and professional background of its members. The Board is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational, business and professional background in determining the optimal composition of the Board in its Board renewal process.</p>

Guideline	Questions	How has the Company complied?
<b>Members of the Board</b>		
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	With regard to the reelection of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the provisions of the Constitution. The NC makes recommendations to the Board as to whether the Board should support the reelection of a Director who is retiring and, for this purpose, undertakes a process of review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board.
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>Yes. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a Director). All Directors upon appointment also undergo an induction programme which focuses on orientating the Director to the Company's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices.</p> <p>Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members.</p>
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>The Board does not prescribe any maximum number of listed company board representations.</p> <p>In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Company.</p> <p>All Directors are required to confirm on an annual basis, and for FY 2017, have confirmed that they were able to devote sufficient time and attention to the affairs of the Company. The NC has assessed each Director's ability to commit time to the affairs of the Company, taking into consideration also their commitments and their attendance record at meetings of the Board and Board Committees (the attendance record for FY 2017 is set out on page 48 of this Annual Report), and has determined that each Director has been adequately carrying out his or her duties as a Director of the Company.</p> <p>The Board, taking into consideration the assessment of the NC, is satisfied that each Director can devote sufficient time and attention to the affairs of the Company.</p>

# CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
<b>Board Evaluation</b>		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>The NC undertakes a process to evaluate the effectiveness of the Board as a whole and the Board Committees for every financial year. An external consultant is engaged to facilitate the evaluation process. As part of the process, questionnaires were sent by the consultant to the Directors and Management. The objective of the interviews is to seek clarifications to the feedback obtained from the responses in the questionnaires, during which broader questions might also be raised to help validate certain survey findings.</p> <p>The findings are then evaluated by the consultant and reported, together with the recommendations of the consultant, to the Board. The findings and recommendations of the consultant which include benchmarking information and best practices of other boards, are considered by the Board and any necessary follow up action is taken, where necessary.</p>
<b>Independence of Directors</b>		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. The Board comprises 12 Directors, 11 of whom are non-executive independent Directors.
Guideline 2.3	<p>(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	Yes, please refer to pages 30 to 32 for details and information on the Board's determination process for considering those Directors as being independent.



Guideline	Questions	How has the Company complied?
<b>Independence of Directors</b>		
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
<b>Disclosure on Remuneration</b>		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Yes.</p> <p>The aggregate remuneration paid to the aforesaid key management personnel is S\$14,025,666 (excluding the P&amp;GCEO).</p>

# CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
<b>Disclosure on Remuneration</b>		
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The remuneration paid to the P&amp;GCEO and key management personnel is strongly linked to the achievement of business and individual performance targets.</p> <p>Remuneration for key management personnel comprises fixed components, variable cash components, share-based components and employee benefits.</p> <p>The variable cash components are short-term incentives which are based on a balanced set of financial and non-financial performance targets in the dimensions of Financial, Execution, Growth and People.</p> <p>The share-based components are long-term incentives which are the grant of share awards under the Share Plans. Shares will only be released on the achievement of financial and shareholder return targets.</p> <p>Overall, the performance targets were met, with the exception of shareholder return targets which were affected by adverse share price movements.</p>

Guideline	Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	<p>At each Board meeting, the Chairperson of each Board Committee provides an update on the significant matters discussed at the Board Committee meetings, the P&amp;GCEO provides updates on the Group's business and operations and the GCFO presents the financial performance. Presentations in relation to specific business areas are also made by senior executives and external consultants or experts. This allows the Board to develop a good understanding of the progress of the Group's business as well as the issues and challenges facing the Group, and also promotes active engagement with the key executives of the Group.</p> <p>As a general rule, Board papers are sent to Board or Board Committee members at least five working days prior to each Board or Board Committee meeting to allow them to prepare for the meetings and to enable discussions to focus on any questions that they may have.</p> <p>The Board has separate and independent access to Management, including the Company Secretary, at all times. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, at the Company's expense.</p> <p>Through the training framework adopted for the professional development of the Directors, Directors also receive on a regular basis reading materials on topical matters or subjects and regulatory updates and implications. In addition, where appropriate, briefings from industry players or consultants are also arranged.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes.

# CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>		
Guideline 11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management system.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>The Company has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and IT risks to safeguard shareholders' interests and the Group's assets.</p> <p>The Group adopts an ERM Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually. A team comprising the P&amp;GCEO and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group.</p> <p>As part of the ERM Framework, Management, among other things, undertakes and performs a RCSA annually. As a result of the RCSA, Management produces and maintains a risk register which identifies the material risks the Group faces and the corresponding internal controls it has in place to mitigate those risks.</p> <p>More information on the Company's ERM Framework can be found in the Enterprise Risk Management section on pages 60 to 63 of this Annual Report.</p> <p>The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls addressing financial, operational, compliance and IT risks. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by Management on the recommendations made by the internal and external auditors in this respect.</p> <p>The Board has received the requisite assurance from the P&amp;GCEO and the GCFO.</p>

Guideline	Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>		
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>Total audit fees for FY 2017 – S\$7,720,000 Total non-audit fees for FY 2017 – S\$1,677,000</p> <p>Please refer to page 202 of this Annual Report for more details.</p> <p>In order to maintain the independence of the external auditors, the Company has developed policies regarding the types of non-audit services that the external auditors can provide to the Group and the related approval processes. The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2017 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC.</p>
<b>Communication with Shareholders</b>		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNet announcements and the annual report?</p>	<p>Yes, the Company is committed to keeping all its shareholders and other stakeholders and analysts informed of its performance and any changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities, on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions.</p> <p>The Company has in place an Investor Relations department and a Group Communications department which facilitate effective communication with the Company's shareholders, analysts, fund managers and the media.</p> <p>More information on the Company's investor and media relations with shareholders can be found in the Investor &amp; Media Relations section on pages 64 to 67 of this Annual Report.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	N.A.

# ENTERPRISE RISK MANAGEMENT

Risk management is an integral part of CapitaLand's business at both the strategic and operational levels. A proactive approach towards risk management supports the achievement of the Group's business objectives and corporate strategy of ONE CapitaLand, hence creating and preserving value.

The Group recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the Group has to take measured risks. Risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward relationship within known and agreed risk appetite levels. The Group therefore takes risks in a prudent manner for justifiable business reasons.

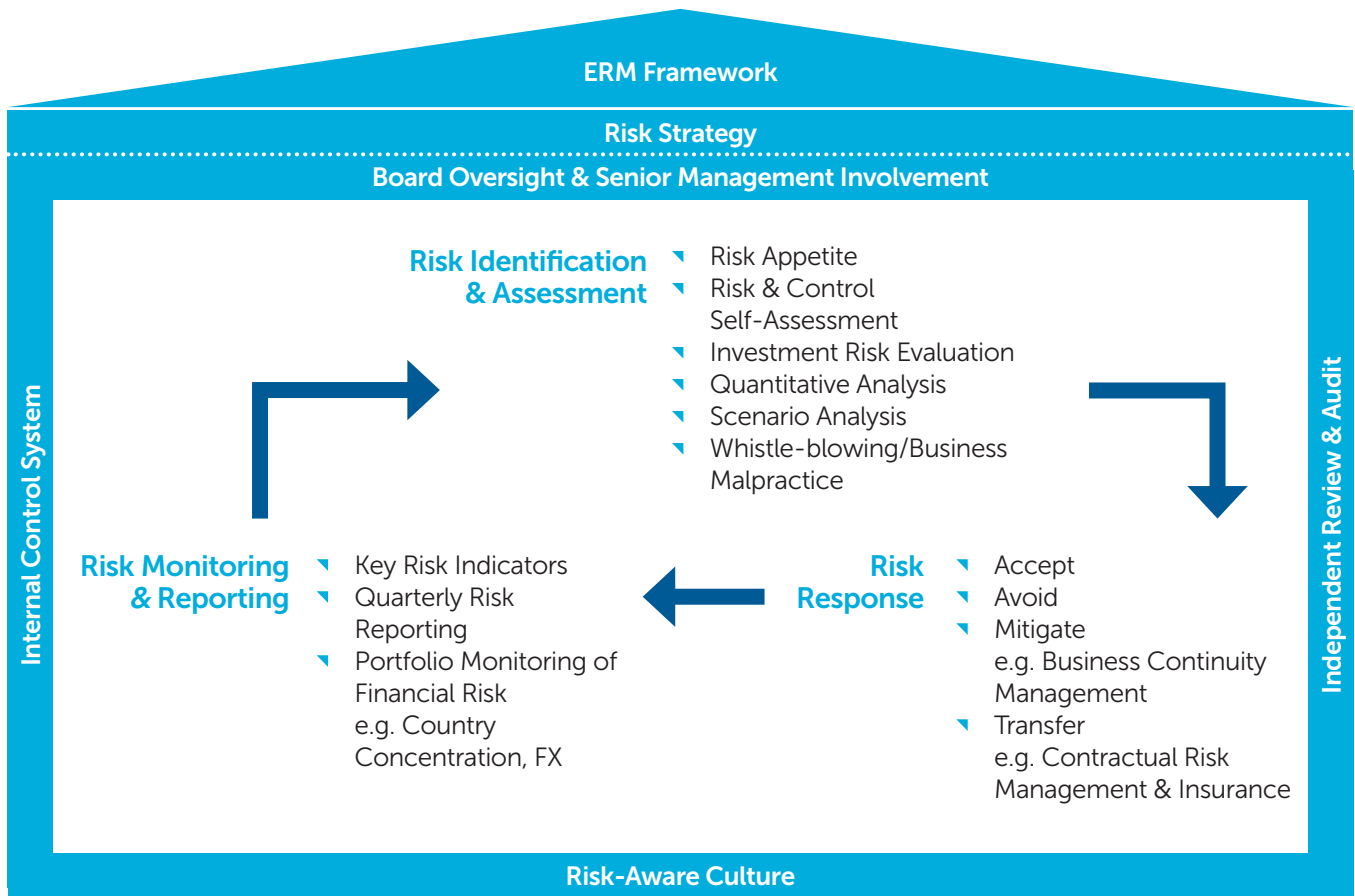
The Board of Directors is responsible for the governance of risk across the Group. The responsibilities include determining the Group's risk appetite; overseeing the Group's Enterprise Risk Management (ERM) Framework; regularly reviewing the Group's risk profile, material risks and mitigation strategies; and ensuring the adequacy and effectiveness of the risk management framework and policies. For these purposes, it is assisted by the Risk Committee (RC), established in 2002, which provides dedicated oversight of risk management at the Board level, including ad-hoc risk matters referred to it by the Board such as the implementation of Enterprise Resource Planning (ERP) system.

The RC currently comprises five independent Board members and the committee meets on a regular basis. The meetings are attended by the President & Group CEO as well as other key management staff. The RC is assisted by the Risk Assessment Group (RAG), a dedicated and independent in-house unit comprising highly specialised and professional members with vast and diverse experiences in financial and operational risk management.

The Board approves the Group's risk appetite, which determines the nature and extent of material risks that the Group is willing to take to achieve its strategic and business objectives. The Group's Risk Appetite Statement (RAS) is expressed via formal, high-level and overarching statements and accompanying risk limits which determine specific risk boundaries established at an operational level. Having considered the interest of key stakeholders, the RAS sets out explicit and forward-looking views of the Group's desired risk profile and ensures it is aligned with the Group's strategy and business plans.

A team comprising the President & Group CEO and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group. Operationally, risk champions from the different Strategic Business Units (SBUs) and corporate functions, as well as various specialist support functions, are tasked to develop, implement and monitor risk management policies, methodologies and procedures in their respective areas.

Enterprise Risk Management Framework



The Group's ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It also takes reference from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework and other relevant best practices and guidelines. It sets out the required environmental and organisational components which enable the Group to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually and have been validated by external consultants.

A robust internal control system and an effective, independent review and audit process are the twin pillars that underpin the Group's ERM Framework. While

the line management is responsible for the design and implementation of effective internal controls using a risk-based approach, the Internal Audit function reviews such design and implementation to provide reasonable assurance to the Audit Committee (AC) on the adequacy and effectiveness of the internal control system.

CapitaLand believes that having the right risk culture and people with the right attitude, values and knowledge are fundamental to the Group's success of ERM. Therefore, the RAG continues to proactively enhance risk management knowledge by conducting regular workshops for all levels and functions, and to promote a culture of risk awareness which embeds risk management principles in decision-making and business processes.

# ENTERPRISE RISK MANAGEMENT

Annually, the RAG facilitates and coordinates the Group-wide Risk and Control Self-Assessment (RCSA) exercise that requires SBUs and corporate functions to proactively identify, assess and document material risks as well as the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed at the Group level before they are presented to the RC, AC and the Board.

## MANAGING MATERIAL RISKS

CapitaLand undertakes an iterative and comprehensive approach to identifying, managing, monitoring and reporting material risks across the Group. These material risks include:

### Competition Risk

The Group faces keen competition from established players and new market entrants in the real estate industry. It adopts a relentless approach to strengthening its competitiveness through high-quality products and services, product differentiation, pricing, asset enhancement initiatives and branding. The Group also promotes tenant and customer loyalty through customer-centric initiatives and shopper loyalty programmes. A team of in-house experts provides regular analysis on market trends. Innovation workshops are also conducted regularly to brainstorm ideas to anticipate as well as respond to these trends.

### Economic Risk

CapitaLand is exposed to developments in major economies, and key financial and property markets. These developments may reduce revenue, increase costs and result in downward revaluation of our assets. Market illiquidity during a financial crisis makes asset divestment challenging and this can affect CapitaLand's investment and strategic objectives. The Group manages this by adopting a disciplined approach to financial management, having a diversified portfolio across geographies with established Board-approved country concentration limits, and focusing on cities where the Group has operational scale and where underlying economic fundamentals are more robust. A team of in-house experts monitors the macroeconomic environment and advises senior management on future macroeconomic trends and their implications on the property markets. Scenario analysis is performed to calculate potential value deteriorations by applying an in-house developed Value-at-Risk (VaR) model.

### Climate Change Risks

CapitaLand recognises the importance of managing climate change faced in its development projects and operations. This includes physical risks such as rising sea levels, flash floods, fresh water depletion, violent storms, intense heat waves, as well as changes in government regulations and other climate related developments. With the Paris Agreement which came into force in November 2016, countries are undertaking actions to mitigate climate change where more stringent regulations are expected. CapitaLand is positioned to face such challenges and is constantly reviewing its mitigation and adaptation efforts which include a target to achieve green certification of its existing properties by FY 2030. CapitaLand is also ISO 14001 certified for its environmental management system in 15 countries and sets energy, water and carbon emission intensity targets for its operational properties.

### Safety, Health & Well-being Risks

CapitaLand recognises the importance of managing safety, health and well-being risks faced in its development projects and operations. The Group also understands the positive impact that a safe and healthy building and workplace can have on its tenants, residents, shoppers, public and staff. It implemented an EHS Management System which has achieved the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries.

### Financial Risk

Given the Group's diversified global business, CapitaLand is exposed to financial risks including liquidity, foreign currency and interest rate risks. The Group measures and evaluates these financial risks using established statistical risk management models (e.g. VaR, stress testing and scenario analysis). It continues to focus on instilling financial discipline, deploying capital to earn optimal risk-adjusted returns, and maintaining a strong balance sheet to invest in suitable opportunities. For more information on the Group's Financial Risk Management, please refer to the Financial Risk Management section on Pg 210 of this annual report.

### Fraud & Corruption Risk

CapitaLand is committed to the highest standards of integrity and this is enshrined as one of its core values. The Group has zero tolerance for any fraud, corruption or bribery in the conduct of its business activities. Consistent with this commitment, the Group has in place various policies



and guidelines, including an employee code of conduct and an anti-corruption policy. The anti-corruption policy reiterates the tone from the top and sets out CapitaLand's Global Principles on Ethical Business Conduct. Every year, employees sign the CapitaLand Pledge to renew their commitment to uphold the Group's core values. CapitaLand also has a whistle-blowing policy to encourage the reporting of suspected misconduct by establishing a clearly defined process through which such reports can be made in confidence and in good faith, without fear of reprisal.

### Information Technology Risk

With increased reliance on Information Technology (IT) as a business enabler, CapitaLand has in place Group-wide policies and procedures which set out the governance and controls of IT risks, including cyber-risks. Appropriate measures are in place to ensure the confidentiality, integrity, and availability of CapitaLand's information assets. This includes implementing access controls, building up data security, raising employees' IT security awareness through activities such as phishing campaigns, and conducting IT disaster recovery exercise annually to ensure business recovery objectives are met.

### Investment & Divestment Risk

At the project level, an independent risk evaluation (for projects above a stipulated investment value threshold) is conducted by the RAG to ensure that all material risks are identified and quantified. The risks of each proposal are highlighted and all parameters are benchmarked against objective market indicators and historical projects undertaken by the Group. If necessary, risk mitigating measures are proposed. To ensure that the potential returns of new investments commensurate with the risks undertaken, the weighted average cost of capital and hurdle rates for various countries and business units are computed and adopted as investment benchmarks. They are reviewed annually and, where necessary, adjusted to reflect corresponding changes in business risks and capital costs of investments. This seeks to ensure that CapitaLand's investment portfolios create value for its stakeholders on a risk-adjusted basis. Projects under development are tracked for progress update and monitored for investment performance.

### Political & Policy Risk

Given the geographical diversity of its business, CapitaLand is exposed to various levels of political and policy risks such as political leadership uncertainty, inconsistency in public policies, social unrest, change in property-related regulations etc. Such risks may threaten the economic and sociopolitical environment which may, in turn, affect the financial viability of the Group's investments. To mitigate these risks, overseas operations are managed by experienced managers and teams who are familiar with the local conditions and cultures. Risk analysis is performed to study political climate changes in establishing the respective country limits on an annual basis.

### Project Management Risk

The Group adopts a rigorous project management process to ensure that project cost, quality and time objectives are met. There are stringent pre-qualification procedures to appoint well-qualified vendors. Key criteria such as vendors' track records and financial performances are assessed. Regular site visits are conducted to closely monitor the progress of projects and manage potential risks of delays, poor workmanship and cost overruns. In-house teams comprising experienced technical staff provide guidance and independent audit checks on quality of architectural design, mechanical and engineering detailing, and safety.

### Regulatory & Compliance Risk

CapitaLand has global operations and is subject to the local laws and regulations of the markets it operates in. These include applicable listing, data privacy and anti-corruption laws and regulations. The Group has in place a framework that proactively identifies applicable laws and regulatory obligations, and embeds compliance into the day-to-day operations.

# INVESTOR & MEDIA RELATIONS

## OBJECTIVES

Provide an effective two-way communication channel between CapitaLand and investors, analysts as well as media.

Ensure timely and accurate disclosure of CapitaLand's business strategies and performance.

Maintain leadership in corporate governance by adopting best practices.

CapitaLand's senior management, Investor Relations (IR) and Group Communications teams place great importance on building good relationships with our investors, analysts and media. To help them better understand our business, we provide regular updates on our strategies, financial performance and operations through multiple platforms.

Official announcements and news releases are filed on the Singapore Exchange (SGX), updated on CapitaLand website, and issued to analysts and media for coverage. CapitaLand has a dedicated IR webpage with our announcements, IR policies and materials relating to our financial results and annual reports. Investors can sign up for email alerts to receive the latest announcements from CapitaLand. Investors can also send enquiries to the IR team through the "Contact Us" page or email [groupir@capitaland.com](mailto:groupir@capitaland.com).

To engage our key institutional investors and continuously cultivate and grow our diversified and robust shareholder base, CapitaLand's senior management and IR team actively

met up with 617 investors through 46 one-on-one meetings and teleconferences, seven conferences and eight non-deal roadshows held across Australia, Hong Kong, Japan, Korea, Malaysia, Singapore, United Kingdom and United States (U.S.) in 2017. This included our maiden non-deal roadshow in Australia where we met up with investors based in Sydney and Melbourne. CapitaLand and our five REITs, namely CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust, also jointly held a 'CapitaLand & REITs Corporate Day' in Bangkok, Thailand for the first time.

CapitaLand's management conducts biannual briefings on our half year and full year financial results for analysts and media. Investors can view live webcasts or videos of the briefings which are available on our IR webpage for up to three years. Our management and IR team also hold briefings for investors based in Singapore on our quarterly financial results.



CapitaLand familiarisation trip for media and analysts to Shenzhen, Hangzhou, Changning and Wuhan, China, June 2017

To give a first-hand experience of our iconic integrated developments, our annual familiarisation trip for analysts and media coincided with the grand openings of Raffles City Shenzhen, Raffles City Hangzhou, Raffles City Changning in Shanghai and CapitaMall Westgate in Wuhan, China in June 2017. A total of 11 analysts and five media participated in our opening celebrations.

The annual 'CapitaLand Investor Day' was another event well-received by both our equity and debt institutional investors as they got to interact with CapitaLand's management face-to-face. During the year, we also arranged 65 visits to our properties in Singapore, China and Vietnam for our investors to have a better understanding of the designs and operations of our properties.

As a testimony of our efforts to foster good relationships with the sell-side analysts, 24 analysts currently offer research coverage on CapitaLand, as disclosed on our IR webpage.

To reach out to our retail investors, we work closely with Securities Investors Association (Singapore) (SIAS) and co-organised a SIAS-CapitaLand Tea Session for retail investors before the CapitaLand annual general meeting (AGM). This additional platform allowed us to better understand and address retail investors' concerns and enquiries, and for them to interact with CapitaLand's management. In May 2017, our Head of IR and Capital Markets Compliance gave a presentation on our business to retail investors at the Corporate Connect Seminar during the SIAS Singapore Investment Week.

CapitaLand is committed to improving our corporate governance practices. The IR team works closely with the relevant corporate governance specialists to keep up-to-date with the latest developments and adopt the best practices in key areas such as board structure, remuneration and disclosures.

The Group Communications team works closely with the media to profile CapitaLand's senior management and latest developments of the Group. We communicate with our consumers and the public through print, broadcast and digital media outlets. This also includes sharing news and stories, as well as executing brand and marketing campaigns on our social media platforms via Facebook, Instagram, Twitter, LinkedIn, YouTube, and through CapitaLand's weekly lifestyle blog, INSIDE.

In 2017, CapitaLand was recognised by the investment community and IR professionals by clinching numerous prestigious awards, including

- ▶ Singapore Corporate Awards 2017 Best Managed Board for listed companies with market capitalisation of above S\$1 billion silver award,
- ▶ World Finance Best Corporate Governance in Singapore 2017 for the third year in a row which demonstrates our strong commitment to corporate governance,
- ▶ Institutional Investor 2017 All-Asia (ex-Japan) in the property sector, Best IR Professional by our Head of IR and Capital Markets Compliance, Ms Chang Rui Hua, Best IR Program (sell-side) and Best Analyst Day (overall).
- ▶ IR Magazine Awards & Conference South East Asia 2017 Best IR Officer (Large Cap) by Ms Chang Rui Hua.
- ▶ SIAS 18th Investors' Choice Awards in which CapitaLand was the biggest winner with seven awards including:
  - Golden Circle Award, the overall winner for the Singapore Corporate Governance Award,
  - winner of Big Cap (companies with market capitalisation of S\$1 billion and above) and Real Estate categories, and
  - inaugural winner of the new Sustainability Award and Shareholder Communication Excellence Award.

CapitaLand is committed to pay dividends that are sustainable to our shareholders. We paid a dividend of 10 cents per share<sup>1</sup> in 2017. Total shareholders' return<sup>2</sup> for the year was 20.2%.

1 Dividend per share declared for the financial year 2016.

2 Total return of a share to an investor (i.e. change in share price between beginning and end of the year plus dividend).

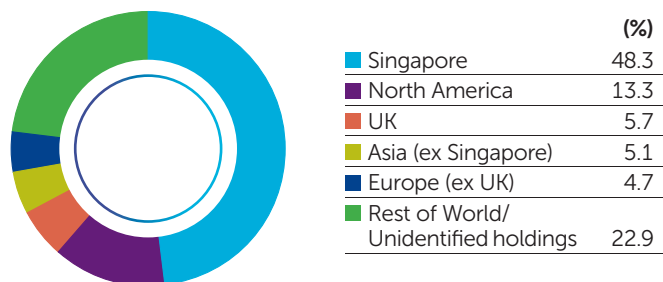
# INVESTOR & MEDIA RELATIONS

## 2017 Investor Relations Calendar

	Event
<b>Quarter 1</b>	FY 2016 Financial Results Briefing to Media and Analysts (including live webcast)
	Post FY 2016 results investors meeting hosted by Goldman Sachs
	Hong Kong Non-Deal Roadshow hosted by Nomura Singapore
	Malaysia Non-Deal Roadshow hosted by CIMB
	Seoul Non-Deal Roadshow hosted by Nomura Singapore
	Tokyo Non-Deal Roadshow hosted by Daiwa Capital Markets Singapore
	Citi 22nd Annual Global Property CEO Conference at Florida, U.S.
<b>Quarter 2</b>	SIAS-CapitaLand Tea Session
	Post 1Q 2017 results investors meeting hosted by DBS Vickers
	SIAS Corporate Connect Seminar (STI Index)
	dbAccess Asia Conference 2017
	Bank of Singapore Investor Forum
	Citi ASEAN C-Suite Investor Conference 2017
	REITs Symposium 2017 jointly organised by ShareInvestor and REIT Association of Singapore
	U.S. Non-Deal Roadshow hosted by Citi
	Nomura Investment Forum Asia 2017
Familiarisation Trip for Media and Analysts	
<b>Quarter 3</b>	1H 2017 Financial Results Briefing to Media and Analysts (including live webcast)
	Post 1H 2017 results investors meeting hosted by Bank of America Merrill Lynch
	CapitaLand & REITs Corporate Day at Bangkok hosted by DBS Vickers
	Macquarie ASEAN Conference 2017
	Citi, REITAS & SGX C-Suite Singapore REITs & Sponsors Corporate Day 2017
	Hong Kong Non-Deal Roadshow hosted by CLSA Singapore
<b>Quarter 4</b>	London & Europe Non-Deal Roadshow hosted by Macquarie Capital Securities
	CapitaLand Investor Day
	Morgan Stanley 16th Annual Asia Pacific Summit
	Australia Non-Deal Roadshow hosted by J.P. Morgan Securities

### Shareholder Base by Geographical Distribution

(As at 08 January 2018)



Note: Shareholder base excludes treasury shares

### Shareholder Base by Investor Type

(As at 08 January 2018)



Note: Shareholder base excludes treasury shares  
\* Including shares held by brokers and undisclosed holdings

## FINANCIAL CALENDAR

### Financial Year Ended 31 December 2017

<b>26 April 2017</b>	Announcement of First Quarter Results
<b>3 August 2017</b>	Announcement of Second Quarter Results
<b>8 November 2017</b>	Announcement of Third Quarter Results
<b>13 February 2018</b>	Announcement of Full Year Results
<b>30 April 2018</b>	Annual General Meeting
<b>5.00 p.m. on 10 May 2018</b>	Books Closing (Record Date)
<b>11 May 2018</b>	Books Closure
<b>18 May 2018</b>	Proposed Payment of 2017 First and Final Dividend

### Financial Year Ending 31 December 2018

<b>April 2018</b>	Proposed Announcement of First Quarter Results
<b>August 2018</b>	Proposed Announcement of Second Quarter Results
<b>November 2018</b>	Proposed Announcement of Third Quarter Results
<b>February 2019</b>	Proposed Announcement of Full Year Results

# AWARDS & ACCOLADES

## CAPITALAND LIMITED

---

### Alpha Southeast Asia 7th Annual Best Corporate-Institutional Investor Awards

- Best Annual Report in Singapore
- Most Consistent Dividend Policy (Ranked 1st)
- Best Strategic Corporate Social Responsibility (Ranked 1st)
- Most Organised Investor Relations (Ranked 2nd)
- Best Senior Management Investor Relations Support (Ranked 2nd)
- Strong Adherence to Corporate Governance (Ranked 2nd)

### Asiamoney's Best Brands in Finance Poll 2017

- Best Corporate Brand in Singapore (Ranked 1st)

### Euromoney Real Estate 2017

- Best Overall Developer in Singapore (Ranked 1st)
- Best Retail Developer in Singapore (Ranked 1st)
- Best Office/Business Developer in Singapore (Ranked 1st)
- Best Mixed-use Developer in Singapore (Ranked 1st)
- Best Overall Investment Manager in Singapore (Ranked 1st)

### FinanceAsia- Best Managed Company Poll 2017

- #1 Best Managed Company in Singapore
- #1 Best at Investor Relations in Singapore
- #1 Best at Corporate Social Responsibility
- #2 Most Committed to Corporate Governance in Singapore

### Forbes' 2017 Global 2000

- #68 – Top Regarded companies
- #450 – World's Best Employers

### Institutional Investors All-Asia Executive Team 2017

- Asia's Honored Company – Property Sector (Ranked 4th in Asia)
- Asia's Best IR Professional – Property Sector (Ranked 1st overall – Chang Rui Hua)
- Asia's Best IR Professional – Property Sector (Ranked 1st sell-side – Chang Rui Hua)
- Asia's Best Analyst Day – Property Sector (Ranked 1st overall)
- Asia's Best IR Program – Property Sector (Ranked 1st sell-side)
- Asia's Best Website – Property Sector (Ranked 3rd overall)

### IR Magazine Awards - South East Asia 2017

- Best Investor Relations Officer (Large Cap) - Chang Rui Hua
- Best in Singapore (Ranked 2nd)
- Best in Real Estate (Ranked 2nd)

### Randstad SEA Employer Brand Award 2017

- Most Attractive Employer in Singapore (Property & Real Estate)
- Top 10 Most Attractive Companies that employees and job-seekers would want to work for

## Securities Investors Association (Singapore) 18th Investors' Choice Awards

- Singapore Corporate Governance Award, Golden Circle Award
- Singapore Corporate Governance Award, Big Cap Category
- Singapore Corporate Governance Award, Real Estate Category
- Shareholder Communication Excellence Award, Big Cap Category
- Sustainability Award

## Singapore Corporate Awards 2017

- Silver award for Best Managed Board (Companies with S\$1 billion and above in market cap)

## World Finance Corporate Governance Awards 2017

- Best Corporate Governance, Singapore

## CAPITALAND SINGAPORE

---

### ASEAN Centre for Energy

- ASEAN Energy Awards 2017 – Retrofitted category (1st runner up)  
*Six Battery Road*

### Building and Construction Authority, Singapore

- Universal Design  
Platinum: *Cairnhill Nine and Ascott Orchard Singapore*  
Gold<sup>PLUS</sup>: *Sky Vue*  
Gold: *Capital Tower, Marine Blue*
- Quality Excellence Award - Quality Champion Gold<sup>PLUS</sup>

### EdgeProp Singapore Excellence Awards 2017

- Top Developers Award
- Value Creation Award

### PUB

- Water Efficiency Award  
*Asia Square Tower 2*

### Singapore Institute of Landscape Architects

- Singapore Landscape Architecture Awards 2017  
Merit Award: *Sky Vue, Urban Suites*  
Silver Award: *Cairnhill Nine and Ascott Orchard Singapore*

## CAPITALAND CHINA

---

### China-ASEAN Business Council

- Successful ASEAN Enterprises Entering China

#### China's Best Real Estate Enterprises TOP 100 (by *guandian.com*) 2017

- Best Foreign Real Estate Enterprises (Ranked No.2)

#### China Commercial Real Estate Industry Development Forum (by China Real Estate Chamber of Commerce)

- China Commercial Real Estate Benchmarking Enterprise in Asset Management

#### China Green Developer TOP 50 (by *Biaozhun007.com*)

- 2017 China Green Developer (Commercial Property Category) Top 10
- 2017 China Green Developer TOP 20

#### GoldenBee CSR China Honor Roll (GoldenBee)

- Leading Enterprise

#### The 6th BRIC Value Award (by *Yicai Media Group*)

- 2017 China's Most Invest-Worthwhile Real Estate Enterprise

#### The 15th Annual Conference of Mall China International Symposium Asia-Pacific Shopping Center Service Competitiveness Summit

- China Shopping Center Industry Outstanding Retail Management Enterprise Award

### CAPITALAND MALL ASIA

#### 7th China Commercial Real Estate Annual Meeting

- Outstanding Project  
*CapitaMall Xizhimen*

#### ASEAN Centre for Energy

- ASEAN Energy Awards 2017 - New & Existing Category (2nd Runner-Up)  
*Westgate*

#### Building and Construction Authority, Singapore

- Green Mark Platinum  
*Bedok Mall*  
*Bugis+*  
*Bugis Junction*  
*Junction 8*
- Green Mark Gold<sup>PLUS</sup>  
*Bukit Panjang Plaza*  
*Raffles City Singapore*  
*Queensbay Mall*
- Green Mark Gold  
*CapitaMall Tianfu*  
*CapitaMall Xinduxin*  
*Raffles City Ningbo*

#### Customer Experience Asia Excellence Awards 2017

- Best Customer Experience Team  
*ION Orchard*

#### National Quality Engineering Award 2017

- CapitaMall Xinduxin*

#### Singapore Retailers Association Retail Awards 2017

- Best Efforts in Advertising & Promotion  
*Plaza Singapura*
- Best Efforts in Corporate Social Responsibility  
*ION Orchard*

#### Structural Excellence Award 2017

- Grand Award for International Projects  
*Raffles City Hangzhou*

#### TheEdgeProperty.com Malaysia's Best Managed Property Awards 2017

- Strata Commercial – Silver  
*Queensbay Mall*

#### Trip Advisor Certificate of Excellence 2017

- Bugis Junction*

### CAPITALAND VIETNAM

#### Asia Pacific Property Awards

- Property Single Unit for Vietnam Award 2017  
*D1MENSION*
- Residential High-Rise Development for Vietnam Award 2017  
*Feliz en Vista*

#### GoHome Awards

- Best Overseas Property Developer (Vietnam) 2017

#### Property Guru Vietnam Property Awards

- Best Developer 2017
- Best Luxury Condo Development (Ho Chi Minh City) 2017  
*D1MENSION*
- Best Condo Architectural Design  
*Feliz en Vista*
- Best Green Development 2017  
*Seasons Avenue*
- Best High End Condo Development (Hanoi) 2017  
*Seasons Avenue*
- Best Retail Development 2017  
*The Oxygen*

#### Vietnam Economic Times Golden Dragon Awards 2017

# AWARDS & ACCOLADES

## THE ASCOTT LIMITED

---

### Business Traveller Asia-Pacific Awards 2017

- ▼ Best Serviced Residence Brand in Asia-Pacific  
*Ascott The Residence*

### Business Traveller China Awards 2017

- ▼ Best Serviced Residence Brand in China  
*Ascott The Residence*

### China Global Traveler

- ▼ China Global Travel Tested Award  
*Ascott The Residence*

### China Hotel Starlight Awards

- ▼ Best Serviced Apartment Operator of China  
*Ascott The Residence*

### CRECC Haikou Summit 2017 Asia-Pacific Hotels Cooperation Forum

- ▼ 2016-2017 Best Service Apartment Operator of Asia  
*Ascott The Residence*

### DestinAsian Readers' Choice Awards 2017

- ▼ Best Serviced Residence Brand  
*Ascott The Residence*

### Forum for Expatriate Management APAC Expatriate Management & Mobility Awards 2017

- ▼ Corporate Housing Provider of the Year  
*The Ascott Limited*

### Travel Weekly Asia 2017 Readers' Choice Awards

- ▼ Best Serviced Residence Group – Asia Pacific  
*The Ascott Limited*

## World Travel Awards 2017

- ▼ Asia's Leading Serviced Apartment Brand
- ▼ Hong Kong's Leading Serviced Apartment Brand
- ▼ Middle East's Leading Serviced Apartment Brand
- ▼ Saudi Arabia's Leading Serviced Apartment Brand
- ▼ Singapore's Leading Serviced Apartment Brand  
*The Ascott Limited*
- ▼ Philippines' Leading Serviced Apartment Brand  
*Ascott The Residence*
- ▼ Europe's Leading Serviced Apartment Brand
- ▼ France's Leading Serviced Apartment Brand
- ▼ Germany's Leading Serviced Apartment Brand
- ▼ Japan's Leading Serviced Apartment Brand  
*Citadines Apart'Hotel*
- ▼ Vietnam's Leading Serviced Apartment Brand  
*Somerset Serviced Residence*

## 10th Annual TTG China Travel Awards

- ▼ Best Serviced Residence Operator in China  
*Ascott China*



# SUSTAINABILITY MANAGEMENT

## SUSTAINABILITY COMMITMENT

CapitaLand’s sustainability strategy is aligned with its credo of ‘Building People. Building Communities.’. CapitaLand is committed to improving the economic and social well-being of its stakeholders through the development of its projects and management of its operations. In a rapidly changing business landscape, it actively embraces innovation to ensure commercial viability without compromising the environment for future generations.

CapitaLand upholds high standards of corporate governance and transparency to safeguard shareholders’ interests. It has in place an adequate and effective Enterprise Risk Management framework to enhance its business resilience and agility. CapitaLand’s proactive approach towards environmental, health and safety (EHS) management, which incorporates universal design into its developments, ensures that its properties are future-proof and sustainable. Policies and guidelines are put in place to ensure the efficient use of energy, water and other resources.

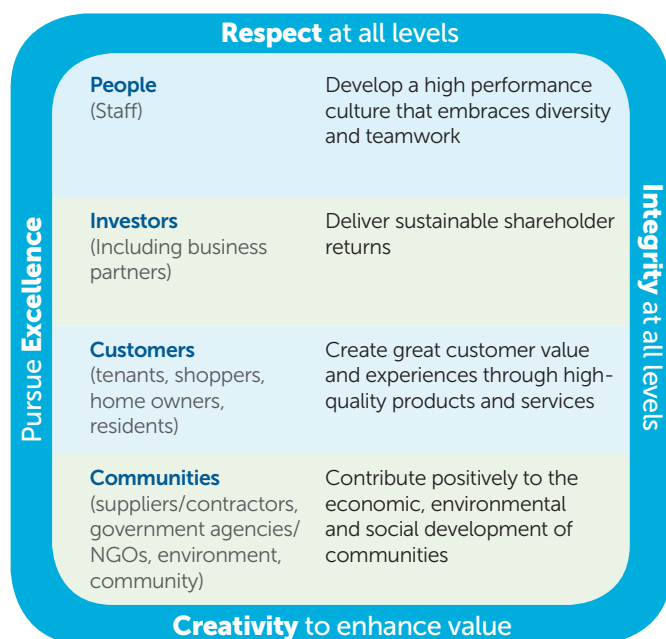
CapitaLand’s integrated human capital strategy aims to recruit, develop and motivate employees to drive growth for the Group. Community development is also an important component of CapitaLand’s commitment to sustainability. It focuses on providing support to enhance the lives of underprivileged children through corporate philanthropy and employee volunteerism.

CapitaLand was one of the first companies in Singapore to voluntarily publish its annual Sustainability Report and externally assure the entire report. Benchmarking against an international standard and framework that is externally validated helps CapitaLand overcome the challenges to sustainability reporting that arise from its diversified asset types and geographical presence. CapitaLand is also a signatory to the UN Global Compact and its Global Sustainability Report serves as its Communication on Progress, which will be made available at [www.unglobalcompact.org](http://www.unglobalcompact.org) when published. Some of CapitaLand’s key efforts and programmes in relation to UN Sustainable Development Goals (SDGs) will be included in the annual Sustainability Report 2017 when published.

For its efforts, CapitaLand is listed in the Sustainability Yearbook, Dow Jones Sustainability World Index and Asia Pacific Index, Global Real Estate Sustainability Benchmark (Regional Sector Leader for Asia, Diversified), FTSE4Good Index Series, MSCI Global Sustainability Indexes, Euronext VigeoEiris Indices World 120, STOXX® Global ESG Leaders Indices, and SGX Sustainability Indices.

CapitaLand Global Sustainability Report 2017 will be published by end May 2018 and will cover the Group’s global portfolio and employees, including its listed real estate investment trusts CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust, unless otherwise indicated. The report will be externally assured to AA1000 Assurance Standard.

### CapitaDNA (Vision, Mission, Credo and Core Values)



## BOARD STATEMENT

CapitaLand is committed to sustainability and incorporates the key principles of environment, social and governance (ESG) in setting its business strategies and operations.

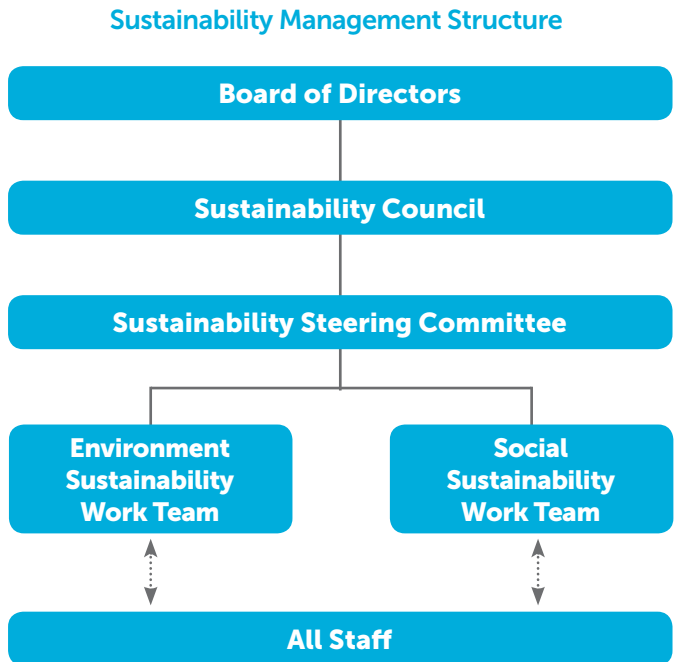
The CapitaLand Board sets the Group’s risk appetite, which determines the nature and extent of material risks that the Group is willing to take to achieve its strategic and business objectives. The risk appetite incorporates ESG factors such as fraud, corruption and bribery, environment, health and safety.

The Board also approves the executive compensation framework based on the principle of linking pay to performance. The Group’s business plans are translated to both quantitative and qualitative performance targets including sustainable corporate practices and are cascaded throughout the organisation.

# SUSTAINABILITY MANAGEMENT

## TOP MANAGEMENT COMMITMENT AND STAFF INVOLVEMENT

CapitaLand’s sustainability management comes under the purview of its Sustainability Council, comprising CapitaLand’s top management. It is supported by a Sustainability Steering Committee which oversees two work teams to ensure the Group’s continued progress and improvement in the areas of ESG. The Sustainability Steering Committee and work teams comprise representatives from all business units. The CapitaLand Board of Directors is updated regularly through the Risk Committee and Audit Committee on matters relating to sustainability risks and business malpractice incidents if any. The Board is also updated on the sustainability management performance of the Group, key material issues identified by stakeholders and the planned measures for follow up.



## MATERIALITY

CapitaLand has a regular review, assessment and feedback process in relation to ESG. Key to this is an annual Group-wide Risk and Control Self-Assessment exercise which entails the identification, assessment and documentation of material risks and corresponding internal controls. Such material risks include fraud and corruption, environmental, health and safety, and human capital risks which are relevant to ESG. Other channels for feedback include:

<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>▶ Regular dialogue/feedback sessions with government agencies (e.g. Building and Construction Authority, National Environment Agency)</li> <li>▶ Active participation in the Singapore Green Building Council</li> </ul>
<b>SOCIAL</b>	<ul style="list-style-type: none"> <li>▶ Regular dialogue with government agencies and unions</li> <li>▶ Active participation in the Singapore Workplace Safety and Health Council</li> <li>▶ Regular employee engagement survey</li> </ul>
<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>▶ Engagement with Securities Investors Association (Singapore) (SIAS) for its annual Corporate Governance Conference</li> <li>▶ Engagement where appropriate with the Singapore Exchange</li> </ul>

CapitaLand identifies and reviews material issues that are most relevant and significant to the Group and its stakeholders. These are prioritised based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to the society and applicable to CapitaLand. This report covers CapitaLand’s international portfolio in over 20 countries unless otherwise indicated. For more information on stakeholder engagement, please refer to the Social and Relationship Capital, Human Capital and Environmental Capital chapters in the upcoming CapitaLand Sustainability Report 2017.

## Prioritisation of ESG Material Issues

ENVIRONMENT	SOCIAL/ LABOUR PRACTICES	GOVERNANCE
<b>Critical</b>		
<ul style="list-style-type: none"> <li>▼ Energy efficiency</li> <li>▼ Climate change and emissions reduction</li> <li>▼ Water management</li> </ul>	<ul style="list-style-type: none"> <li>▼ Occupational health &amp; safety</li> <li>▼ Employment</li> <li>▼ Stakeholder engagement</li> <li>▼ Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>▼ Compliance</li> <li>▼ Business ethics</li> <li>▼ Product and services*</li> </ul>
<b>Moderate and emerging</b>		
<ul style="list-style-type: none"> <li>▼ Building materials</li> <li>▼ Construction &amp; operational waste</li> <li>▼ Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>▼ Diversity</li> <li>▼ Human rights</li> </ul>	

\* This includes customer health and safety.

## STAKEHOLDER ENGAGEMENT

### Employees

CapitaLand actively engages its employees through various avenues, including regular communication sessions held by senior management, for effective flow of information and alignment of business goals and objectives across all levels of its workforce.

### Customers

CapitaLand conducts regular resident satisfaction surveys in all its serviced residences and tenant surveys in its shopping malls and office buildings. The feedback obtained is reviewed and relevant follow-up actions are taken to improve residents' experience and service levels to tenants.

### Supply Chain

CapitaLand proactively engages contractors and suppliers on areas relating to quality of work and commitment to EHS. For more information, please refer to the sub-section on EHS.

CapitaLand also adopts a strong stance against bribery and corruption. Third-party service providers and contractors can provide feedback via a dedicated email address, in addition to the regular feedback channels.

### Investors and Media

For stakeholder engagement pertaining to investors and media, please refer to the section on Investor and Media Relations.

### Government Agencies and Regulators

CapitaLand participates in stakeholder consultations organised by key government agencies so as to furnish feedback on proposed regulatory changes that impact the company's business. It enables CapitaLand to be aware of industry challenges, placing the company in a better position to leverage existing and future opportunities for growth.

## HUMAN CAPITAL

CapitaLand is committed to be a workplace of choice for its employees and has an integrated human capital strategy to recruit, develop and motivate employees. CapitaLand upholds the spirit of international human rights conventions, such as the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Conventions, against coerced labour and discrimination in any form. In 2017, there was no reported incident relating to discrimination, child labour or forced labour in CapitaLand.

CapitaLand embraces diversity in various aspects including different cultures, nationalities and languages. There are more than 80 nationalities working within the Group. CapitaLand believes that regardless of ethnicity, age or gender, employees can make a significant contribution based on their talent, expertise and experience. CapitaLand's global workforce comprises an almost equal proportion of males and females, at a ratio of 48:52. The company's female employees are well represented at the middle and senior management level. In 2017, about 52% of the managerial employees and about 35% of senior management were female. About 68% of CapitaLand's global workforce was aged between 30 and 50. In 2017, CapitaLand had no employees below the age of 16.

# SUSTAINABILITY MANAGEMENT

CapitaLand adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place. CapitaLand adopts a strong stance against bribery and corruption. All employees of the Group are required to make a declaration on an annual basis when they pledge to uphold the Group's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings.

A whistle-blowing policy and other procedures are in place to provide the Group's employees and parties who have dealings with the Group with well-defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace. It also allows for the independent investigation of any reported incidents and appropriate actions for follow up. Substantiated business malpractice incidents are reported quarterly to the CapitaLand Audit Committee and shared with the Risk Champions regularly. Actions taken may include the termination of employment contracts, and/or reporting to the appropriate external authorities.

Employees are provided with suitable training to be better equipped and contribute effectively to the Group's performance. For continuous upskilling and improvement, at least 95% of employees are required to attend at least one learning event per year. In 2017, about 95% of the workforce attended at least one learning event, and the average number of training hours completed by each employee for the year was more than 59 hours, well above the target of 40 hours per annum.

A total well-being programme has been put in place in CapitaLand to promote personal development, healthy living and work-life harmony which are essential to attract, motivate and retain talent. Initiatives include a flexible medical and benefits plan, flexible work arrangements and employee engagement initiatives.

## COMMUNITY DEVELOPMENT INVESTMENT AND VALUE

Community development is a key focus of CapitaLand's sustainability strategy. This has generated strong social capital and goodwill for CapitaLand in the communities it operates in. It supports various stakeholder engagement activities which include environmental sustainability, health and safety, social integration as well as helping underprivileged children.

A registered charity in Singapore, the philanthropic arm of CapitaLand, CapitaLand Hope Foundation (CHF) invests in the fundamental needs of education, healthcare and shelter of underprivileged children to relieve them of hardship and help them to eventually break the poverty cycle. Every year, CapitaLand allocates up to 0.5% of its net profit to CHF and supports its day-to-day operations with staff from the various functional departments within the company.

In 2017, CapitaLand invested more than S\$2.9 million through CHF to benefit underprivileged children and over S\$0.5 million in other community development initiatives. To measure the impact of CapitaLand's community development investments in sustained programmes, it referenced the London Benchmark Group (LBG)<sup>1</sup> model for impact assessment. For case studies, please refer to CapitaLand Global Sustainability Report 2017 when published.

CapitaLand is a strong advocate of volunteerism and was one of the first companies to formalise three days of Volunteer Service Leave (VSL) for its staff. In 2017, over 1,600 staff in CapitaLand properties tapped on this VSL policy to volunteer more than 13,500 hours in various volunteer activities in Asia and beyond. CapitaLand encourages its staff to volunteer and over 125 staff volunteered more than 1,700 hours after office hours on CapitaLand initiatives. Based on post-volunteer surveys, more than 94% of staff volunteers feel proud working in CapitaLand, and enjoy working in a company with a positive and vibrant corporate culture.

<sup>1</sup> The LBG model is an internationally-recognised framework that enables corporations to measure their overall contribution to the community, taking into account cash, time and in-kind donations, as well as management costs.

## ENVIRONMENT, HEALTH AND SAFETY (EHS)

CapitaLand is committed to protecting the environment and upholding the occupational health and safety of its employees and ensuring a safe and healthy environment for the users of its properties. The CapitaLand EHS Management System is externally audited to achieve the International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries. CEOs are accountable for the EHS performance of their strategic business units (SBUs). All staff assume personal responsibility towards occupational health and safety (OHS). They are also encouraged to report all OHS-related incidents, including non-compliances and non-conformities to the relevant business unit management representatives. The CapitaLand EHS policy can be found at <https://www.capitaland.com/international/en/about-capitaland/sustainability.html>

The Group has incorporated EHS key performance indicators linked to the remuneration of all staff, as well as top management. These include:

- ▶ Green Building Ratings: In 2017, CapitaLand obtained 18 green building ratings.
- ▶ Energy and Water Usage Reduction: For the first nine months of 2017, the reduction in energy usage in kWh/m<sup>2</sup> was 21.9% and the reduction in water usage in m<sup>3</sup>/m<sup>2</sup> was 23.7% from the 2008 baseline, and the reduction in carbon intensity (kg/m<sup>2</sup>) was 27.5% from the 2008 baseline. Using a 'Business as Usual'<sup>2</sup> approach, it is estimated that CapitaLand avoided costs of more than S\$130 million for utilities since 2009. CapitaLand will continue to implement energy and water conservation measures to ensure efficient operations and minimise resource wastage.
- ▶ Universal Design: In 2017, CapitaLand achieved four Universal Design Mark Awards for its projects in Singapore.
- ▶ Certified Contractors: In 2017, three main contractors were appointed for new development projects, of which two are both ISO 14001 and OHSAS 18001 certified, and one is in the process of getting certified.

- ▶ Zero Fatality/Permanent Disability: Despite best efforts to ensure site safety, there was one work-related fatality of a CapitaLand staff and one work-related fatality of a contractor's staff in 2017. Appropriate actions were taken and lessons from the incidents were shared across business units, and the Group's commitment to strengthen its safety standards was reinforced.
- ▶ Stakeholder Engagement: More than 280 CapitaLand properties across Asia and Europe participated in the World Wide Fund for Nature (WWF) Earth Hour initiative.

CapitaLand continues to participate in CDP (Carbon Disclosure Project) and retained a "B" score. The Group's footprint is calculated in accordance with the Greenhouse Gas Protocol, developed by the World Resources Institute and World Business Council for Sustainable Development, which sets the global standard on how to measure, manage and report greenhouse gas emissions.

2 The assumption is that energy and water consumption in subsequent years will continue at 2008 levels (base year) unless improvement measures are adopted.

# PERFORMANCE OVERVIEW

CapitaLand Group achieved a profit after tax and non-controlling interests (PATMI) of S\$1.6 billion and return on equity of 8.5% for the full year ended 2017 (FY 2017). The 30.3% increase in PATMI was underpinned by improved operating performance, as well as higher portfolio and fair value gains from divestment of properties during the year.

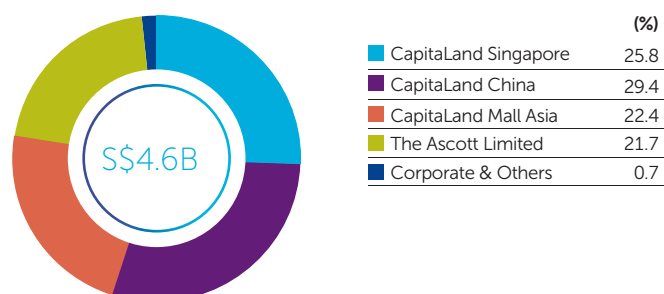
Operating PATMI improved by S\$43.0 million or 5% to a record high of S\$908.3 million on account of higher contributions from development projects in Singapore, as well as newly opened and acquired shopping malls and serviced residences.

## REVENUE

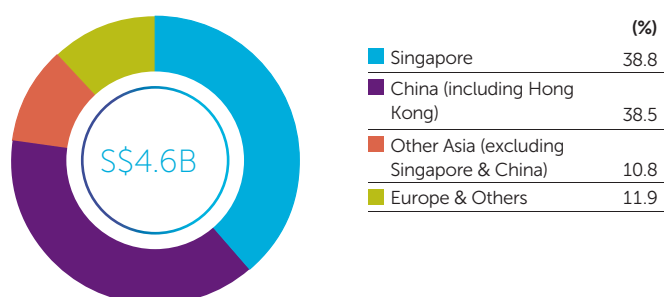
The Group's revenue decreased 12.2% to S\$4.6 billion in FY 2017, mainly attributable to lower completion and handover of units from development projects in China, partially mitigated by contributions from newly acquired and opened properties, as well as the consolidation of CapitaLand Mall Trust (CMT), CapitaLand Retail China Trust (CRCT) and RCS Trust (RCST)<sup>1</sup>. The development projects which contributed to revenue this year included Summit Era, One iPark, Century Park West, The Beaufort and International Trade Centre in China, as well as Victoria Park Villas and The Interlace in Singapore.

Geographically, the Group's core markets of Singapore and China contributed about S\$3.6 billion or 77.3% of the Group's revenue. In terms of revenue contribution by business type, the Group's trading properties in Singapore, China and Vietnam accounted for S\$2.1 billion or 45.2% of the total revenue, while its investment properties portfolio contributed S\$2.2 billion of rental and related income or 46.9% of total revenue.

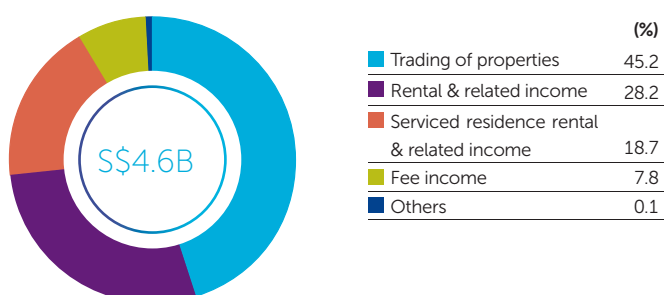
### 2017 Revenue by Strategic Business Unit



### 2017 Revenue by Geographical Location



### 2017 Revenue by Business Type



<sup>1</sup> With 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.

## EARNINGS BEFORE INTEREST AND TAX (EBIT)

The Group reported higher EBIT at S\$3.1 billion in FY 2017, an increase of 31.8%, as compared to S\$2.4 billion in FY 2016.

The details of the Group's EBIT are as follows:

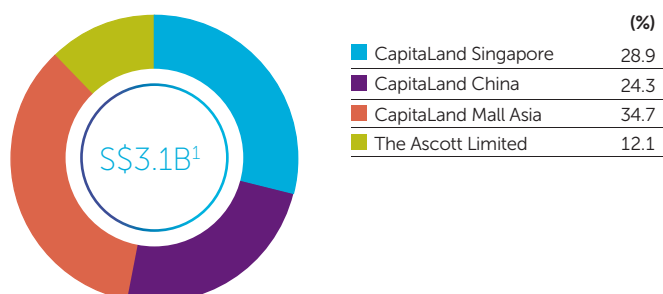
	FY 2017		FY 2016	
	S\$ million	%	S\$ million	%
Operating profits	2,136.2	69	1,906.7	81
Revaluation gains and impairments	689.6	22	392.0	16
Portfolio gains	284.7	9	60.8	3
<b>EBIT</b>	<b>3,110.5</b>	<b>100</b>	<b>2,359.5</b>	<b>100</b>

Operating profits for FY 2017 increased by 12.0% to S\$2.1 billion. The increase was mainly attributable to the gain from the sale of 45 units of The Nassim, higher contributions of rental income from newly acquired and opened properties and the consolidation of CMT, CRCT and RCST, partially offset by lower contributions from development projects in China and Vietnam, as well as the absence of fair value gains from the change in use of Raffles City Changning Tower 2 recognised in FY 2016.

In terms of revaluation of investment properties, the Group recorded a net fair value gain of S\$668.2 million in FY 2017 (FY 2016: S\$432.6 million), of which S\$307.4 million (FY 2016: S\$112.2 million) were realised revaluation gains arising from the divestment of properties. The increase in revaluation gains came mainly from investment properties in Singapore, China and Europe, partially offset by lower gains recorded by investment properties in India and Japan.

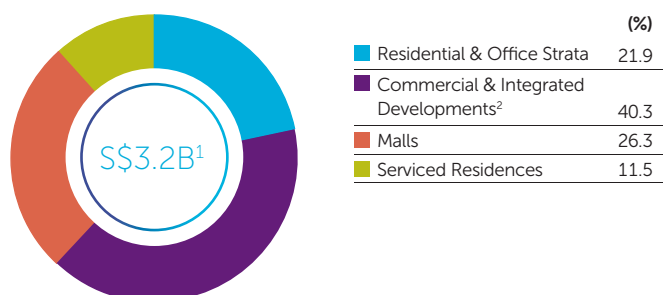
In FY 2017, the Group assessed and wrote back provisions for impairment of S\$21.4 million, mainly related to development projects in China and Vietnam upon the sale of units and accompanying price recovery. In FY 2016, the Group made a net provision of S\$40.6 million mainly in respect of development projects in Singapore.

## 2017 EBIT by Strategic Business Unit



1 Excludes loss of S\$32.5 million relating to Corporate and others which was not reflected in the chart. Corporate and others includes business in Vietnam.

## 2017 EBIT by Asset Class



1 Excludes corporate and unallocated costs of S\$61.7 million which was not reflected in the chart.

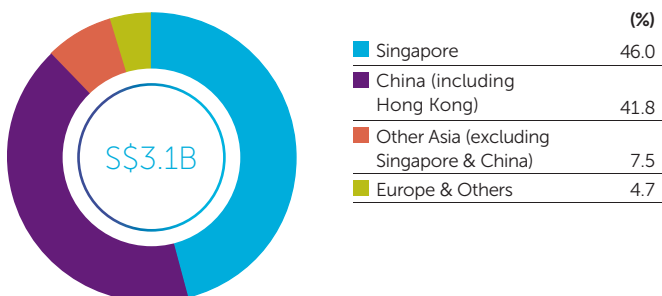
2 Excluding residential component.

# PERFORMANCE OVERVIEW

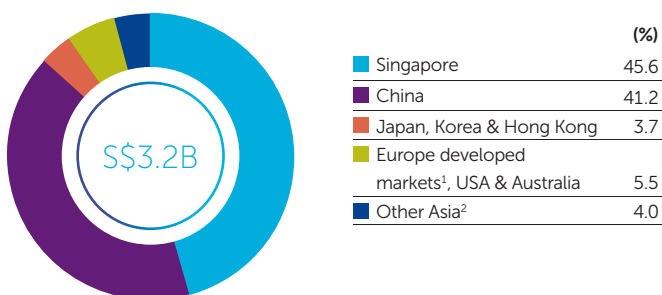
At EBIT level, the portfolio gains in FY 2017 of S\$284.7 million (FY 2016: S\$60.8 million) arose mainly from the divestments of Innov Tower in China, Wilkie Edge in Singapore, Zenith Residences in Japan, investments in Vietnam, as well as the re-measurement gain arising from the consolidation of CMT. The gains in FY 2016 arose mainly from divestments of two properties in China.

Singapore and China markets remain the key contributors to EBIT, accounting for 87.8% of total EBIT (FY 2016: 83.5%). Singapore EBIT was S\$1,429.3 million or 46.0% while China EBIT was S\$1,300.7 million or 41.8% of total EBIT. Approximately 78.1% of the Group's EBIT came from its investment properties portfolio which is recurring in nature. In addition, approximately 54.8% (FY 2016: 44.3%) of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) were from developed markets in Singapore, Europe, United States of America, Australia, Japan, Korea and Hong Kong.

## 2017 EBIT by Geographical Location



## 2017 EBITDA by Geographical Location

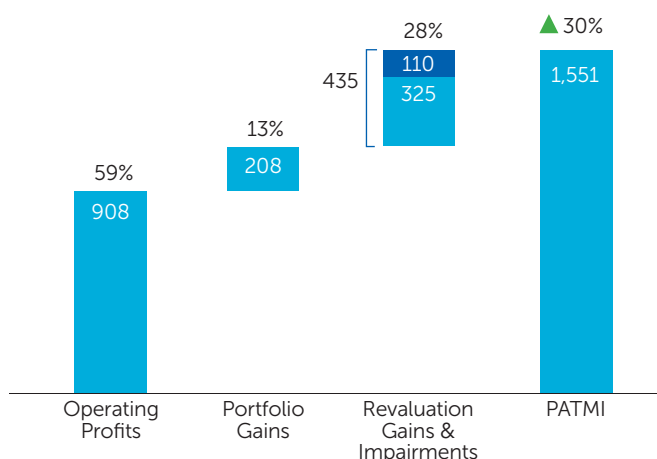


1 Includes UK, France, Germany, Spain, Belgium and Ireland.  
2 Excludes Singapore, China, Japan, Korea and Hong Kong.

## PATMI

Overall, the Group achieved a PATMI of S\$1.6 billion in FY 2017, 30.3% higher than FY 2016 of S\$1.2 billion. Operating PATMI for FY 2017 increased S\$43.0 million or 5.0% to a record high of S\$908.3 million, on account of higher contributions from development projects in Singapore and newly acquired and opened shopping malls and serviced residences. The increase in total PATMI was also due to higher portfolio and fair value gains from divestments of Innov Tower in China, One George Street and Wilkie Edge in Singapore, as well as serviced residence properties in Germany, China and Japan.

## FY 2017 PATMI Analysis (S\$ million)



Realised revaluation gains from divestment of Citadines Frankfurt, Citadines Hamburg, One George Street, Wilkie Edge, Citadines Biyun Shanghai, Citadines Gaoxin Xian, Golden Shoe Carpark, Funan (SR) & 6 India Malls

## DIVIDENDS

The Board of Directors is pleased to propose a tax-exempt ordinary dividend of 12 cents per share in respect of the financial year ended 31 December 2017 (2016: 10.0 cents per share). This amounts to a payout of approximately S\$509.7 million, which is 32.9% of PATMI, based on the number of issued shares (excluding 27,091,388 treasury shares) as at 31 December 2017. The dividends are subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

For FY 2016, a first and final dividend of 10.0 cents per share was approved and paid. The said dividends of S\$424.7 million were paid in May 2017.



## ASSETS

The Group's total assets as at 31 December 2017 were S\$61.4 billion. Singapore and China assets accounted for approximately 82.9% of the Group's total assets. Total assets increased by S\$15.7 billion or 34.3% as compared to FY 2016, mainly due to the consolidation of CMT, CRCT and RCST which were previously equity accounted for as associates or joint venture. The increase in total assets during the year was also attributed to acquisitions of a portfolio of four properties in Japan, an office building each in Singapore, China, and Germany, partially offset by divestments of properties in Singapore and China.

As at 31 December 2017, investment properties made up approximately 82% (FY 2016: 76%) of the Group's assets, while the remaining 18% (FY 2016: 24%) are mainly from trading properties. The increase was mainly due to the consolidation of the investment properties portfolios of CMT, CRCT and RCST. On an effective share basis, the proportion of investment properties to trading properties was about 80:20. This asset mix enabled us to deliver a steady stream of recurring income from our investment properties, whilst we continued to realise a significant contribution from our trading properties.

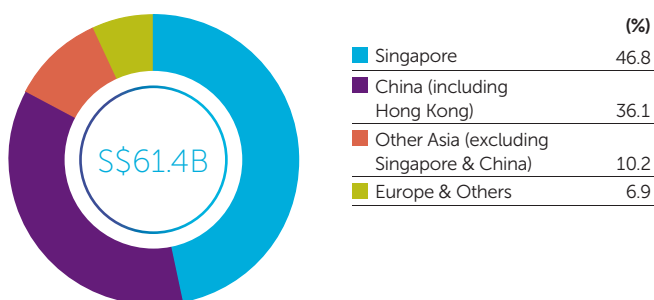
The Group continues to grow its assets under management, and as at 31 December 2017, the Group managed S\$88.8 billion\* of real estate assets, 13% higher than FY 2016, which strengthens its position as one of Asia's largest real estate companies.

## BORROWINGS

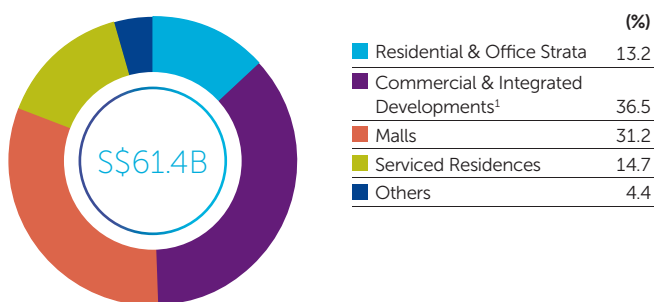
As at 31 December 2017, the Group's gross debt stood at S\$21.7 billion. With a cash balance of S\$6.1 billion, the net debt as at 31 December 2017 was S\$15.6 billion. The increase in net debt was mainly due to the consolidation of CMT, CRCT and RCST, and additional loans taken to fund the Group's investments and ongoing development expenditure for projects under construction.

\* This refers to the value of all real estate managed by CapitaLand Group entities stated at 100% of the property carrying value.

### 2017 Total Assets by Geographical Location



### 2017 Total Assets by Asset Class



1 Excludes residential component.

## SHAREHOLDERS' EQUITY

As at 31 December 2017, issued and paid-up ordinary share capital (excluding treasury shares) of the Company comprised 4.2 billion shares at S\$6.3 billion. The Group's total reserves increased to S\$12.1 billion from S\$11.3 billion in December 2016. The increase was mainly due to S\$1.6 billion net profit for the year, partially offset by exchange losses from the translation of foreign operations arising from the appreciation of SGD against the RMB, MYR and VND during the year, as well as the payment of the 2016 dividends.

As at 31 December 2017, the Group's total shareholders' funds was S\$18.4 billion (FY 2016: S\$17.6 billion) and net tangible assets per share was S\$4.20 (FY 2016: S\$4.05).

# PERFORMANCE OVERVIEW

## TREASURY HIGHLIGHTS

	2017	2016
<b>Bank Facilities And Available Funds</b> (S\$ million)		
Bank facilities available <sup>1</sup>	19,814	13,468
Amount utilised for loans	11,465	7,347
Available and unutilised	8,349	6,121
Cash and cash equivalents	6,105	4,793
Unutilised facilities and funds available for use	14,454	10,914
<b>Debt Securities Capacity</b> (S\$ million)		
Debt securities capacity <sup>2</sup>	29,313	16,765
Debt securities issued (net of debt securities purchased)	10,230	7,505
Unutilised debt securities capacity	19,083	9,260
<b>Leverage Ratios</b> (S\$ million)		
Gross debt	21,695	14,852
Cash and cash equivalents	6,105	4,793
Net debt	15,590	10,059
Equity	32,083	24,300
Net debt equity ratio (times)	0.49	0.41
Total assets (net of cash)	55,340	40,948
Net debt/Total assets (net of cash) (times)	0.28	0.25
<b>Secured Debt Ratio</b> (S\$ million)		
Secured debt	5,775	4,922
Percentage of secured debt	27%	33%
<b>Interest Cover Ratio</b> (S\$ million)		
Earnings before net interest, tax, depreciation and amortisation <sup>3</sup>	3,444	2,623
Net interest expense	425	401
Interest cover ratio (times)	8.1	6.5
<b>Interest Service Ratio</b> (S\$ million)		
Operating cashflow before interest and tax	3,185	4,107
Net interest paid	475	397
Interest service ratio (times)	6.7	10.3

1 Committed and uncommitted facilities in place.

2 Includes outstanding bond issuances and capital market programmes established.

3 Exclude share of taxes from associates and joint ventures.

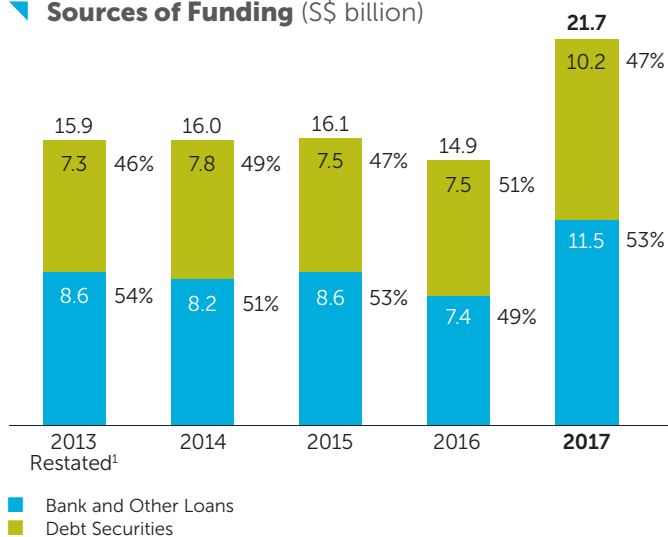
## OVERVIEW

The Group maintains a prudent capital structure and actively reviews its cashflows, debt maturity profile and overall liquidity position on an ongoing basis. The main sources of the Group's operating cashflows are derived from residential sales, fees and rental income from its commercial and integrated developments, shopping malls and serviced residence businesses. To support its funding requirements, investment needs and growth plans, the Group actively diversifies its funding sources by putting in place a combination of bank facilities and capital market issuances.

The Group's total gross debt of S\$21.7 billion was higher compared to S\$14.9 billion as at 31 December 2016. Net debt as at 31 December 2017 was S\$15.6 billion compared to S\$10.1 billion as at 31 December 2016. The higher net debt was mainly due to the consolidation of CapitaLand Mall Trust (CMT), CapitaLand Retail China Trust (CRCT) and RCS Trust (RCST) from August 2017 onwards and additional loans taken to fund the Group's investments and ongoing development expenditure for projects under construction. CMT, CRCT and RCST were previously equity accounted as associates or joint ventures. As a result, the Group's net gearing as at end 2017 was higher at 0.49 times as compared to 0.41 times as at end 2016.

Finance costs for the Group were S\$486.7 million for the year ended 2017. This was about 8% higher compared to S\$452.6 million in 2016. Finance costs were higher mainly due to the larger debt position from the consolidation of CMT, CRCT and RCST. However, average cost of borrowings at 3.2% was lower as compared to 3.3% in 2016.

### Sources of Funding (S\$ billion)



<sup>1</sup> Comparatives for 2013 have been restated to take into account the retrospective adjustments relating to FRS110 Consolidated Financial Statements.

## SOURCES OF FUNDING

As at year end, 53% of the Group's total debt was funded by bank borrowings and the balance 47% was raised through capital market issuances. The Group continues to seek diversified and balanced sources of funding to ensure financial flexibility and mitigate concentration risk.

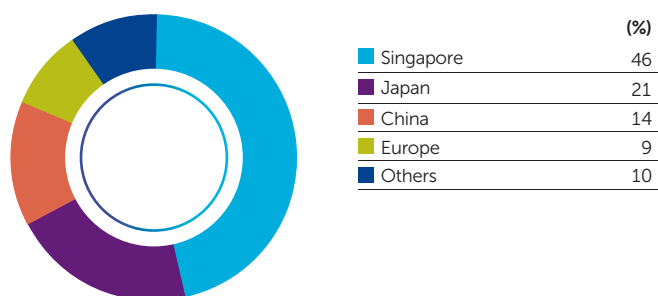
### AVAILABLE LINES BY NATIONALITY OF BANKS

The Group has built up an extensive and active relationship with a network of more than 30 banks of various nationalities. Diversity has allowed the Group to tap on the strength and support from financial institutions in pursuing its strategic growth and presence globally, thus enhancing its competitiveness in core markets and enabling the Group to develop other markets where appropriate.

As at end 2017, the Group was able to achieve 98% of its funding from committed facilities. The balance 2% was funded by flexible uncommitted short term facilities.

As part of its financial discipline, the Group constantly reviews its portfolio to ensure that a prudent portion of committed funding is put in place to match each investment's respective planned holding period. Committed financing is secured whenever possible to ensure that the Group has sufficient financial capacity and certainty of funding to support its operations, investments and future growth plans.

### Available Lines by Nationality of Banks



# PERFORMANCE OVERVIEW

## DEBT MATURITY PROFILE

The Group has proactively built up sufficient cash reserves and credit lines to meet its short term debt obligations, support its refinancing needs and pursue opportunistic investments. The Group maintains a healthy balance sheet and has unutilised bank facilities of about S\$8.3 billion. To ensure financial discipline, the Group constantly reviews its loan profile so as to mitigate any refinancing risks, avoid concentration and extend its maturity profile where possible. In reviewing the maturity profile of its loan portfolio, the Group also takes into account any divestment or investment plans, interest rate outlook and the prevailing credit market conditions.

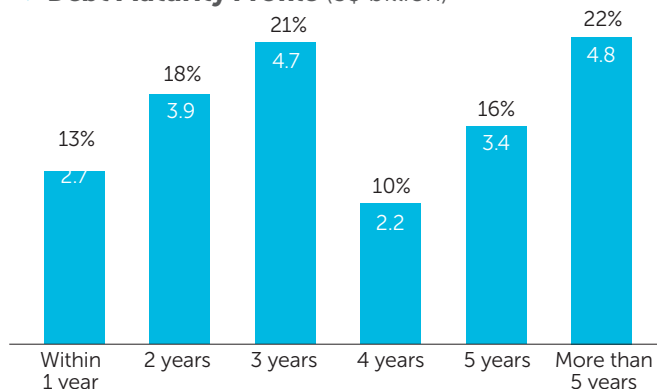
## INTEREST RATE PROFILE

The Group manages its finance costs by maintaining a prudent mix of fixed and floating rate borrowings. As at 31 December 2017, the fixed rate borrowings constituted 69% of the portfolio and the balance of 31% were on floating rate basis. As finance costs constitute a major component of the Group's operating costs, a higher percentage in fixed rate funding offers funding cost certainty. In managing the interest rate profile, the Group takes into account the interest rate outlook of its loan portfolio, holding periods of its investment portfolio, certainty of its planned divestments and operating cashflow generated from its various business units.

## INTEREST COVER RATIO AND INTEREST SERVICE RATIO

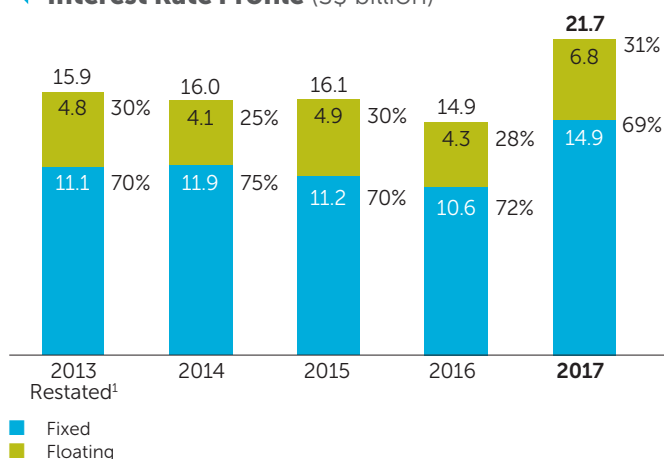
The Interest Cover Ratio (ICR) and Interest Service Ratio (ISR) was 8.1 times and 6.7 times respectively. ICR was higher at 8.1 times compared to 6.5 times in 2016, primarily due to higher earnings before net interest, tax, depreciation and amortisation for the year from the sale of The Nassim, higher contributions from development projects in China and rental income due to the consolidation of CMT, CRCT and RCST. ISR was lower at 6.7 times compared to 10.3 times in 2016 due to lower cashflows generated from development projects and operations.

### Debt Maturity Profile (S\$ billion)

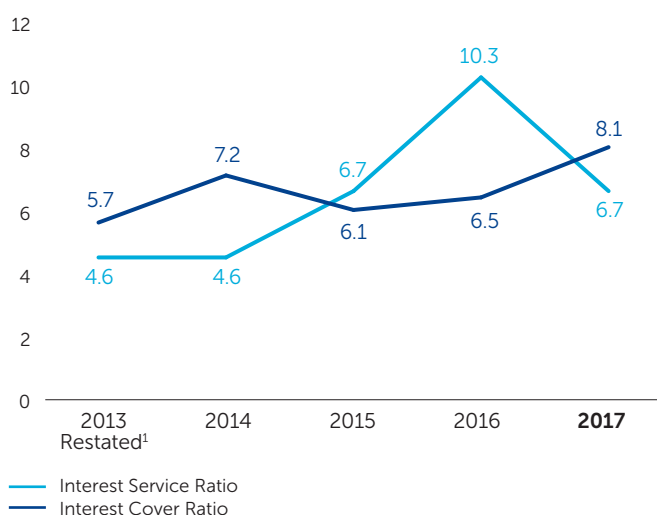


Note: Convertible Bonds are reflected as held till final maturity

### Interest Rate Profile (S\$ billion)



### Interest Cover Ratio and Interest Service Ratio (Times)



<sup>1</sup> Comparatives for 2013 have been restated to take into account the retrospective adjustments relating to FRS110 Consolidated Financial Statements.

# CAPITALAND SINGAPORE

Singapore's residential market recorded strong sales of 10,566 new private homes in 2017, an increase of 32.5% from the 7,972 new private homes sold in 2016. This is the first year that new home sales crossed 10,000 units since 2014, after the implementation of the total debt servicing ratio (TDSR) framework in June 2013. Market sentiments improved after the government relaxed seller's stamp duties and total debt serving ratio restrictions in March 2017. Private home prices rose in the second half of 2017 after 15 consecutive quarters of decline. Year-on-year, prices rose 1.1% in 2017, in contrast to the 3.1% decline in 2016.

Singapore's Central Business District (CBD) Core office occupancy rate was 93.8% as at end 2017 (2016: 95.8%) and average monthly Grade A office market rent was 3.3% higher year-on-year at S\$9.40 per square foot (psf) as at 31 December 2017 (2016: S\$9.10 psf). With a lower amount of new supply expected from 2018 to 2021 and high level of pre-commitments secured for the larger new buildings, the outlook for rental growth looks positive.

## DELIVERING QUALITY HOMES

In 2017, CapitaLand sold 407 residential units (2016: 571 units) with a total sales value of S\$1.48 billion (2016: S\$1.42 billion). Cairnhill Nine, launched in 2016 is fully sold, while The Interlace and d'Leedon were 99% sold as at 31 December 2017.

Marine Blue was officially launched on 18 March 2017 to attract young professionals, couples and families who want flexible and quality living spaces in the east of Singapore. The 'Stay-Then-Pay' programme was introduced in March and October 2017 at two residential projects – Marine Blue and Sky Habitat – where buyers can move into the units after making a 10% downpayment and pay the remaining 90% one year after exercising the option to purchase. About 91 units at Sky Habitat and 63 units at Marine Blue were sold in 2017.

Victoria Park Villas, the exclusive and luxurious landed housing development in the prime District 10, will be completed in 2018. Of the total 106 semi-detached houses and three bungalows in the development, 103 have been sold as at 31 December 2017.

We will continue to evaluate and source for well-located sites to replenish our pipeline of homes, adopting a disciplined approach in our proposals. On 13 February 2018, CapitaLand successfully acquired the centrally located Pearl Bank Apartments through a private treaty collective sale for S\$728 million.

## RECONSTITUTION OF OFFICE PORTFOLIO FOR FUTURE GROWTH

CapitaLand's portfolio of commercial properties held through CapitaLand Commercial Trust (CCT) reported a stable committed occupancy rate of 97.3% as at 31 December 2017 (2016: 97.1%). This was achieved through proactive leasing strategies and forward renewals of leases as well as contribution from the newly acquired Asia Square Tower 2, a premium grade A office tower. Average monthly rental for CCT's office portfolio was S\$9.74 psf as at 31 December 2017 (2016: S\$9.20 psf).

As part of CCT's active capital recycling strategy, One George Street and Wilkie Edge were divested for prices which were 16.7% and 39.3% above their respective 31 December 2016 valuation. CCT proactively reconstituted its portfolio for future growth through astute deployment of divestment proceeds into newer and higher yielding assets in 2017. On 1 November 2017, CCT extended its footprint into Marina Bay with the acquisition of Asia Square Tower 2. The acquisition was funded using divestment proceeds from the sale of One George Street (50.0% interest) and Wilkie Edge, bank borrowings and a rights issue which raised gross proceeds of approximately S\$700 million.

Together with joint venture partners, CCT and Mitsubishi Estate Co., Ltd (MEC), CapitaLand embarked on the redevelopment of Golden Shoe Car Park at Raffles Place into a S\$1.8-billion landmark integrated development. CapitaLand's interest is 45.0%, while CCT and MEC owns 45.0% and 10.0% respectively. Groundbreaking took place on 9 February 2018 and target completion is in 1H 2021.

## PURSuing GROWTH IN MALAYSIA AND INDONESIA

In 4Q 2017, CapitaLand entered into a joint venture with a Malaysian third party to develop about 500 units of new residential homes on a 2.27-hectare freehold land within a master-planned township in Kuala Lumpur, Malaysia.

CapitaLand's first integrated development in Indonesia, The Stature Jakarta, begun piling works in 4Q 2017 and is expected to be completed by end 2020. Strategically located in a prestigious area in Jakarta's CBD, the development comprises a luxurious 29-storey residential tower with 96 exclusive units known as Stature Residences; a 24-storey premium serviced residence tower; a 20-storey office building designed to Grade A specifications; as well as lifestyle retail outlets.

# CAPITALAND CHINA

In 2017, CapitaLand continued to grow its China portfolio through acquisitions and drive its integrated development strategy in five core city clusters, namely, Shanghai/Hangzhou/Suzhou/Ningbo, Beijing/Tianjin, Guangzhou/Shenzhen, Chengdu/Chongqing/Xi'an and Wuhan. CapitaLand also accelerated its digital business transformation by leveraging new technologies and strategic partnerships to improve its offerings.

## HEALTHY RESIDENTIAL SALES

In 2017, CapitaLand sold 8,497 residential units in China with a total sales value of RMB15.4 billion (S\$3.1 billion). The sales were mainly from La Botanica in Xi'an, The Metropolis in Kunshan, Città di Mare in Guangzhou, Raffles City Residences in Chongqing, Vermont Hills in Beijing, New Horizon in Shanghai, Summit Era in Ningbo, and Sky Habitat – the SOHO units of Raffles City Hangzhou.

## RECORD OPENING OF INTEGRATED DEVELOPMENTS

In 2017, CapitaLand marked a new milestone with the successful opening of Capital Square in Shanghai, and the retail component of Raffles City Shenzhen, Raffles City Changning and Raffles City Hangzhou. These properties represent CapitaLand's new generation of integrated developments, which are larger in size, incorporate richer offerings, and leverage on smart technologies to deliver seamless offline and online customer experience.

## PROACTIVE PORTFOLIO RECONSTITUTION

In June 2017, CapitaLand acquired Innov Center (formerly Guozheng Center), a newly completed office in Shanghai's Yangpu District. In tandem with the acquisition, CapitaLand divested Innov Tower, an eight-year-old office located in Shanghai's Xuhui District. The divestment of Innov Tower allowed CapitaLand to unlock and realise the value of a stabilised asset, while the acquisition of Innov Center allows immediate redeployment of capital to another quality income-generating asset.

Riding on the strong leasing momentum of Innov Center, CapitaLand entered into an agreement to acquire an office site next to it, making it a second investment in Shanghai's office market in six months. CapitaLand plans to develop the site into a Grade A office with specifications different from Innov Center to widen the appeal of its office offerings in the area, and serve the needs of existing tenants seeking expansion and upgrading opportunities.

## ENGAGING CUSTOMERS OFFLINE AND ONLINE

To enhance engagement with customers, CapitaLand's digital membership platform, CapitaStar, launched its app in China in April 2017. The app empowers customers to interact with CapitaLand both offline and online through features such as digital payment, facial recognition and augmented reality.

In November 2017, the "IE Singapore – CapitaLand Tech & Innovation Summit" was held in Beijing to accelerate cross-border innovation and knowledge-sharing between Singapore and China. At the Summit, CapitaLand also sealed technology collaborations with leading Chinese players to roll out new initiatives such as facial recognition technology at CapitaLand properties. The Group also entered into a tripartite partnership with IE Singapore and Chinese coworking space operator UCOMMUNE (formerly UrWork) to expand coworking partnership and incubate startups.

## CONSTRUCTION MILESTONE FOR RAFFLES CITY CHONGQING ON TRACK

The construction of Raffles City Chongqing has been progressing well and the mega integrated development remains on track to complete progressively from the second half of 2018 onwards. In December 2017, Raffles City Chongqing began erecting The Conservatory, which is the world's highest sky bridge linking four of the 250-metre tall towers in the eight-tower development. Hoisting the middle steel segments of The Conservatory – each weighing up to 1,100 tons – to the designated height of 250 metres marked a world first.

## LOOKING TOWARDS THE FUTURE

China's GDP grew 6.9% in 2017 as the Chinese economy continued its steady transition from high-speed to high-quality growth. The Chinese government's Belt and Road initiative continued to gain momentum and 2018 will mark the 40th anniversary of China's reform and opening-up.

CapitaLand remains confident of the growth prospects of China and will continue to leverage its real estate expertise to deepen its presence in the core city clusters. It is also well-poised to bring to customers unprecedented experiences by integrating shopping, working and living with digital solutions.

# CAPITALAND VIETNAM

2017 marks a record year of growth for CapitaLand in Vietnam with the highest value in home sales achieved. CapitaLand also made strategic inroads beyond the residential market, and expanded its footprint in the country with the acquisition of its first prime commercial asset.

In Ho Chi Minh City, d'Edge Thao Dien, a 273-unit residential development achieved record sales, selling out in less than two months after its launch in July. This is a testament of customers' confidence in the CapitaLand brand and underscores strong demand for quality projects in Vietnam.

In the same month, CapitaLand also launched D1MENSION in Ho Chi Minh City. Located in District 1, it is the city's first branded residence comprising a luxury residential tower and a serviced residence, both managed by The Ascott Limited which will also offer concierge services to the residents.

In Hanoi, the 1,300-unit Seasons Avenue, located at the heart of the New Urban Area, topped out on schedule in March 2017 and has sold more than 80% of the units as at 31 December 2017.

In November 2017, CapitaLand strengthened its foothold in Vietnam with its ninth residential development in Ho Chi Minh City and 11th residential development in the country. The 1.45-hectare site in District 4, will be developed into an 870-unit residential development with a retail component at a total value of US\$177 million (about S\$247 million).

In January, CapitaLand made its first foray into the Vietnam commercial real estate market. It acquired a prime site in the Central Business District of Ho Chi Minh City to develop an international Grade A office tower which will feature a direct connection to an upcoming metro station. The development is slated for completion in 2020.

With a 23-year track record delivering quality projects, CapitaLand is committed to be a long-term partner in Vietnam's growth story. We will continue to explore opportunities to grow our market share.



D1MENSION, Ho Chi Minh City

# CAPITALAND MALL ASIA

As at 31 December 2017, CapitaLand's retail network comprised 103 shopping malls in Singapore, China, Malaysia, Japan and India with a total gross floor area (GFA) of about 98.6 million square feet. Of these, 91 malls are operational and 12 are under development.

For the year under review, CapitaLand's malls continued to perform well in its core markets of Singapore and China, recording increases in net property income, shopper traffic and tenants' sales.

## RECORD MALL OPENINGS

2017 saw CapitaLand's largest ever retail GFA offering in a single year, with close to 1 million square metres (sq m) of retail GFA across eight developments in three countries turning operational. Of these, six are retail components of integrated developments in China, namely Raffles City Changning in Shanghai, Raffles City Shenzhen, Raffles City Hangzhou, CapitaMall Westgate in Wuhan, Capital Square in Shanghai and Suzhou Center Mall. Being a part of integrated developments enables these malls to tap into ready catchments of residents, working professionals and travellers who live, work and play all in one central location.

The opening of Suzhou Center Mall, the largest mall in Suzhou with 300,000 sq m of GFA, marked two milestones for CapitaLand - its first mall in Suzhou, and the largest mall in its portfolio. The mall opened with a high commitment of more than 90%, and attracted over 400,000 shoppers on its first day.

In Kuala Lumpur, Malaysia, CapitaLand celebrated the opening of Melawati Mall, its first green field mall in the country. CapitaLand also opened SingPost Centre, the first third-party mall it is managing in Singapore.

## PROACTIVE PORTFOLIO RECONSTITUTION

In 2017, CapitaLand strengthened its foothold in Greater Tokyo, Japan, by acquiring a portfolio of four income-producing office and retail assets. Immediately accretive with upside potential, the portfolio provides CapitaLand with a stable source of income as it continues its business expansion.

In China, CapitaLand formed a joint venture with CapitaLand Retail China Trust to acquire Rock Square, a leading operational mall in Guangzhou. The acquisition represents a rare opportunity to raise CapitaLand's exposure to the high-growth retail market in a first-tier Chinese city, and effectively doubles its retail presence in Guangzhou, where it already owns CapitaMall SKY+.

As part of its portfolio reconstitution strategy, CapitaLand divested its stakes in six malls in India. CapitaLand continues to review opportunities in India with a focus on dominant assets in top tier cities.

## ASSET-LIGHT EXPANSION

In the year, CapitaLand gained momentum with its asset-light expansion strategy and signed four management contracts in China and one in Singapore. These additions bring the number of its managed malls for third parties to a total of seven. Management contract is an efficient way of expanding CapitaLand's mall network, and building another source of recurring revenue through management fees.

## INNOVATING THE FUTURE OF RETAIL

As part of its digital business transformation, CapitaLand launched an online mall on Lazada, Southeast Asia's largest ecommerce marketplace. The initiative positions CapitaLand as Singapore's first omni-channel retail landlord that connects retailers to shoppers both offline and online, complemented by a click-and-collect service in CapitaLand malls.

An advocate of retail space innovation, CapitaLand is taking the opportunity of redeveloping Funan to envision a mall of the future. As part of this vision, Funan launched its interactive Showsuite featuring cutting-edge immersive virtual reality simulation technology, breaking new ground as the first retail Showsuite in Singapore that is open to the public. Construction of Funan is progressing well and the integrated development is on track to open in 2019.

## LOOKING AHEAD

CapitaLand will continue to optimise its retail network with a focus on dominant assets located in core cities through a three-pronged approach of acquisitions, management contracts and proactive asset management. CapitaLand will also deepen its focus on omni-channel retailing as part of its digital roadmap to future-enable its malls and retail services.



# THE ASCOTT LIMITED

The Ascott Limited (Ascott) owns and manages a portfolio of quality serviced residences and award-winning brands across 128 cities in 32 countries in the Americas, Asia Pacific, Europe, the Middle East and Africa.

## ANOTHER YEAR OF RECORD GROWTH

2017 was Ascott's strongest year with around 24,000 units added to its portfolio. As of 31 December 2017, Ascott manages close to 72,000 units, of which about 43,000 are operational and 29,000 are under development.

Ascott also opened around 3,800 units, including its first properties in Cambodia and Turkey. The operational units contributed S\$166 million of hospitality management and service fee. Its Revenue Per Available Unit (RevPAU) remained stable at S\$119 on a same-store basis.

## EXPANDING THROUGH STRATEGIC INVESTMENTS

Ascott made two major investments in Australia and the U.S. It acquired an additional 60% stake in Quest Apartment Hotels for A\$180 million (S\$191 million), increasing its stake to 80%. Ascott also acquired an 80% stake in Synergy Global Housing. These will enhance Ascott's global operating platform and further strengthen its extensive range of world-class serviced residences.

Ascott expanded its presence in the U.S. with the addition of three prime properties. It invested around US\$50 million (S\$68 million) to acquire Hotel Central Fifth Avenue New York, which will be renovated and rebranded into Citadines Fifth Avenue New York. This marks the debut of Ascott's first Citadines-branded serviced residence in the U.S. Ascott forayed into Silicon Valley, California, with the acquisition of The Domain Hotel, investing US\$58.2 million (S\$81.5 million). The 136-unit hotel will be refurbished and rebranded into Citadines Cupertino Sunnyvale in 2018. Ascott Residence Trust acquired its third U.S. property, the 224-unit DoubleTree by Hilton Hotel New York – Times Square South for US\$106 million (S\$148.4 million). As part of its strategic partnership with Quest, Ascott also acquired its first serviced residence in Brisbane, the 100-unit Quest Cannon Hill for A\$24 million (S\$25 million).

Through its US\$600 million serviced residence global fund with Qatar Investment Authority (QIA), Ascott invested S\$170.3 million to acquire and develop the 279-unit lyf Funan Singapore, solidifying its position as the largest serviced residence provider in Singapore. In Indonesia, Ascott acquired the 192-unit Ascott Sudirman Jakarta for S\$74.3 million. As at 31 December 2017, Ascott's six acquisitions in partnership with QIA amount to US\$450 million (S\$607 million).

## TARGETING THE MILLENNIALS

Ascott's millennial-targeted brand, lyf also clocked a milestone with the launch of the industry's first-of-its-kind living lab in Singapore to field test various coliving concepts with the Singapore Management University (SMU), namely lyf@SMU. This can help to better tailor the lyf brand to the millennial-minded travellers. To date, Ascott has secured five lyf properties in China, Singapore and the Philippines<sup>1</sup>.

## CHARTING NEW FRONTIERS

In 2017, Ascott entered 21 new cities across 11 countries. It entered São Paulo, Brazil through franchise agreements for two serviced residences and deepened its presence in China with management contracts in six new cities<sup>2</sup>. Ascott also added a new continent, Africa by securing contracts to manage two properties, the 220-unit Ascott 1 Oxford Street and 40-unit Kwarleyz Residence, in the heart of Accra, the capital of Ghana and one of Africa's top cities for investment.

## ENHANCING ASSETS THROUGH PROACTIVE MANAGEMENT

To enhance customer experience and drive organic growth, Ascott has been upgrading its properties through asset enhancement programmes. Double-digit improvements in the Average Daily Rates were recorded in refurbished properties such as Citadines Barbican London, Somerset Ho Chi Minh City and Somerset Millennium Makati.

## DELIVERING AWARD-WINNING HOSPITALITY

Ascott's commitment towards delivering consistent high-quality accommodation options and services was recognised with over 130 accolades in 2017, the largest number of awards garnered in a year<sup>3</sup>.

## LOOKING AHEAD

Ascott's diversified global platform is expected to surpass its 2020 target of 80,000 units by 2018 and is now focused on further scaling up to 160,000 units in the next five years, through securing management contracts, franchises, investments and establishing strategic partnerships. Through the expansion, management fees will contribute increasingly to the Group's return on equity over time. To better position for the future, Ascott will continue to harness digital innovation and technology to enhance customer experience.

1 The five properties are namely lyf Wu Tong Island Shenzhen, lyf DDA Dalian, lyf Funan Singapore, lyf Cebu City and lyf Farrer Park Singapore.

2 The six cities are namely Handan, Harbin, Kunming, Xuzhou, Yichang and Zhuhai.

3 For full list of awards, please refer to the section on "Awards & Accolades".

# CAPITALAND INVESTMENT MANAGEMENT

CapitaLand manages a total of 15 private vehicles and five listed Real Estate Investment Trusts (REITs) with an aggregate Assets Under Management (AUM) of S\$51.2 billion. The majority of the assets managed are located in Asia Pacific, with sizeable presence in Singapore (41.0%) and China (47.5%).

CapitaLand has a dedicated Investment Management business which explores opportunities with the Group's business units to grow the private vehicles platform. As a real estate developer-owner-manager with multi-sector expertise and deep local knowledge of the various markets it invests in, CapitaLand provides its capital partners access to a broad variety of investment opportunities. Further, CapitaLand uses its operational expertise to enhance cash flow, optimise the value of underlying assets and produce long term risk-adjusted returns for its capital partners.

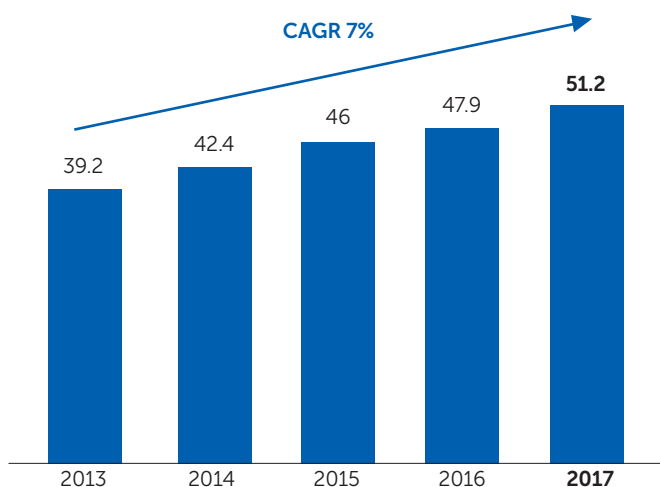
Through its private vehicles and listed REITs, CapitaLand diversifies its funding sources while expanding its AUM. The Group has a respectable stable of international capital partners that include sovereign wealth funds, pension funds and insurance companies from Asia-Pacific, North America, the Middle East and Europe. They invest in our private vehicles which range from private equity funds, club deals, joint ventures to separate accounts.

The fee income generated from managing such vehicles allows CapitaLand to further extract value from its established real estate platform while enhancing the Group's overall return on equity. CapitaLand also encourages alignment of interest with its investors by investing alongside with them.

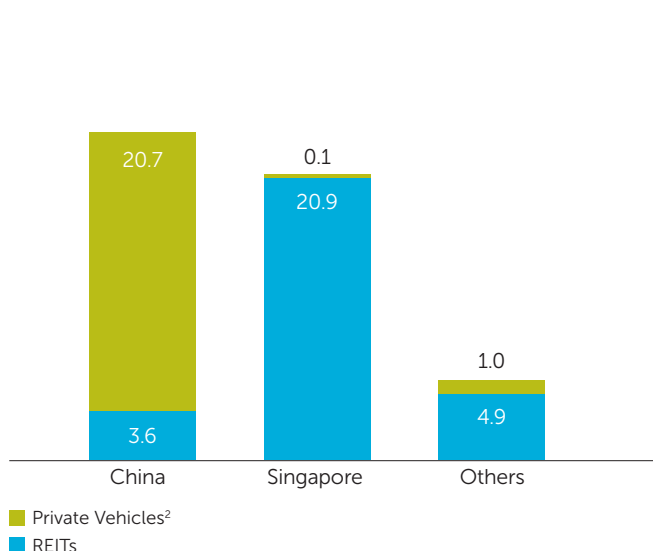
The private vehicles managed by CapitaLand typically invest in opportunistic and value-added strategies which aim to generate higher risk-adjusted returns and capital appreciation while the listed REITs focus on stable yielding core assets.

Notably in 2017, CapitaLand raised its first Vietnam commercial fund, CapitaLand Vietnam Commercial Fund I, a US\$300 million private equity vehicle investing in Grade A commercial real estate in Vietnam. CapitaLand holds a 40% stake while the remaining interests are held by major institutional investors.

**Total Assets Under Management (AUM)<sup>1</sup>**  
(S\$ Billion)



**FY 2017 AUM Breakdown - By Geography**  
(S\$ Billion)



1 Denotes total assets of REITs and private vehicles.

2 Includes private equity fund, club deals, JVs and separate accounts with capital partners.

# CAPITALAND PROPERTY PORTFOLIO INTEGRATED DEVELOPMENTS AS AT 31 DEC 2017

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>CHINA</b>					
<b>Beijing</b>	Raffles City Beijing <i>R: 36%, O: 37%, L: 27%</i>	55.0	110,997	Leasehold	2046 Retail
					2056 Integrated Use
<b>Chengdu</b>	CapitaMall Tianfu <i>R: 72%, O: 11%, S: 17%</i>	50.0	193,851	Leasehold	2048 Commercial
	Raffles City Chengdu <i>R: 36%, O: 30%, L: 22%, S: 12%</i>	55.0	237,310	Leasehold	2078 Residential
<b>Chongqing</b>	Raffles City Chongqing <i>R: 29%, O: 10%, L: 11%, S: 50%</i>	62.5 <sup>A</sup>	814,770	Leasehold	2046
					2057 Commercial
<b>Hangzhou</b>	Raffles City Hangzhou <i>R: 40%, O: 12%, L: 26%, S: 22%</i>	55.0	305,419	Leasehold	2087 Residential
					2049
<b>Ningbo</b>	Raffles City Ningbo <i>R: 51%, O: 30%, S: 19%</i>	55.0	101,505	Leasehold	2047
	Y-Town (f.k.a. Liangcang Site) <i>O: 33%, S: 67%</i>	100.0 <sup>A</sup>	23,662	Leasehold	2057
<b>Shanghai</b>	Capital Square <i>R: 33%, O: 67%</i>	70.0	75,117	Leasehold	2052 Retail
					2062 Office
	Capital Tower Shanghai <i>R: 2%, O: 66%, L: 32%</i>	99.0 <sup>B</sup>	66,160	Leasehold	2056
	CapitaMall Hongkou <i>R: 72%, O: 28%</i>	72.5	205,119	Leasehold	2057
	CapitaMall LuOne <i>R: 65%, O: 35%</i>	33.0 <sup>A</sup>	131,303	Leasehold	2056
	CapitaMall Minhang <i>R: 60%, O: 40%</i>	65.0	146,843	Leasehold	2053
	Raffles City Changning <i>R: 48%, O: 52%</i>	42.8	260,479	Leasehold	2055
Raffles City Shanghai <i>R: 34%, O: 66%</i>	30.7	139,593	Leasehold	2045	
<b>Shenzhen</b>	Raffles City Shenzhen <i>R: 51%, O: 26%, L: 23%</i>	30.4	121,831	Leasehold	2056
<b>Suzhou</b>	Suzhou Center Mall & Suzhou Center Office <i>R: 81%, O: 19%</i>	50.0	364,469	Leasehold	2051
<b>Tianjin</b>	Tianjin International Trade Centre <i>R: 19%, O: 23%, S: 58%</i>	100.0	195,089	Leasehold	2057

# CAPITALAND PROPERTY PORTFOLIO INTEGRATED DEVELOPMENTS AS AT 31 DEC 2017

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>CHINA</b>					
Wuhan	CapitaMall Westgate <i>R: 65%, O: 24%, S: 11%</i>	100.0	246,435	Leasehold	2053 Commercial
	CapitaMall Wusheng <i>R: 71%, L: 29%</i>	45.0	112,769	Leasehold	2063 Integrated Use
Xi'an	CapitaMall Xindicheng <i>R: 40%, O: 22%, L: 21%, S: 17%</i>	45.0	152,199	Leasehold	2043
<b>China Total</b>			<b>4,004,920</b>		
<b>INDONESIA</b>					
Jakarta	The Stature, Jakarta <i>R: 1%, O: 32%, L: 28%, S: 38%</i>	50.0 <sup>A</sup>	55,420	20 to 30	2029 to 2037
<b>Indonesia Total</b>			<b>55,420</b>		
<b>MALAYSIA</b>					
Petaling Jaya	Tropicana City Mall and Tropicana City Office Tower <i>R: 83%, O: 17%</i>	36.6 <sup>1</sup>	71,452	Freehold	–
<b>Malaysia Total</b>			<b>71,452</b>		
<b>SINGAPORE</b>					
Singapore	Funan (See note 4) <i>R: 56%, O: 30%, L: 14%</i>	29.4 <sup>3,A</sup>	82,405	99	2078
	Golden Shoe Car Park Redevelopment <i>NLA: R: 1,112 sqm, O: 58,963 sqm, SR: 299 units</i>	59.0 <sup>2,5,A</sup>	93,351	99	2081
	Raffles City Singapore <i>NLA: R: 39,712 sqm, O: 35,436 sqm</i>	30.4 <sup>2,3</sup>	320,490	99	2078
<b>Singapore Total</b>			<b>496,246</b>		
<b>VIETNAM</b>					
Ho Chi Minh City	D1MENSION <i>R: 3%, L: 63%, S: 34%</i>	100.0 <sup>A</sup>	47,665	Freehold*	– Residential
	The Vista <i>R: 9%, O: 4%, L: 9%, S: 78%</i>	100.0	190,374	Leasehold	2056 Retail/Office/ Serviced Residence
				Freehold*	Residential
<b>Vietnam Total</b>			<b>238,039</b>		
<b>Grand Total</b>			<b>4,866,077</b>		

# CAPITALAND PROPERTY PORTFOLIO

## SHOPPING MALLS AS AT 31 DEC 2017

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>CHINA</b>					
<b>Anyang</b>	CapitaMall Beiguan <sup>^</sup>	45.0	36,922	Leasehold	2046
<b>Beijing</b>	CapitaMall Crystal	45.0	72,422	Leasehold	2043 Commercial 2053 Underground Car Park
	CapitaMall Cuiwei <sup>^</sup>	45.0	56,141	Leasehold	2046 Commercial 2056 Underground Car Park
	CapitaMall Grand Canyon	27.8 <sup>6</sup>	69,967	Leasehold	2044 Commercial 2054 Underground Car Park
	CapitaMall Shuangjing	27.8 <sup>6</sup>	49,463	Leasehold	2042
	CapitaMall Taiyanggong	45.0	83,693	Leasehold	2044
	CapitaMall Tiangongyuan	100.0 <sup>A</sup>	137,832	Leasehold	2051
	CapitaMall Wangjing	27.8 <sup>6</sup>	68,010	Leasehold	2043 Commercial 2053 Underground Car Park
	CapitaMall Xizhimen	27.8 <sup>6</sup>	83,075	Leasehold	2044 Commercial 2054 Integrated Use
	<b>Changsha</b>	CapitaMall Yuhuating	73.1	62,080	Leasehold
<b>Chengdu</b>	CapitaMall Jinniu	45.0	151,969	Leasehold	2044
	CapitaMall Meilicheng	50.0	61,182	Leasehold	2044
	CapitaMall Shawan <sup>^</sup>	30.0	38,612	Leasehold	2046 Commercial 2076 Underground Car Park
	CapitaMall Xinnan	27.8 <sup>6</sup>	53,619	Leasehold	2047
<b>Chongqing</b>	CapitaMall Jiulongpo <sup>^</sup>	73.1	43,167	Leasehold	2042
	CapitaMall Shapingba <sup>^</sup>	30.0	41,877	Leasehold	2023 Master Lease
<b>Dalian</b>	CapitaMall Peace Plaza	30.0	152,125	Leasehold	2035
<b>Deyang</b>	CapitaMall Deyang <sup>^</sup>	45.0	41,400	Leasehold	2045
<b>Dongguan</b>	CapitaMall Dongguan <sup>^</sup>	45.0	44,489	Leasehold	2055

# CAPITALAND PROPERTY PORTFOLIO

## SHOPPING MALLS AS AT 31 DEC 2017

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>CHINA</b>					
Foshan	CapitaMall Guicheng <sup>^</sup>	73.1	49,115	Leasehold	2044
Guangzhou	CapitaMall SKY+	100.0	87,404	Leasehold	2051
Harbin	CapitaMall Aidemengdun	45.0	43,851	Leasehold	2042
	CapitaMall Xuefu	45.0	104,000	Leasehold	2045
Huhhot	CapitaMall Saihan	27.8 <sup>6</sup>	41,938	Leasehold	2041
Kunshan	CapitaMall Kunshan <sup>^</sup>	45.0	39,595	Leasehold	2045
Maoming	CapitaMall Maoming <sup>^</sup>	73.1	37,882	Leasehold	2044
Mianyang	CapitaMall Fucheng	45.0	90,245	Leasehold	2044/2047
Nanchang	CapitaMall Chengnanyuan <sup>^</sup>	45.0	45,607	Leasehold	2045
Qingdao	CapitaMall Xinduxin	50.0	104,034	Leasehold	2050
Quanzhou	CapitaMall Quanzhou <sup>^</sup>	45.0	43,096	Leasehold	2045
Rizhao	CapitaMall Rizhao	30.0	70,898	Leasehold	2043
Shanghai	CapitaMall Qibao (CapitaMall Qibao is indirectly held under a master lease which expires in Jan 2024, with the right to renew for a further term of 19 years and 2 months.)	27.8 <sup>6</sup>	72,729	Leasehold	2024 Master Lease
Tianjin	CapitaMall TianjinOne	30.0	59,305	Leasehold	2054
Weifang	CapitaMall Weifang <sup>^</sup>	45.0	48,946	Leasehold	2044
Wuhan	CapitaMall 1818	50.0	71,922	Leasehold	2052
	CapitaMall Minzhongleyuan	27.8 <sup>6</sup>	37,472	Leasehold	2044 Conserved Building: Master Lease  2045 Annex Building
Wuhu	CapitaMall Wuhu	36.2 <sup>5,6</sup>	45,634	Leasehold	2044
Yangzhou	CapitaMall Yangzhou <sup>^</sup>	45.0	52,536	Leasehold	2039/2045
Yibin	CapitaMall Nan'an <sup>^</sup>	45.0	37,524	Leasehold	2045
Yiyang	CapitaMall Taohualun <sup>^</sup>	45.0	34,895	Leasehold	2045
Zhangzhou	CapitaMall Zhangzhou <sup>^</sup>	73.1	42,725	Leasehold	2043
Zhanjiang	CapitaMall Zhanjiang <sup>^</sup>	45.0	47,266	Leasehold	2044
Zhaoqing	CapitaMall Zhaoqing <sup>^</sup>	45.0	44,840	Leasehold	2055
Zhengzhou	CapitaMall Erqi	27.8 <sup>6</sup>	92,356	Leasehold	2042
	CapitaMall Jinshui <sup>^</sup>	30.0	55,451	Leasehold	2045
Zibo	CapitaMall Zibo <sup>^</sup>	45.0	41,994	Leasehold	2045
<b>China Total</b>			<b>2,891,305</b>		

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>INDIA</b>					
Bangalore	The Forum Neighbourhood Mall <sup>^</sup>	22.7	46,983	Freehold	–
Cochin	Mall in Cochin <sup>^</sup>	5.9 <sup>7A</sup>	98,854	Freehold	–
Hyderabad	The Forum Sujana Mall <sup>^</sup>	11.1	80,387	Freehold	–
Jalandhar	Mall in Jalandhar	29.6 <sup>A</sup>	57,043	Freehold	–
Mangalore	The Forum Fiza Mall <sup>^</sup>	15.2	63,814	Freehold	–
Mysore	Forum Centre City <sup>^</sup>	22.3 <sup>A</sup>	33,417	Freehold	–
Nagpur	Mall in Nagpur	29.6 <sup>A</sup>	94,761	Freehold	–
Udaipur	The Celebration Mall Udaipur <sup>^</sup>	45.5	36,398	99	2103
<b>India Total</b>			<b>511,657</b>		
<b>JAPAN</b>					
Chiba	Vivit Minami-Funabashi	100.0	69,444	Freehold	–
Hyogo	Coop Kobe Nishinomiya-Higashi	100.0	7,970	Freehold	–
Tokyo	La Park Mizue	100.0	18,914	Freehold	–
	Olinas Mall	100.0	54,146	Freehold	–
Saitama	Seiyu & Sundrug	100.0	24,895	Freehold	–
<b>Japan Total</b>			<b>175,369</b>		
<b>MALAYSIA</b>					
Kuala Lumpur	Sungei Wang (approximately 61.9% of aggregate retail floor area and 100% of car park bays)	36.6 <sup>1</sup>	47,483	Freehold	–
Kuantan	East Coast Mall	36.6 <sup>1</sup>	70,784	99	2106
Penang	Gurney Plaza	36.6 <sup>1</sup>	116,317	Freehold	–
	Queensbay Mall (approximately 91.8% of aggregate retail floor area and 100% of car park bays)	100.0	86,115	Freehold	–
Selangor	Melawati Mall	50.0	87,793	Freehold	–
	The Mines	36.6 <sup>1</sup>	106,912	99	2091
<b>Malaysia Total</b>			<b>515,404</b>		

# CAPITALAND PROPERTY PORTFOLIO

## SHOPPING MALLS AS AT 31 DEC 2017

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>SINGAPORE</b>					
<b>Singapore</b>	Bedok Mall	29.4 <sup>3</sup>	31,204	99	2110
	Bugis Junction	29.4 <sup>3</sup>	53,607	99	2089
	Bugis+	29.4 <sup>3</sup>	29,697	60	2065
	Bukit Panjang Plaza	29.4 <sup>3</sup>	22,998	99	2093
	Clarke Quay	29.4 <sup>3</sup>	34,056	99	2089
	IMM Building	29.4 <sup>3</sup>	132,527	60	2049
	ION Orchard	50.0	88,165	99	2105
	JCube	29.4 <sup>3</sup>	29,426	99	2090
	Jewel Changi Airport	49.0 <sup>A</sup>	134,059	60	2073
	Junction 8	29.4 <sup>3</sup>	34,935	99	2090
	Lot One Shoppers' Mall	29.4 <sup>3</sup>	30,301	99	2092
	Plaza Singapura	29.4 <sup>3</sup>	70,347	Freehold	–
	Sembawang Shopping Centre	29.4 <sup>3</sup>	19,146	999	2884
	Tampines Mall	29.4 <sup>3</sup>	47,140	99	2091
	The Atrium@Orchard	29.4 <sup>3</sup>	53,582	99	2107
	The Star Vista	100.0	24,000	60	2067
	Westgate	78.8 <sup>3,5</sup>	55,178	99	2110
<b>Singapore Total</b>			<b>890,368</b>		
<b>Grand Total</b>			<b>4,984,103</b>		



# CAPITALAND PROPERTY PORTFOLIO

## SERVICED RESIDENCES AS AT 31 DEC 2017

City	Property	Effective Stake (%)	No. of Units	Tenure (Years)	Tenure Expiry
<b>AUSTRALIA</b>					
<b>Brisbane</b>	Quest Cannon Hill	100.0 <sup>A</sup>	100	Freehold	–
<b>Melbourne</b>	Citadines on Bourke Melbourne	44.3 <sup>B</sup>	380	Freehold	–
	Quest NewQuay Docklands	50.0 <sup>A</sup>	221	Freehold	–
	Somerset on Elizabeth Melbourne	100.0	34	Freehold	–
<b>Perth</b>	Citadines St Georges Terrace Perth	44.3 <sup>B</sup>	85	Freehold	–
<b>Sydney</b>	Quest Campbelltown	44.3 <sup>B</sup>	81	Freehold	–
	Quest Mascot	44.3 <sup>B</sup>	91	Freehold	–
	Quest Sydney Olympic Park	44.3 <sup>B</sup>	140	99	2111
<b>Australia Total</b>			<b>1,132</b>		
<b>BELGIUM</b>					
<b>Brussels</b>	Citadines Sainte-Catherine Brussels	44.3 <sup>B</sup>	169	Freehold	–
	Citadines Toison d'Or Brussels	44.3 <sup>B</sup>	154	Freehold	–
<b>Belgium Total</b>			<b>323</b>		
<b>CHINA</b>					
<b>Chengdu</b>	Somerset Riverview Chengdu	100.0	200	50	2049
<b>Chongqing</b>	Somerset JieFangBei Chongqing	100.0	157	40	2037
<b>Dalian</b>	Somerset Grand Central Dalian	44.3 <sup>B</sup>	195	50	2056
<b>Guangzhou</b>	Ascott Guangzhou	44.3 <sup>B</sup>	207	70	2074
<b>Shanghai</b>	Ascott Heng Shan Shanghai	100.0	90	50	2054
	Somerset Xu Hui Shanghai	44.3 <sup>B</sup>	168	70	2066
	The Paragon Towers 5 & 6	99.0	105	70	2072
<b>Shenyang</b>	Somerset Heping Shenyang	44.3 <sup>B</sup>	270	40	2046
<b>Suzhou</b>	Citadines Xinghai Suzhou	44.3 <sup>B</sup>	167	70	2066
<b>Tianjin</b>	Somerset International Building Tianjin	36.1	108	50	2044
	Somerset Olympic Tower Property Tianjin	44.3 <sup>B</sup>	185	70	2062
<b>Wuhan</b>	Citadines Zhuankou Wuhan	44.3 <sup>B</sup>	249	40	2043
<b>Xi'an</b>	Citadines Central Xi'an	36.1	–	40	2036 Commercial
			148	70	2066 Residential
<b>China Total</b>			<b>2,249</b>		

# CAPITALAND PROPERTY PORTFOLIO

## SERVICED RESIDENCES AS AT 31 DEC 2017

City	Property	Effective Stake (%)	No. of Units	Tenure (Years)	Tenure Expiry
<b>CHINA – HONG KONG</b>					
Hong Kong	Citadines Harbourview Hong Kong	100.0	52	999	2894
	Citadines Mercer Hong Kong	100.0	55	999	2851
<b>China – Hong Kong Total</b>			<b>107</b>		
<b>FRANCE</b>					
Cannes	Citadines Croisette Cannes	44.3 <sup>8</sup>	58	Freehold	–
Grenoble	Citadines City Centre Grenoble	44.3 <sup>8</sup>	107	Freehold	–
Lille	Citadines City Centre Lille	44.3 <sup>8</sup>	101	Freehold	–
Lyon	Citadines Presqu'île Lyon	44.3 <sup>8</sup>	116	Freehold	–
Marseille	Citadines Castellane Marseille	44.3 <sup>8</sup>	97	Freehold	–
	Citadines Prado Chanot Marseille	44.3 <sup>8</sup>	77	Freehold	–
Montpellier	Citadines Antigone Montpellier	44.3 <sup>8</sup>	122	Freehold	–
Paris	Citadines Austerlitz Paris	44.3 <sup>8</sup>	50	Freehold	–
	Citadines Didot Montparnasse Paris	44.3 <sup>8</sup>	80	Freehold	–
	Citadines Les Halles Paris	44.3 <sup>8</sup>	189	Freehold	–
	Citadines Maine Montparnasse Paris	44.3 <sup>8</sup>	67	Freehold	–
	Citadines Montmartre Paris	44.3 <sup>8</sup>	111	Freehold	–
	Citadines Place d'Italie Paris	44.3 <sup>8</sup>	169	Freehold	–
	Citadines République Paris	44.3 <sup>8</sup>	76	Freehold	–
	Citadines Tour Eiffel Paris	44.3 <sup>8</sup>	104	Freehold	–
	Citadines Trocadéro Paris	44.3 <sup>8</sup>	97	Freehold	–
	La Clef Champs-Élysées Paris	50.0 <sup>A</sup>	70	Freehold	–
	La Clef Louvre Paris	44.3 <sup>8</sup>	51	Freehold	–
La Clef Tour Eiffel Paris	100.0	112	Freehold	–	
<b>France Total</b>			<b>1,854</b>		
<b>GERMANY</b>					
Berlin	Citadines Kurfürstendamm Berlin	44.3 <sup>8</sup>	117	Freehold	–
Frankfurt	Citadines City Centre Frankfurt	47.3 <sup>8</sup>	165	Freehold	–
Hamburg	Citadines Michel Hamburg	47.3 <sup>8</sup>	127	99	2111
	Madison Hamburg	44.3 <sup>8</sup>	166	Freehold	–
Munich	Citadines Arnulfpark Munich	43.9 <sup>8</sup>	146	Freehold	–
<b>Germany Total</b>			<b>721</b>		

City	Property	Effective Stake (%)	No. of Units	Tenure (Years)	Tenure Expiry
<b>INDIA</b>					
<b>Ahmedabad</b>	Citadines Parimal Garden Ahmedabad	100.0 <sup>A</sup>	225	Freehold	–
<b>Chennai</b>	Citadines OMR Gateway Chennai	100.0	269	Freehold	–
	Somerset Greenways Chennai	51.0	187	Freehold	–
<b>India Total</b>			<b>681</b>		
<b>INDONESIA</b>					
<b>Jakarta</b>	Ascott Jakarta	44.3 <sup>B</sup>	204	26	2024
	Ascott Kuningan Jakarta	100.0	185	30	2027
	Somerset Grand Citra Jakarta	25.5 <sup>B</sup>	203	30	2024
<b>Indonesia Total</b>			<b>592</b>		
<b>IRELAND</b>					
<b>Dublin</b>	Temple Bar Hotel	100.0	136	Freehold	–
<b>Ireland Total</b>			<b>136</b>		
<b>JAPAN</b>					
<b>Fukuoka</b>	Actus Hakata V-Tower	44.3 <sup>B</sup>	296	Freehold	–
	Infini Garden	44.3 <sup>B</sup>	389	Freehold	–
<b>Hiroshima</b>	Gravis Court Kakomachi	44.3 <sup>B</sup>	63	Freehold	–
	Gravis Court Kokutaiji	44.3 <sup>B</sup>	48	Freehold	–
	Gravis Court Nishiharaekimae	44.3 <sup>B</sup>	29	Freehold	–
<b>Kobe</b>	S-Residence Shukugawa	88.9	33	Freehold	–
<b>Kyoto</b>	Citadines Karasuma-Gojo Kyoto	44.3 <sup>B</sup>	124	Freehold	–
	House Saison Shijo-dori	88.9	190	Freehold	–
<b>Nagoya</b>	Marunouchi Central Heights	88.9	30	Freehold	–
<b>Osaka</b>	S-Residence Fukushima Luxe	44.3 <sup>B</sup>	178	Freehold	–
	S-Residence Gakuenzaka	88.9	58	Freehold	–
	S-Residence Hommachi Marks	44.3 <sup>B</sup>	110	Freehold	–
	S-Residence Midoribashi Serio	44.3 <sup>B</sup>	98	Freehold	–
	S-Residence Namba Viale	88.9	116	Freehold	–
	S-Residence Tanimachi 9 chome	44.3 <sup>B</sup>	102	Freehold	–
<b>Sapporo</b>	Big Palace Kita 14jo	44.3 <sup>B</sup>	140	Freehold	–

# CAPITALAND PROPERTY PORTFOLIO

## SERVICED RESIDENCES AS AT 31 DEC 2017

City	Property	Effective Stake (%)	No. of Units	Tenure (Years)	Tenure Expiry
<b>JAPAN</b>					
Tokyo	Citadines Central Shinjuku Tokyo	44.3 <sup>8</sup>	206	Freehold	–
	Citadines Shinjuku Tokyo	44.3 <sup>8</sup>	160	Freehold	–
	Roppongi Residences Tokyo	44.3 <sup>8</sup>	64	Freehold	–
	Somerset Azabu East Tokyo	44.3 <sup>8</sup>	79	Freehold	–
	Somerset Shinagawa Tokyo	50.0	55	Freehold	–
<b>Japan Total</b>			<b>2,568</b>		
<b>MALAYSIA</b>					
Kuala Lumpur	Ascott Kuala Lumpur	50.0	221	Freehold	–
	Somerset Ampang Kuala Lumpur	44.3 <sup>8</sup>	205	Freehold	–
<b>Malaysia Total</b>			<b>426</b>		
<b>PHILIPPINES</b>					
Makati	Ascott Makati	44.3 <sup>8</sup>	362	48	2044
	Somerset Millennium Makati	27.9 <sup>8</sup>	133	Freehold	–
<b>Philippines Total</b>			<b>495</b>		
<b>SINGAPORE</b>					
Singapore	Ascott Orchard Singapore	44.3 <sup>8</sup>	220	99	2113
	Ascott Raffles Place Singapore	44.3 <sup>8</sup>	146	999	2890 – 2892
	Citadines Mount Sophia Property Singapore	44.3 <sup>8</sup>	154	96	2105
	lyf Funan Singapore	50.0 <sup>A</sup>	279	99	2078
	Somerset Liang Court Property Singapore	44.3 <sup>8</sup>	197	97	2077
<b>Singapore Total</b>			<b>996</b>		
<b>SPAIN</b>					
Barcelona	Citadines Ramblas Barcelona	44.3 <sup>8</sup>	131	Freehold	–
<b>Spain Total</b>			<b>131</b>		

City	Property	Effective Stake (%)	No. of Units	Tenure (Years)	Tenure Expiry
<b>THAILAND</b>					
<b>Bangkok</b>	Ascott Sathorn Bangkok	40.0	177	50	2054
	Citadines Sukhumvit 11 Bangkok	49.0	127	Freehold	–
	Citadines Sukhumvit 16 Bangkok	49.0	79	Freehold	–
	Citadines Sukhumvit 23 Bangkok	49.0	138	Freehold	–
	Citadines Sukhumvit 8 Bangkok	49.0	130	Freehold	–
<b>Thailand Total</b>			<b>651</b>		
<b>UNITED ARAB EMIRATES</b>					
<b>Abu Dhabi</b>	Rihan Heights	49.0	307	Freehold	–
<b>United Arab Emirates Total</b>			<b>307</b>		
<b>UNITED KINGDOM</b>					
<b>London</b>	Citadines Barbican London	44.3 <sup>8</sup>	129	Freehold	–
	Citadines Holborn-Covent Garden London	44.3 <sup>8</sup>	192	Freehold	–
	Citadines Islington London	50.0 <sup>A</sup>	108	999	–
	Citadines South Kensington London	44.3 <sup>8</sup>	92	Freehold	–
	Citadines Trafalgar Square London	44.3 <sup>8</sup>	187	Freehold	–
	The Cavendish London	100.0	230	150	2158
<b>United Kingdom Total</b>			<b>938</b>		
<b>UNITED STATES OF AMERICA</b>					
<b>New York City</b>	DoubleTree by Hilton Hotel New York – Times Square South	44.3 <sup>8</sup>	224	Freehold	–
	Element New York Times Square West	44.3 <sup>8</sup>	411	99	2112
	Hotel Central Fifth Avenue New York (to be rebranded to Citadines Fifth Avenue New York)	100.0	125	96	2113
	Sheraton Tribeca New York Hotel	44.3 <sup>8</sup>	369	99	2112
<b>Sunnyvale</b>	The Domain Hotel (to be rebranded to Citadines Cupertino Sunnyvale)	100.0	136	Freehold	–
<b>United States Of America Total</b>			<b>1,265</b>		

# CAPITALAND PROPERTY PORTFOLIO

## SERVICED RESIDENCES AS AT 31 DEC 2017

City	Property	Effective Stake (%)	No. of Units	Tenure (Years)	Tenure Expiry
<b>VIETNAM</b>					
<b>Hai Phong City</b>	Somerset Central TD Hai Phong City	90.0	132	65	2076
<b>Hanoi</b>	Somerset Grand Hanoi	33.7 <sup>8</sup>	185	45	2038
	Somerset Hoa Binh Hanoi	39.9 <sup>8</sup>	206	36	2042
	Somerset West Lake Hanoi	31.0 <sup>8</sup>	90	49	2041
<b>Ho Chi Minh City</b>	Somerset Chancellor Court Ho Chi Minh City	29.7 <sup>8</sup>	172	48	2041
	Somerset Ho Chi Minh City	28.7 <sup>8</sup>	198	45	2039
<b>Vietnam Total</b>			<b>983</b>		
<b>Grand Total</b>			<b>16,555</b>		

# CAPITALAND PROPERTY PORTFOLIO

## COMMERCIAL AS AT 31 DEC 2017

City	Property	Effective Stake (%)	NLA (sqm)	Tenure (Years)	Tenure Expiry
<b>CHINA</b>					
Shanghai	Innov Center (See note 9)	100.0	80,328	Leasehold	2059
<b>China Total</b>			<b>80,328</b>		
<b>GERMANY</b>					
Frankfurt	Main Airport Center	94.9	60,231	Freehold	
<b>Germany Total</b>			<b>60,231</b>		–
<b>JAPAN</b>					
Tokyo	Kokugikan Front (Office)	100.0	6,059	Freehold	–
	Shinjuku Front Tower	20.0	57,916	Freehold	–
Yokohama	Sun Hamada (Office)	100.0	8,374	Freehold	–
	Yokohama Blue Avenue (Office)	100.0	34,677	Freehold	–
<b>Japan Total</b>			<b>107,026</b>		
<b>SINGAPORE</b>					
Singapore	Asia Square Tower 2	31.0 <sup>2</sup>	72,345	99	2107
	Bugis Village (See note 10)	31.0 <sup>2</sup>	11,254	99	2088
	CapitaGreen	31.0 <sup>2</sup>	65,209	99	2073
	Capital Tower	31.0 <sup>2</sup>	68,545	99	2094
	HSBC Building	31.0 <sup>2</sup>	18,624	999	2849
	One George Street	15.5 <sup>2</sup>	41,490	99	2102
	Six Battery Road	31.0 <sup>2</sup>	46,004	999	2825
	Twenty Anson	31.0 <sup>2</sup>	18,626	99	2106
<b>Singapore Total</b>			<b>342,097</b>		
<b>Grand Total</b>			<b>589,682</b>		

# CAPITALAND PROPERTY PORTFOLIO

## SELF STORAGE AS AT 31 DEC 2017

City	Property	Effective Stake (%)	GFA (sqm)	Tenure (Years)	Tenure Expiry
<b>CHINA</b>					
Shanghai	1, Huang Xing Road	100.0	7,353	50	2043
<b>China Total</b>			<b>7,353</b>		
<b>SINGAPORE</b>					
Singapore	111 Defu Lane 10	100.0	7,388	30+30	2050
	14 Woodlands Loop	100.0	13,037	30+30	2055
	15 Changi South Street 1	100.0	6,250	30	2029
	25A Changi South Street 1	100.0	5,267	30	2032
	31 Admiralty Road	100.0	12,746	60	2037
	37 Tampines Street 92	100.0	11,300	30+30	2054
	5 Bukit Batok Street 22	100.0	7,088	30+30	2051
	615 Lorong 4 Toa Payoh	100.0	13,497	60	2029
	743 Lorong 5 Toa Payoh	100.0	10,269	60	2033
<b>Singapore Total</b>			<b>86,842</b>		
<b>Grand Total</b>			<b>94,195</b>		



# CAPITALAND PROPERTY PORTFOLIO RESIDENTIAL AS AT 31 DEC 2017

District	Property	Effective Stake (%)	GFA (sqm)	No. of Units	Tenure (Years)	Tenure Expiry	% of Completion	Expected Date of Completion
<b>CHINA</b>								
<b>Beijing</b>								
<b>Chaoyang</b>	Beaufort Phase 4	100.0	1,090 Commercial	–	40 Commercial	2044 Commercial		
<b>Changping</b>	Vermont Hills Phase 1	100.0	3,285 Commercial	–	40 Commercial	2044 Commercial		
			50,700 Residential	88	70 Residential	2074 Residential		
	Phase 2	<sup>A</sup>	48,986 Residential	88	70 Residential	2074 Residential	41%	2018
	Phase 3	<sup>A</sup>	48,581 Residential	87	70 Residential	2074 Residential	21%	2019
	Phase 7	<sup>A</sup>	2,905 Commercial	–	40 Commercial	2044 Commercial	21%	2019
	Phase 4 to 7	<sup>B</sup>	337,688 Residential	659	70 Residential	2074 Residential		2022
<b>Chengdu</b>								
<b>Hi-Tech</b>	Century Park – East Site	60.0 <sup>A</sup>	13,054 Commercial	–	40 Commercial	2050 Commercial	10%	2021
			223,127 Residential	1,881	70 Residential	2080 Residential		
	Century Park – West Site Phase 1 & 2	60.0	11,906 Commercial	–	40 Commercial	2050 Commercial		
	Phase 3	<sup>A</sup>	2,993 Commercial	–	40 Commercial	2050 Commercial	75%	2018
			80,053 Residential	828	70 Residential	2080 Residential		
<b>Longquanyi</b>	Parc Botanica Phase 1	56.0 <sup>A</sup>	10,127 Commercial	–	40 Commercial	2052 Commercial	94%	2018
	Phase 2	<sup>A</sup>	10,732 Commercial	–	40 Commercial	2052 Commercial	26%	2019
			181,975 Residential	1,752	70 Residential	2082 Residential		
<b>Qingyang</b>	The Loft	100.0	1,206 Commercial	–	40 Commercial	2047 Commercial		
<b>Guangzhou</b>								
<b>Baiyun</b>	Dolce Vita	47.5	5,377 Commercial	–	40 Commercial	2048 Commercial		
<b>Panyu</b>	Città di Mare Phase 1	45.0 <sup>A</sup>	5,257 Commercial	–	40 Commercial	2037 Commercial	80%	2018
			148,876 Residential	1,067	70 Residential	2067 Residential		
	LFIE (PYD)	45.0 <sup>B</sup>	486,794 Residential	4,814	70 Residential	2065 Residential		2024

# CAPITALAND PROPERTY PORTFOLIO

## RESIDENTIAL AS AT 31 DEC 2017

District	Property	Effective Stake (%)	GFA (sqm)	No. of Units	Tenure (Years)	Tenure Expiry	% of Completion	Expected Date of Completion
<b>CHINA</b>								
<b>Liwan</b>	La Riva (f.k.a. Project Datansha) Phase 1A	80.0 <sup>A</sup>	95,437 Residential	922	70 Residential	2085 Residential	27%	2019
<b>Nansha</b>	Vista Garden	100.0	22,657 Commercial	–	40 Commercial	2052 Commercial		
<b>Kunshan</b>								
<b>Huaqiao</b>	The Metropolis Phase 1	100.0	166,220 Residential	1,542	70 Residential	2074 Residential		
	Phase 2A		72,431 Residential	709	70 Residential	2074 Residential		
	Phase 2B	<sup>A</sup>	28,013 Residential	262	70 Residential	2074 Residential	85%	2018
	Phase 3	<sup>A</sup>	2,243 Commercial	–	40 Commercial	2044 Commercial	23%	2019
	Phase 4	<sup>A</sup>	120,484 Residential	1,111	70 Residential	2074 Residential		
	Phase 4	<sup>A</sup>	51,068 Residential	460	70 Residential	2074 Residential	1%	2020
	Phase 6A	<sup>A</sup>	86,567 Residential	1,118	70 Residential	2074 Residential	99%	2018
	Phase 6B	<sup>B</sup>	69,050 Commercial	–	40 Commercial	2044 Commercial		2020
<b>Ningbo</b>								
<b>Jiangbei</b>	Summit Era	100.0	2,647 Commercial	–	40 Commercial	2054 Commercial		
			117,042 Residential	1,085	70 Residential	2084 Residential		
	Summit Residences (Plot 1)	100.0	10,209 Residential	38	70 Residential	2075 Residential		
<b>Shanghai</b>								
<b>Jingan</b>	Hanzhonglu Residential (Plot 92)	70.0 <sup>A</sup>	3,023 Commercial	–	40 Commercial	2044 Commercial	5%	2020
			27,072 Residential	138	70 Residential	2074 Residential		
<b>Pudong</b>	New Horizon Phase 1	95.0	367 Commercial	–	70 Commercial	2082 Commercial		
	Phase 2	<sup>A</sup>	14,700 Commercial	–	40 Commercial	2053 Commercial	96%	2018
			68,733 Residential	765	70 Residential	2083 Residential		

District	Property	Effective Stake (%)	GFA (sqm)	No. of Units	Tenure (Years)	Tenure Expiry	% of Completion	Expected Date of Completion
<b>CHINA</b>								
<b>Huangpu</b>	The Paragon	99.0	3,270 Commercial	–	70 Commercial	2072 Commercial		
			45,905 Residential	178	70 Residential	2072 Residential		
<b>Shenyang</b>								
<b>Yuhong</b>	Lake Botanica Phase 4	60.0	137,458 Residential	1,472	50 Residential	2057 Residential		
	Phase 2 to 4		7,923 Commercial	–	40 Commercial	2047 Commercial		
	Phase 5 to 8		<sup>B</sup> 47,110 Commercial	–	40 Commercial	2047 Commercial		2022
			258,946 Residential	3,045	50 Residential	2057 Residential		
<b>Wuhan</b>								
<b>Caidian</b>	The Lakeside Phase 1	100.0	3,680 Commercial	–	40 Commercial	2050 Commercial		
	Phase 2		<sup>A</sup> 127,074 Residential	1,206	70 Residential	2080 Residential	30%	2019
<b>Xi'an</b>								
<b>Baqiao</b>	La Botanica Phase 1A - 2R1, 3A - 3R3, 4 - 4R1, 6 - 2R2, 7 - 2R4	38.0	24,607 Commercial	–	40 Commercial	2046 Commercial		
	Phase 2A - 2R8, 5 - 2R6, 6 - 2R2, 7 - 2R4		549,687 Residential	5,355	70 Residential	2076 Residential		
	Phase 8 - 3R2		<sup>A</sup> 9,892 Commercial	–	40 Commercial	2046 Commercial	37%	2019
			183,544 Residential	1,703	70 Residential	2076 Residential		
	Phase 8A/B - 3R1, 10A/B/C - 1R1 to 1R3, 12 - 4R2, and 14 - 3R4, 3R5, 4M1		<sup>B</sup> 118,240 Commercial	–	40 Commercial	2046 Commercial		2023
			901,685 Residential	8,960	70 Residential	2076 Residential		
	Phase 9 - 2R5		<sup>A</sup> 21,264 Commercial	–	40 Commercial	2046 Commercial	28%	2019
			295,400 Residential	3,010	70 Residential	2076 Residential		
<b>China Total</b>			<b>5,368,360</b>	<b>44,343</b>				

# CAPITALAND PROPERTY PORTFOLIO

## RESIDENTIAL AS AT 31 DEC 2017

District	Property	Effective Stake (%)	GFA (sqm)	No. of Units	Tenure (Years)	Tenure Expiry	% of Completion	Expected Date of Completion
<b>MALAYSIA</b>								
<b>Kuala Lumpur</b>								
<b>Kuchai Lama</b>	GenKL	50.0 <sup>A</sup>	63,119	332	Freehold	–	40%	2019
<b>Kuala Lumpur</b>	Site at Kuala Lumpur	49.0 <sup>B</sup>	120,000	505	Freehold	–	0%	2022
<b>Malaysia Total</b>			<b>183,119</b>	<b>837</b>				
<b>SINGAPORE</b>								
<b>Singapore</b>								
<b>Bedok North Drive</b>	Bedok Residences	100.0	52,295	583	99	2110		
<b>Bishan Street 15</b>	Sky Habitat	65.0	58,786	509	99	2110		
<b>Depot Road</b>	The Interlace	60.0	169,600	1,040	99	2108		
<b>Leedon Heights</b>	d'Leedon	35.0	218,519	1,715	99	2109		
<b>Marine Parade Road</b>	Marine Blue	100.0	9,986	124	Freehold	–		
<b>Orchard Road</b>	The Orchard Residences	50.0	38,243	175	99	2105		
<b>Victoria Park Grove</b>	Victoria Park Villas	100.0 <sup>A</sup>	35,318	109	99	2112	89%	2018
<b>Yio Chu Kang Road</b>	Site at Yio Chu Kang Road	100.0 <sup>B</sup>	19,330	80	Freehold	–		
<b>Singapore Total</b>			<b>602,077</b>	<b>4,335</b>				

District	Property	Effective Stake (%)	GFA (sqm)	No. of Units	Tenure (Years)	Tenure Expiry	% of Completion	Expected Date of Completion
<b>VIETNAM</b>								
<b>Hanoi</b>								
<b>Ha Dong</b>	Mulberry Lane	70.0	235,853	1,478	Freehold*	–		
	Seasons Avenue	35.0 <sup>A</sup>	196,787	1,300	Freehold*	–	96%	2018
<b>Ho Chi Minh City</b>								
<b>2</b>	d'Edge	90.0 <sup>A</sup>	51,045	273	Freehold*	–	9%	2020
	Feliz en Vista	80.0 <sup>A</sup>	182,092	973	Freehold*	–	19%	2020
	Kris Vue	47.5 <sup>A</sup>	13,459	128	Freehold*	–	92%	2018
	The Krista	47.5	38,982	344	Freehold*	–		
	Vista Verde Phase A	50.0	196,916	1,152	Freehold*	–		
	Phase S and L	<sup>B</sup>	49,339	127	Freehold*	–		2020
<b>4</b>	Summer II	100.0 <sup>B</sup>	95,469	870	Freehold*	–		2020
<b>Vietnam Total</b>			<b>1,059,942</b>	<b>6,645</b>				
<b>Grand Total</b>			<b>7,213,498</b>	<b>56,160</b>				

Legend:

- A Under Development
- B Future Development
- L Serviced Residences/Hotel
- O Office
- R Retail
- S Strata Sales

Notes:

General: For China integrated developments and malls, GFA excludes carpark area.

- 1 Held through CapitaLand Malaysia Mall Trust.
  - 2 Held through CapitaLand Commercial Trust.
  - 3 Held through CapitaLand Mall Trust.
  - 4 Funan's GFA includes all components, including lyf Funan Singapore, whose details are shown under Serviced Residences.
  - 5 Includes other stake not held through the REIT.
  - 6 Held through CapitaLand Retail China Trust.
  - 7 Mall in Cochin is held through a combination of equity and debentures.
  - 8 Held through Ascott Residence Trust.
  - 9 The floor area of Innov Center is stated using GFA.
  - 10 The leasehold title takes into account the right of the President of the Republic of Singapore, as lessor under the State Lease, to terminate the State Lease on 1 April 2019 upon payment of S\$6,610,208.53 plus accrued interest.
- \* For Vietnam residential properties, a 50-year leasehold period is applicable to foreigners.  
<sup>^</sup> CapitaLand has announced the divestment of the asset. The transaction is expected to be completed in 2018.

## FINANCIAL STATEMENTS

Directors' Statement	109
Independent Auditors' Report	118
Balance Sheets	124
Income Statements	125
Statements of Comprehensive Income	126
Statements of Changes in Equity	127
Consolidated Statement of Cash Flows	130
Notes to the Financial Statements	132

# DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

- (a) the financial statements set out on pages 124 to 250 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity of the Group and of the Company, and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## DIRECTORS

The directors in office at the date of this statement are as follows:

Ng Kee Choe	
Lim Ming Yan	
John Powell Morschel	
Euleen Goh Yiu Kiang	
Tan Sri Amirsham Bin A Aziz	
Stephen Lee Ching Yen	
Dr Philip Nalliah Pillai	
Kee Teck Koon	
Chaly Mah Chee Kheong	(appointed on 1 February 2017)
Anthony Lim Weng Kin	(appointed on 11 August 2017)
Gabriel Lim Meng Liang	(appointed on 11 August 2017)
Goh Swee Chen	(appointed on 1 September 2017)

# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by spouses and infant children) in shares, debentures, options and awards in the Company and its related corporations are as follows:

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year/ date of appointment	At end of the year
<b>The Company</b>		
<b>Ordinary shares</b>		
Ng Kee Choe	221,225	283,958
Lim Ming Yan	1,940,918	2,156,857
John Powell Morschel	89,289	106,561
Euleen Goh Yiu Kiang	81,107	97,518
Tan Sri Amirsham Bin A Aziz	70,826	89,227
Stephen Lee Ching Yen	45,990	59,046
Dr Philip Nalliah Pillai	25,086	38,987
Kee Teck Koon	18,662	33,115
Chaly Mah Chee Kheong	50,000	50,000
Anthony Lim Weng Kin	1,000	1,000
Goh Swee Chen	5,000	5,000
<b>Contingent award of Performance shares<sup>1</sup> to be delivered after 2016</b>		
Lim Ming Yan (388,421 shares)	0 to 660,316 <sup>3</sup>	– <sup>¶</sup>
¶ No share was released under the 2014 award		
<b>Contingent award of Performance shares<sup>1</sup> to be delivered after 2017</b>		
Lim Ming Yan (323,873 shares)	0 to 647,746 <sup>3</sup>	0 to 647,746 <sup>3</sup>
<b>Contingent award of Performance shares<sup>1</sup> to be delivered after 2018</b>		
Lim Ming Yan (420,507 shares)	0 to 841,014 <sup>3</sup>	0 to 841,014 <sup>3</sup>
<b>Contingent award of Performance shares<sup>1</sup> to be delivered after 2019</b>		
Lim Ming Yan (402,578 shares)	–	0 to 805,156 <sup>3</sup>
<b>Unvested Restricted shares<sup>2</sup> to be delivered after 2014</b>		
Lim Ming Yan	68,836 <sup>5,6</sup>	– <sup>^</sup>

<sup>^</sup> During the year, 80,313 shares were released.



# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year/ date of appointment	At end of the year
<b>The Company (continued)</b>		
<b>Unvested Restricted shares<sup>2</sup> to be delivered after 2015</b>		
Lim Ming Yan	123,037 <sup>5,7</sup>	61,519 <sup>5,6</sup>
<b>Unvested Restricted shares<sup>2</sup> to be delivered after 2016</b>		
Lim Ming Yan	0 to 314,862 <sup>4,5</sup>	188,218 <sup>5,7</sup>
<b>Contingent award of Restricted shares<sup>2</sup> to be delivered after 2017</b>		
Lim Ming Yan (200,958 shares)	–	0 to 301,437 <sup>4,5</sup>
<b>Related Corporations</b>		
<b>CapitaLand Treasury Limited</b>		
<b>\$350 million 4.30% Fixed Rate Notes due 2020</b>		
Euleen Goh Yiu Kiang	\$250,000	\$250,000
<b>CapitaMalls Asia Treasury Limited</b>		
<b>\$350 million 3.95% Fixed Rate Notes due 2017</b>		
Kee Teck Koon	\$500,000	–
<b>The Ascott Capital Pte Ltd</b>		
<b>\$300 million 3.78% Fixed Rate Notes due 2019</b>		
Kee Teck Koon	\$250,000	\$250,000

### Footnotes:

- Performance shares are shares under awards pursuant to the CapitaLand Performance Share Plan 2010.
- Restricted shares are shares under awards pursuant to the CapitaLand Restricted Share Plan 2010.
- The final number of shares to be released will depend on the achievement of pre-determined targets over a three-year performance period. No share will be released if the threshold targets are not met at the end of the performance period. On the other hand, if superior targets are met, more shares than the baseline award could be released. For awards granted in 2014 and from 2015, the maximum is 170% and 200% of the baseline award respectively.
- The final number of shares to be released will depend on the achievement of pre-determined targets at the end of a one-year performance period and the release will be over a vesting period of three years. No share will be released if the threshold targets are not met at the end of the performance period. On the other hand, if superior targets are met, more shares than the baseline award could be delivered up to a maximum of 150% of the baseline award.
- For awards granted from 2014, an additional number of shares of a total value equal to the value of the accumulated dividends which are declared during each of the vesting periods and deemed forgone due to the vesting mechanism of the CapitaLand Restricted Share Plan 2010, will also be released on the final vesting.
- Being the unvested one-third of the award.
- Being the unvested two-thirds of the award.

# DIRECTORS' STATEMENT

## **DIRECTORS' INTERESTS IN SHARES OR DEBENTURES** (continued)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures or options of the Company or of related corporations either at the beginning of the financial year (or date of appointment, if later) or at the end of the financial year.

There was no change in any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2018.

## **ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES**

Except as disclosed under the Directors' Interests in Shares or Debentures and Share Plans sections of this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SHARE PLANS – PERFORMANCE SHARE PLAN 2010 AND RESTRICTED SHARE PLAN 2010**

The Executive Resource and Compensation Committee (ERCC) of the Company has been designated as the Committee responsible for the administration of the Share Plans. The ERCC members at the date of this statement are Mr Ng Kee Choe (Chairman), Mr Stephen Lee Ching Yen, Mr Kee Teck Koon and Ms Goh Swee Chen.

The CapitaLand Performance Share Plan 2010 (PSP 2010) and CapitaLand Restricted Share Plan 2010 (RSP 2010) were approved by the members of the Company at the Extraordinary General Meeting held on 16 April 2010. The duration of each share plan is 10 years commencing on 16 April 2010.

The ERCC has instituted a set of share ownership guidelines for members of senior management who receive shares under the PSP 2010 and the RSP 2010. Under these guidelines, members of senior management are required to retain a portion of the total number of CapitaLand shares received under the PSP 2010 and the RSP 2010, which varies according to their respective job grades and base salaries.

The total number of new shares which may be allotted, issued and/or delivered pursuant to awards granted under the PSP 2010 and the RSP 2010 on any date, when aggregated with existing shares (including treasury shares and cash equivalents) delivered and/or to be delivered, pursuant to the PSP 2010, the RSP 2010 and all shares, options or awards granted under any other share schemes of the Company then in force, shall not exceed 8% of the total number of issued shares (excluding treasury shares) from time to time.

# DIRECTORS' STATEMENT

## SHARE PLANS – PERFORMANCE SHARE PLAN 2010 AND RESTRICTED SHARE PLAN 2010 (continued)

Details of awards granted under each Share Plan are provided in the following sections.

### (a) Awards under the CapitaLand Performance Share Plan 2010

Under the PSP 2010, the awards granted are conditional on performance targets set based on medium-term corporate objectives. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the Company achieving prescribed performance target(s).

The ERCC grants an initial number of shares (baseline award) which are conditional on targets set for a performance period, currently prescribed to be a three-year performance period. A specified number of shares will only be released by the ERCC to the recipients at the end of the qualifying performance period, provided the threshold targets are achieved. The final number of shares to be released will depend on the achievement of pre-determined targets over a three-year performance period. No share will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, more shares than the baseline award could be released.

For grants made in 2014, the performance conditions and number of shares to be released subject to the achievement of performance targets are as follows:

Performance conditions	Final number of shares to be released 2014 grant
1. Group's absolute total shareholder return measured as a multiple of cost of equity	0% to 170% of baseline award
2. Group's relative total shareholder return measured as the outperformance against the MSCI Asia Pacific ex-Japan Real Estate Index	

For grants made in 2015 to 2017, the performance conditions and number of shares to be released subject to the achievement of performance targets are as follows:

Performance conditions	Final number of shares to be released
1. Group's absolute total shareholder return measured as a multiple of cost of equity	0% to 200% of baseline award
2. Group's relative total shareholder return ranking against a peer group of selected companies	
3. Group's return on equity to be achieved in 2017 and 2018 for grants made in 2015 and 2016 respectively; average of Group's return on equity to be achieved in 2018 and 2019 for grant made in 2017	

# DIRECTORS' STATEMENT

## SHARE PLANS – PERFORMANCE SHARE PLAN 2010 AND RESTRICTED SHARE PLAN 2010 (continued)

### (a) Awards under the CapitaLand Performance Share Plan 2010 (continued)

Details of the movement in the awards of the Company during the year were as follows:

Year of award	Balance as at 1 January 2017		Movements during the year		Balance as at 31 December 2017	
	No. of holders	No. of shares	Granted No. of shares	Lapsed/ Cancelled No. of shares	No. of holders	No. of shares
2014	67	3,536,710	–	(3,536,710)	–	–
2015	76	3,241,623	–	(360,074)	67	2,881,549
2016	77	4,257,504	–	(466,556)	69	3,790,948
2017	–	–	4,045,911	(124,967)	69	3,920,944
		11,035,837	4,045,911	(4,488,307)		10,593,441

### (b) Awards under the CapitaLand Restricted Share Plan 2010

Under the RSP 2010, awards granted to eligible participants vest only after the satisfactory completion of time-based service conditions or where the award is performance-related, after a further period of service beyond the performance target completion date (performance-based restricted awards). In addition, the RSP 2010 also enables grants of fully paid shares to be made to non-executive directors as part of their remuneration in respect of their office as such in lieu of cash.

The ERCC grants an initial number of shares (baseline award) which are conditional on targets set for a performance period, currently prescribed to be a one-year performance period. A specified number of shares will only be released by the ERCC to the recipients at the end of the qualifying performance period, provided the threshold targets are achieved. The final number of shares to be released will depend on the achievement of pre-determined targets at the end of a one-year performance period. No share will be released if the threshold targets are not met at the end of the performance period. On the other hand, if superior targets are met, more shares than the baseline award could be released. Once the final number of shares has been determined, it will be released over a vesting period of three years. Recipients can receive fully paid shares, their equivalent cash value or combinations thereof, at no cost.

For grants made in 2014 to 2017, the performance conditions and number of shares to be released subject to the achievement of performance targets are as follows:

Performance conditions	Final number of shares to be released
1. Group's operating earnings before interest and tax	0% to 150% of baseline award. An additional number of shares of a total value equal to the value of the accumulated dividends declared during each of the vesting periods and deemed forgone due to the vesting mechanism, will also be released upon the final vesting
2. Group's operating return on equity	

# DIRECTORS' STATEMENT

## SHARE PLANS – PERFORMANCE SHARE PLAN 2010 AND RESTRICTED SHARE PLAN 2010 (continued)

### (b) Awards under the CapitaLand Restricted Share Plan 2010 (continued)

Details of the movement in the awards of the Company during the year were as follows:

Year of award	Balance as at 1 January 2017		Movements during the year			Balance as at 31 December 2017	
	No. of holders	No. of shares	Granted No. of shares	Released <sup>+</sup> No. of shares	Lapsed/Cancelled No. of shares	No. of holders	No. of shares
2014	1,164	3,085,811	401,175	(3,340,564)	(146,422)	–	–
2015	1,405	6,141,730	–	(2,990,875)	(407,448)	1,226	2,743,407
2016	1,616	11,316,771	3,781,182	(4,913,987)	(1,214,049)	1,391	8,969,917
2017	–	–	11,606,302 <sup>#</sup>	(156,227)	(731,612)	1,592	10,718,463
		20,544,312	15,788,659	(11,401,653)	(2,499,531)		22,431,787

<sup>+</sup> The number of shares released during the year was 11,401,653, of which 1,496,770 were cash-settled.

<sup>#</sup> Comprised RSP to employee 11,450,075 and to non-executive directors 156,227.

As at 31 December 2017, the number of shares in awards granted under the RSP 2010 was as follows:

	Equity-settled	Cash-settled	Total
Final number of shares has not been determined (baseline award) <sup>#</sup>	8,280,028	2,438,435	10,718,463
Final number of shares determined but not released	9,895,848	1,817,476	11,713,324
	18,175,876	4,255,911	22,431,787

<sup>#</sup> The final number of shares released could range from 0% to 150% of the baseline award.

## AUDIT COMMITTEE

The Audit Committee members at the date of this statement are Mr Chaly Mah Chee Kheong (Chairman), Tan Sri Amirsham Bin A Aziz, Dr Philip Nalliah Pillai and Mr Gabriel Lim Meng Liang.

The Audit Committee shall discharge its duties in accordance with the Companies Act (Chapter 50) and the Listing Manual of the SGX-ST. The Audit Committee shall also be guided by the Code of Corporate Governance (2 May 2012) and the Guidebook for Audit Committee in Singapore (Second Edition), and any such codes or regulations as may be applicable from time to time.

# DIRECTORS' STATEMENT

## **AUDIT COMMITTEE** (continued)

The principal responsibility of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities. Areas of review by the Audit Committee include:

- the reliability and integrity of the financial statements;
- the impact of new, revised or proposed changes in accounting policies or regulatory requirements on the financial statements;
- the compliance with laws and regulations, particularly those of the Act and the Listing Manual of the SGX-ST;
- the appropriateness of quarterly and full year announcements and reports;
- in conjunction with the assessment by the Risk Committee, assesses the adequacy and effectiveness of the internal control (including financial, operational, compliance and information technology controls) and risk management systems established by management to manage risks;
- the adequacy and effectiveness of internal and external audits;
- the appointment and re-appointment of external auditors and the level of auditors' remuneration;
- the nature and extent of non-audit services and their impact on independence and objectivity of the external auditors;
- interested person transactions;
- the findings of internal investigation, if any;
- the processes put in place to manage any material conflicts of interest within the Group; and
- all conflicts of interest matters referred to it.

The Audit Committee also reviews the policy and arrangements by which employees of the Company and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules or, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken. Where the Audit Committee becomes aware of any improprieties, the Audit Committee shall discuss such matter with the external auditors and, at an appropriate time, report the matter to the Board. Where appropriate, the Audit Committee shall also commission internal investigations into such matters. Pursuant to this, the Audit Committee has introduced a whistle blowing policy where employees or any person may raise improprieties to the Audit Committee Chairman in good faith, with the confidence that employees or any person making such reports will be treated fairly and be protected from reprisal.

# DIRECTORS' STATEMENT

## **AUDIT COMMITTEE** (continued)

The Audit Committee met 4 times in 2017. Specific functions performed during the year included reviewing the scope of work and strategies of both the internal and external auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors. The financial statements of the Group and the Company were reviewed by the Audit Committee prior to the submission to the Board of Directors of the Company for adoption. The Audit Committee also met with the internal and external auditors, without the presence of management, to discuss any issues of concern with them.

The Audit Committee has, in accordance with Chapter 9 of the Listing Manual of the SGX-ST, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set by the Group and the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee also undertook quarterly reviews of all non-audit services provided by KPMG LLP and its member firms and was satisfied that they did not affect their independence as external auditors of the Company.

The Audit Committee has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

## **AUDITORS**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

**Ng Kee Choe**  
*Director*

**Lim Ming Yan**  
*Director*

**Singapore**  
8 March 2018

# INDEPENDENT AUDITORS' REPORT

To the Members of CapitaLand Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of CapitaLand Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Company and the statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 124 to 250.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Singapore Financial Reporting Standards (FRSs) to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and the financial performance and changes in equity of the Group and the Company, and the cash flows of the Group for the year ended on that date.

### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Valuation of investment properties**

(Refer to Note 5 and 34 to the financial statements)

#### **Risk:**

The Group owns a portfolio of investment properties comprising commercial properties, shopping malls, serviced residences and integrated development projects, located primarily in Singapore, China and Europe. Investment properties represent the single largest category of assets on the balance sheet, at S\$36.5 billion as at 31 December 2017.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the capitalisation, discount and terminal yield rates i.e. a small change in the assumptions can have a significant impact to the valuation.



# INDEPENDENT AUDITORS' REPORT

To the Members of CapitaLand Limited

## Our response:

We assessed the Group's processes for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We also considered other alternative valuation methods. We tested the integrity of inputs of the projected cash flows used in the valuations to supporting leases and other documents. We challenged the capitalisation, discount and terminal yield rates used in the valuations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

## Our findings:

The Group has a structured process in appointing and instructing valuers, and in reviewing, challenging and accepting their valuations. The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data. The disclosures in the financial statements are appropriate.

## Accounting for investments in REITs

(Refer to Note 6 to the financial statements)

### Risk:

The Group, as part of its periodic review process, re-assessed its accounting for the investments in real estate investment trusts (REITs), which are managed by the Group. 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.

The accounting treatment for investment in REITs is dependent on the Group's relationship with the REITs. The determination of the Group's relationship with these REITs is the result of a critical accounting judgement on many factors principally, the extent of its voting stake, the relationship with other stakeholders, the constitutional arrangements for the trust, its manager and its trustee, as well as the extent to which the Group's equity stake increases when management fees are paid in the form of trust units.

REITs that are determined to be subsidiaries are consolidated into the Group's financial statements, whereas REITs that are determined to be associates are equity-accounted for. An inappropriate classification can have a material effect on the financial statements.

# INDEPENDENT AUDITORS' REPORT

To the Members of CapitaLand Limited

## **Our response:**

We assessed the Group's processes for the review and the determination of its accounting for the investments in REITs. We examined the documents and business arrangements relating to the Group's investment strategy in REITs, the constitution of the REITs, the decision-making over their activities and the operations of the manager.

We considered the economic stakes of the Group held through ownership interests in the REITs and the management fee arrangements, focusing our work on the Group's investments in CMT and CRCT which the Group asserts that it now has control over these two REITs. We also considered the adequacy of disclosure on the assessment of the relationships with the REITs.

## **Our findings:**

The judgements exercised by the Group in its review and the determination of the accounting for its investments in REITs reflect a fair assessment of its relationship with the REITs. The disclosures on the basis for accounting for the Group's interests in these REITs are appropriate.

## **Implementation of new information technology (IT) system**

### **Risk:**

During the year, the Group implemented a new IT system (SAP) across a number of the countries it operates in. The full roll-out to the remaining countries is scheduled to be completed in the next few years.

The change of IT system entails new processes, controls and delegation of authority being set up as well as the migration of operational and financial data from the legacy systems to the new system. As such, the change presents inherent risks of breakdown of IT dependent controls and loss of integrity of financial data being migrated, which could lead to errors in financial reporting.

### **Our response:**

We considered the Group's processes and project governance over the new system implementation.

We involved IT specialists to test the controls over change management and the migration of key financial data from the legacy system to SAP. We also tested the general IT control environment in SAP, including access controls and segregation of duties as well as those automated controls and mitigating controls critical to financial accounting and reporting process.

In addition, we performed independent validation of the account balances being migrated and tested the reconciliation control in place.

# INDEPENDENT AUDITORS' REPORT

To the Members of CapitaLand Limited

## Our findings:

There are processes and controls in place to plan for and implement the change of IT system, with oversight by senior management and those charged with governance.

### *Other information*

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT

To the Members of CapitaLand Limited

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

To the Members of CapitaLand Limited

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lee Sze Yeng.



**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

8 March 2018

# BALANCE SHEETS

As at 31 December 2017

	Note	The Group		The Company	
		31 December 2017 \$'000	31 December 2016 \$'000	31 December 2017 \$'000	31 December 2016 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	3	840,021	781,431	19,044	29,146
Intangible assets	4	563,295	441,835	20,315	147
Investment properties	5	36,479,434	18,998,389	–	–
Subsidiaries	6	–	–	12,208,267	12,246,583
Associates	7	6,189,822	8,052,412	–	–
Joint ventures	8	4,007,362	4,564,845	–	–
Deferred tax assets	9	226,300	227,815	423	397
Other non-current assets	10(a)	912,551	908,789	–	–
		<b>49,218,785</b>	<b>33,975,516</b>	<b>12,248,049</b>	<b>12,276,273</b>
<b>Current assets</b>					
Development properties for sale and stocks	11	4,073,708	4,837,081	–	–
Trade and other receivables	12	1,470,573	1,858,809	1,974,786	1,113,211
Other current assets	10(b)	34,499	2,134	–	–
Assets held for sale	15	542,786	274,602	–	–
Cash and cash equivalents	16	6,105,318	4,792,629	7,247	7,791
		<b>12,226,884</b>	<b>11,765,255</b>	<b>1,982,033</b>	<b>1,121,002</b>
<b>Less: current liabilities</b>					
Trade and other payables	17	5,441,800	4,685,037	886,418	127,793
Short term bank borrowings	19	1,250,627	710,642	–	–
Current portion of debt securities	20	1,488,368	1,662,786	793,796	683,312
Current tax payable		527,162	650,669	2,599	2,602
Liabilities held for sale	15	94,625	19,263	–	–
		<b>8,802,582</b>	<b>7,728,397</b>	<b>1,682,813</b>	<b>813,707</b>
<b>Net current assets</b>		<b>3,424,302</b>	<b>4,036,858</b>	<b>299,220</b>	<b>307,295</b>
<b>Less: non-current liabilities</b>					
Long term bank borrowings	19	10,214,466	6,636,938	–	–
Debt securities	20	8,741,468	5,842,010	1,841,863	2,045,746
Deferred tax liabilities	9	901,228	725,214	6,143	9,692
Other non-current liabilities	21	702,852	507,737	2,172	4,272
		<b>20,560,014</b>	<b>13,711,899</b>	<b>1,850,178</b>	<b>2,059,710</b>
<b>Net assets</b>		<b>32,083,073</b>	<b>24,300,475</b>	<b>10,697,091</b>	<b>10,523,858</b>
Representing:					
Share capital	23	6,309,496	6,309,496	6,309,496	6,309,496
Revenue reserves		12,148,192	11,029,084	4,310,421	4,159,919
Other reserves	24	(75,314)	266,265	77,174	54,443
<b>Equity attributable to owners of the Company</b>		<b>18,382,374</b>	<b>17,604,845</b>	<b>10,697,091</b>	<b>10,523,858</b>
<b>Non-controlling interests</b>		<b>13,700,699</b>	<b>6,695,630</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>32,083,073</b>	<b>24,300,475</b>	<b>10,697,091</b>	<b>10,523,858</b>

The accompanying notes form an integral part of these financial statements.

# INCOME STATEMENTS

Year ended 31 December 2017

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Revenue</b>	26	<b>4,609,776</b>	5,252,334	<b>534,646</b>	829,119
Cost of sales		<b>(2,771,692)</b>	(3,654,454)	–	–
Gross profit		<b>1,838,084</b>	1,597,880	<b>534,646</b>	829,119
Other operating income	27(a)	<b>850,668</b>	489,031	<b>276,850</b>	91,593
Administrative expenses		<b>(422,998)</b>	(394,367)	<b>(161,849)</b>	(131,483)
Other operating expenses		<b>(31,872)</b>	(40,808)	<b>(5,083)</b>	(20,709)
<b>Profit from operations</b>		<b>2,233,882</b>	1,651,736	<b>644,564</b>	768,520
<b>Finance costs</b>	27(d)	<b>(486,669)</b>	(452,621)	<b>(85,366)</b>	(94,170)
<b>Share of results (net of tax) of:</b>					
– associates		<b>552,624</b>	437,458	–	–
– joint ventures		<b>323,989</b>	270,330	–	–
		<b>876,613</b>	707,788	–	–
<b>Profit before tax</b>	27	<b>2,623,826</b>	1,906,903	<b>559,198</b>	674,350
<b>Tax expense</b>	28	<b>(297,810)</b>	(402,634)	<b>3,573</b>	3,857
<b>Profit for the year</b>		<b>2,326,016</b>	1,504,269	<b>562,771</b>	678,207
<b>Attributable to:</b>					
Owners of the Company		<b>1,550,750</b>	1,190,341	<b>562,771</b>	678,207
Non-controlling interests		<b>775,266</b>	313,928	–	–
<b>Profit for the year</b>		<b>2,326,016</b>	1,504,269	<b>562,771</b>	678,207
<b>Basic earnings per share (cents)</b>	29	<b>36.5</b>	28.0		
<b>Diluted earnings per share (cents)</b>	29	<b>34.0</b>	26.3		

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit for the year		<b>2,326,016</b>	1,504,269	<b>562,771</b>	678,207
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		<b>(418,999)</b>	(580,432)	–	–
Change in fair value of available-for-sale investments		<b>3,456</b>	22,665	–	–
Effective portion of change in fair value of cash flow hedges		<b>(93,218)</b>	(11,374)	–	–
Share of other comprehensive income of associates and joint ventures		<b>99,309</b>	(574,476)	–	–
<b>Total other comprehensive income for the year, net of tax</b>	25	<b>(409,452)</b>	(1,143,617)	–	–
<b>Total comprehensive income for the year</b>		<b>1,916,564</b>	360,652	<b>562,771</b>	678,207
<b>Attributable to:</b>					
Owners of the Company		<b>1,195,426</b>	194,671	<b>562,771</b>	678,207
Non-controlling interests		<b>721,138</b>	165,981	–	–
<b>Total comprehensive income for the year</b>		<b>1,916,564</b>	360,652	<b>562,771</b>	678,207



# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company				Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Revenue reserves \$'000	Other reserves \$'000	Total \$'000		
<b>The Group</b>						
<b>At 1 January 2017</b>	6,309,496	11,029,084	266,265	17,604,845	6,695,630	24,300,475
<b>Total comprehensive income</b>						
Profit for the year	–	1,550,750	–	1,550,750	775,266	2,326,016
<b>Other comprehensive income</b>						
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	–	–	(398,845)	(398,845)	(20,154)	(418,999)
Change in fair value of available-for-sale investments	–	–	1,594	1,594	1,862	3,456
Effective portion of change in fair value of cash flow hedges	–	–	(55,904)	(55,904)	(37,314)	(93,218)
Share of other comprehensive income of associates and joint ventures	–	–	97,831	97,831	1,478	99,309
Total other comprehensive income, net of tax	–	–	(355,324)	(355,324)	(54,128)	(409,452)
<b>Total comprehensive income</b>	–	1,550,750	(355,324)	1,195,426	721,138	1,916,564
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Issue of treasury shares	–	–	453	453	–	453
Contributions from non-controlling interests (net)	–	–	–	–	1,021,625	1,021,625
Conversion of convertible bonds	–	–	(2,278)	(2,278)	(5,071)	(7,349)
Redemption of convertible bonds	–	7,493	(7,493)	–	–	–
Dividends paid/payable	–	(424,714)	–	(424,714)	(578,387)	(1,003,101)
Distribution attributable to perpetual securities issued by a subsidiary	–	(8,513)	–	(8,513)	(10,687)	(19,200)
Reclassification of equity compensation reserve	–	10,660	(10,660)	–	–	–
Share-based payments	–	–	44,042	44,042	892	44,934
<b>Total contributions by and distributions to owners</b>	–	(415,074)	24,064	(391,010)	428,372	37,362
Changes in ownership interests in subsidiaries with a change in control	–	1,374	(1,374)	–	5,831,696	5,831,696
Changes in ownership interests in subsidiaries with no change in control	–	(23,066)	(863)	(23,929)	23,897	(32)
Share of reserves of associates and joint ventures	–	(8,440)	7,041	(1,399)	–	(1,399)
Others	–	13,564	(15,123)	(1,559)	(34)	(1,593)
Total changes in ownership interests in subsidiaries and other capital transactions	–	(16,568)	(10,319)	(26,887)	5,855,559	5,828,672
<b>Total transactions with owners</b>	–	(431,642)	13,745	(417,897)	6,283,931	5,866,034
<b>At 31 December 2017</b>	6,309,496	12,148,192	(75,314)	18,382,374	13,700,699	32,083,073

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company				Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Revenue reserves \$'000	Other reserves \$'000	Total \$'000		
<b>The Group</b>						
<b>At 1 January 2016</b>	6,309,289	10,305,191	1,290,826	17,905,306	7,032,356	24,937,662
<b>Total comprehensive income</b>						
Profit for the year	–	1,190,341	–	1,190,341	313,928	1,504,269
<b>Other comprehensive income</b>						
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	–	–	(423,695)	(423,695)	(156,737)	(580,432)
Change in fair value of available-for-sale investments	–	–	14,432	14,432	8,233	22,665
Effective portion of change in fair value of cash flow hedges	–	–	(15,378)	(15,378)	4,004	(11,374)
Share of other comprehensive income of associates and joint ventures	–	–	(571,029)	(571,029)	(3,447)	(574,476)
Total other comprehensive income, net of tax	–	–	(995,670)	(995,670)	(147,947)	(1,143,617)
<b>Total comprehensive income</b>	–	1,190,341	(995,670)	194,671	165,981	360,652
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Issue of shares under share plans of the Company	207	–	–	207	–	207
Purchase of treasury shares	–	–	(56,839)	(56,839)	–	(56,839)
Issue of treasury shares	–	–	552	552	–	552
Contributions from non-controlling interests (net)	–	–	–	–	112,635	112,635
Redemption of convertible bonds	–	17,924	(17,924)	–	–	–
Dividends paid/payable	–	(383,034)	–	(383,034)	(351,021)	(734,055)
Distribution attributable to perpetual securities issued by a subsidiary	–	(8,454)	–	(8,454)	(10,800)	(19,254)
Reclassification of equity compensation reserve	–	50,535	(50,535)	–	–	–
Share-based payments	–	–	41,311	41,311	689	42,000
<b>Total contributions by and distributions to owners</b>	207	(323,029)	(83,435)	(406,257)	(248,497)	(654,754)
Changes in ownership interests in subsidiaries with a change in control	–	–	–	–	(97,323)	(97,323)
Changes in ownership interests in subsidiaries with no change in control	–	(106,256)	14,815	(91,441)	(155,703)	(247,144)
Share of reserves of associates and joint ventures	–	(14,479)	15,490	1,011	–	1,011
Others	–	(22,684)	24,239	1,555	(1,184)	371
Total changes in ownership interests in subsidiaries and other capital transactions	–	(143,419)	54,544	(88,875)	(254,210)	(343,085)
<b>Total transactions with owners</b>	207	(466,448)	(28,891)	(495,132)	(502,707)	(997,839)
<b>At 31 December 2016</b>	6,309,496	11,029,084	266,265	17,604,845	6,695,630	24,300,475

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company					Total equity \$'000
	Share capital \$'000	Revenue reserves \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Equity compensation reserve \$'000	
<b>The Company</b>						
<b>At 1 January 2017</b>	6,309,496	4,159,919	(107,220)	144,353	17,310	10,523,858
<b>Total comprehensive income</b>						
Profit for the year	–	562,771	–	–	–	562,771
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Issue of treasury shares	–	–	28,706	–	(6,467)	22,239
Dividends paid	–	(424,714)	–	–	–	(424,714)
Share-based payments	–	–	–	–	12,937	12,937
Reclassification of equity compensation reserve	–	3,807	–	–	(3,807)	–
Repurchase/Redemption of convertible bonds	–	8,638	–	(8,638)	–	–
<b>Total transactions with owners</b>	–	(412,269)	28,706	(8,638)	2,663	(389,538)
<b>At 31 December 2017</b>	<b>6,309,496</b>	<b>4,310,421</b>	<b>(78,514)</b>	<b>135,715</b>	<b>19,973</b>	<b>10,697,091</b>
<b>At 1 January 2016</b>	6,309,289	3,817,479	(72,720)	162,277	37,372	10,253,697
<b>Total comprehensive income</b>						
Profit for the year	–	678,207	–	–	–	678,207
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Issue of shares under share plans of the Company	207	–	–	–	–	207
Issue of treasury shares	–	–	22,339	–	(2,933)	19,406
Dividends paid	–	(383,034)	–	–	–	(383,034)
Share-based payments	–	–	–	–	12,214	12,214
Reclassification of equity compensation reserve	–	29,343	–	–	(29,343)	–
Purchase of treasury shares	–	–	(56,839)	–	–	(56,839)
Repurchase/Redemption of convertible bonds	–	17,924	–	(17,924)	–	–
<b>Total transactions with owners</b>	<b>207</b>	<b>(335,767)</b>	<b>(34,500)</b>	<b>(17,924)</b>	<b>(20,062)</b>	<b>(408,046)</b>
<b>At 31 December 2016</b>	<b>6,309,496</b>	<b>4,159,919</b>	<b>(107,220)</b>	<b>144,353</b>	<b>17,310</b>	<b>10,523,858</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>		
Profit after tax	2,326,016	1,504,269
Adjustments for:		
Allowance for/(Write-back of):		
– doubtful receivables	7,835	1,432
– foreseeable losses	(27,676)	4,939
– impairment loss on financial assets	–	7,298
– impairment on interests in associates and joint ventures	(53)	4,833
– impairment on property, plant and equipment	–	5,076
– impairment of intangible assets	3,226	13,751
Amortisation of intangible assets	7,022	2,959
Depreciation of property, plant and equipment	69,270	65,983
Finance costs	486,669	452,621
Gain from bargain purchase	(26,941)	(23)
Loss on disposal and write off of property, plant and equipment	137	759
(Gain)/Loss on disposal of investment properties	(95,842)	3,879
Interest income	(62,047)	(51,780)
Net change in fair value of investment properties and assets held for sale	(309,833)	(287,561)
Net change in fair value of financial instruments	(121)	(2,577)
Net gain on disposal/liquidation/dilution of equity investments and other financial assets	(325,466)	(62,167)
Share of results of associates and joint ventures	(876,613)	(707,788)
Share-based expenses	55,333	46,800
Tax expense	297,810	402,634
	(797,290)	(98,932)
<b>Operating profit before working capital changes</b>	<b>1,528,726</b>	<b>1,405,337</b>
Changes in working capital:		
Trade and other receivables	(101,056)	(126,764)
Development properties for sale	767,484	1,802,030
Trade and other payables	325,120	570,016
Restricted bank deposits	(9,802)	4,440
	981,746	2,249,722
Cash generated from operations	2,510,472	3,655,059
Income tax paid	(344,139)	(349,843)
<b>Net cash generated from operating activities</b>	<b>2,166,333</b>	<b>3,305,216</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from investing activities</b>			
Acquisition/Development expenditure of investment properties		(2,077,767)	(717,587)
Acquisition of subsidiaries, net of cash acquired	31(b)	(2,233,387)	(182,353)
Repayment from investee companies and other receivables		–	22,194
Deposits placed for new investments		(231,671)	(383,897)
Deposit received for disposal of subsidiaries		104,909	–
Disposal of subsidiaries, net of cash disposed of	31(d)	898,995	171,152
Dividends received from associates and joint ventures		262,326	392,664
Interest income received		49,931	109,158
Repayment of loans (to)/by associates and joint ventures		(224,516)	426,972
Proceeds from disposal of investment properties and assets held for sale		1,818,950	153,773
Proceeds from disposal of property, plant and equipment		6,893	791
(Investment in)/Proceeds from disposal of other financial assets		(3,807)	1,443
Purchase of property, plant and equipment		(149,276)	(75,941)
Settlement of hedging instruments		8,368	10,254
<b>Net cash used in investing activities</b>		<b>(1,770,052)</b>	<b>(71,377)</b>
<b>Cash flows from financing activities</b>			
Repayment of shareholder loans from non-controlling interests		(15,344)	(207,310)
Contributions from non-controlling interests		844,007	106,356
Dividends/distributions paid to non-controlling interests		(597,563)	(368,721)
Dividends paid to shareholders		(424,714)	(383,034)
Interest expense paid		(525,088)	(506,126)
Payments for acquisition of ownership interests in subsidiaries with no change in control		(5,758)	(235,057)
Proceeds from bank borrowings		6,360,718	3,851,186
Proceeds from issue of debt securities and convertible bonds		599,779	302,214
Proceeds from issue of shares under options		–	105
Purchase of treasury shares		–	(56,839)
Repayments of finance lease payables		(3,165)	(2,954)
Repayments of bank borrowings		(4,187,849)	(4,573,967)
Repayments of debt securities and convertible bonds		(1,064,586)	(388,392)
Bank deposits withdrawn as pledge for bank facilities		(1,134)	663
<b>Net cash generated from/(used in) financing activities</b>		<b>979,303</b>	<b>(2,461,876)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,375,584</b>	<b>771,963</b>
Cash and cash equivalents at beginning of the year		4,777,752	4,153,301
Effect of exchange rate changes on cash balances held in foreign currencies		(46,662)	(128,634)
Cash and cash equivalents reclassified to assets held for sale	15	(27,169)	(18,878)
<b>Cash and cash equivalents at end of the year</b>	16	<b>6,079,505</b>	<b>4,777,752</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 8 March 2018.

## **1 DOMICILE AND ACTIVITIES**

CapitaLand Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 168 Robinson Road, #30-01, Capital Tower, Singapore 068912.

The principal activities of the Company during the financial year are those relating to investment holding and consultancy services as well as the corporate headquarters which gives direction, provides management support services and integrates the activities of its subsidiaries.

The principal activities of the significant subsidiaries are those relating to investment holding, real estate development, investment in real estate financial products and real estate assets, investment advisory and management services as well as management of real estate assets.

The consolidated financial statements relate to the Company and its subsidiaries (the Group) and the Group's interests in associates and joint ventures.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

These financial statements are presented in Singapore Dollars, which is the Company's functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- |                        |   |   |
|------------------------|---|---|
| Note 2.6, Note 5       | – | classification of investment properties   |
| Note 6, Note 7, Note 8 | – | consolidation; whether the Group has control over an investee. During the year, the Group consolidated CMT, CRCT and RCS Trust. |
| Note 9                 | – | recognition of deferred tax assets  |
| Note 2.2(a), Note 32   | – | recognition of acquisitions as business combinations or asset acquisitions  |

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- |                 |   |   |
|-----------------|---|---|
| Note 4          | – | measurement of recoverable amounts of goodwill  |
| Note 5, Note 34 | – | determination of fair value of investment properties  |
| Note 11         | – | estimation of the percentage of completion of the projects' attributable profits for development properties for sale and allowance for foreseeable losses |
| Note 32         | – | determination of fair value of assets, liabilities and contingent liabilities acquired in business combinations   |
| Note 34         | – | determination of fair value of financial instruments  |

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not result in substantial changes to the accounting policies and had no significant effect on the financial performance or position of the Group and the Company except as described below.

#### **Disclosure Initiative (Amendments to FRS 7)**

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 19).

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Basis of consolidation

#### (a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill arising from business combinations are measured as described in note 2.5(a).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in the profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at each acquisition date and any changes are taken to the profit or loss.

#### ***Business combinations and property acquisitions***

Where a property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired (e.g. maintenance and serviced residence operations, etc.).

When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.



# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Basis of consolidation (continued)

#### (b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as transactions with owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (c) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. Joint ventures are entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates and joint ventures are accounted for using the equity method (collectively referred to as equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs. The Group's investments in equity-accounted investees include goodwill identified on acquisition, net of any accumulated impairment losses. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operation or has made payments on behalf of the investee.

# NOTES TO THE FINANCIAL STATEMENTS

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **2.2 Basis of consolidation** (continued)

#### **(d) Joint operations**

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

#### **(e) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **(f) Accounting for subsidiaries, associates and joint ventures by the Company**

Investments in subsidiaries, associates and joint ventures are stated in the Company's balance sheet at cost less accumulated impairment losses.

### **2.3 Foreign currencies**

#### ***Foreign currency transactions***

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency).

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from translation are recognised in the profit or loss, except for differences arising from the translation of monetary items that in substance form part of the Group's net investment in a foreign operation, available-for-sale equity instruments and financial liabilities designated as hedges of net investment in a foreign operation (note 2.8) or qualifying cash flow hedges to the extent such hedges are effective, which are recognised in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Foreign currencies (continued)

#### *Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisitions, are translated to Singapore Dollars at exchange rates prevailing at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore Dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to the profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is transferred to the profit or loss.

#### *Net investment in a foreign operation*

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income and are presented in the translation reserve in equity.

### 2.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Certain of the Group's property, plant and equipment acquired through interests in subsidiaries, are accounted for as acquisition of assets (note 2.2(a)).

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset if it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use. Depreciation on property, plant and equipment is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Property, plant and equipment (continued)

Leasehold land and buildings (excluding serviced residence properties)	Lease period ranging from 30 years to 50 years
Plant, machinery and improvements	1 to 10 years
Motor vehicles	5 years
Furniture, fittings and equipment	1 to 10 years

For serviced residence properties where the residual value at the end of the intended holding period is lower than the carrying amount, the difference in value is depreciated over the Group's intended holding period. The intended holding period (the period from the date of commencement of serviced residence operations to the date of expected strategic divestment of the properties) ranges from three to five years. No depreciation is recognised where the residual value is higher than the carrying amount.

Assets under construction are stated at cost and are not depreciated. Expenditure relating to assets under construction (including borrowing costs) are capitalised when incurred. Depreciation will commence when the development is completed and ready to use.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting date, and adjusted if appropriate.

### 2.5 Intangible assets

#### (a) Goodwill

##### ***Acquisition on or after 1 January 2010***

For business combinations on or after 1 January 2010, the Group measures goodwill as at acquisition date based on the fair value of the consideration transferred (including the fair value of any pre-existing equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the amount is negative, a gain on bargain purchase is recognised in the profit or loss. Goodwill is subsequently measured at cost less accumulated impairment losses.

Goodwill arising from the acquisition of subsidiaries is included in intangible assets. Goodwill arising from the acquisition of associates and joint ventures is presented together with interests in associates and joint ventures.

##### ***Acquisition up to 31 December 2009***

Prior to 1 January 2010, goodwill is measured at cost less accumulated impairment losses. Negative goodwill is credited to the profit or loss in the period of the acquisition. Goodwill arising on the acquisition of non-controlling interests in a subsidiary has been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Goodwill is tested annually for impairment as described in note 2.11.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Intangible assets (continued)

#### (b) Other intangible assets

Other intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. These are amortised in the profit or loss on a straight-line basis over their estimated useful lives of one to 10 years, from the date on which the assets are available for use.

Other intangible assets with indefinite useful lives are not amortised and are measured at cost less accumulated impairment losses.

### 2.6 Investment properties and investment properties under development

Investment properties are properties held either to earn rental or for capital appreciation or both. Investment properties under development are properties being constructed or developed for future use as investment properties. Certain of the Group's investment properties acquired through interests in subsidiaries, are accounted for as acquisition of assets (note 2.2(a)).

Investment properties and investment properties under development are initially recognised at cost, including transaction costs, and subsequently at fair value with any change therein recognised in the profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. The fair value is determined based on internal valuation or independent professional valuation on semi-annual basis. Independent valuation is also carried out on occurrence of acquisition and on completion of construction of investment property.

When an investment property or investment property under development is disposed of, the resulting gain or loss recognised in the profit or loss is the difference between the net disposal proceed and the carrying amount of the property.

Transfers to, or from, investment properties are made where there is a change in intent and use, evidenced by:

- development with a view to sell, for a transfer from investment properties to development properties for sale;
- commencement of leasing activities for a transfer from development properties for sale to investment properties;
- commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Non-current assets held for sale

Non-current assets comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the applicable FRSs. Thereafter, the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment classified as held for sale are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once the investments are classified as held for sale.

### 2.8 Financial instruments

#### (a) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, trade and other receivables and cash and cash equivalents.

A financial asset is recognised if the Group becomes a party to the contractual provisions of the financial asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### ***Financial assets at fair value through profit or loss***

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in the profit or loss.

#### ***Available-for-sale financial assets***

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses (note 2.8(e)) and foreign exchange gains and losses on available-for-sale monetary items (note 2.3), are recognised directly in other comprehensive income and presented in the available-for-sale reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the profit or loss.

Investments in equity securities whose fair value cannot be reliably measured are measured at cost less accumulated impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### (a) Non-derivative financial assets (continued)

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables (excluding prepayments).

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

##### *Non-derivative financial liabilities*

The Group initially recognises debt securities issued on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

A financial liability is classified as fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise loans, borrowings, debt securities and trade and other payables.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### (b) Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### ***Cash flow hedges***

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and presented in the hedging reserve in equity to the extent that the hedge is effective. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance is reclassified to profit or loss.

#### ***Fair value hedges***

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the profit or loss. The hedged item is adjusted to reflect change in its fair value in respect of the risk being hedged, with any gain or loss being recognised in the profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### (b) Derivative financial instruments and hedging activities (continued)

##### *Hedge of net investment in a foreign operation*

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the entity's functional currency (Singapore dollars) to certain foreign investments.

In the entity's financial statements, foreign currency differences arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the profit or loss. On consolidation, such differences are recognised directly in other comprehensive income and presented in the foreign currency translation reserve in equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the profit or loss. When the hedged net investment is disposed of, the cumulative amount in other comprehensive income is transferred to the profit or loss.

##### *Separable embedded derivatives*

Changes in the fair value of separated embedded derivatives are recognised immediately in the profit or loss.

##### *Other non-trading derivatives*

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the profit or loss.

#### (c) Convertible bonds

Convertible bonds that can be converted into share capital where the number of shares issued does not vary with changes in the fair value of the bonds are accounted for as compound financial instruments. The gross proceeds of the convertible bonds issued (including any directly attributable transaction costs) are allocated to the equity and liability components, with the equity component being assigned the residual amount after deducting the fair value of the liability component from the fair value of the compound financial instrument.

Subsequent to initial recognition, the liability component of convertible bonds is measured at amortised cost using the effective interest method. The equity component of convertible bonds is not re-measured. When the conversion option is exercised, the carrying amount of the liability and equity components will be transferred to the share capital. When the conversion option lapses, the carrying amount of the equity component will be transferred to revenue reserve.

When a convertible bond is being repurchased before its maturity date, the purchase consideration (including directly attributable costs, net of tax effects) is allocated to the liability and equity components of the convertible bond at the date of transaction. Any resulting gain or loss relating to the liability component is recognised in the profit or loss. In an exchange of convertible bond, the difference between the net proceeds of new convertible bond and the carrying value of the existing convertible bond (including its equity component) is recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### (d) Financial guarantees

Financial guarantee contracts are classified as financial liabilities unless the Group has previously asserted explicitly that it regards such contracts as insurance contracts and accounted for them as such.

##### *Financial guarantees classified as financial liabilities*

Such financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the profit or loss.

##### *Financial guarantees classified as insurance contracts*

These financial guarantees are accounted for as insurance contracts. Provision is recognised based on the Group's estimates of the ultimate cost of settling all claims incurred but unpaid at the end of the reporting period.

The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

#### (e) Impairment of financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, is assessed at each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has been occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant financial assets are assessed for specific impairment on an individual basis. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has incurred but not yet identified. The remaining financial assets that are not individually significant are collectively assessed for impairment by grouping together such instruments with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than that suggested by historical trends.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### (e) Impairment of financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the profit or loss and reflected as an allowance account against receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the available-for-sale reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the profit or loss. Changes in impairment provision attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in the profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2.11. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

### 2.9 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and options are recognised as a deduction from equity.

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in reserve for own shares account. Where treasury shares are subsequently reissued, sold or cancelled, the consideration received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Development properties for sale and stocks

Development properties for sale and stocks are stated at the lower of cost plus, where appropriate, a portion of the attributable profit (note 2.15), and estimated net realisable value, net of progress billings. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

When the development properties for sale are being transferred to investment property, any difference between the fair value of the property and its previous carrying amount at the date of transfer is recognised in profit or loss.

### 2.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, development properties for sale and stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified, an impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the CGU on a *pro-rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a joint venture may be impaired.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 Employee benefits

All short term employee benefits, including accumulated compensated absences, are measured on an undiscounted basis and are recognised in the period in which the employees render their services.

The Group's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

A provision is recognised for the amount expected to be paid under cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Defined contribution plans*

Contributions to post-employment benefits under defined contribution plans are recognised as an expense in profit or loss in the period during which the related services are rendered by employees.

#### *Share-based payments*

For equity-settled share-based payment transactions, the fair value of the services received is recognised as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the grant date. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognised as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

For cash-settled share-based payment transactions, the fair value of the goods or services received is recognised as an expense with a corresponding increase in liability. The fair value of the services received is determined by reference to the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The proceeds received from the exercise of the equity instruments, net of any directly attributable transaction costs, are credited to share capital when the equity instruments are exercised.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.13 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

### 2.14 Leases

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

#### ***When entities within the Group are lessees of a finance lease***

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### ***When entities within the Group are lessees of an operating lease***

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

#### ***When entities within the Group are lessors of an operating lease***

Assets subject to operating leases are included in either property, plant and equipment (note 2.4) or investment properties (note 2.6).

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15 Revenue recognition

#### *Rental income*

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

#### *Development properties for sale*

The Group recognises income on property development projects when the significant risks and rewards of ownership have been transferred to the purchasers. For development projects under progressive payment scheme in Singapore, whereby the legal terms in the sale contracts result in continuous transfer of work-in-progress to the purchasers, revenue is recognised based on the percentage of completion method. Under the percentage of completion method, profit is brought into profit or loss only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is measured by the proportion of the construction costs incurred to date to the estimated total construction costs for each project. For development projects under deferred payment scheme in Singapore, the revenue will be recognised upon the transfer of title to the purchasers. For overseas development projects, the revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

Revenue excludes goods and services or other sale taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

#### *Financial advisory and management fee*

Financial advisory and management fee is recognised as and when the service is rendered.

#### *Dividends*

Dividend income is recognised on the date that the Group's right to receive payment is established.

#### *Interest income*

Interest income is recognised as it accrues, using the effective interest method.

### 2.16 Finance costs

Borrowing costs are recognised in the profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.



# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise issued convertible bonds and share plans granted to employees.

### 2.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Management Council that makes strategic resource allocation decisions. The Council comprises the President & Group Chief Executive Officer (CEO), all CEOs of business units and key management officers of the Corporate Office.

### 2.20 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if operation had been discontinued from the start of the comparative year.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT

	Note	Serviced residence properties \$'000	Other leasehold buildings \$'000	Plant, machinery and improvements \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Assets under construction \$'000	Total \$'000
<b>The Group</b>								
<b>Cost</b>								
At 1 January 2017		284,035	302,394	66,524	3,018	461,895	37,036	1,154,902
Translation differences		1,891	1,238	1,708	(53)	2,736	130	7,650
Additions		53,485	14,964	11,314	684	41,992	28,336	150,775
Acquisition of subsidiaries		–	–	1,130	61	13,233	–	14,424
Disposal of subsidiaries		–	–	(228)	–	(53)	–	(281)
Disposals/Written off		–	(502)	(8,729)	(1,308)	(32,614)	(70)	(43,223)
Reclassification to other category of assets		–	–	(4,331)	(38)	(28,722)	(24,720)	(57,811)
Reclassifications		–	4,572	(14,968)	9,989	14,823	(14,416)	–
At 31 December 2017		339,411	322,666	52,420	12,353	473,290	26,296	1,226,436
<b>Accumulated depreciation and impairment loss</b>								
At 1 January 2017		4,787	30,400	42,411	2,166	293,707	–	373,471
Translation differences		8	55	853	(20)	4,928	–	5,824
Depreciation for the year	27(c)(ii)	877	7,506	8,128	1,004	51,755	–	69,270
Disposal of subsidiaries		–	–	(228)	–	(39)	–	(267)
Disposals/Written off		–	(344)	(2,916)	(1,069)	(30,640)	–	(34,969)
Reclassification to other category of assets		–	–	(3,925)	(38)	(22,951)	–	(26,914)
Reclassifications		–	277	(10,591)	8,362	1,952	–	–
At 31 December 2017		5,672	37,894	33,732	10,405	298,712	–	386,415
<b>Carrying amounts</b>								
At 1 January 2017		279,248	271,994	24,113	852	168,188	37,036	781,431
At 31 December 2017		333,739	284,772	18,688	1,948	174,578	26,296	840,021

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Serviced residence properties \$'000	Other leasehold buildings \$'000	Plant, machinery and improvements \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Assets under construction \$'000	Total \$'000
<b>The Group</b>								
<b>Cost</b>								
At 1 January 2016		336,437	280,872	63,527	3,553	431,389	19,162	1,134,940
Translation differences		(54,687)	11	(785)	(148)	(8,848)	(264)	(64,721)
Additions		2,285	113	3,020	260	37,442	32,752	75,872
Acquisition of subsidiaries		–	21,398	–	–	9,261	–	30,659
Disposal of subsidiaries		–	–	–	–	(2,172)	–	(2,172)
Disposals/Written off		–	–	(855)	(647)	(13,662)	(1,031)	(16,195)
Reclassification from/ (to) other category of assets		–	–	19	–	(1,782)	(1,718)	(3,481)
Reclassifications		–	–	1,598	–	10,267	(11,865)	–
At 31 December 2016		284,035	302,394	66,524	3,018	461,895	37,036	1,154,902
<b>Accumulated depreciation and impairment loss</b>								
At 1 January 2016		–	25,104	34,114	2,358	265,033	–	326,609
Translation differences		(289)	4	(172)	(84)	(6,158)	–	(6,699)
Depreciation for the year	27(c)(ii)	–	5,292	9,300	488	50,903	–	65,983
Impairment		5,076	–	–	–	–	–	5,076
Disposal of subsidiaries		–	–	–	–	(1,339)	–	(1,339)
Disposals/Written off		–	–	(802)	(596)	(11,678)	–	(13,076)
Reclassification to other category of assets		–	–	–	–	(3,083)	–	(3,083)
Reclassifications		–	–	(29)	–	29	–	–
At 31 December 2016		4,787	30,400	42,411	2,166	293,707	–	373,471
<b>Carrying amounts</b>								
At 1 January 2016		336,437	255,768	29,413	1,195	166,356	19,162	808,331
At 31 December 2016		279,248	271,994	24,113	852	168,188	37,036	781,431

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) The classification of serviced residence properties as property, plant and equipment or investment properties is based on the level of ancillary services, length of stay, amongst other factors.
- (b) As at 31 December 2017, certain property, plant and equipment with carrying value totalling approximately \$337.0 million (2016: \$280.0 million) were mortgaged to banks to secure credit facilities for the Group (note 19).
- (c) For serviced residence properties where the residual value at the end of the intended holding period is lower than the carrying amount, the difference in value is depreciated over the Group's intended holding period. No depreciation is recognised where the residual value is higher than the carrying amount.

Residual values of serviced residence properties at the end of the intended holding period are determined based on annual independent professional valuations using discounted cashflow method. The fair value measurement is categorised as Level 3 on the fair value hierarchy. Residual value is the estimated amount that the Group would obtain from the disposal of a property if the property is already of the age and in the condition expected at the date when the Group has the intention to dispose that property. The key assumptions used to determine the residual values of serviced residence properties include market corroborated capitalisation rate, terminal yield rate, discount rate and revenue per available unit (RevPau). In relying on valuation reports, management is satisfied that the valuation methods and estimates are reflective of current market conditions.

Details of valuation techniques and significant unobservable inputs are set out in the table below.

Type	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Serviced residence properties located in United Kingdom and United States of America.	Discounted cashflow approach	<ul style="list-style-type: none"> <li>– Discount rate: 2017: 6.5% to 8.0% (2016: 6.5%)</li> <li>– Terminal yield rate: 2017: 4.5% to 6.0% (2016: 4.5%)</li> <li>– RevPau: 2017: \$324 to \$349 (2016: \$330)</li> <li>– Occupancy rate: 2017: 82.2% to 96.0% (2016: 84.0%)</li> </ul>	The estimated fair value varies inversely against the discount rate and terminal yield rate and increases with higher RevPau and higher occupancy rates.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Renovations and improvements \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000
<b>The Company</b>						
<b>Cost</b>						
At 1 January 2017		2,374	45,892	354	17,863	66,483
Additions		–	627	–	21,880	22,507
Disposals/Written off		–	(352)	–	(5,048)	(5,400)
Reclassification to other category of assets		(16)	(23,436)	–	(20,196)	(43,648)
At 31 December 2017		2,358	22,731	354	14,499	39,942
<b>Accumulated depreciation and impairment loss</b>						
At 1 January 2017		1,691	35,314	332	–	37,337
Depreciation for the year	27(c)(ii)	513	2,686	22	–	3,221
Disposals/Written off		–	(346)	–	–	(346)
Reclassification to other category of assets		–	(19,314)	–	–	(19,314)
At 31 December 2017		2,204	18,340	354	–	20,898
<b>Carrying amounts</b>						
At 1 January 2017		683	10,578	22	17,863	29,146
At 31 December 2017		154	4,391	–	14,499	19,044
<b>Cost</b>						
At 1 January 2016		2,169	43,266	354	–	45,789
Additions		205	3,142	–	17,863	21,210
Disposals/Written off		–	(516)	–	–	(516)
At 31 December 2016		2,374	45,892	354	17,863	66,483
<b>Accumulated depreciation and impairment loss</b>						
At 1 January 2016		957	30,180	261	–	31,398
Depreciation for the year	27(c)(ii)	734	5,646	71	–	6,451
Disposals/Written off		–	(512)	–	–	(512)
At 31 December 2016		1,691	35,314	332	–	37,337
<b>Carrying amounts</b>						
At 1 January 2016		1,212	13,086	93	–	14,391
At 31 December 2016		683	10,578	22	17,863	29,146

# NOTES TO THE FINANCIAL STATEMENTS

## 4 INTANGIBLE ASSETS

	Note	Goodwill \$'000	Others <sup>^</sup> \$'000	Total \$'000
<b>The Group</b>				
<b>Cost</b>				
At 1 January 2017		510,726	42,633	553,359
Additions		–	727	727
Acquisition of subsidiaries	31(b)	87,638	15,806	103,444
Reclassification from other categories of assets		–	46,759	46,759
Disposals		–	(90)	(90)
Translation differences		(233)	107	(126)
At 31 December 2017		598,131	105,942	704,073
<b>Accumulated amortisation and impairment loss</b>				
At 1 January 2017		78,878	32,646	111,524
Amortisation for the year	27(c)(ii)	–	7,022	7,022
Impairment for the year	27(c)(iii)	–	3,226	3,226
Reclassification from other categories of assets		–	19,344	19,344
Disposals		–	(64)	(64)
Translation differences		(336)	62	(274)
At 31 December 2017		78,542	62,236	140,778
<b>Carrying amounts</b>				
At 1 January 2017		431,848	9,987	441,835
At 31 December 2017		519,589	43,706	563,295
<b>Cost</b>				
At 1 January 2016		513,213	42,223	555,436
Additions		–	383	383
Written off		–	(5)	(5)
Translation differences		(2,487)	32	(2,455)
At 31 December 2016		510,726	42,633	553,359
<b>Accumulated amortisation and impairment loss</b>				
At 1 January 2016		64,713	29,665	94,378
Amortisation for the year	27(c)(ii)	–	2,959	2,959
Impairment for the year	27(c)(iii)	13,715	36	13,751
Written off		–	(5)	(5)
Translation differences		450	(9)	441
At 31 December 2016		78,878	32,646	111,524
<b>Carrying amounts</b>				
At 1 January 2016		448,500	12,558	461,058
At 31 December 2016		431,848	9,987	441,835

<sup>^</sup> Others comprise trademarks, software and licences, club memberships and the unamortised yield stabilisation sum received in relation to an investment property.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 INTANGIBLE ASSETS (continued)

	Note	Software \$'000	Club memberships \$'000	Total \$'000
<b>The Company</b>				
<b>Cost</b>				
At 1 January 2017		–	147	147
Reclassification from property, plant and equipment		43,648	–	43,648
At 31 December 2017		43,648	147	43,795
<b>Accumulated amortisation</b>				
At 1 January 2017		–	–	–
Amortisation for the year	27(c)(ii)	4,165	–	4,165
Reclassification from property, plant and equipment		19,315	–	19,315
At 31 December 2017		23,480	–	23,480
<b>Carrying amounts</b>				
At 1 January 2017		–	147	147
At 31 December 2017		20,168	147	20,315
<b>Cost and carrying amounts</b>				
At 1 January 2016 and 31 December 2016		–	147	147

### Impairment test for goodwill

The key assumptions used in the estimation of the recoverable amount are set below:

	Key assumptions					
	Terminal growth rates		Discount rates		Carrying value	
	2017	2016	2017	2016	2017	2016
	%	%	%	%	\$'000	\$'000
The Ascott Limited (Ascott)	1.5	2.3	5.9	6.7	416,706	416,706
A serviced residence in London	2.0	2.0	6.5	6.5	15,245	15,142
Synergy Global Housing	5.5	–	8.6	–	31,308	–
CapitaLand Mall Trust					56,330	–
At 31 December					519,589	431,848

### Ascott, a serviced residence in London and Synergy Global Housing

The recoverable amounts of the CGUs are determined based on value in use calculations. The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent forecasts approved by management covering three to five years. Cash flows beyond these periods are extrapolated using the estimated terminal growth rates stated in the table above. The discount rates applied are the weighted average cost of capital from the relevant business segments. The key assumptions are those relating to expected changes in average rental and occupancy rates and direct costs. The terminal growth rates used for each CGU are within management's expectation of the long term average growth rates of the respective industry and countries in which the CGUs operate.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 INTANGIBLE ASSETS (continued)

### CapitaLand Mall Trust

The recoverable amount of the CGU is determined based on the greater of its value in use and its quoted market price. As at 31 December 2017, the recoverable amount based on quoted market price is higher than its carrying amount.

### Self-storage business in Singapore

In 2016, the goodwill arising from the acquisition of self-storage business in Singapore was fully impaired due to the challenging market condition. The impairment loss of \$13.7 million was recognised in "Other Operating Expenses" in the profit or loss.

The Group believes that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount.

## 5 INVESTMENT PROPERTIES

	Note	The Group	
		2017 \$'000	2016 \$'000
At 1 January		<b>18,998,389</b>	19,427,532
Acquisition of subsidiaries	31(b)	<b>17,565,394</b>	54,446
Disposal of subsidiaries	31(d)	<b>(235,804)</b>	(966,635)
Additions		<b>2,174,208</b>	726,653
Disposals		<b>(1,787,933)</b>	(79,318)
Reclassification to assets held for sale	15	<b>(438,368)</b>	–
Reclassifications from/(to) development properties for sale		<b>49,078</b>	(95,263)
Changes in fair value		<b>234,978</b>	290,707
Translation differences		<b>(80,508)</b>	(359,733)
At 31 December		<b>36,479,434</b>	18,998,389

- (a) Investment properties, which include those in the course of development are stated at fair value based on independent professional valuations or internal valuations. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation rate, terminal yield rate and discount rate. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.



# NOTES TO THE FINANCIAL STATEMENTS

## 5 INVESTMENT PROPERTIES (continued)

The valuers have considered valuation techniques including the direct comparison method, capitalisation approach, discounted cash flows and residual method in arriving at the open market value as at the balance sheet date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. In the residual method of valuation, the total gross development costs and developer's profit are deducted from the gross development value to arrive at the residual value of land. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation. Details of valuation methods and key assumptions used to estimate the fair values of investment properties are set out in note 34.

- (b) The Group's investment properties which are classified under Level 3 are analysed as below:

	Shopping malls \$'000	Commercial and integrated developments \$'000	Serviced residences \$'000	Total \$'000
<b>The Group 2017</b>				
Singapore	9,538,000	12,121,826	950,156	22,609,982
China (includes Hong Kong)	3,134,608	1,957,898	1,499,798	6,592,304
Others*	2,080,936	1,176,730	4,019,482	7,277,148
	<u>14,753,544</u>	<u>15,256,454</u>	<u>6,469,436</u>	<u>36,479,434</u>
<b>2016</b>				
Singapore	1,340,000	6,483,387	958,002	8,781,389
China (includes Hong Kong)	1,018,175	1,583,685	1,580,214	4,182,074
Others*	1,962,990	204,556	3,867,380	6,034,926
	<u>4,321,165</u>	<u>8,271,628</u>	<u>6,405,596</u>	<u>18,998,389</u>

\* Others include countries in Asia (excluding Singapore, China and Hong Kong), Europe, United States of America and Australia.

- (c) As at 31 December 2017, investment properties valued at \$1,693.8 million (2016: \$1,075.5 million) were under development.
- (d) As at 31 December 2017, certain investment properties with carrying value of approximately \$10,088.9 million (2016: \$10,196.3 million) were mortgaged to banks to secure credit facilities (notes 19 and 20) and under finance lease arrangements for the Group.
- (e) During the financial year ended 31 December 2017, interest capitalised as cost of investment properties amounted to approximately \$29.0 million (2016: \$21.0 million) (note 27(d)).

# NOTES TO THE FINANCIAL STATEMENTS

## 5 INVESTMENT PROPERTIES (continued)

- (f) Investment properties of the Group are held mainly for use by tenants under operating leases. Minimum lease payments receivable under non-cancellable operating leases of investment properties and not recognised in the financial statements are as follows:

	The Group	
	2017 \$'000	2016 \$'000
Lease rentals receivable:		
Not later than 1 year	1,601,121	616,212
Between 1 and 5 years	2,452,180	993,188
After 5 years	1,259,362	98,537
	<b>5,312,663</b>	<b>1,707,937</b>

- (g) Contingent rents, representing income based on sales turnover achieved by tenants, amounted to \$78.7 million for the year (2016: \$16.7 million).

## 6 SUBSIDIARIES

	The Company	
	2017 \$'000	2016 \$'000
(a) Unquoted shares, at cost	6,383,008	6,391,796
Less:		
Allowance for impairment loss	(169,118)	(179,118)
	<b>6,213,890</b>	<b>6,212,678</b>
Add:		
Amounts due from subsidiaries:		
Loan accounts		
– interest bearing	1,871,750	2,100,000
– interest free	4,197,601	4,213,419
Less:		
Allowance for doubtful receivables	(74,974)	(279,514)
	<b>5,994,377</b>	<b>6,033,905</b>
	<b>12,208,267</b>	<b>12,246,583</b>

- (i) The loans to subsidiaries form part of the Company's net investment in the subsidiaries. These loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future.
- (ii) As at 31 December 2017, the effective interest rates for amounts due from subsidiaries ranged from 1.85% to 2.95% (2016: 1.85% to 2.80%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 SUBSIDIARIES (continued)

(iii) Movements in allowance for impairment loss were as follows:

	The Company	
	2017	2016
	\$'000	\$'000
At 1 January	(179,118)	(179,118)
Allowance utilised upon disposal of a subsidiary	10,000	–
At 31 December	(169,118)	(179,118)

(iv) The movements in allowances for doubtful receivables in respect of the amounts due from subsidiaries were as follows:

	The Company	
	2017	2016
	\$'000	\$'000
At 1 January	(279,514)	(258,831)
Allowance during the year	(4,592)	(20,683)
Reversal of allowance during the year	27,541	–
Disposal of a subsidiary	181,591	–
At 31 December	(74,974)	(279,514)

The (allowance)/reversal of allowance for doubtful receivables was made based on estimated future cash flow recoveries.

(b) The significant subsidiaries directly and indirectly held by the Company, which are incorporated and conducting business in the Republic of Singapore, are as set out below:

Name of Company	Effective interest	
	2017	2016
	%	%
CapitaLand China Holdings Pte Ltd <sup>1</sup>	100	100
CapitaLand VN Limited (formerly known as CapitaLand Regional Investments Limited)	100	100
CapitaLand China Investments Limited	100	100
CapitaLand Singapore Limited	100	100
CapitaLand Treasury Limited	100	100
CapitaLand Mall Asia Limited	100 <sup>2</sup>	100 <sup>2</sup>
CapitaLand Business Services Pte Ltd (formerly known as Sound Investment Holdings Pte Ltd)	100	100
The Ascott Limited	100	100
CapitaLand Financial Limited	100	100
CapitaLand International Pte Ltd	100	–

All the above subsidiaries are audited by KPMG LLP Singapore.

1 Indirectly held through CapitaLand China Investments Limited.

2 Includes 34.7% interest indirectly held through CapitaLand Business Services Pte Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 SUBSIDIARIES (continued)

- (c) Determining whether the Group has control over the REITs it manages requires management judgement. In exercising its judgement, management considers the proportion of its ownership interest and voting rights, the REIT managers' decision making authority over the REITs as well as the Group's overall exposure to variable returns, both from the REIT managers' remuneration and their interests in the REITs.

The Group assesses its control over its non-wholly owned investees on a continuous basis. As the Group equity stake in CapitaLand Mall Trust (CMT) and CapitaLand Retail China Trust (CRCT) increased progressively over years arising from the issuance of units as consideration for management fees, acquisition and divestment fees as well as participation in distribution reinvestment plan, the Group assessed that it now has sufficient interest to control CMT and CRCT. Accordingly, the Group consolidated CMT and CRCT with effect from August 2017. Considering the Group's aggregate interest in RCS Trust, held via its subsidiaries, the Group also consolidated RCS Trust.

The Group assesses that it controls CapitaLand Commercial Trust (CCT), CapitaLand Malaysia Mall Trust (CMMT), Ascott Residence Trust (ART), CMT and CRCT (collectively referred to as REITs), although the Group owns less than half of the ownership interest and voting power of the REITs. The activities of the REITs are managed by the Group's wholly-owned subsidiaries, namely CapitaLand Commercial Trust Management Limited, CapitaLand Malaysia Mall REIT Management Sdn Bhd, Ascott Residence Trust Management Limited, CapitaLand Mall Trust Management Limited and CapitaLand Retail China Trust Management Limited respectively (REIT Managers). REIT Managers have decision-making authority over the REITs, subject to oversight by the trustee of the respective REITs. The Group's overall exposure to variable returns, both from the REIT Managers' remuneration and the interests in the REITs, is significant and any decisions made by the REIT Managers affect the Group's overall exposure.

- (d) The following subsidiaries of the Group have material non-controlling interests (NCI):

Name of Company	Principal place of business	Effective interest held by NCI	
		2017 %	2016 %
Ascott Residence Trust <sup>1</sup>	Asia Pacific, Europe and United States of America	55.7	56.1
CapitaLand Commercial Trust <sup>2</sup>	Singapore	69.0	67.9
CapitaLand Mall Trust <sup>3</sup>	Singapore	70.6	–

All the above subsidiaries are audited by KPMG LLP Singapore.

- 1 Indirectly held through The Ascott Limited.  
2 Indirectly held through CapitaLand Singapore Limited.  
3 Indirectly held through CapitaLand Mall Asia Limited.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 SUBSIDIARIES (continued)

The following table summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective consolidated financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before inter-company eliminations with other companies in the Group.

	ART Group \$'000	CCT Group \$'000	CMT Group \$'000	Other subsidiaries with individually immaterial NCI \$'000	Total \$'000
<b>2017</b>					
Revenue	496,288	337,147	284,397		
Profit after tax	222,500	578,827	219,069		
Other comprehensive income	(24,259)	(54,160)	(10,241)		
Total comprehensive income	198,241	524,667	208,828		
Attributable to NCI:					
– Profit	127,503	399,390	154,666	93,707	775,266
– Total comprehensive income	112,269	374,336	147,436	87,097	721,138
Current assets	518,952	165,327	593,479		
Non-current assets	4,974,099	9,188,675	9,919,880		
Current liabilities	(505,091)	(97,563)	(757,118)		
Non-current liabilities	(1,816,277)	(2,839,516)	(2,828,196)		
Net assets	3,171,683	6,416,923	6,928,045		
Net assets attributable to NCI	1,981,097	4,427,677	4,891,330	2,400,595	13,700,699
Cash flows from:					
– Operating activities	181,339	250,790	198,057		
– Investing activities	(390,175)	(901,997)	81,843		
– Financing activities <sup>1</sup>	327,808	613,826	(304,336)		
Net increase/(decrease) in cash and cash equivalents	118,972	(37,381)	(24,436)		
1 Includes dividends paid to NCI and perpetual securities holders	(103,009)	(192,978)	(278,799)		

# NOTES TO THE FINANCIAL STATEMENTS

## 6 SUBSIDIARIES (continued)

	CCT Group \$'000	ART Group \$'000	Other subsidiaries with individually immaterial NCI \$'000	Total \$'000
<b>2016</b>				
Revenue	298,280	475,590		
Profit after tax	260,623	147,764		
Other comprehensive income	22,341	(102,995)		
Total comprehensive income	282,964	44,769		
Attributable to NCI:				
– Profit	176,911	84,836	52,181	313,928
– Total comprehensive income	192,077	27,987	(54,083)	165,981
Current assets	201,855	218,536		
Non-current assets	7,849,276	4,572,745		
Current liabilities	(236,155)	(281,536)		
Non-current liabilities	(2,536,434)	(1,827,482)		
Net assets	5,278,542	2,682,263		
Net assets attributable to NCI	3,583,074	1,715,969	1,396,587	6,695,630
Cash flows from:				
– Operating activities	203,076	200,126		
– Investing activities	(259,386)	(194,808)		
– Financing activities <sup>1</sup>	135,060	(84,239)		
Net increase/(decrease) in cash and cash equivalents	78,750	(78,921)		
1 Includes dividends paid to NCI and perpetual securities holders	(174,489)	(92,500)		

(e) ART, CCT, CMT and CRCT are regulated by the Monetary Authority of Singapore and are supervised by the Singapore Exchange Securities Trading Limited for compliance with the Singapore Listing Rules. Under the regulatory framework, transactions with the REITs are either subject to review by the REITs' trustees or significant transaction must be approved by a majority of votes by the remaining holders of units in the REITs at a meeting of unitholders.

(f) Refer to note 31 on acquisition and disposal of subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 ASSOCIATES

		The Group	
		2017	2016
		\$'000	\$'000
(a)	Investment in associates	5,836,506	7,719,940
	Add:		
	Amounts due from associates:		
	Loan accounts		
	– interest free	234,701	243,747
	– interest bearing	118,615	88,725
		<b>353,316</b>	332,472
		<b>6,189,822</b>	8,052,412

- (i) The loans to associates form part of the Group's net investment in associates. These loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future.
- (ii) As at 31 December 2017, the effective interest rate for the interest-bearing loan to an associate is 1.50% (2016: 1.50%) per annum.
- (iii) Loan accounts include an amount of approximately \$266.4 million (2016: \$236.5 million), the repayment of which is subordinated to that of the external borrowings of certain associates.

		The Group	
Note		2017	2016
		\$'000	\$'000
(b)	Amounts due from associates:		
	Current accounts (unsecured)		
	– interest free (trade)	20,500	19,673
	– interest free (non-trade)	102,738	456,122
	– interest bearing (non-trade)	–	27,798
		<b>123,238</b>	503,593
	Less:		
	Allowance for doubtful receivables	(3,172)	(113)
	Presented in trade and other receivables	<b>120,066</b>	503,480
	Non-current loans (unsecured)		
	– interest free	1,111	6
	– interest bearing	84,983	88,812
	Presented in other non-current assets	<b>86,094</b>	88,818

# NOTES TO THE FINANCIAL STATEMENTS

## 7 ASSOCIATES (continued)

- (i) The effective interest rates for amounts due from associates ranged from 2.47% to 4.57% (2016: 2.27% to 5.66%) per annum.
- (ii) The ageing of amounts due from associates at the reporting date was:

	Gross amount 2017 \$'000	Allowance for doubtful receivables 2017 \$'000	Gross amount 2016 \$'000	Allowance for doubtful receivables 2016 \$'000
<b>The Group</b>				
Not past due	111,024	–	489,811	–
Past due 1 – 30 days	2,269	(16)	2,611	–
Past due 31 – 90 days	4,394	(203)	5,365	–
More than 90 days	5,551	(2,953)	5,806	(113)
	<b>123,238</b>	<b>(3,172)</b>	503,593	(113)

	Note	The Group 2017 \$'000	2016 \$'000
(c) Amounts due to associates:			
Current accounts (mainly non-trade and unsecured)			
– interest free		(287,241)	(257,516)
– interest bearing		–	(825)
Presented in trade and other payables	17	<b>(287,241)</b>	<b>(258,341)</b>
Non-current loans (unsecured)			
– interest bearing, presented as other non-current liabilities	21	–	(153,976)

- (i) The effective interest rates as at 31 December 2016 for non-current amounts due to associates ranged from 0.75% to 3.22% per annum.



# NOTES TO THE FINANCIAL STATEMENTS

## 7 ASSOCIATES (continued)

(d) The following are the material associates:

Name of Company	Nature of relationship with the Group	Principal place of business	Effective interest	
			2017 %	2016 %
CapitaLand Mall Trust <sup>1</sup>	Singapore-based REIT which invests in shopping malls in Singapore	Singapore	#	29.3
CapitaLand Retail China Trust <sup>1</sup>	Singapore-based REIT which invests in shopping malls in China	China	#	28.7
Raffles City China Fund Ltd <sup>2,3</sup> (RCCF)	Private equity fund which invests in five Raffles City integrated developments in China	China	55.0	55.0
CapitaLand Mall China Funds <sup>1</sup>	Private equity funds which invest in shopping malls in China	China	30% to 50%	30% to 50%

All the above associates are audited by KPMG LLP Singapore.

<sup>1</sup> Indirectly held through CapitaLand Mall Asia Limited.

<sup>2</sup> Indirectly held through CapitaLand Mall Asia Limited and CapitaLand China Holdings Pte Ltd.

<sup>3</sup> Considered to be an associate as key decisions are made by an independent board which the Group does not have majority control.

# During the year, management assessed that the Group has control over CMT and CRCT and both trusts have been reclassified as subsidiaries (see note 6(c)).

The Group assesses the list of material associates on a continuous basis. During the year, the Group determined that its investments in four private property funds in China held through the Group's subsidiary, CapitaLand Mall Asia Limited, namely, CapitaLand Mall China Income Fund I, CapitaLand Mall China Income Fund II, CapitaLand Mall China Income Fund III and CapitaLand Mall China Development Fund III (collectively referred to as "CapitaLand Mall China Funds"), are now considered as material associates. For the purposes of FRS 112 disclosures, the summarised financial information of the CapitaLand Mall China Funds which are individually immaterial, are aggregated and presented collectively as these funds share similar risk and return characteristics – fund structure, type of investors, type and location of properties invested and investment objective and operations.

The following summarises the financial information of the Group's material associates based on their respective consolidated financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised aggregate financial information for the Group's interest in other individually immaterial associates, based on the amounts reported in the Group's consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 ASSOCIATES (continued)

	RCCF Group \$'000	CapitaLand Mall China Funds \$'000	Other individually immaterial associates \$'000	Total \$'000
<b>2017</b>				
Revenue	704,238	571,095		
Profit after tax	529,084	220,854		
Other comprehensive income	164,297	108,483		
Total comprehensive income	693,381	329,337		
Attributable to:				
– NCI	198,988	8,055		
– Associate's shareholders	494,393	321,282		
Current assets	1,065,268	1,955,426		
Non-current assets	5,597,001	6,421,714		
Current liabilities	(1,062,732)	(1,300,558)		
Non-current liabilities	(1,882,253)	(1,854,254)		
Net assets	3,717,284	5,222,328		
Attributable to:				
– NCI	674,752	186,000		
– Associate's shareholders	3,042,532	5,036,328		
Carrying amount of interest in associate at beginning of the year	1,489,850	2,156,344		
Additions during the year	–	4,583		
Group's share of:				
– Profit	197,316	102,713	252,595	552,624
– Other comprehensive income	74,471	46,847	(29,034)	92,284
– Total comprehensive income	271,787	149,560	223,561	644,908
Dividends received during the year	–	(20,817)		
Translation and other adjustments	(88,244)	(92,395)		
Carrying amount of interest in associate at end of the year	1,673,393	2,197,275	1,965,838	5,836,506

# NOTES TO THE FINANCIAL STATEMENTS

## 7 ASSOCIATES (continued)

	CMT Group \$'000	CRCT Group \$'000	RCCF Group \$'000	Other individually immaterial associates \$'000	Total \$'000
<b>2016</b>					
Revenue	689,732	214,372	331,141		
Profit after tax	469,400	104,007	202,478		
Other comprehensive income	(79,990)	(119,358)	(255,838)		
Total comprehensive income	389,410	(15,351)	(53,360)		
Attributable to:					
–NCI	–	(3,141)	55,970		
–Associate's shareholders	389,410	(12,210)	(109,330)		
Current assets	517,179	151,080	1,205,800		
Non-current assets	9,809,553	2,632,387	5,012,334		
Current liabilities	(466,228)	(533,314)	(390,174)		
Non-current liabilities	(3,168,282)	(798,463)	(2,606,746)		
Net assets	6,692,222	1,451,690	3,221,214		
Attributable to:					
–NCI	–	19,879	512,396		
–Associate's shareholders	6,692,222	1,431,811	2,708,818		
Carrying amount of interest in associate at beginning of the year	1,931,840	413,493	1,535,639		
Additions during the year	3,808	22,733	–		
Group's share of:					
–Profit	133,563	30,171	58,392	215,332	437,458
–Other comprehensive income	(18,020)	(34,093)	(118,524)	(241,598)	(412,235)
–Total comprehensive income	115,543	(3,922)	(60,132)	(26,266)	25,223
Dividends received during the year	(115,562)	(21,325)	–		
Translation and other adjustments	–	–	14,343		
Carrying amount of interest in associate at end of the year	1,935,629	410,979	1,489,850	3,883,482	7,719,940
Fair value of effective ownership interest (if listed) <sup>^</sup>	1,959,130	341,865	N/A		

<sup>^</sup> Based on the quoted market price at 31 December 2016 (Level 1 in the fair value hierarchy).

As at 31 December 2016, the fair value of CRCT was below the carrying amount of the Group's effective ownership interest. Management is of the view that no impairment is required as it is held for long term and its recoverable amount approximates the carrying amount.

- (e) As at 31 December 2017, the Group's share of the contingent liabilities of the associates is \$1,084.6 million (2016: \$1,057.1 million).

# NOTES TO THE FINANCIAL STATEMENTS

## 8 JOINT VENTURES

		The Group	
		2017	2016
		\$'000	\$'000
(a)	Investment in joint ventures	3,403,641	3,860,907
	Less:		
	Allowance for impairment loss	(11,935)	(17,266)
		<b>3,391,706</b>	3,843,641
	Add:		
	Amounts due from joint ventures:		
	Loan accounts		
	– interest free	612,468	717,983
	– interest bearing	16,827	16,326
		<b>629,295</b>	734,309
		<b>4,021,001</b>	4,577,950
	Less:		
	Allowance for doubtful receivables	(13,639)	(13,105)
		<b>4,007,362</b>	4,564,845

(i) Movements in allowance for impairment loss were as follows:

		The Group	
		2017	2016
		\$'000	\$'000
	At 1 January	(17,266)	(12,433)
	Allowance during the year	27(c)(iii) (1,737)	(4,833)
	Reversal of allowance during the year	27(a) 1,800	–
	Allowance utilised during the year	5,268	–
	At 31 December	<b>(11,935)</b>	(17,266)

(ii) The loans to joint ventures form part of the Group's net investment in joint ventures. These loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

(iii) As at 31 December 2017, the effective interest rates for the interest-bearing loans to joint ventures ranged from 5.03% to 6.50% (2016: 5.28% to 6.50%) per annum.

(iv) Loan accounts include an amount of approximately \$350.1 million (2016: \$445.7 million), the repayment of which is subordinated to that of the external borrowings of certain joint ventures.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 JOINT VENTURES (continued)

	Note	The Group	
		2017 \$'000	2016 \$'000
(b) Amounts due from joint ventures:			
Current accounts (unsecured)			
– interest free (trade)		28,127	28,418
– interest free (non-trade)		6,261	40,708
– interest bearing (mainly non-trade)		29,960	30,538
		<b>64,348</b>	99,664
Less:			
Allowance for doubtful receivables		(13,389)	(12,322)
Presented in trade and other receivables	12	<b>50,959</b>	87,342

(i) The effective interest rates for amounts due from joint ventures ranged from 1.80% to 3.53% (2016: 1.80% to 3.40%) per annum.

(ii) The ageing of amounts due from joint ventures at the reporting date was:

	Gross amount 2017 \$'000	Allowance for doubtful receivables 2017 \$'000	Gross amount 2016 \$'000	Allowance for doubtful receivables 2016 \$'000
<b>The Group</b>				
Not past due	38,960	–	80,248	(77)
Past due 1 – 30 days	5,480	–	1,366	(75)
Past due 31 – 90 days	2,845	–	555	(152)
More than 90 days	17,063	(13,389)	17,495	(12,018)
	<b>64,348</b>	<b>(13,389)</b>	99,664	(12,322)

(c) Movements in allowance for doubtful receivables in respect of the above loans and current accounts were as follows:

	Note	The Group	
		2017 \$'000	2016 \$'000
At 1 January		(25,427)	(24,908)
Allowance during the year		(936)	(98)
Reversal of allowance during the year	27(a)	411	–
Translation differences		(1,076)	(421)
At 31 December		<b>(27,028)</b>	(25,427)

# NOTES TO THE FINANCIAL STATEMENTS

## 8 JOINT VENTURES (continued)

	Note	The Group	
		2017 \$'000	2016 \$'000
(d) Amounts due to joint ventures:			
Current accounts (unsecured)			
– interest free (mainly non-trade)		(9,301)	(6,754)
– interest bearing (non-trade)		(200,097)	(206,355)
Presented in trade and other payables	17	(209,398)	(213,109)
Non-current loans (unsecured)			
– interest bearing, presented as other non-current liabilities	21	(87,180)	(88,416)
(i) The effective interest rates for amounts due to joint ventures ranged from 2.85% to 4.35% (2016: 3.05% to 4.35%) per annum.			

(e) The following are the material joint ventures:

Name of Company	Nature of relationship with the Group	Principal place of business	Effective interest	
			2017 %	2016 %
RCS Trust <sup>1,4</sup>	Special purpose trust which invests in a Raffles City integrated development in Singapore	Singapore	#	31.0
Orchard Turn Holding Pte Ltd <sup>2</sup> (OTH)	Owner of an integrated development in Singapore	Singapore	50.0	50.0
CTM Property Trust <sup>3,4</sup> (CTM)	Special purpose trust which invests in a Raffles City integrated development in China	China	62.5	62.5
CapitaLand Shanghai Malls <sup>3</sup>	Owner of two integrated developments in China	China	65% to 73%	65% to 73%

All the above joint ventures are audited by KPMG LLP Singapore, except for CapitaLand Shanghai Malls, which are audited by member firms of KPMG International.

1 Indirectly held through CCT and CMT.

2 Indirectly held through CapitaLand Mall Asia Limited.

3 Indirectly held through CapitaLand Mall Asia Limited and CapitaLand China Holdings Pte Ltd.

4 Considered to be a joint venture in 2016 as the Group had joint control over the relevant activities of the trust with the joint venture partner.

# During the year, management assessed that the Group has control over RCS Trust through the aggregate interest held via its subsidiaries and RCS Trust has been reclassified as a subsidiary (see note 6(c)).

The Group assesses the list of material joint ventures on a continuous basis. During the year, the Group determined that its investments in two joint ventures held through the Group's subsidiary, CapitaLand Mall Asia Limited, namely, Ever Bliss International Limited and Full Grace Enterprise Limited (referred to as "CapitaLand Shanghai Malls") are now considered as material joint ventures. For the purposes of FRS 112 disclosures, the summarised financial information of the CapitaLand Shanghai Malls, which hold integrated properties with office and retail components in Shanghai, China, which are individually immaterial, are aggregated and presented collectively as these two entities share similar risk and return characteristics – type and location of properties and investment objectives and operations.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 JOINT VENTURES (continued)

The following summarises the financial information of each of the Group's material joint ventures based on their respective consolidated financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interest in immaterial joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	OTH Group \$'000	CTM Group S\$'000	CapitaLand Shanghai Malls \$'000	Other individually immaterial joint ventures \$'000	Total \$'000
<b>2017</b>					
Revenue	269,221	–	171,284		
Profit/(Loss) <sup>1</sup> after tax	204,227	(15,558)	39,330		
Other comprehensive income	(5,688)	(19,013)	88,250		
Total comprehensive income	198,539	(34,571)	127,580		
1 Includes:					
– depreciation and amortisation	(619)	(123)	(73)		
– interest income	559	581	8,839		
– interest expense	(38,514)	–	(45,898)		
– tax expense	(23,211)	(1,230)	(46,183)		
Current assets <sup>2</sup>	109,269	1,352,325	408,816		
Non-current assets	3,322,397	1,218,305	2,784,367		
Current liabilities <sup>3</sup>	(77,213)	(707,508)	(364,914)		
Non-current liabilities <sup>4</sup>	(1,690,193)	(794,871)	(1,078,084)		
Net assets	1,664,260	1,068,251	1,750,185		
2 Includes cash and cash equivalents	90,950	62,438	206,478		
3 Includes current financial liabilities (excluding trade and other payables and provisions)	(46,382)	(345,101)	(244,917)		
4 Includes non-current financial liabilities (excluding trade and other payables and provisions)	(1,690,193)	(792,255)	(1,171,773)		
Carrying amount of interest in joint venture at beginning of the year	797,862	689,263	857,405		
Additions during the year					
Group's share of:					
– Profit/(Loss)	102,113	(14,215)	49,014	187,077	323,989
– Other comprehensive income	(2,845)	(11,883)	44,125	(22,372)	7,025
– Total comprehensive income	99,268	(26,098)	93,139	164,705	331,014
Dividends received during the year	(65,000)	–	–		
Translation and other adjustments	–	4,492	(77,031)		
Carrying amount of interest in joint venture at end of the year	832,130	667,657	873,513	1,018,406	3,391,706

# NOTES TO THE FINANCIAL STATEMENTS

## 8 JOINT VENTURES (continued)

	RCS Trust \$'000	OTH Group \$'000	CTM Group \$'000	Other individually immaterial joint ventures \$'000	Total \$'000
<b>2016</b>					
Revenue	234,613	259,764	–		
Profit/(Loss) <sup>1</sup> after tax	111,611	132,097	(8,118)		
Other comprehensive income	(658)	(6,687)	(95,977)		
Total comprehensive income	110,953	125,410	(104,095)		
1 Includes:					
– depreciation and amortisation	(209)	(619)	(137)		
– interest income	30	599	263		
– interest expense	(29,093)	(38,514)	–		
– tax expense	–	(23,211)	(526)		
Current assets <sup>2</sup>	43,424	99,247	1,074,837		
Non-current assets	3,169,963	3,245,463	980,376		
Current liabilities <sup>3</sup>	(112,225)	(62,171)	(111,366)		
Non-current liabilities <sup>4</sup>	(1,118,173)	(1,686,815)	(841,026)		
Net assets	1,982,989	1,595,724	1,102,821		
2 Includes cash and cash equivalents					
	38,457	74,807	43,555		
3 Includes current financial liabilities (excluding trade and other payables and provisions)					
	–	(18,342)	–		
4 Includes non-current financial liabilities (excluding trade and other payables and provisions)					
	(1,118,173)	(1,669,348)	(840,354)		
Carrying amount of interest in joint venture at beginning of the year	1,206,228	810,157	754,323		
Additions during the year	5,813	–	–		
Group's share of:					
– Profit/(Loss)	66,967	66,049	(5,074)	142,388	270,330
– Other comprehensive income	(395)	(3,344)	(59,986)	(98,516)	(162,241)
– Total comprehensive income	66,572	62,705	(65,060)	43,872	108,089
Dividends received during the year	(88,819)	(75,000)	–		
Carrying amount of interest in joint venture at end of the year	1,189,794	797,862	689,263	1,166,722	3,843,641

(f) As at 31 December 2017, the Group's share of the capital commitments of the joint ventures is \$621.3 million (2016: \$795.6 million).

(g) As at 31 December 2017, the Group's share of the contingent liabilities of the joint ventures is \$39.3 million (2016: \$47.7 million).



# NOTES TO THE FINANCIAL STATEMENTS

## 9 DEFERRED TAX

The movements in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) were as follows:

	At 1/1/2017 \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Acquisition / Disposal of subsidiaries \$'000	Transferred to assets / liabilities held for sale \$'000	Translation differences \$'000	At 31/12/2017 \$'000
<b>The Group</b>							
<b>Deferred tax liabilities</b>							
Accelerated tax depreciation	40,675	16,632	–	60,957	(10,042)	82	108,304
Discounts on compound financial instruments	9,692	(3,549)	–	–	–	–	6,143
Accrued income and interest receivable	5,455	(733)	–	–	–	(35)	4,687
Profits recognised on percentage of completion and fair value adjustments on initial recognition of development properties for sale	265,251	(6,029)	–	–	–	(3,985)	255,237
Fair value adjustments arising from a business combination	17,284	–	–	6,136	–	118	23,538
Fair value changes of investment properties	255,145	22,792	–	127,151	(31,732)	(1,895)	371,461
Unremitted earnings	92,891	(4,632)	–	8,657	(2,500)	(118)	94,298
Others	38,890	(1,174)	–	–	–	(86)	37,630
<b>Total</b>	<b>725,283</b>	<b>23,307</b>	<b>–</b>	<b>202,901</b>	<b>(44,274)</b>	<b>(5,919)</b>	<b>901,298</b>
<b>Deferred tax assets</b>							
Unutilised tax losses	(7,345)	1,476	–	–	–	141	(5,728)
Provisions and expenses	(170,953)	(548)	–	38	–	2,314	(169,149)
Fair value adjustments on initial recognition of development properties for sale	(14,489)	–	–	–	–	–	(14,489)
Deferred Income	–	(38)	–	–	–	2	(36)
Others	(35,097)	(232)	53	(1,760)	–	68	(36,968)
<b>Total</b>	<b>(227,884)</b>	<b>658</b>	<b>53</b>	<b>(1,722)</b>	<b>–</b>	<b>2,525</b>	<b>(226,370)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 9 DEFERRED TAX (continued)

	At 1/1/2016 \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Disposal of subsidiaries \$'000	Transferred to liabilities held for sale \$'000	Translation differences \$'000	At 31/12/2016 \$'000
<b>The Group</b>							
<b>Deferred tax liabilities</b>							
Accelerated tax depreciation	34,764	7,939	–	–	–	(2,028)	40,675
Discounts on compound financial instruments	13,883	(4,191)	–	–	–	–	9,692
Accrued income and interest receivable	5,598	(86)	–	–	–	(57)	5,455
Profits recognised on percentage of completion and fair value adjustments on initial recognition of development properties for sale	315,718	(29,027)	–	–	–	(21,440)	265,251
Fair value adjustments arising from a business combination	20,637	–	–	–	–	(3,353)	17,284
Fair value changes of investment properties	323,574	35,420	–	(92,441)	–	(11,408)	255,145
Unremitted earnings	34,920	57,971	–	–	–	–	92,891
Others	35,685	3,525	–	–	–	(320)	38,890
<b>Total</b>	<b>784,779</b>	<b>71,551</b>	<b>–</b>	<b>(92,441)</b>	<b>–</b>	<b>(38,606)</b>	<b>725,283</b>
<b>Deferred tax assets</b>							
Unutilised tax losses	(4,855)	(2,656)	–	–	–	166	(7,345)
Provisions and expenses	(122,916)	(58,791)	–	–	3,251	7,503	(170,953)
Fair value adjustments on initial recognition of development properties for sale	(14,489)	–	–	–	–	–	(14,489)
Others	(30,096)	(5,526)	(39)	–	–	564	(35,097)
<b>Total</b>	<b>(172,356)</b>	<b>(66,973)</b>	<b>(39)</b>	<b>–</b>	<b>3,251</b>	<b>8,233</b>	<b>(227,884)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 9 DEFERRED TAX (continued)

	At 1/1/2016 \$'000	Recognised in profit or loss \$'000	At 31/12/2016 \$'000	Recognised in profit or loss \$'000	At 31/12/2017 \$'000
<b>The Company</b>					
<b>Deferred tax liabilities</b>					
Discounts on compound financial instruments	13,883	(4,191)	9,692	(3,549)	6,143
<b>Deferred tax assets</b>					
Provisions	(731)	334	(397)	(26)	(423)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown on the balance sheets:

	The Group		
	Gross Amount 2017 \$'000	Offset 2017 \$'000	Net Amount 2017 \$'000
Deferred tax liabilities	901,298	(70)	901,228
Deferred tax assets	(226,370)	70	(226,300)
	674,928	–	674,928
	<b>2016 \$'000</b>	<b>2016 \$'000</b>	<b>2016 \$'000</b>
Deferred tax liabilities	725,283	(69)	725,214
Deferred tax assets	(227,884)	69	(227,815)
	497,399	–	497,399

As at 31 December 2017, deferred tax liabilities amounting to \$4.6 million (2016: \$5.0 million) had not been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 DEFERRED TAX (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group has not recognised deferred tax assets in respect of the following:

	2017 \$'000	2016 \$'000
Deductible temporary differences	476,143	438,569
Tax losses	668,397	583,476
Unutilised capital allowances	2,012	3,899
	<b>1,146,552</b>	1,025,944

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the subsidiaries of the Group can utilise the benefits. The deductible temporary differences do not expire under current tax legislation. Tax losses arising in certain foreign tax jurisdictions that would expire in the following period are listed below:

Expiry period	2017 \$'000	2016 \$'000
No expiry	742,192	717,421
Not later than 1 year	28,043	13,206
Between 1 and 5 years	348,632	278,140
After 5 years	27,685	17,177
	<b>1,146,552</b>	1,025,944

## 10 OTHER NON-CURRENT/CURRENT ASSETS

### (a) Other non-current assets

	Note	The Group	
		2017 \$'000	2016 \$'000
Available-for-sale equity securities			
– at cost		6,320	6,320
– at fair value		284,841	274,150
Financial asset designated at fair value through profit or loss		70,168	76,185
Derivative assets		63,006	135,696
Amounts due from associate	7(b)	86,094	88,818
Other receivables		5,381	6,779
Deposits	(i)	396,741	320,841
		<b>912,551</b>	908,789

(i) The amount relates to deposits paid for land and development costs of new acquisitions.

# NOTES TO THE FINANCIAL STATEMENTS

## 10 OTHER NON-CURRENT/CURRENT ASSETS (continued)

### (b) Other current assets

	The Group	
	2017	2016
	\$'000	\$'000
Derivative assets	<b>34,499</b>	2,134

## 11 DEVELOPMENT PROPERTIES FOR SALE AND STOCKS

	The Group	
	2017	2016
	\$'000	\$'000
(a) Properties under development, units for which revenue is recognised using percentage of completion method:		
Costs incurred and attributable profits	<b>657,185</b>	566,098
Allowance for foreseeable losses	<b>(207,520)</b>	(194,275)
	<b>449,665</b>	371,823
Progress billings	<b>(250,855)</b>	(24,830)
	<b>198,810</b>	346,993
Properties under development, units for which revenue is recognised using completion of contract method:		
Costs incurred	<b>2,903,509</b>	2,526,140
Allowance for foreseeable losses	<b>(141)</b>	(34,650)
	<b>2,903,368</b>	2,491,490
Properties under development	<b>3,102,178</b>	2,838,483
(b) Completed development properties, at cost	<b>1,012,752</b>	2,070,784
Allowance for foreseeable losses	<b>(41,951)</b>	(72,776)
Completed development properties	<b>970,801</b>	1,998,008
(c) Consumable stocks	<b>729</b>	590
Total development properties for sale and stocks	<b>4,073,708</b>	4,837,081

# NOTES TO THE FINANCIAL STATEMENTS

## 11 DEVELOPMENT PROPERTIES FOR SALE AND STOCKS (continued)

- (d) The Group adopts the percentage of completion method of revenue recognition for residential projects under progressive payment scheme in Singapore. The stage of completion is measured in accordance with the accounting policy stated in note 2.15. Significant assumptions are required in determining the stage of completion and the total estimated development costs. In making the assumptions, the Group evaluates them by relying on past experience and the work of specialists.

The Group makes allowance for foreseeable losses by applying its experience in estimating the net realisable values of completed units and properties under development. References were made to comparable properties, timing of sale launches, location of property, management's expected net selling prices and estimated development expenditure. Market conditions may, however, change which may affect the future selling prices of the remaining unsold units of the development properties and accordingly, the carrying value of development properties for sale may have to be written down in future periods.

- (e) As at 31 December 2017, development properties for sale amounting to approximately \$1,148.2 million (2016: \$1,665.3 million) were mortgaged to banks to secure credit facilities of the Group (note 19).
- (f) During the financial year, the following amounts were capitalised as cost of development properties for sale:

	Note	The Group	
		2017 \$'000	2016 \$'000
Staff costs	27(b)	22,011	32,042
Interest costs paid/payable	27(d)	38,060	38,587
Less:			
Interest income received/receivable from project fixed deposit accounts	27(a)	(120)	(438)
		<b>59,951</b>	<b>70,191</b>

- (g) Movements in allowance for foreseeable losses in respect of development properties for sale were as follows:

	Note	The Group	
		2017 \$'000	2016 \$'000
At 1 January		(301,701)	(338,897)
Reversal/(Allowances) during the year	27(c)(i)	27,676	(4,939)
Utilisation during the year		17,184	36,750
Disposal of a subsidiary		6,883	–
Translation differences		346	5,385
At 31 December		<b>(249,612)</b>	<b>(301,701)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12 TRADE AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Accrued receivables	(a)	<b>8,936</b>	124,756	–	–
Trade receivables	13	<b>294,689</b>	343,471	<b>204</b>	2
Deposits and other receivables	14	<b>518,618</b>	371,445	<b>162</b>	142
Amounts due from:					
– subsidiaries	18	–	–	<b>1,972,946</b>	1,112,659
– associates	7(b)	<b>120,066</b>	503,480	–	–
– joint ventures	8(b)	<b>50,959</b>	87,342	–	–
– non-controlling interests (unsecured and interest free)		<b>170,042</b>	158,850	–	–
Loans and receivables		<b>1,163,310</b>	1,589,344	<b>1,973,312</b>	1,112,803
Prepayments	(c)	<b>307,263</b>	269,465	<b>1,474</b>	408
		<b>1,470,573</b>	1,858,809	<b>1,974,786</b>	1,113,211

- (a) Accrued receivables relate to the remaining sales consideration not yet billed on completed development properties for sale.
- (b) As at 31 December 2017, certain trade and other receivables amounting to approximately \$68.9 million (2016: \$173.6 million) were mortgaged to banks to secure credit facilities of the Group (note 19).
- (c) As at 31 December 2017, prepayments of \$133.5 million (2016: \$147.9 million) were made for the acquisition of shares and land, pending completion of transactions.

## 13 TRADE RECEIVABLES

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables		<b>305,226</b>	351,939	<b>204</b>	2
Less:					
Allowance for doubtful receivables	12	<b>(10,537)</b>	(8,468)	–	–
		<b>294,689</b>	343,471	<b>204</b>	2

# NOTES TO THE FINANCIAL STATEMENTS

## 13 TRADE RECEIVABLES (continued)

- (a) The maximum exposure to credit risk for trade receivables at the reporting date (by strategic business units) was:

	The Group	
	2017 \$'000	2016 \$'000
CapitaLand Singapore	112,141	179,521
CapitaLand China	29,005	10,228
CapitaLand Mall Asia	73,356	75,629
Ascott	67,241	71,841
Others	12,946	6,252
	<b>294,689</b>	<b>343,471</b>

The credit quality of trade and other receivables is assessed based on credit policies established by the Risk Committee. The Group monitors customer credit risk by grouping trade and other receivables based on their characteristics. Trade and other receivables with high credit risk will be identified and monitored by the respective strategic business units.

- (b) The ageing of trade receivables at the reporting date was:

	Allowance		Allowance	
	Gross amount 2017 \$'000	for doubtful receivables 2017 \$'000	Gross amount 2016 \$'000	for doubtful receivables 2016 \$'000
<b>The Group</b>				
Not past due	167,084	–	292,749	–
Past due 1 – 30 days	97,287	(601)	31,049	(50)
Past due 31 – 90 days	19,740	(333)	10,908	(76)
More than 90 days	21,115	(9,603)	17,233	(8,342)
	<b>305,226</b>	<b>(10,537)</b>	<b>351,939</b>	<b>(8,468)</b>

- (c) The movements in allowance for doubtful receivables in respect of trade receivables were as follows:

	The Group	
	2017 \$'000	2016 \$'000
At 1 January	(8,468)	(8,778)
Allowance utilised	1,862	303
Allowance during the year	(3,615)	(377)
Reversal of allowance during the year	21	17
Translation differences	(337)	367
At 31 December	<b>(10,537)</b>	<b>(8,468)</b>

Based on historical default rates, the Group believes that no allowance for doubtful receivables is necessary in respect of the trade receivables, except for those balances which were impaired.



# NOTES TO THE FINANCIAL STATEMENTS

## 14 DEPOSITS AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deposits	(a)	<b>340,124</b>	270,897	<b>110</b>	126
Other receivables		<b>187,011</b>	111,554	<b>52</b>	16
Less:					
Allowance for doubtful receivables		<b>(19,205)</b>	(17,834)	–	–
		<b>167,806</b>	93,720	<b>52</b>	16
Tax recoverable		<b>10,688</b>	6,828	–	–
	12	<b>518,618</b>	371,445	<b>162</b>	142

(a) As at 31 December 2017, deposits included \$293.3 million (2016: \$255.6 million) paid for new investments.

The movements in allowance for doubtful receivables in respect of other receivables were as follows:

	The Group	
	2017 \$'000	2016 \$'000
At 1 January	<b>(17,834)</b>	(18,197)
Allowance utilised	<b>433</b>	402
Reversal of allowance during the year	<b>(1,552)</b>	(566)
Translation differences	<b>(252)</b>	527
At 31 December	<b>(19,205)</b>	(17,834)

Other than disclosed above, the Group believes that no additional allowance for doubtful receivables is required in respect of the other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## 15 ASSETS/LIABILITIES HELD FOR SALE

	The Group	
	2017 \$'000	2016 \$'000
Property, plant and equipment	1,965	–
Investment properties	512,413	6,549
Deferred tax assets	–	3,251
Development properties for sale	–	245,909
Trade and other receivables	1,239	15
Cash and cash equivalents	27,169	18,878
Assets held for sale	<u>542,786</u>	<u>274,602</u>
Trade and other payables	13,546	12,692
Current tax payables	–	6,571
Deferred tax liabilities	44,274	–
Security deposits	4,796	–
Loans and borrowings	32,009	–
Liabilities held for sale	<u>94,625</u>	<u>19,263</u>

Details of assets and liabilities held for sale as at 31 December 2017 and 31 December 2016 are as follows:

- (a) On 5 January 2018, the Group entered into definitive agreements to divest its effective interest in four of its subsidiaries, CapitaMalls Foshan City Nanhai Commercial Property Co., Ltd, CapitaMalls Chongqing Investment Co., Ltd, CapitaMalls Maoming City Commercial Property Co., Ltd and CapitaMalls Zhangzhou Commercial Property Co., Ltd to a third party. Accordingly, all the assets and liabilities held by the four subsidiaries were reclassified to assets held for sale and liabilities held for sale respectively as at 31 December 2017. As at 31 December 2017, assets held for sale included certain investment properties with carrying value of approximately \$198.6 million which were mortgaged to banks to secure credit facilities.
- (b) On 3 July 2017, the Group entered into two sale and purchase agreements to divest the interests in its wholly owned subsidiaries, Gain Mark Properties (Shanghai) Ltd and Citadines (Xi'an) Property Co., Ltd. (collectively, known as the China SR). The divestments were not completed as at 31 December 2017. Accordingly, all the assets and liabilities held by the disposal group were reclassified to assets held for sale and liabilities held for sale respectively as at 31 December 2017. During the year, the fair value gain of investment properties of China SR was \$74.7 million was recognised in "Other Operating Income" (note 27 (a)) in the profit or loss.
- (c) In 2013, a subsidiary of the Group, ART, launched the strata sale of the 81 individual units in Somerset Grand Fortune Garden Property Beijing, China (SFG). In view of ART's commitment to the strata sale plan, the investment property was reclassified to assets held for sale in 2013 and will remain in assets held for sale until the completion of the strata sale. During the current financial year, all remaining units had been divested.
- (d) On 16 January 2017, the Group disposed its entire interest in a wholly owned subsidiary, Nassim Hill Realty Pte Ltd (The Nassim), to a third party. Accordingly, all the assets and liabilities held by The Nassim were reclassified to assets held for sale and liabilities held for sale respectively as at 31 December 2016 at cost. The disposal of The Nassim was completed during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 16 CASH AND CASH EQUIVALENTS

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed deposits		<b>4,315,458</b>	3,336,201	–	–
Cash at banks and in hand		<b>1,789,860</b>	1,456,428	<b>7,247</b>	7,791
Cash and cash equivalents		<b>6,105,318</b>	4,792,629	<b>7,247</b>	7,791
Restricted bank deposits	(a)	<b>(25,813)</b>	(14,877)		
Cash and cash equivalents in the statement of cash flows		<b>6,079,505</b>	4,777,752		

- (a) These are bank balances of certain subsidiaries pledged in relation to bankers' guarantees issued to the subsidiaries' contractors and banking facilities.
- (b) As at 31 December 2017, the Group's cash and cash equivalents of \$229.0 million (2016: \$400.6 million) were held under project accounts and withdrawals from which are restricted to payments for expenditure incurred on projects.
- (c) The Group's cash and cash equivalents are held mainly in Singapore Dollars, US Dollars, Chinese Renminbi and Japanese Yen. As at 31 December 2017, the effective interest rates for cash and cash equivalents ranged from 0% to 8.75% (2016: 0% to 8.75%) per annum. The interest rate of 8.75% relates to Indian Rupee where the cash balance was not significant.

The cash and cash equivalents are placed with banks and financial institutions which meet the appropriate credit criteria.

## 17 TRADE AND OTHER PAYABLES

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables		<b>271,113</b>	155,943	<b>4,533</b>	2,284
Accruals	(a)	<b>1,407,417</b>	1,122,458	<b>53,955</b>	45,843
Accrued development expenditure		<b>690,318</b>	827,562	–	–
Progress billings		<b>1,585,671</b>	1,214,322	–	–
Other payables	(b)	<b>529,970</b>	580,892	<b>2,241</b>	1,661
Rental and other deposits		<b>309,398</b>	143,625	–	–
Derivative liabilities		<b>10,839</b>	7,650	–	–
Liability for employee benefits	22	<b>33,550</b>	24,043	<b>5,565</b>	6,600
Amounts due to:					
– subsidiaries	18	–	–	<b>820,124</b>	71,405
– associates	7(c)	<b>287,241</b>	258,341	–	–
– joint ventures	8(d)	<b>209,398</b>	213,109	–	–
Non-controlling interests (unsecured):					
– interest free		<b>82,215</b>	113,355	–	–
– interest bearing	(c)	<b>24,670</b>	23,737	–	–
		<b>5,441,800</b>	4,685,037	<b>886,418</b>	127,793

# NOTES TO THE FINANCIAL STATEMENTS

## 17 TRADE AND OTHER PAYABLES (continued)

- (a) Accruals included accrued operating expenses \$1,099.5 million (2016: \$896.9 million), accrued interest payable \$103.3 million (2016: \$74.5 million) as well as accrued expenditure for tax and administrative expenses which are individually immaterial.
- (b) Other payables included retention sums and amounts payable in connection with capital expenditure incurred.
- (c) The effective interest rates for amounts due to non-controlling interest ranged from 2.52% to 6.38% (2016: 2.17% to 6.38%) per annum.

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Note	The Company	
		2017	2016
		\$'000	\$'000
<b>Current</b>			
Amounts due from subsidiaries:			
– current accounts, mainly trade		79,602	39,912
– loans			
– interest free		87,904	85,158
– interest bearing		1,839,368	1,021,030
		1,927,272	1,106,188
Less:			
Allowance for doubtful receivables		(33,928)	(33,441)
		1,893,344	1,072,747
	12	1,972,946	1,112,659
Amounts due to subsidiaries:			
– loans, interest free		(818,772)	(71,395)
– current accounts, mainly trade		(1,352)	(10)
	17	(820,124)	(71,405)

# NOTES TO THE FINANCIAL STATEMENTS

## 18 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (continued)

(a) Movements in allowance for doubtful receivables were as follows:

	The Company	
	2017 \$'000	2016 \$'000
At 1 January	(33,441)	(35,526)
Reversal of allowance during the year	–	2,085
Allowance during the year	(487)	–
At 31 December	<b>(33,928)</b>	<b>(33,441)</b>

All balances with subsidiaries are unsecured and repayable on demand. The interest-bearing loans due from a subsidiary bore effective interest rates ranging from 0.68% to 1.95% (2016: 0.52% to 2.95%) per annum.

## 19 BANK BORROWINGS

	The Group	
	2017 \$'000	2016 \$'000
Bank borrowings		
– secured	5,586,226	4,735,137
– unsecured	5,875,387	2,606,074
	<b>11,461,613</b>	<b>7,341,211</b>
Finance lease (secured)	3,480	6,369
	<b>11,465,093</b>	<b>7,347,580</b>
Repayable:		
Not later than 1 year	1,250,627	710,642
Between 1 and 5 years	9,226,982	5,896,820
After 5 years	987,484	740,118
After 1 year	<b>10,214,466</b>	<b>6,636,938</b>
	<b>11,465,093</b>	<b>7,347,580</b>

- (a) The Group's borrowings are denominated mainly in Singapore Dollars, Chinese Renminbi, Japanese Yen, Euro, Sterling Pounds and US Dollars. As at 31 December 2017, the effective interest rates for bank borrowings denominated in these currencies ranged from 0.63% to 4.87% (2016: 0.91% to 5.61%) per annum.
- (b) Bank borrowings are secured by the following assets, details of which are disclosed in the respective notes to the financial statements:
- mortgages on the borrowing subsidiaries' property, plant and equipment, investment properties, development properties for sale, trade and other receivables and shares of certain subsidiaries of the Group; and
  - assignment of all rights, titles and benefits with respect to the properties mortgaged.

# NOTES TO THE FINANCIAL STATEMENTS

## 19 BANK BORROWINGS (continued)

(c) The reconciliation of liabilities arising from financing activities were as follows:

Note	At 1/1/2017 \$'000	Financing cashflows* \$'000	Acquisition of subsidiaries \$'000	Disposal of subsidiaries/ liabilities held for sale \$'000	Conversion of convertible bonds \$'000	Non-cash changes			At 31/12/2017 \$'000
						Changes in fair value \$'000	Amorti- sation of bond discount \$'000	Foreign exchange movement \$'000	
<b>The Group</b>									
Bank borrowings	19 7,341,211	2,172,869	2,082,327	(71,208)	-	-	-	3,165	11,461,613
Debt securities	20 7,504,796	(464,807)	3,426,728	-	(174,590)	-	21,101	2,850	10,229,836
Finance lease	19 6,369	(3,165)	-	-	-	-	-	-	3,480
Derivative liabilities	52,204	-	58,212	-	-	47,953	-	-	158,369
Derivative assets	(135,953)	-	(87,690)	-	-	131,346	-	-	(92,297)

\* Cashflow from financing activities presented in the consolidated statement of cash flows include interest expense paid of \$525.1 million which are included under accruals, amount due to associates and joint ventures of note 17 – trade and other payables. There are no material non-cash changes associated with interest payables.

# NOTES TO THE FINANCIAL STATEMENTS

## 20 DEBT SECURITIES

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Convertible bonds	<b>2,631,047</b>	2,895,858	<b>2,635,659</b>	2,729,058
Notes and bonds	<b>7,598,789</b>	4,608,938	–	–
	<b>10,229,836</b>	7,504,796	<b>2,635,659</b>	2,729,058
Secured notes and bonds	<b>184,943</b>	180,914	–	–
Unsecured notes and bonds	<b>10,044,893</b>	7,323,882	<b>2,635,659</b>	2,729,058
	<b>10,229,836</b>	7,504,796	<b>2,635,659</b>	2,729,058
Repayable:				
Not later than 1 year	<b>1,488,368</b>	1,662,786	<b>793,796</b>	683,312
Between 1 and 5 years	<b>4,903,430</b>	2,396,725	<b>1,201,823</b>	621,991
After 5 years	<b>3,838,038</b>	3,445,285	<b>640,040</b>	1,423,755
After 1 year	<b>8,741,468</b>	5,842,010	<b>1,841,863</b>	2,045,746
	<b>10,229,836</b>	7,504,796	<b>2,635,659</b>	2,729,058

- (a) The repayment schedule for convertible bonds was based on the final maturity dates.
- (b) As at 31 December 2017, the effective interest rates for debt securities ranged from 0.21% to 4.60% (2016: 0.20% to 4.60%) per annum.
- (c) Details of the outstanding convertible bonds as at 31 December 2017 are as follows:
- (i) \$571.8 million principal amount of convertible bonds of the Company due on 20 June 2022 with interest rate at 2.95% per annum. These bonds are convertible into new ordinary shares at the conversion price of \$11.5218 per share on or after 20 June 2008 and may be redeemed at the option of the Company or at the option of the bondholders on specified dates.
  - (ii) \$650.0 million principal amount of convertible bonds of the Company due on 19 June 2020 with interest rate at 1.85% per annum. These bonds are convertible into new ordinary shares at the conversion price of \$4.9875 per share on or after 30 July 2013 and may be redeemed at the option of the Company or at the option of the bondholders on specified dates.
  - (iii) \$800.0 million principal amount of convertible bonds of the Company due on 17 October 2023 with interest rate at 1.95% per annum. These bonds are convertible into new ordinary shares at the conversion price of \$4.2014 per share on or after 27 November 2013 and may be redeemed at the option of the Company or at the option of the bondholders on specified dates.
  - (iv) \$650.0 million principal amount of convertible bonds of the Company due on 8 June 2025 with interest rate at 2.8% per annum. These bonds are convertible into new ordinary shares at the conversion price of \$4.9700 per share on or after 19 July 2015 and may be redeemed at the option of the Company or at the option of the bondholders on specified dates.

# NOTES TO THE FINANCIAL STATEMENTS

## 20 DEBT SECURITIES (continued)

(d) During the year:

- (i) the Company settled convertible bonds with an aggregate principal amount of \$114.5 million due on 20 June 2022 with interest rate of 2.95% per annum upon the redemption by bondholders.
- (ii) the \$175.0 million principal amount of convertible bonds of a subsidiary due on 12 September 2017 were fully converted to 122.7 million units at the conversion price of \$1.4265 per unit.

(e) Notes and bonds

The Group's notes and bonds are mainly issued by the Company, CapitalLand Treasury Limited, CapitalLand Mall Trust, Ascott Residence Trust and CapitalLand Commercial Trust under their respective issuance programs. These notes and bonds were denominated mainly in Singapore Dollars, Malaysian Ringgit, Japanese Yen, Hong Kong Dollars, Euro and US Dollars. Saved for the secured notes and bonds below, the notes and bonds issued were unsecured.

As at 31 December 2017, the secured notes and bonds amounting to \$184.9 million (2016: \$180.9 million) were fully secured by deposits pledged and mortgages on the investment properties of the Group. Details on assets pledged are disclosed in the respective notes to the financial statements.

## 21 OTHER NON-CURRENT LIABILITIES

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Amounts due to non-controlling interests (unsecured):					
– interest free		<b>62,331</b>	65,919	–	–
– interest bearing	(i)	<b>43,904</b>	–	–	–
Amounts due to:					
– an associate	7(c)	–	153,976	–	–
– a joint venture	8(d)	<b>87,180</b>	88,416	–	–
Liability for employee benefits	22	<b>6,381</b>	7,209	<b>1,937</b>	4,272
Derivative liabilities		<b>160,665</b>	50,294	–	–
Security deposits and other non-current payables		<b>331,874</b>	141,919	<b>235</b>	–
Deferred income		<b>10,517</b>	4	–	–
		<b>702,852</b>	507,737	<b>2,172</b>	4,272

- (i) As at 31 December 2017, the effective interest rates for the amounts due to non-controlling interests ranged from 2.50% to 5.50% per annum.



# NOTES TO THE FINANCIAL STATEMENTS

## 22 EMPLOYEE BENEFITS

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Liability for short term accumulating compensated absences		12,264	7,597	1,940	1,249
Liability for staff incentive	(a)	16,194	17,687	5,562	9,623
Liability for cash-settled share-based payments		11,473	5,968	–	–
		<b>39,931</b>	<b>31,252</b>	<b>7,502</b>	<b>10,872</b>
Current	17	33,550	24,043	5,565	6,600
Non-current	21	6,381	7,209	1,937	4,272
		<b>39,931</b>	<b>31,252</b>	<b>7,502</b>	<b>10,872</b>

### (a) Staff incentive

This relates to staff incentive which is based on the achievement of the Group's financial performance and payable over a period of time.

### (b) Equity compensation benefits

#### *Share Plans of the Company*

The CapitaLand Performance Share Plan 2010 (PSP 2010) and CapitaLand Restricted Share Plan 2010 (RSP 2010) were approved by the members of the Company at the Extraordinary General Meeting held on 16 April 2010. The duration of each share plan is 10 years commencing on 16 April 2010.

The ERCC of the Company has instituted a set of share ownership guidelines for members of senior management who receive shares under the CapitaLand Restricted Share Plan and CapitaLand Performance Share Plan. Under these guidelines, members of senior management are required to retain a portion of the total number of CapitaLand shares received under the two aforementioned share-based plans, which will vary according to their respective job grade and salary.

The details of awards in the Company since commencement of the Share Plans were as follows:

	Aggregate shares			Balance as of 31 December 2017 No. of shares
	Granted No. of shares	Released No. of shares	Lapsed/ Cancelled No. of shares	
CapitaLand Performance Share Plan 2010	27,853,914	(619,831)	(16,640,642)	10,593,441
CapitaLand Restricted Share Plan 2010	74,866,836	(39,945,121)	(12,489,928)	22,431,787

The total number of new shares issued and/or to be issued pursuant to the 2010 Share Plans did not exceed 8% (2016: 8%) of the total number of shares (excluding treasury shares) in the capital of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 EMPLOYEE BENEFITS (continued)

### *CapitaLand Performance Share Plan 2010*

This relates to compensation costs of the Company's PSP 2010 reflecting the benefits accruing to the employees over the service period to which the performance criteria relate.

Movements in the number of shares outstanding under PSP 2010 were summarised below:

	2017 ('000)	2016 ('000)
At 1 January	11,036	10,031
Granted	4,046	4,381
Lapsed/Cancelled	(4,489)	(3,376)
At 31 December	<u>10,593</u>	<u>11,036</u>

The final number of shares to be released will depend on the achievement of pre-determined targets over a three-year performance period. No share will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, more shares than the baseline award could be released.

Year of grant	Final number of shares to be released
2014	0% to 170% of baseline award
2015 to 2017	0% to 200% of baseline award

Recipients can receive fully paid shares, their equivalent cash value or combinations thereof, at no cost.

The fair values of the shares are determined using Monte Carlo simulation method which projects future share price assuming log normal distribution based on Geometric Brownian Motion Theory at measurement date. The fair values and assumptions are set out below:

Year of award	2017	2016
<i>Weighted average fair value of shares and assumptions</i>		
Weighted average fair value at measurement date	\$3.57	\$2.18
Expected volatility of Company's share price based on 36 months closing share price prior to grant date	19.94%	20.37%
Average volatility of companies in the peer group based on 36 months prior to grant date	27.01%	28.47%
Share price at grant date	\$3.69	\$3.02
Risk-free interest rate equal to the implied yield on zero-coupon Singapore Government bond with a term equal to the length of vesting period	1.30%	0.99%
Expected dividend yield over the vesting period	3.00% to 3.60%	-
Expected dividend yield over 12 months volume-weighted average share price prior to the grant date	-	2.80%
Initial total shareholder return (TSR) performance based on historical TSR performance of the Company and each company in the peer group	23.43%	-3.82%
Average correlation of Company's TSR with those companies in the peer group	34.99%	37.23%

# NOTES TO THE FINANCIAL STATEMENTS

## 22 EMPLOYEE BENEFITS (continued)

### CapitaLand Restricted Share Plan 2010 – Equity-settled/Cash-settled

This relates to compensation costs of the Company's RSP 2010 reflecting the benefits accruing to the employees over the service period to which the performance criteria relate.

Movements in the number of shares outstanding under the RSP 2010 were summarised below:

	2017 ('000)	2016 ('000)
At 1 January	20,544	17,854
Granted	15,789	13,079
Released <sup>@</sup>	(11,402)	(8,824)
Lapsed/Cancelled	(2,499)	(1,565)
At 31 December	<b>22,432</b>	20,544

<sup>@</sup> The number of shares released during the year was 11,401,653 (2016: 8,823,834), of which 1,496,770 (2016: 730,948) were cash-settled.

As at 31 December 2017, the number of shares in awards granted under the RSP 2010 is as follows:

	Equity- settled ('000)	2017 Cash- settled ('000)	Total ('000)	Equity- settled ('000)	2016 Cash- settled ('000)	Total ('000)
Final number of shares has not been determined (baseline award) <sup>#</sup>	8,280	2,439	10,719	9,287	2,030	11,317
Final number of shares determined but not released	9,896	1,817	11,713	8,299	928	9,227
	<b>18,176</b>	<b>4,256</b>	<b>22,432</b>	17,586	2,958	20,544

<sup>#</sup> The final number of shares released could range from 0% to 150% of the baseline award.

The final number of shares to be released will depend on the achievement of pre-determined targets at the end of a one-year performance period. No share will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, more shares than the baseline award could be delivered up to a maximum of 150% of the baseline award. The shares have a vesting period of two to three years. Recipient can receive fully paid shares, their equivalent cash value or combinations thereof, at no cost. From 2014, an additional number of shares of a total value equal to the value of the accumulated dividends which are declared during each of the vesting periods and deemed forgone due to the vesting mechanism of the RSP 2010, will also be released upon the final vesting.

Cash-settled awards of shares are measured at their current fair values at each balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 EMPLOYEE BENEFITS (continued)

### *CapitaLand Restricted Share Plan 2010 – Equity-settled/Cash-settled* (continued)

The fair values of the shares granted to employees are determined using Discounted Cashflow method at the measurement date. The fair values and assumptions are set out below:

Year of award	2017	2016
<i>Weighted average fair value of shares and assumptions</i>		
Weighted average fair value at measurement date	<b>\$3.48</b>	\$2.83
Share price at grant date	<b>\$3.69</b>	\$3.02
Risk-free interest rate equal to the implied yield on zero-coupon Singapore Government bond with a term equal to the length of vesting period	<b>1.04% to 1.60%</b>	0.95% to 1.46%

The fair value of the shares awarded to non-executive directors for the payment of directors' fees in 2017 was \$3.59 (2016: \$3.06) which was the volume-weighted average price of a CapitaLand share on the SGX-ST over the 14 trading days from (and including) the ex-dividend date following the date of CapitaLand's Annual General Meeting.

### *Unit-based Plans of Subsidiaries*

(a) Ascott Residence Trust Management Limited (ARTML)

The ARTML Performance Unit Plan 2016 and the ARTML Restricted Unit Plan 2016 (collectively referred to as the "ARTML Unit Plans") were approved by the Board of Directors of ARTML on 15 April 2016.

(b) CapitaLand Commercial Trust Management Limited (CCTML)

The CCTML Performance Unit Plan 2016 and the CCTML Restricted Unit Plan 2016 (collectively referred to as the "CCTML Unit Plans") were approved by the Board of Directors of CCTML on 14 April 2016.

(c) CapitaLand Mall Trust Management Limited (CMTML)

The CMTML Performance Unit Plan 2016 and the CMTML Restricted Unit Plan 2016 (collectively referred to as the "CMTML Unit Plans") were approved by the Board of Directors of CMTML on 15 April 2016.

(d) CapitaLand Retail China Trust Management Limited (CRCTML)

The CRCTML Performance Unit Plan 2016 and the CRCTML Restricted Unit Plan 2016 (collectively referred to as the "CRCTML Unit Plans") were approved by the Board of Directors of CRCTML on 13 April 2016.

The Boards of ARTML, CCTML, CMTML and CRCTML have instituted a set of unit ownership guidelines for senior management who receive units under the ARTML Unit Plans, CCTML Unit Plans, CMTML Unit Plans and CRCTML Unit Plans (collectively referred to as "Subsidiary Unit Plans") respectively. Under these guidelines, members of the senior management team are required to retain a portion of the total number of units received under the Subsidiary Unit Plans, which will vary according to their respective job grade and salary.

During the financial year ended 31 December 2017, the Group recognised share-based expenses in relation to the unit based plans of the Subsidiaries Unit Plans of \$1,303,897 (2016: \$386,509) in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 EMPLOYEE BENEFITS (continued)

### *Performance Unit Plan 2016 of ARTML, CCTML, CMTML and CRCTML*

This relates to compensation costs of the Performance Unit Plans of ARTML, CCTML, CMTML and CRCTML that reflects the benefits accruing to the participants over the service period to which the performance criteria relate.

The final number of units to be released will depend on the achievement of pre-determined relative total unitholder return targets over a three-year performance period. No unit will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, up to a maximum of 200% of the baseline award could be released. Participants receive fully paid units at no cost upon vesting.

### *Restricted Unit Plan 2016 of ARTML, CCTML, CMTML and CRCTML*

This relates to compensation costs of the Restricted Unit Plans for ARTML, CCTML, CMTML and CRCTML that reflects the benefits accruing to the participants over the service period to which the performance criteria relate.

The final number of units to be released will depend on the achievement of pre-determined distribution per unit and net property income or gross profit targets over a one-year performance period. No unit will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, up to a maximum of 150% of the baseline award could be released. The units will vest over three years. Participants receive fully paid units at no cost upon vesting. An additional number of units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed forgone due to the vesting mechanism of the Restricted Unit Plans, will also be released upon the final vesting.

Units vested to participants will be delivered using existing units held by ARTML, CCTML, CMTML and CRCTML. No new units will be issued by the respective REITs to meet the obligations under the Subsidiary Unit Plans.

## 23 SHARE CAPITAL

	The Company	
	2017	2016
	No. of shares	No. of shares
	('000)	('000)
<b>Issued and fully paid, with no par value</b>		
At 1 January	4,274,384	4,274,319
Issue of shares pursuant to the exercise of options	–	65
At 31 December, including treasury shares	4,274,384	4,274,384
Less: Treasury shares	(27,092)	(36,996)
At 31 December, excluding treasury shares	4,247,292	4,237,388

- (a) The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.
- (b) At 31 December 2017, there is a maximum of 21,186,882 (2016: 21,010,661) shares under the PSP 2010 and 23,758,442 (2016: 23,596,643) shares under the RSP 2010, details of which are disclosed in note 22(b).

# NOTES TO THE FINANCIAL STATEMENTS

## 23 SHARE CAPITAL (continued)

- (c) As at 31 December 2017, the convertible bonds issued by the Company which remained outstanding as follows:

Principal amount \$ million	Final maturity date Year	Conversion price \$	Convertible into new ordinary shares No. of shares
650.00	2020	4.9875	130,325,814
650.00	2025	4.9700	130,784,708
571.75	2022	11.5218	49,623,322
800.00	2023	4.2014	190,412,719

There has been no conversion of any of the above convertible bonds since the date of their respective issue.

- (d) Movements in the Company's treasury shares were as follows:

	The Company	
	2017 No. of shares (‘000)	2016 No. of shares (‘000)
At 1 January	36,996	26,345
Purchase of treasury shares	–	18,744
Treasury shares transferred pursuant to employee share plans	(9,749)	(7,893)
Payment of directors' fees	(156)	(200)
At 31 December	<b>27,091</b>	<b>36,996</b>

### Capital management

The Group's policy is to build a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the level of dividends to ordinary shareholders.

The Group also monitors capital using a net debt equity ratio, which is defined as net borrowings divided by total equity (including non-controlling interests).

	The Group	
	2017 \$'000	2016 \$'000
Bank borrowings and debt securities	21,694,929	14,852,376
Cash and cash equivalents	(6,105,318)	(4,792,629)
Net debt	<b>15,589,611</b>	10,059,747
Total equity	<b>32,083,073</b>	24,300,475
Net debt equity ratio	<b>0.49</b>	0.41

# NOTES TO THE FINANCIAL STATEMENTS

## 23 SHARE CAPITAL (continued)

### Capital management (continued)

The Group seeks to strike a balance between the higher returns that might be possible with higher level of borrowings and the liquidity and security afforded by a sound capital position.

In addition, the Company has a share purchase mandate as approved by its shareholders which allows the Company greater flexibility over its share capital structure with a view to improving, inter alia, its return on equity. The shares which are purchased are held as treasury shares which the Company may transfer for the purposes of or pursuant to its employee share-based incentive schemes so as to enable the Company to take advantage of tax deductions under the current taxation regime. The use of treasury shares in lieu of issuing new shares would also mitigate the dilution impact on existing shareholders.

The Group's subsidiaries in The People's Republic of China (PRC) are subject to foreign exchange rules and regulations promulgated by the PRC government which may impact how the Group manages capital. In addition, five of the Group's subsidiaries (2016: five) are required to maintain certain minimum base capital and financial resources, or shareholders' funds as they are holders of Capital Markets Services licenses registered with the Monetary Authority of Singapore or the Securities Commission Malaysia to conduct the regulated activity of Real Estate Investment Trust management. In addition, the consolidated REITs are subject to the aggregate leverage limit as defined in the Property Funds Appendix of the Code of Investment Scheme. These subsidiaries have complied with the applicable capital requirements throughout the year.

There were no changes in the Group's approach to capital management during the year.

## 24 OTHER RESERVES

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Reserve for own shares	<b>(78,514)</b>	(107,220)	<b>(78,514)</b>	(107,220)
Capital reserve	<b>360,208</b>	379,628	<b>135,715</b>	144,353
Equity compensation reserve	<b>66,138</b>	61,008	<b>19,973</b>	17,310
Hedging reserve	<b>(28,564)</b>	30,444	–	–
Available-for-sale reserve	<b>21,650</b>	20,051	–	–
Foreign currency translation reserve	<b>(416,232)</b>	(117,646)	–	–
	<b>(75,314)</b>	266,265	<b>77,174</b>	54,443

Reserve for own shares comprises the purchase consideration for issued shares of the Company acquired and held as treasury shares.

The capital reserve comprises mainly the value of the options granted to bondholders to convert their convertible bonds into ordinary shares of the Company and share of associates' and joint ventures' capital reserve.

The equity compensation reserve comprises the cumulative value of employee services received for shares under the share plans of the Company (note 22(b)).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments related to hedge transactions that have not yet affected profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 24 OTHER RESERVES (continued)

The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale investment until the investment is derecognised.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities. The Group's foreign currency translation reserve arises mainly from Chinese Reminbi, US Dollars, Vietnamese Dong and Malaysian Ringgit.

## 25 OTHER COMPREHENSIVE INCOME

	Before tax \$'000	2017 Tax expense \$'000	Net of tax \$'000	Before tax \$'000	2016 Tax expense \$'000	Net of tax \$'000
<b>The Group</b>						
Exchange differences arising from translation of foreign operations and foreign currency loans, forming part of net investment in foreign operations	(418,295)	–	(418,295)	(605,910)	–	(605,910)
Recognition of foreign exchange differences on disposal or liquidation of foreign operations in profit or loss	(704)	–	(704)	25,478	–	25,478
Change in fair value of available-for-sale investments	3,456	–	3,456	13,746	–	13,746
Recognition of available-for-sale reserve in profit or loss	–	–	–	8,919	–	8,919
Effective portion of change in fair value of cash flow hedges	(93,218)	–	(93,218)	(11,374)	–	(11,374)
Share of other comprehensive income of associates and joint ventures	69,790	–	69,790	(574,476)	–	(574,476)
Recognition of share of other comprehensive income of associates and joint ventures in profit or loss	29,519	–	29,519	–	–	–
	<b>(409,452)</b>	<b>–</b>	<b>(409,452)</b>	<b>(1,143,617)</b>	<b>–</b>	<b>(1,143,617)</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 26 REVENUE

Revenue of the Group and of the Company is analysed as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trading of properties (recognised on a percentage of completion basis)	<b>811,588</b>	1,050,317	–	–
Trading of properties (recognised on completion)	<b>1,274,278</b>	2,312,720	–	–
Rental and related income	<b>1,297,741</b>	851,998	–	–
Fee income	<b>357,261</b>	359,748	<b>133,572</b>	83,312
Serviced residence rental and related income	<b>860,774</b>	669,674	–	–
Dividend income from subsidiaries	–	–	<b>401,074</b>	745,807
Others	<b>8,134</b>	7,877	–	–
	<b>4,609,776</b>	5,252,334	<b>534,646</b>	829,119

## 27 PROFIT BEFORE TAX

Profit before tax includes the following:

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>(a) Other operating income</b>					
Interest income from:					
– deposits		<b>54,331</b>	43,484	<b>96</b>	90
– subsidiaries		–	–	<b>66,180</b>	70,212
– associates and joint ventures		<b>6,614</b>	7,494	–	–
– investee companies and others		<b>1,222</b>	1,240	–	–
– interest capitalised in development properties for sale	11(f)	<b>(120)</b>	(438)	–	–
Balance carried forward		<b>62,047</b>	51,780	<b>66,276</b>	70,302

# NOTES TO THE FINANCIAL STATEMENTS

## 27 PROFIT BEFORE TAX (continued)

### (a) Other operating income (continued)

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance brought forward		<b>62,047</b>	51,780	<b>66,276</b>	70,302
Dividend income		<b>5,960</b>	9,513	–	–
Foreign exchange gain		<b>7,913</b>	43,970	<b>51</b>	–
Mark-to-market gain on:					
– derivative instruments		<b>1,074</b>	288	–	–
– financial asset designated as fair value through profit or loss		–	2,289	–	–
Net fair value gains from investment properties and assets held for sale		<b>309,833</b>	287,561	–	–
Gain on disposal/redemption of available-for-sale financial assets		<b>5,720</b>	4,766	–	–
Gain from bargain purchase arising from acquisition of subsidiaries	31(b)	<b>26,941</b>	23	–	–
Gain on disposal of property, plant and equipment		<b>820</b>	1,589	<b>17</b>	–
Gain from liquidation of subsidiary		–	–	<b>14</b>	–
Gain from change of ownership interest in subsidiaries and associates		<b>319,746*</b>	57,401	–	–
Gain on disposal of investment properties		<b>95,842</b>	–	–	–
Reversal of allowance for doubtful receivables from:					
– subsidiaries		–	–	<b>209,132</b>	2,085
– joint venture	8(c)	<b>411</b>	–	–	–
– others		<b>82</b>	–	–	–
Reversal of impairment of a joint venture	8(a)(i)	<b>1,800</b>	–	–	–
Others		<b>12,479</b>	29,851	<b>1,360</b>	19,206
		<b>850,668</b>	489,031	<b>276,850</b>	91,593

\* Includes gain arising from disposal of The Nassim of \$160.9 million.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 PROFIT BEFORE TAX (continued)

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>(b) Staff costs</b>					
Wages and salaries		<b>490,001</b>	428,979	<b>79,330</b>	62,387
Contributions to defined contribution plans		<b>57,687</b>	55,673	<b>7,553</b>	5,362
Share-based expenses:					
– equity-settled		<b>45,850</b>	42,353	<b>12,936</b>	12,215
– cash-settled		<b>9,483</b>	4,447	–	–
Increase/(Decrease) in liability for short term accumulating compensated absences		<b>1,872</b>	(2,517)	<b>691</b>	862
Staff benefits, training/development costs and others		<b>76,434</b>	75,850	<b>5,765</b>	3,046
		<b>681,327</b>	604,785	<b>106,275</b>	83,872
Less:					
Staff costs capitalised in development properties for sale	11(f)	<b>(22,011)</b>	(32,042)	–	–
		<b>659,316</b>	572,743	<b>106,275</b>	83,872
Recognised in:					
Cost of sales	(c)(i)	<b>426,820</b>	354,181	–	–
Administrative expenses	(c)(ii)	<b>232,496</b>	218,562	<b>106,275</b>	83,872
		<b>659,316</b>	572,743	<b>106,275</b>	83,872
<b>(c)(i) Cost of sales include:</b>					
Costs of development properties for sale		<b>1,631,828</b>	2,730,717	–	–
(Reversal of)/Allowance for foreseeable losses on development properties for sale	11(g)	<b>(27,676)</b>	4,939	–	–
Operating expenses of investment properties that generated rental income		<b>623,778</b>	450,593	–	–
Operating lease expenses		<b>116,444</b>	58,547	–	–
Staff costs	(b)	<b>426,820</b>	354,181	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 27 PROFIT BEFORE TAX (continued)

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>(c)(ii) Administrative expenses include:</b>					
Allowance for doubtful trade receivables		<b>4,219</b>	524	–	–
Amortisation of intangible assets	4	<b>7,022</b>	2,959	<b>4,165</b>	–
Auditors' remuneration:					
– auditors of the Company		<b>3,794</b>	2,951	<b>667</b>	201
– other auditors		<b>4,617</b>	4,535	–	–
Non-audit fees:					
– auditors of the Company		<b>1,187</b>	219	<b>18</b>	12
– other auditors		<b>1,286</b>	1,214	–	–
Depreciation of property, plant and equipment	3	<b>69,270</b>	65,983	<b>3,221</b>	6,451
Operating lease expenses		<b>13,397</b>	12,679	<b>6,817</b>	6,362
Staff costs	(b)	<b>232,496</b>	218,562	<b>106,275</b>	83,872

### (c)(iii) Other operating expenses include:

Allowance for doubtful non-trade receivables		<b>4,109</b>	908	<b>5,079</b>	20,683
Foreign exchange loss		–	–	–	26
Impairment of:					
– joint ventures	8(a)(i)	<b>1,737</b>	4,833	–	–
– financial assets		–	7,298	–	–
Impairment and write off of property, plant and equipment		<b>1,473</b>	7,690	–	–
Impairment of intangible assets	4	<b>3,226</b>	13,751	–	–
Loss on disposal of an investment property		–	3,879	–	–
Mark-to-market loss on financial asset designated as fair value through profit or loss		<b>1,224</b>	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 27 PROFIT BEFORE TAX (continued)

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>(d) Finance costs</b>					
Interest costs paid and payable:					
– on bank loans and overdrafts		<b>241,475</b>	215,855	–	–
– on debt securities		<b>174,591</b>	156,818	–	–
– to non-controlling interests		<b>1,774</b>	2,270	–	–
Convertible bonds:					
– interest expense		<b>65,104</b>	74,019	<b>64,265</b>	69,632
– amortisation of bond discount		<b>21,931</b>	26,105	<b>21,101</b>	24,538
Derivative financial instruments		<b>60</b>	348	–	–
Others		<b>48,825</b>	36,788	–	–
Total borrowing costs		<b>553,760</b>	512,203	<b>85,366</b>	94,170
Less:					
Borrowing costs capitalised in:					
– investment properties	5(e)	<b>(29,031)</b>	(20,995)	–	–
– development properties for sale	11(f)	<b>(38,060)</b>	(38,587)	–	–
		<b>(67,091)</b>	(59,582)	–	–
		<b>486,669</b>	452,621	<b>85,366</b>	94,170

## 28 TAX EXPENSE

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current tax expense</b>				
– Based on current year's results	<b>283,504</b>	402,387	<b>2</b>	–
– Over provision in respect of prior years	<b>(4,055)</b>	(748)	–	–
– Group relief	<b>(5,604)</b>	(3,583)	–	–
	<b>273,845</b>	398,056	<b>2</b>	–
<b>Deferred tax expense</b>				
– Origination and reversal of temporary differences	<b>36,900</b>	3,396	<b>(3,575)</b>	(3,857)
– (Over)/Under provision in respect of prior years	<b>(12,935)</b>	1,182	–	–
	<b>23,965</b>	4,578	<b>(3,575)</b>	(3,857)
	<b>297,810</b>	402,634	<b>(3,573)</b>	(3,857)

# NOTES TO THE FINANCIAL STATEMENTS

## 28 TAX EXPENSE (continued)

### Reconciliation of effective tax rate

	The Group	
	2017 \$'000	2016 \$'000
Profit before tax	2,623,826	1,906,903
Less: Share of results of associates and joint ventures	(876,613)	(707,788)
Profit before share of results of associates and joint ventures and tax	<u>1,747,213</u>	<u>1,199,115</u>
Income tax using Singapore tax rate of 17% (2016: 17%)	297,026	203,850
Adjustments:		
Expenses not deductible for tax purposes	115,850	182,043
Income not subject to tax	(245,493)	(180,211)
Effect of unrecognised tax losses and other deductible temporary differences	9,025	64,776
Effect of different tax rates in foreign jurisdictions	66,159	79,912
Effect of taxable distributions from REITs	42,420	36,899
(Over)/Under provision in respect of prior years	(16,990)	434
Group relief	(5,604)	(3,583)
Withholding taxes	40,025	22,854
Others	(4,608)	(4,340)
	<u>297,810</u>	<u>402,634</u>
	The Company	
	2017 \$'000	2016 \$'000
Profit before tax	<u>559,198</u>	<u>674,350</u>
Income tax using Singapore tax rate of 17% (2016: 17%)	95,064	114,640
Adjustments:		
Expenses not deductible for tax purposes	18,842	10,569
Income not subject to tax	(114,144)	(126,788)
Effect of other deductible temporary differences	(2,858)	(261)
Others	(477)	(2,017)
	<u>(3,573)</u>	<u>(3,857)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 29 EARNINGS PER SHARE

### (a) Basic earnings per share

	The Group	
	2017 \$'000	2016 \$'000
Basic earnings per share is based on:		
Net profit attributable to owners of the Company	<b>1,550,750</b>	1,190,341
	2017 No. of shares (‘000)	2016 No. of shares (‘000)
Weighted average number of ordinary shares in issue during the year	<b>4,245,629</b>	4,244,089

### (b) Diluted earnings per share

In calculating diluted earnings per share, the net profit attributable to owners of the Company and weighted average number of ordinary shares in issue during the year are adjusted for the effects of all dilutive potential ordinary shares:

	The Group	
	2017 \$'000	2016 \$'000
Net profit attributable to owners of the Company	<b>1,550,750</b>	1,190,341
Profit impact of conversion of the potential dilutive shares	<b>60,898</b>	64,455
Adjusted net profit attributable to owners of the Company	<b>1,611,648</b>	1,254,796
	2017 No. of shares (‘000)	2016 No. of shares (‘000)
Weighted average number of ordinary shares in issue during the year	<b>4,245,629</b>	4,244,089
Adjustments for potential dilutive shares under:		
– CapitaLand Performance Share Plan	<b>21,187</b>	21,011
– CapitaLand Restricted Share Plan	<b>23,758</b>	23,597
– Convertible bonds	<b>451,524</b>	478,244
	<b>496,469</b>	522,852
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<b>4,742,098</b>	4,766,941

# NOTES TO THE FINANCIAL STATEMENTS

## 30 DIVIDENDS

The Board of Directors of the Company has proposed a tax-exempt ordinary dividend of 12.0 cents per share in respect of the financial year ended 31 December 2017. This would amount to a payout of approximately \$509.7 million based on the number of issued shares (excluding 27,091,388 treasury shares) as at 31 December 2017. The tax-exempt dividends are subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

For the financial year ended 31 December 2016, a tax-exempt ordinary dividend of 10.0 cents per share was approved at the Annual General Meeting held on 24 April 2017. The said dividends of \$424.7 million were paid in May 2017.

## 31 ACQUISITION/DISPOSAL OF SUBSIDIARIES, NET OF CASH ACQUIRED/DISPOSED OF

### (a) Acquisition of subsidiaries

The list of significant acquisition of subsidiaries during 2017 is as follows:

Name of subsidiary	Date acquired	Effective interest acquired
Shanghai Zhuju Real Estate Co., Ltd	June 2017	100%
CapitaLand Mall Trust <sup>#</sup>	August 2017	29.4%
CapitaLand Retail China Trust <sup>#</sup>	August 2017	39.4%
RCS Trust <sup>#</sup>	August 2017	30.4%
MVKimi (BVI) Limited	November 2017	100%
Viet Hung Phu Business Investment Joint Stock Company	November 2017	100%
MAC Property Company GmbH	December 2017	94.9%

The list of significant acquisition of subsidiaries in 2016 is as follows:

Name of subsidiary	Date acquired	Effective interest acquired
River View Company Limited	September 2016	100%
Sabden Limited	December 2016	100%

<sup>#</sup> Previously associates/joint venture of the Group. Please refer to note 6.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 ACQUISITION/DISPOSAL OF SUBSIDIARIES, NET OF CASH ACQUIRED/DISPOSED OF (continued)

### (b) Effects of acquisitions

The cash flows and net assets of subsidiaries acquired are provided below:

	Note	Recognised values	
		2017 \$'000	2016 \$'000
<b>The Group</b>			
Property, plant and equipment		14,424	30,659
Intangible assets	4	15,806	–
Investment properties	5	17,565,394	54,446
Joint ventures		826,794	–
Other non-current assets		41,948	30
Development properties for sale		70,224	76,131
Trade and other receivables		308,755	–
Cash and cash equivalents		768,784	3,414
Other current assets		46,274	1,164
Current liabilities		(517,259)	(10,578)
Bank borrowings		(2,082,327)	(45,799)
Debt securities		(3,426,728)	–
Other non-current liabilities		(96,387)	–
Deferred tax liabilities		(231,058)	–
Non-controlling interests		(5,830,030)	–
		<b>7,474,614</b>	<b>109,467</b>
Amounts previously accounted for as associates and joint ventures, remeasured at fair value		(4,505,872)	–
Net assets acquired		<b>2,968,742</b>	<b>109,467</b>
Goodwill acquired	4	87,638	–
Gain from bargain purchase	27(a)	(26,941)	(23)
Realisation of reserves previously accounted for as an associate		(10,773)	–
Assumption of bank and shareholder loans		–	48,653
Total purchase consideration		<b>3,018,666</b>	<b>158,097</b>
Less:			
Deferred payment and other adjustments		(26,525)	27,670
Deferred purchase consideration paid in relation to prior year's acquisition of subsidiaries		10,030	–
Cash of subsidiaries acquired		(768,784)	(3,414)
Cash outflow on acquisition of subsidiaries		<b>2,233,387</b>	<b>182,353</b>

### (c) Disposal of subsidiaries

The list of significant disposal of subsidiaries during 2017 is as follows:

Name of subsidiary	Date disposed	Effective interest disposed
Winterton Investment Limited	June 2017	100%
CapitaLand Vietnam Commercial Fund I	August 2017	60%

The disposed subsidiaries previously contributed net profit of \$27.4 million from 1 January 2017 to the date of disposal.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 ACQUISITION/DISPOSAL OF SUBSIDIARIES, NET OF CASH ACQUIRED/DISPOSED OF (continued)

### (c) Disposal of subsidiaries (continued)

The list of significant disposal of subsidiaries during 2016 is as follows:

Name of subsidiary	Date disposed	Effective interest disposed
Somerset Zhongguancun (S) Pte. Ltd.	June 2016	100%
Keisha Limited	November 2016	63%

The disposed subsidiaries previously contributed net profit of \$58.4 million from 1 January 2016 to the date of disposal.

### (d) Effects of disposals

The cash flows and net assets of subsidiaries disposed are provided below:

	Note	The Group	
		2017	2016
		\$'000	\$'000
Property, plant and equipment		14	833
Investment properties	5	235,804	966,635
Development properties for sale		356,582	–
Other current assets		30,085	52,300
Other current liabilities		(29,061)	(57,352)
Bank borrowings		(39,199)	(381,865)
Other non-current liabilities		(28,157)	(92,441)
Non-controlling interests		(1,650)	(97,322)
Net assets		524,418	390,788
Less:			
Equity interests retained as associates		(142,339)	–
Net assets disposed		382,079	390,788
Realisation of reserves		(637)	25,452
Gain on disposal of subsidiaries		131,607	58,061
Sale consideration		513,049	474,301
Deferred payment and other adjustments		–	(257,265)
Deferred sale consideration received in relation to disposal of subsidiaries		413,666	–
Cash of subsidiaries disposed		(27,720)	(45,884)
Cash inflow on disposal of subsidiaries		898,995	171,152

## 32 BUSINESS COMBINATIONS

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying properties.

# NOTES TO THE FINANCIAL STATEMENTS

## 32 BUSINESS COMBINATIONS (continued)

In 2017, the Group had the following significant business combination:

### **Acquisition of CapitaLand Mall Trust (CMT), CapitaLand Retail China Trust (CRCT) and RCS Trust (RCST)**

With effect from August 2017, the Group consolidated CMT and CRCT as required under FRS 110. The Group has assessed that it has control over CMT and CRCT, following the progressive increase in the Group's unitholdings in CMT and CRCT over the years arising from the issuance of units as consideration for management fees, acquisition and divestment fees as well as participation in distribution reinvestment plan. Considering the Group's aggregate interest in RCST, held via its subsidiaries, the Group also consolidated RCST. Prior to August 2017, the Group equity accounted for CMT and CRCT as associates and RCST as joint venture.

The consolidation of CMT, CRCT and RCST resulted in an increase in revenue of \$425.6 million but no change to profit attributable to owners, from the date of acquisition to 31 December 2017. If the acquisition had occurred on 1 January 2017, management estimates that the contribution from CMT, CRCT and RCST in terms of revenue would have been \$1,028.1 million, with no change to profit attributable to owners.

Under the accounting standards, the change in control is accounted for using the acquisition method, and the Group's previously held equity interest is re-measured to fair value and a gain of \$12.0 million on deemed disposal was recognised in profit or loss. The fair values of the associates were derived from the quoted market prices of CMT and CRCT at date of acquisition.

The identifiable assets acquired, liabilities assumed and effect of cash flows are presented as follows:

	2017 \$'000
Property, plant and equipment	6,713
Intangible assets	1,707
Investment properties	14,411,074
Joint ventures	826,794
Other non-current assets	41,905
Cash and cash equivalents	678,880
Other current assets	296,477
Current liabilities	(374,124)
Bank borrowings	(1,915,852)
Debt securities	(3,426,727)
Non-current liabilities	(62,933)
Deferred tax liabilities	(215,773)
Non-controlling interests	(5,808,802)
Total identifiable net assets	4,459,339
Less: Amount previously accounted for as associate and joint venture, remeasured at fair value	(4,504,896)
Net assets acquired	(45,557)
Goodwill on acquisition	56,330
Realisation of reserves previously shared as an associate	(10,773)
Total purchase consideration	-
Less: Cash and cash equivalents in subsidiary acquired	(678,880)
Net cash inflow on acquisition	(678,880)

There were no significant business combinations in 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT

### (a) Financial risk management objectives and policies

The Group and the Company are exposed to market risk (including interest rate, foreign currency and price risks), credit risk and liquidity risk arising from its diversified business. The Group's risk management approach seeks to minimise the potential material adverse effects from these exposures. The Group uses financial instruments such as currency forwards, interest rate swaps and cross currency swaps as well as foreign currency borrowings to hedge certain financial risk exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee to strengthen its risk management processes and framework. The Risk Committee is assisted by an independent unit called the Risk Assessment Group (RAG). RAG generates a comprehensive portfolio risk report to assist the committee. This quarterly report measures a spectrum of risks, including property market risks, construction risks, interest rate risks, refinancing risks and currency risks.

### (b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will have on the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### (i) Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and debt obligations.

The investments in financial products are short term in nature and they are not held for trading or speculative purposes. The financial products mainly comprise fixed deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility. The Group classifies these interest rate swaps as cash flow hedges.

The fair value loss of interest rate swaps as at 31 December 2017 was \$26.6 million (2016: \$13.3 million) comprising derivative assets of \$5.4 million (2016: \$7.1 million) and derivative liabilities of \$32.0 million (2016: \$20.4 million).

#### *Sensitivity analysis*

For variable rate financial liabilities and interest rate derivative instruments used for hedging, it is estimated that an increase of 100 basis point in interest rate at the reporting date would lead to a reduction in the Group's profit before tax (and revenue reserves) by approximately \$68.0 million (2016: \$42.3 million). A decrease in 100 basis point in interest rate would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, and has not taken into account the effects of qualifying borrowing costs allowed for capitalisation, the associated tax effects and share of non-controlling interests.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### (ii) Equity price risk

As at 31 December 2017, the Group has available-for-sale investments in equity securities and is exposed to equity price risk. The securities are listed in Malaysia.

#### *Sensitivity analysis*

It is estimated that if the prices for equity securities listed in Malaysia increase by five percentage point with all other variables including tax rate being held constant, the Group's available-for-sale reserves would increase by approximately \$2.4 million (2016: \$2.2 million). A decrease in five percentage point will have an equal but opposite effect.

#### (iii) Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly Chinese Renminbi, Euro, Hong Kong Dollars, Japanese Yen, Malaysian Ringgit, Australian Dollars and US Dollars.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which its property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

As at the reporting date, the Group uses certain foreign currency denominated borrowings, which include bank loans and medium term notes, and cross currency interest rate swaps to hedge against the currency risk arising from the Group's net investments in certain subsidiaries in United States of America, Europe and Japan. The carrying amount of these US Dollars, Euro, Sterling Pound and Japanese Yen denominated borrowings as at 31 December 2017 was \$751.8 million (2016: \$576.8 million) and the fair value of the borrowings was \$749.2 million (2016: \$579.7 million).

The Group uses forward exchange contracts or foreign currency loans to hedge its foreign currency risk, where feasible. It generally enters into forward exchange contracts with maturities ranging between three months and one year which are rolled over at market rates at maturity or foreign currency loans which match the Group's investment in the foreign subsidiaries. The Group also enters into cross currency swaps to hedge the foreign exchange risk of its loans denominated in a foreign currency.

The net fair value loss of the forward exchange and cross currency swap contracts as at 31 December 2017 was \$47.4 million (2016: gain of \$93.1 million), comprising derivative liabilities of \$139.5 million (2016: \$37.6 million) and derivative assets of \$92.1 million (2016: \$130.7 million).

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### (iii) Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currencies as at 31 December 2017 and 31 December 2016 were as follows:

	Singapore Dollars \$'000	US Dollars \$'000	Australian Dollars \$'000	Chinese Renminbi \$'000	Hong Kong Dollars \$'000	Japanese Yen \$'000	Euro \$'000	Malaysian Ringgit \$'000	Others <sup>#</sup> \$'000	Total \$'000
<b>The Group</b>										
<b>2017</b>										
Other financial assets	13,366	73,415	-	-	855	226,159	-	47,534	-	361,329
Trade and other receivables	320,494	267,658	18,865	507,847	18,146	17,784	226,321	85,948	153,533	1,616,596
Cash and cash equivalents	3,373,735	145,983	6,692	2,145,081	2,314	181,096	63,218	83,410	103,789	6,105,318
Borrowings	(13,235,297)	(1,695,196)	-	(1,684,735)	(1,035,969)	(2,456,531)	(792,321)	(503,206)	(291,674)	(21,694,929)
Trade and other payables	(1,573,053)	(396,313)	(10,086)	(2,673,052)	(2,740)	(83,681)	(69,016)	(66,052)	(86,884)	(4,960,877)
Gross currency exposure	(11,100,755)	(1,604,453)	15,471	(1,704,859)	(1,017,394)	(2,115,173)	(571,798)	(352,366)	(121,236)	(18,572,563)
Add/Less:										
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	10,931,104	431,096	(1,078)	1,262,276	192,162	1,230,423	335,842	470,774	80,950	14,933,549
Add:										
Loans designated for net investment hedge	-	68,476	-	-	-	206,360	429,743	-	47,218	751,797
Add:										
Cross currency swaps/foreign exchange forward contracts	-	1,073,036	-	-	843,534	699,872	-	-	-	2,616,442
Less:										
Available-for-sale financial assets	-	-	-	-	(855)	-	-	(47,533)	-	(48,388)
Net currency exposure	(169,651)	(31,845)	14,393	(442,583)	17,447	21,482	193,787	70,875	6,932	(319,163)

# Others include mainly United Arab Emirates Dirham, Sterling Pound, Thai Baht, Indian Rupee and Vietnamese Dong.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### (iii) Foreign currency risk (continued)

	Singapore Dollars \$'000	US Dollars \$'000	Australian Dollars \$'000	Chinese Renminbi \$'000	Hong Kong Dollars \$'000	Japanese Yen \$'000	Euro \$'000	Malaysian Ringgit \$'000	Others <sup>#</sup> \$'000	Total \$'000
<b>The Group</b>										
<b>2016</b>										
Other financial assets	6,321	77,761	-	-	914	226,825	-	44,834	-	356,655
Trade and other receivables	629,313	754,142	18,534	338,383	18,526	128,841	184,032	71,710	198,368	2,341,849
Cash and cash equivalents	1,955,719	228,480	5,528	2,216,395	3,534	167,916	37,746	77,993	99,318	4,792,629
Borrowings	(9,475,225)	(1,146,829)	-	(1,163,502)	(314,638)	(1,667,187)	(298,597)	(492,220)	(294,178)	(14,852,376)
Trade and other payables	(1,233,754)	(431,829)	(10,276)	(2,610,278)	(3,728)	(80,613)	(49,106)	(61,882)	(94,393)	(4,575,859)
Gross currency exposure	(8,117,626)	(518,275)	13,786	(1,219,002)	(295,392)	(1,224,218)	(125,925)	(359,565)	(90,885)	(11,937,102)
Add/Less:										
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	7,951,417	287,884	2,492	490,111	205,756	737,726	(20,852)	461,937	170,061	10,286,532
Add:										
Loans designated for net investment hedge	-	72,505	-	-	-	202,804	292,227	-	12,135	579,671
Add:										
Cross currency swaps/foreign exchange forward contracts	-	570,020	-	-	107,476	303,979	-	-	-	981,475
Less:										
Available-for-sale financial assets	-	(1,148)	-	-	(914)	-	-	(44,834)	-	(46,896)
Net currency exposure	(166,209)	410,986	16,278	(728,891)	16,926	20,291	145,450	57,538	91,311	(136,320)

# Others include mainly United Arab Emirates Dirham, Sterling Pound, Thai Baht, Indian Rupee and Vietnamese Dong.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### (iii) Foreign currency risk (continued)

	US Dollars \$'000
<b>The Company</b>	
<b>2017</b>	
Cash and cash equivalents	31
Currency exposure	31
<b>2016</b>	
Cash and cash equivalents	523
Currency exposure	523

#### *Sensitivity analysis*

It is estimated that a five percentage point strengthening in foreign currencies against the respective functional currencies of the Group would decrease the Group's profit before tax by approximately \$16.0 million (2016: \$6.8 million) and increase the Group's other components of equity by approximately \$2.4 million (2016: \$2.3 million). A five percentage point weakening in foreign currencies against the Singapore Dollar would have an equal but opposite effect. The Group's outstanding forward exchange contracts and cross currency swaps have been included in this calculation. The analysis assumed that all other variables, in particular interest rates, remain constant and does not take into account the translation related risk, associated tax effects and share of non-controlling interests.

There was no significant exposure to foreign currencies for the Company as at 31 December 2017 and 31 December 2016.



# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For trade receivables, the Group has guidelines governing the process of granting credit as a service or product provider in its respective segments of business. Trade and other receivables relate mainly to the Group's customers who bought its residential units and tenants from its commercial buildings, shopping malls and serviced residences. Investments and financial transactions are restricted to counterparties that meet the appropriate credit criteria.

The principal risk to which the Group and the Company is exposed to in respect of financial guarantee contracts is credit risk in connection with the guarantee contracts they have issued. To mitigate the risk, management continually monitors the risk and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given for the benefit of its subsidiaries and related parties. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 36.

The Group has a diversified portfolio of businesses and as at balance sheet date, there was no significant concentration of credit risk with any entity. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, including derivative financial instruments as well as any irrevocable loan undertaking to associates and joint ventures.

### (d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group will constantly raise committed funding from both capital markets and financial institutions and prudently balance its portfolio with some short term funding so as to achieve overall cost effectiveness.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (d) Liquidity risk (continued)

The following are the expected contractual undiscounted cash flows of financial liabilities and derivative financial instruments, including interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows			After 5 years \$'000
		Total \$'000	Not later than 1 year \$'000	Between 1 and 5 years \$'000	
<b>The Group</b>					
<b>2017</b>					
<b>Financial liabilities, at amortised cost</b>					
Bank borrowings	(11,465,093)	(12,304,159)	(1,580,151)	(9,648,315)	(1,075,693)
Debt securities	(10,229,836)	(11,747,471)	(1,758,857)	(5,812,050)	(4,176,564)
Trade and other payables#	(4,133,989)	(4,143,216)	(3,645,662)	(454,735)	(42,819)
	(25,828,918)	(28,194,846)	(6,984,670)	(15,915,100)	(5,295,076)
<b>Derivative financial assets/ (liabilities), at fair value</b>					
Interest rate swaps (net-settled)					
– assets	5,388	5,547	292	5,255	–
– liabilities	(32,005)	(30,543)	(19,628)	(10,915)	–
Forward foreign exchange contracts (net-settled)					
– assets	5,208	5,208	5,208	–	–
– liabilities	(11,248)	(11,248)	(11,248)	–	–
Forward foreign exchange contracts (gross-settled)					
– outflow	(1,887)	(230,687)	(230,687)	–	–
– inflow		228,800	228,800	–	–
Cross currency swaps (gross-settled)					
– outflow	86,909	(1,194,127)	(546,681)	(319,884)	(327,562)
– inflow		1,264,486	581,202	348,189	335,095
Cross currency swaps (gross-settled)					
– outflow	(126,364)	(1,704,310)	(41,196)	(1,002,249)	(660,865)
– inflow		1,612,889	28,875	936,374	647,640
	(73,999)	(53,985)	(5,063)	(43,230)	(5,692)
	(25,902,917)	(28,248,831)	(6,989,733)	(15,958,330)	(5,300,768)

# Excludes quasi-equity loans, progress billings and liability for employee benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (d) Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows			After 5 years \$'000
		Total \$'000	Not later than 1 year \$'000	Between 1 and 5 years \$'000	
<b>The Group</b>					
<b>2016</b>					
<b>Financial liabilities, at amortised cost</b>					
Bank borrowings	(7,347,580)	(7,999,595)	(868,504)	(6,306,964)	(824,127)
Debt securities	(7,504,796)	(8,555,845)	(1,839,059)	(3,030,683)	(3,686,103)
Trade and other payables <sup>#</sup>	(3,629,578)	(3,656,808)	(3,223,649)	(343,409)	(89,750)
	<u>(18,481,954)</u>	<u>(20,212,248)</u>	<u>(5,931,212)</u>	<u>(9,681,056)</u>	<u>(4,599,980)</u>
<b>Derivative financial assets/ (liabilities), at fair value</b>					
Interest rate swaps (net-settled)					
– assets	7,137	9,551	(183)	9,734	–
– liabilities	(20,382)	(20,436)	(15,432)	(5,004)	–
Forward foreign exchange contracts (net-settled)					
– assets	1,672	1,672	1,672	–	–
– liabilities	(5,733)	(5,733)	(5,733)	–	–
Forward foreign exchange contracts (gross-settled)					
– outflow	205	(6,934)	(6,934)	–	–
– inflow		7,188	7,188	–	–
Forward foreign exchange contracts (gross-settled)					
– outflow	(7)	(720)	(720)	–	–
– inflow		713	713	–	–
Cross currency swaps (gross-settled)					
– outflow	128,816	(499,488)	(26,542)	(281,150)	(191,796)
– inflow		515,907	26,430	289,501	199,976
Cross currency swaps (gross-settled)					
– outflow	(31,822)	(523,348)	(10,601)	(181,922)	(330,825)
– inflow		559,689	14,869	204,430	340,390
	<u>79,886</u>	<u>38,061</u>	<u>(15,273)</u>	<u>35,589</u>	<u>17,745</u>
	<u>(18,402,068)</u>	<u>(20,174,187)</u>	<u>(5,946,485)</u>	<u>(9,645,467)</u>	<u>(4,582,235)</u>

<sup>#</sup> Excludes quasi-equity loans, progress billings and liability for employee benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (d) Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows			After 5 years \$'000
		Total \$'000	Not later than 1 year \$'000	Between 1 and 5 years \$'000	
<b>The Company</b>					
<b>2017</b>					
<b>Financial liabilities, at amortised cost</b>					
Debt securities	(2,635,659)	(2,924,499)	(857,264)	(1,371,710)	(695,525)
Trade and other payables <sup>#</sup>	(880,733)	(880,733)	(880,733)	–	–
	<u>(3,516,392)</u>	<u>(3,805,232)</u>	<u>(1,737,997)</u>	<u>(1,371,710)</u>	<u>(695,525)</u>
<b>2016</b>					
<b>Financial liabilities, at amortised cost</b>					
Debt securities	(2,729,058)	(3,096,927)	(736,630)	(815,372)	(1,544,925)
Trade and other payables <sup>#</sup>	(121,193)	(121,193)	(121,193)	–	–
	<u>(2,850,251)</u>	<u>(3,218,120)</u>	<u>(857,823)</u>	<u>(815,372)</u>	<u>(1,544,925)</u>

# Excludes liability for employee benefits.

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and affect the profit or loss:

	Carrying amount \$'000	Contractual cash flows			After 5 years \$'000
		Total \$'000	Not later than 1 year \$'000	Between 1 and 5 years \$'000	
<b>The Group</b>					
<b>2017</b>					
Interest rate swaps					
– assets	5,388	5,547	292	5,255	–
– liabilities	(32,005)	(30,543)	(19,628)	(10,915)	–
Forward foreign exchange contracts					
– liabilities	(1,887)	(1,887)	(1,887)	–	–
Cross currency swaps					
– assets	86,909	70,359	34,521	28,305	7,533
– liabilities	(126,364)	(91,421)	(12,321)	(65,875)	(13,225)
	<u>(67,959)</u>	<u>(47,945)</u>	<u>977</u>	<u>(43,230)</u>	<u>(5,692)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (d) Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flows			After 5 years \$'000
		Total \$'000	Not later than 1 year \$'000	Between 1 and 5 years \$'000	
<b>The Group</b>					
<b>2016</b>					
Interest rate swaps					
– assets	7,137	9,551	(183)	9,734	–
– liabilities	(20,382)	(20,436)	(15,432)	(5,004)	–
Forward foreign exchange contracts					
– assets	205	254	254	–	–
– liabilities	(7)	(7)	(7)	–	–
Cross currency swaps					
– assets	128,816	16,419	(112)	8,351	8,180
– liabilities	(31,822)	36,341	4,268	22,508	9,565
	<u>83,947</u>	<u>42,122</u>	<u>(11,212)</u>	<u>35,589</u>	<u>17,745</u>

### (e) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and the Company's balance sheets; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the balance sheets.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the balance sheets.

The Group's derivative transactions that are not transacted through an exchange, are governed by the International Swaps and Derivatives Association (ISDA) Master Netting Agreements. In general, under such agreements, the amounts due on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount and settled between the counterparties. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and set off into a single net amount to be settled.

The above ISDA agreements do not meet the criteria for offsetting in the balance sheets as a right of set-off of recognised amounts is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (e) Offsetting financial assets and financial liabilities (continued)

Note	Gross amount of recognised financial assets/ (liabilities) \$'000	Gross amount of recognised financial assets/ (liabilities) offset in the balance sheet \$'000	Net amount of financial assets/ (liabilities) presented in the balance sheet \$'000	Related amount not offset in the balance sheet \$'000	Net amount \$'000	
<b>The Group</b>						
<b>2017</b>						
<b>Types of financial assets</b>						
	Interest rate swaps	5,388	–	5,388	(165)	5,223
	Forward foreign exchange contracts	5,208	–	5,208	(2,776)	2,432
	Cross currency swaps	86,909	–	86,909	(44,371)	42,538
10(a), 10(b)		<u>97,505</u>	<u>–</u>	<u>97,505</u>	<u>(47,312)</u>	<u>50,193</u>
<b>Types of financial liabilities</b>						
	Interest rate swaps	(32,005)	–	(32,005)	165	(31,840)
	Forward foreign exchange contracts	(13,135)	–	(13,135)	2,776	(10,359)
	Cross currency swaps	(126,364)	–	(126,364)	44,371	(81,993)
17, 21		<u>(171,504)</u>	<u>–</u>	<u>(171,504)</u>	<u>47,312</u>	<u>(124,192)</u>
<b>2016</b>						
<b>Types of financial assets</b>						
	Interest rate swaps	7,137	–	7,137	(3,257)	3,880
	Forward foreign exchange contracts	1,877	–	1,877	(1,333)	544
	Cross currency swaps	128,816	–	128,816	(13,334)	115,482
10(a), 10(b)		<u>137,830</u>	<u>–</u>	<u>137,830</u>	<u>(17,924)</u>	<u>119,906</u>
<b>Types of financial liabilities</b>						
	Interest rate swaps	(20,382)	–	(20,382)	3,219	(17,163)
	Forward foreign exchange contracts	(5,740)	–	(5,740)	1,333	(4,407)
	Cross currency swaps	(31,822)	–	(31,822)	13,372	(18,450)
17, 21		<u>(57,944)</u>	<u>–</u>	<u>(57,944)</u>	<u>17,924</u>	<u>(40,020)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 33 FINANCIAL RISK MANAGEMENT (continued)

### (e) Offsetting financial assets and financial liabilities (continued)

Note	Gross amount of recognised financial assets/ (liabilities) \$'000	Gross amount of recognised financial assets/ (liabilities) offset in the balance sheet \$'000	Net amount of financial assets/ (liabilities) presented in the balance sheet \$'000	Related amount not offset in the balance sheet \$'000	Net amount \$'000	
<b>The Company</b>						
<b>2017</b>						
<b>Types of financial assets</b>						
Amount due from subsidiaries, current account	18	79,602	–	79,602	(1,352)	78,250
<b>Types of financial liabilities</b>						
Amount due to subsidiaries, current account	18	(1,352)	–	(1,352)	1,352	–
<b>2016</b>						
<b>Types of financial assets</b>						
Amount due from subsidiaries, current account	18	40,054	(142)	39,912	–	39,912
<b>Types of financial liabilities</b>						
Amount due to subsidiaries, current account		(142)	142	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Determination of fair value

The following valuation methods and assumptions are used to estimate the fair values of the following significant classes of assets and liabilities:

#### (i) *Derivatives*

Forward currency contracts, cross currency swap contracts and interest rate swap contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rate, interest rate curves and forward rate curves.

#### (ii) *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted using the market rate of interest at the reporting date.

In respect of the liability component of convertible bonds, the fair value at initial recognition is determined using a market interest rate of similar liabilities that do not have a conversion option.

Fair value of quoted debt securities is determined based on quoted market prices.

#### (iii) *Other financial assets and liabilities*

The fair value of quoted securities is their quoted bid price at the balance sheet date. The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument in the balance sheet.



# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (a) Determination of fair value (continued)

#### (iv) *Investment properties*

The Group's investment property portfolio is mostly valued by external and independent valuation companies every six months. Independent valuation is also carried out on occurrence of acquisition and on completion of construction of investment property. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. The valuers have considered valuation techniques including direct comparison method, capitalisation approach, discounted cash flows and residual method in arriving at the open market value as at the balance sheet date. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation rate, terminal yield rate and discount rate.

Investment property under development is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction and a reasonable profit margin on construction and development. The estimated cost to complete is determined based on the construction cost per square metre in the pertinent area.

#### (v) *Assets held for sale*

The fair value of the Group's assets held for sale is either valued by an independent valuer or based on agreed contractual selling price on a willing buyer willing seller basis. For assets held for sale valued by an independent valuer, the valuer has considered the direct comparison and income capitalisation approaches in arriving at the open market value as at the balance sheet date. In determining the fair value, the valuer used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of assets held for sale include market-corroborated capitalisation rate.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (a) Determination of fair value (continued)

#### (vi) *Property, plant and equipment*

The fair value of the property, plant and equipment is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The residual values of serviced residence properties at the end of the intended holding period are determined based on annual independent professional valuations, using valuation methods such as discounted cash flow and/or comparison method. The key assumptions used to determine the residual values of serviced residence properties include terminal yield rate and discount rate.

#### (vii) *Share-based payment transactions*

The fair values of employee performance share plan and restricted share plan are measured using valuation methodology described in note 22. Measurement inputs include the share price at grant date, expected volatility (based on an evaluation of the historical volatility of the Company's and peer group's share price), expected correlation of the Company's return with those of peer group, expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair values.

### (b) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (c) Accounting classification and fair values

	Note	Carrying amount				Fair value								
		Fair value – hedging instruments \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Designated at fair value \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000			
<b>The Group</b>														
<b>2017</b>														
<b>Financial assets measured at fair value</b>														
Available-for-sale equity securities	10(a)	–	–	284,841	–	–	284,841	–	47,533	–	237,308	–	284,841	
Financial asset designated as fair value through profit or loss	10(a)	–	–	–	70,168	–	70,168	–	–	–	70,168	–	70,168	
Derivative financial assets:														
– Forward foreign exchange contracts and cross currency swaps	10(b)	34,499	–	–	–	–	–	–	–	–	–	34,499	–	34,499
– Interest rate swaps, forward foreign exchange contracts and cross currency swaps	10(a)	63,006	–	–	–	–	–	–	–	–	–	63,006	–	63,006
		97,505	–	284,841	70,168	–	452,514	–	–	–	–	–	–	63,006
<b>Financial assets not measured at fair value</b>														
Other non-current assets		–	91,475	–	–	–	–	–	–	–	–	–	–	91,475
Trade and other receivables	12	–	1,163,310	–	–	–	1,163,310	–	–	–	–	–	–	1,163,310
Assets held for sale <sup>^</sup>		–	28,408	–	–	–	28,408	–	–	–	–	–	–	28,408
Cash and cash equivalents	16	–	6,105,318	–	–	–	6,105,318	–	–	–	–	–	–	6,105,318
		–	7,388,511	–	–	–	7,388,511	–	–	–	–	–	–	7,388,511

<sup>^</sup> Refer to note 15 for financial assets/liabilities in assets/liabilities held for sale.

# Does not include fair value information of financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (c) Accounting classification and fair values (continued)

	Note	Fair value			Carrying amount			Carrying amount		
		– hedging instruments \$'000	Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>The Group</b>										
<b>2017</b>										
<b>Financial liabilities measured at fair value</b>										
Derivative financial liabilities:										
– Interest rate swaps and forward foreign exchange contracts	17	(10,839)	–	–	–	(10,839)	–	(10,839)	–	(10,839)
– Interest rate swaps, forward foreign exchange contracts and cross currency swaps	21	(160,665)	–	–	–	(160,665)	–	(160,665)	–	(160,665)
		(171,504)	–	–	–	(171,504)	–	–	–	–
<b>Financial liabilities not measured at fair value</b>										
Other non-current liabilities <sup>#</sup>		–	–	–	(505,453)	(505,453)	–	–	(503,774)	(503,774)
Bank borrowings	19	–	–	–	(11,465,093)	(11,465,093)	–	(11,525,812)	–	(11,525,812)
Debt securities	20	–	–	–	(10,229,836)	(10,229,836)	(3,027,807)	(7,454,747)	–	(10,482,554)
Trade and other payables <sup>#</sup>		–	–	–	(3,628,448)	(3,628,448)	–	–	–	–
Liabilities held for sale <sup>^</sup>		–	–	–	(50,351)	(50,351)	–	–	–	–
		–	–	–	(25,879,181)	(25,879,181)	–	–	–	–

<sup>#</sup> Excludes quasi-equity loans, progress billings and liability for employee benefits.

<sup>^</sup> Refer to note 1.5 for financial assets/liabilities in assets/liabilities held for sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (c) Accounting classification and fair values (continued)

	Carrying amount					Fair value				
	Fair value – hedging instruments \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Designated at fair value \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>The Group</b>										
<b>2016</b>										
<b>Financial assets measured at fair value</b>										
Available-for-sale equity securities	–	–	274,150	–	–	274,150	44,834	–	229,316	274,150
Financial asset designated as fair value through profit or loss	–	–	–	76,185	–	76,185	–	–	76,185	76,185
Derivative financial assets:										
– Interest rate swaps and forward foreign exchange contracts	9,014	–	–	–	–	–	–	9,014	–	9,014
– Cross currency swaps	128,816	–	–	–	–	128,816	–	128,816	–	128,816
	<u>137,830</u>	<u>–</u>	<u>274,150</u>	<u>76,185</u>	<u>–</u>	<u>488,165</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Financial assets not measured at fair value</b>										
Other non-current assets	–	95,597	–	–	–	–	–	–	–	–
Trade and other receivables	–	1,589,344	–	–	–	1,589,344	–	–	–	–
Assets held for sale <sup>^</sup>	–	18,893	–	–	–	18,893	–	–	–	–
Cash and cash equivalents	–	4,792,629	–	–	–	4,792,629	–	–	–	–
	<u>–</u>	<u>6,496,463</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,496,463</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

<sup>^</sup> Refer to note 15 for financial assets/liabilities in assets/liabilities held for sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (c) Accounting classification and fair values (continued)

	Note	Carrying amount				Fair value				
		Fair value – hedging instruments \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>The Group</b>										
<b>2016</b>										
<b>Financial liabilities</b>										
<b>measured at fair value</b>										
Derivative financial liabilities:										
– Interest rate swaps										
and forward foreign										
exchange contracts	17	(7,650)	–	–	–	–	(7,650)	–	–	(7,650)
– Interest rate swaps and										
cross currency swaps	21	(50,294)	–	–	–	–	(50,294)	–	–	(50,294)
		<u>(57,944)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(57,944)</u>	<u>–</u>	<u>–</u>	<u>(57,944)</u>
<b>Financial liabilities not</b>										
<b>measured at fair value</b>										
Other non-current liabilities <sup>#</sup>		–	–	–	(428,620)	–	–	–	(416,846)	(416,846)
Bank borrowings	19	–	–	–	(7,347,580)	–	–	–	(7,355,610)	(7,355,610)
Debt securities	20	–	–	–	(7,504,796)	(3,932,881)	(3,686,352)	–	–	(7,619,233)
Trade and other payables <sup>#</sup>		–	–	–	(3,200,956)	–	–	–	–	–
Liabilities held for sale <sup>^</sup>		–	–	–	(12,692)	–	–	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>(18,494,644)</u>	<u>–</u>	<u>(18,494,644)</u>	<u>–</u>	<u>(18,494,644)</u>	<u>(18,494,644)</u>

<sup>#</sup> Excludes quasi-equity loans, progress billings and liability for employee benefits.

<sup>^</sup> Refer to note 15 for financial assets/liabilities in assets/liabilities held for sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (c) Accounting classification and fair values (continued)

	Note	Carrying amount		Fair value			Total \$'000
		Loans and receivables \$'000	Other financial liabilities \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>The Company</b>							
<b>2017</b>							
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	12	1,973,312	-				1,973,312
Cash and cash equivalents	16	7,247	-				7,247
		<u>1,980,559</u>	<u>-</u>				<u>1,980,559</u>
<b>Financial liabilities not measured at fair value</b>							
Debt securities	20	-	(2,635,659)	(2,663,807)	-	-	(2,663,807)
Trade and other payables#		-	(880,733)				(880,733)
		<u>-</u>	<u>(3,516,392)</u>				<u>(3,516,392)</u>
<b>2016</b>							
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	12	1,112,803	-				1,112,803
Cash and cash equivalents	16	7,791	-				7,791
		<u>1,120,594</u>	<u>-</u>				<u>1,120,594</u>
<b>Financial liabilities not measured at fair value</b>							
Debt securities	20	-	(2,729,058)	(2,730,674)	-	-	(2,730,674)
Trade and other payables#		-	(121,193)				(121,193)
		<u>-</u>	<u>(2,850,251)</u>				<u>(2,850,251)</u>

# Excludes liability for employee benefits.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (c) Accounting classification and fair values (continued)

The following table shows the carrying amounts and fair values of significant non-financial assets, including their levels in the fair value hierarchy.

	Note	Fair value Level 3 \$'000
<b>The Group</b>		
<b>2017</b>		
<b>Non-financial assets measured at fair value</b>		
Investment properties	5	36,479,434
Assets held for sale – investment properties	15	<u>512,413</u>
		<u>36,991,847</u>
<b>2016</b>		
<b>Non-financial assets measured at fair value</b>		
Investment properties	5	18,998,389
Assets held for sale – investment properties	15	<u>6,549</u>
		<u>19,004,938</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (d) Level 3 fair value measurements

#### (i) Reconciliation of Level 3 fair value

The movements of financial and non-financial assets classified under Level 3 and measured at fair value are presented as follows:

	Note	Unquoted equity securities \$'000	Financial asset designated at fair value through profit or loss \$'000	Investment properties		Assets held for sale \$'000
				Completed \$'000	Under development \$'000	
<b>The Group</b>						
<b>2017</b>						
Balance as at 1 January 2017		229,316	76,185	17,922,877	1,075,512	6,549
Acquisition of subsidiaries	31(b)	–	–	17,088,396	476,998	–
Disposal of a subsidiary	31(d)	–	–	(235,804)	–	–
Additions		9,890	–	882,118	1,292,090	–
Disposals		(1,149)	–	(1,686,649)	(101,284)	(6,669)
Capital reduction		–	(1,986)	–	–	–
Changes in fair value recognised in the profit or loss		–	207	206,381	28,597	74,855
Changes in fair value recognised in other comprehensive income		(725)	–	–	–	–
Reclassifications (to) assets held for sale/ from development properties for sale		–	–	(438,368)	49,078	438,368
Reclassifications		–	–	1,113,663	(1,113,663)	–
Translation differences		(24)	(4,238)	(66,980)	(13,528)	(690)
Balance as at 31 December 2017		237,308	70,168	34,785,634	1,693,800	512,413

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (d) Level 3 fair value measurements (continued)

#### (i) Reconciliation of Level 3 fair value (continued)

	Note	Unquoted equity securities \$'000	Financial asset designated at fair value through profit or loss \$'000	Investment properties		
				Completed \$'000	Under development \$'000	Asset held for sale \$'000
<b>The Group</b>						
<b>2016</b>						
Balance as at 1 January 2016		206,593	73,228	17,297,773	2,129,759	84,207
Acquisition of subsidiaries	31(b)	–	–	54,446	–	–
Disposal of a subsidiary	31(d)	–	–	(147,360)	(819,275)	–
Additions		414	–	264,410	462,243	–
Disposals		(1)	–	(79,318)	–	(74,512)
Changes in fair value recognised in the profit or loss		–	2,289	287,252	3,455	(3,146)
Changes in fair value recognised in other comprehensive income		10,533	–	–	–	–
Reclassifications to development properties for sale		–	–	–	(95,263)	–
Reclassifications		–	–	480,955	(480,955)	–
Translation differences		11,777	668	(235,281)	(124,452)	–
Balance as at 31 December 2016		229,316	76,185	17,922,877	1,075,512	6,549

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (d) Level 3 fair value measurements

#### (ii) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring significant Level 3 fair values, as well as the significant unobservable inputs used.

#### Investment properties

Valuation methods	Key unobservable inputs	Shopping malls	Commercial and integrated developments	Serviced residences	Inter-relationship between key unobservable inputs and fair value measurement
<b>Capitalisation approach</b>	Capitalisation rate (net) <sup>1</sup>				The estimated fair value varies inversely against the capitalisation rate and increases with higher occupancy rate.
	2017	4.5% to 8.3%	3.6% to 10.0%	–	
	2016	5.2% to 7.3%	3.8% to 10.0%	–	
	Capitalisation rate (gross) <sup>2</sup>				
	2017	–	5.5%	3.5%	
	2016	–	6.0%	2.0% to 3.5%	
<b>Discounted cashflow approach</b>	Occupancy rate				The estimated fair value varies inversely against the discount rate and terminal yield rate and increases with higher occupancy rate.
	2017	66.6% to 100%	52.0% to 100%	89.0%	
	2016	90.8% to 100%	75.0% to 100%	95.0% to 97.0%	
	Discount rate				
<b>Discounted cashflow approach</b>	2017	5.1% to 13.5%	3.8% to 14.5%	4.0% to 15.0%	The estimated fair value varies inversely against the discount rate and terminal yield rate and increases with higher occupancy rate.
	2016	5.5% to 13.5%	3.8% to 14.5%	3.8% to 13.8%	
	Terminal yield rate				
	2017	4.5% to 12.0%	3.6% to 12.0%	3.0% to 11.0%	
	2016	5.5% to 12.0%	3.8% to 12.5%	3.0% to 9.5%	
	Occupancy rate				
<b>Discounted cashflow approach</b>	2017	66.6% to 100%	65.0% to 100%	60.0% to 99.0%	
	2016	84.8% to 100%	95.0% to 100%	57.0% to 100%	

1 Net yield basis: after deducting property and related expenses

2 Gross yield basis: before deducting property and related expenses

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (d) Level 3 fair value measurements (continued)

#### (ii) Valuation techniques and significant unobservable inputs (continued)

#### Investment properties (continued)

Valuation methods	Key unobservable inputs	Shopping malls	Commercial and integrated developments	Serviced residences	Inter-relationship between key unobservable inputs and fair value measurement
<b>Residual value method</b>	Gross development value (\$ million)				The estimated fair value increases with higher gross development value and decreases with higher cost to completion.
	2017	–	2,000	–	
	2016	–	524.7 to 748.7	–	
	Estimated cost to completion (\$ million)				
2017	–	950	–		
2016	–	34.3 to 80.5	–		
<b>Direct comparison method</b>	Comparable price (\$ per square metre)				The estimated fair value increases with higher comparable price.
	2017	–	–	–	
	2016	–	1,386	–	
Type	Valuation methods	Key unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement	
Financial asset designated at fair value through profit or loss	Income approach	<ul style="list-style-type: none"> <li>– Ordinary share price: US\$1.57 to US\$3.68 (2016: US\$2.43 to US\$4.32)</li> <li>– Volatility of comparable companies: 47% to 57% (2016: 43% to 52%)</li> <li>– Credit spread: 11.3% to 21.3% (2016: 10.0% to 19.1%)</li> </ul>		The estimated fair value increases with higher share price and volatility and varies inversely against credit spread.	

The fair value of available-for-sale unquoted equity securities was estimated based on the fair value of the underlying investment property of the investee company. The valuation was based on discounted cash flow approach and its significant unobservable inputs were consistent with the information as presented above. The fair value of the China serviced residence properties which are classified as assets held for sale are based on the agreed contractual selling price. Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

# NOTES TO THE FINANCIAL STATEMENTS

## 34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

### (d) Level 3 fair value measurements (continued)

#### (iii) Valuation processes applied by the Group

The significant non-financial asset of the Group categorised within Level 3 of the fair value hierarchy is investment properties. The fair values of investment properties are determined by external, independent property valuers, who have the appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair values of the Group's investment property portfolio every six months. The valuation and its financial impact are discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

## 35 COMMITMENTS

As at the balance sheet date, the Group and the Company had the following commitments:

### (a) Operating lease

The Group leases a number of offices, motor vehicles, office equipments, industrial land, serviced residences and shopping malls under operating leases. The leases have tenure ranging from one to 40 years, with an option to renew the lease after that date. Lease payments are usually revised at each renewal date to reflect the market rate. Future minimum lease payments for the Group and the Company on non-cancellable operating leases are as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Lease payments payable:				
Not later than 1 year	<b>102,053</b>	58,764	<b>14,991</b>	15,054
Between 1 and 5 years	<b>197,200</b>	163,207	<b>61,330</b>	60,819
After 5 years	<b>575,565</b>	465,606	<b>16,319</b>	31,821
	<b>874,818</b>	687,577	<b>92,640</b>	107,694

# NOTES TO THE FINANCIAL STATEMENTS

## 35 COMMITMENTS (continued)

### (b) Commitments

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Commitments in respect of:				
– capital expenditure contracted but not provided for in the financial statements	84,660	25,504	1,233	11,276
– development expenditure contracted but not provided for in the financial statements	1,409,336	539,657	–	–
– capital contribution in associates, joint ventures and an investee company	1,274,419	1,494,673	–	–
– purchase of land/properties contracted but not provided for in the financial statements	458,764	373,380	–	–
– shareholders' loan committed to joint ventures and associates	407,662	256,758	–	–
	<b>3,634,841</b>	<b>2,689,972</b>	<b>1,233</b>	<b>11,276</b>

(c) As at the balance sheet date, the notional principal values of financial instruments were as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest rate swaps	4,763,746	2,540,382	–	–
Forward foreign exchange contracts	1,208,850	488,656	–	–
Cross currency swaps	2,983,389	1,292,160	–	–
	<b>8,955,985</b>	<b>4,321,198</b>	<b>–</b>	<b>–</b>

The maturity profile of these financial instruments was:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than 1 year	2,167,979	1,323,015	–	–
Between 1 and 5 years	5,007,043	2,404,994	–	–
After 5 years	1,780,963	593,189	–	–
	<b>8,955,985</b>	<b>4,321,198</b>	<b>–</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 36 FINANCIAL GUARANTEE CONTRACTS

The Group accounts for its financial guarantees as insurance contracts. There are no terms and conditions attached to the financial guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's and the Company's future cash flows. At balance sheet date, the Group and the Company do not consider that it is probable that a claim will be made against the Group and the Company under the financial guarantee contracts. Accordingly, the Group and the Company do not expect any net cash outflows resulting from the financial guarantee contracts. The Group and the Company issue guarantees only for their subsidiaries and related parties.

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) Guarantees given to banks to secure banking facilities provided to:				
– subsidiaries	–	–	4,022,064	2,871,674
– joint ventures	19,073	17,604	–	–
	<b>19,073</b>	<b>17,604</b>	<b>4,022,064</b>	<b>2,871,674</b>

(b) Undertakings by the Group:

- (i) A subsidiary of the Group has provided an indemnity for banker's guarantee issuance on a several basis in respect of a banker's guarantee facilities amounting to \$133.9 million (2016: \$133.9 million) granted to an associate.
- (ii) Two subsidiaries of the Group provided project completion undertakings on a joint and several basis, in respect of multi-currency term loan and revolving loan facilities amounting to \$127.6 million (2016: \$360.7 million) granted to an associate. In addition, the shares in this associate were pledged as part of the securities to secure the credit facilities. As at 31 December 2017, the total amount outstanding under the facilities was \$116.2 million (2016: \$105.1 million).
- (iii) Two subsidiaries of the Group provided interest shortfall and loan repayment undertaking on a proportionate and several basis, in respect of term loan and revolving loan facilities amounting to \$320.0 million (2016: \$320.0 million) granted to a joint venture. In addition, the shares in this joint venture were pledged as part of the securities to secure the credit facilities. As at 31 December 2017, the total amount outstanding under the facilities was \$304.4 million (2016: \$292.8 million).
- (iv) Two subsidiaries of the Group provided an undertaking on security margin on a joint and several basis, in respect of term loan and revolving loan facilities amounting to \$1,020.0 million (2016: \$1,020.0 million) granted to a joint venture. As at 31 December 2017, the amount outstanding under the facilities was \$759.1 million (2016: \$540.9 million).
- (v) Certain subsidiaries of the Group in China, whose principal activities are the trading of development properties, would in the ordinary course of business act as guarantors for the bank loans taken by the buyers to finance the purchase of residential properties developed by these subsidiaries. As at 31 December 2017, the outstanding notional amount of the guarantees amounted to \$1,057.8 million (2016: \$1,141.6 million).

# NOTES TO THE FINANCIAL STATEMENTS

## 37 CONTINGENCY

AST2 Co., a subsidiary which the Group acquired in 2017, was named in an arbitration in 2014. The subsidiary prevailed in the arbitration as well as in all appeals therefrom and other related lawsuits, and only limited avenues of appeal remain. The vendor group has also agreed to indemnify the losses which AST2 Co., may incur from such arbitration and related proceedings.

The outcomes to date indicate that the likelihood of a settlement with a material adverse effect being awarded against the subsidiary is not considered to be probable.

## 38 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

The Group considers the directors of the Company, and Executive Management Council comprising the President & Group CEO, key management officers of the corporate office and CEOs of the strategic business units, to be key management personnel in accordance with FRS 24 *Related Party Disclosures*.

In addition to the related party information disclosed elsewhere in the financial statements, there were significant related party transactions which were carried out in the normal course of business on terms agreed between the parties as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Related corporations</b>				
Project management fee income	<b>1,808</b>	2,009	–	–
<b>Subsidiaries</b>				
Management fee income	–	–	<b>93,756</b>	83,312
IT and administrative support services	–	–	<b>39,816</b>	18,299
Rental expense	–	–	<b>(15,047)</b>	(14,884)
Others	–	–	<b>(354)</b>	(240)
<b>Associates and joint ventures</b>				
Management fee income	<b>193,319</b>	235,840	–	–
Construction and project management income	<b>14,825</b>	25,402	–	–
Rental expense	<b>(7,765)</b>	(7,977)	–	–
Proceeds from the sale of properties	<b>881,578</b>	321,579	–	–
Purchase consideration for acquisition of investments	<b>1,538</b>	–	–	–
Accounting service fee, acquisition fee, divestment fee, marketing income and others	<b>53,155</b>	32,083	<b>(19)</b>	(51)



# NOTES TO THE FINANCIAL STATEMENTS

## 38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Key management personnel</b>				
Redemption of bonds issued by a subsidiary	930	–	–	–
Interest paid/payable by the Company and its subsidiaries	92	120	–	–
<b>Remuneration of key management personnel</b>				
Salary, bonus and other benefits	17,316	15,836	9,797	8,428
Employer's contributions to defined contribution plans	143	131	68	69
Equity compensation benefits	7,752	7,119	4,374	4,484
	<b>25,211</b>	<b>23,086</b>	<b>14,239</b>	<b>12,981</b>

## 39 OPERATING SEGMENTS

Management determines the operating segments based on the reports reviewed and used by the Executive Management Council for strategic decisions making and resources allocation. For management purposes, the Group is organised into strategic business units based on their products, services and geography.

The Group has four main businesses – CapitaLand Singapore, CapitaLand China, CapitaLand Mall Asia (CMA) and The Ascott Limited (Ascott). The Group's businesses in Singapore and China exclude that of CMA and Ascott, are under CapitaLand Singapore and CapitaLand China respectively. CMA and Ascott are the other two main business units and they operate across geographies that CapitaLand is in.

The Group's reportable operating segments are as follows:

- (i) CapitaLand Singapore – owner/manager of commercial properties and develops residential properties in Singapore, Malaysia and Indonesia for sale.
- (ii) CapitaLand China – involves in the residential, commercial and integrated property development in China.
- (iii) CapitaLand Mall Asia – owner/manager of shopping malls in Singapore, China, India, Japan and Malaysia, as well as self-storage business held through StorHub.
- (iv) Ascott – an international serviced residence owner-operator with operations in key cities of Asia Pacific, Europe, United States of America and Middle East, under the brands of Ascott, Somerset, Citadines and The Crest Collection and lyf.
- (v) Others – includes Corporate Office, Group Treasury, Financial Services and businesses in Vietnam.

# NOTES TO THE FINANCIAL STATEMENTS

## 39 OPERATING SEGMENTS (continued)

Information regarding the operations of each reportable segment is included below. Management monitors the operating results of each of its business units for the purpose of making decisions on resource allocation and performance assessment. Performance is measured based on segment earnings before interest and tax (EBIT). EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities are presented net of inter-segment balances. Inter-segment pricing is determined on arm's length basis.

Geographically, management reviews the performance of the businesses in Singapore, China, Other Asia, Europe and Others. In presenting information on the basis of geographical segments, segment revenue and EBIT are based on the geographical location of customers. Non-current assets and total assets are based on the geographical location of the assets.

### Operating Segments – 31 December 2017

	CapitaLand Singapore \$'000	CapitaLand China \$'000	CapitaLand Mall Asia \$'000	Ascott \$'000	Others \$'000	Elimination \$'000	Total \$'000
<b>Revenue</b>							
External revenue	1,176,924	1,356,156	1,032,368	998,286	46,042	–	4,609,776
Inter-segment revenue	13,535	21	1,338	1,909	644,903	(661,706)	–
<b>Total revenue</b>	<b>1,190,459</b>	<b>1,356,177</b>	<b>1,033,706</b>	<b>1,000,195</b>	<b>690,945</b>	<b>(661,706)</b>	<b>4,609,776</b>
<b>Segmental results</b>							
Company and subsidiaries	847,932	372,777	648,760	407,071	1,048,300	(1,090,958)	2,233,882
Associates	(1,062)	276,230	310,598	(29,141)	(1,217)	(2,784)	552,624
Joint ventures	60,180	115,586	132,258	1,830	14,135	–	323,989
<b>Earnings before interest and tax</b>	<b>907,050</b>	<b>764,593</b>	<b>1,091,616</b>	<b>379,760</b>	<b>1,061,218</b>	<b>(1,093,742)</b>	<b>3,110,495</b>
Finance costs							(486,669)
Tax expense							(297,810)
<b>Profit for the year</b>							<b>2,326,016</b>
<b>Segment assets</b>	<b>11,917,654</b>	<b>11,199,799</b>	<b>26,087,574</b>	<b>8,543,607</b>	<b>9,910,927</b>	<b>(6,213,892)</b>	<b>61,445,669</b>
<b>Segment liabilities</b>	<b>4,904,462</b>	<b>5,020,420</b>	<b>8,928,103</b>	<b>3,584,197</b>	<b>6,925,414</b>	<b>–</b>	<b>29,362,596</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 39 OPERATING SEGMENTS (continued)

### Operating Segments – 31 December 2017

	CapitaLand Singapore \$'000	CapitaLand China \$'000	CapitaLand Mall Asia \$'000	Ascott \$'000	Others \$'000	Elimination \$'000	Total \$'000
<b>Other segment items:</b>							
Interest income	3,621	22,998	11,539	5,967	17,922	–	<b>62,047</b>
Depreciation and amortisation	(4,741)	(2,130)	(9,782)	(43,891)	(15,748)	–	<b>76,292</b>
<b>Reversal/ (Allowance made) of provision for foreseeable losses</b>	<b>1,400</b>	<b>24,019</b>	<b>(1,600)</b>	<b>4,000</b>	<b>(143)</b>	<b>–</b>	<b>27,676</b>
<b>Reversal/ (Allowance made) of provision for impairment losses for assets</b>	<b>1,631</b>	<b>(51)</b>	<b>(4,440)</b>	<b>(1,755)</b>	<b>(20)</b>	<b>–</b>	<b>(4,635)</b>
<b>Fair value gains/ (losses) on investment properties and assets held for sale</b>	<b>239,371</b>	<b>(37,412)</b>	<b>7,502</b>	<b>101,226</b>	<b>(854)</b>	<b>–</b>	<b>309,833</b>
<b>Share-based expenses</b>	<b>(7,106)</b>	<b>(10,122)</b>	<b>(15,615)</b>	<b>(6,040)</b>	<b>(16,450)</b>	<b>–</b>	<b>(55,333)</b>
<b>Gains on disposal of investments</b>	<b>239,897</b>	<b>101,391</b>	<b>18,146</b>	<b>42,820</b>	<b>19,874</b>	<b>–</b>	<b>422,128</b>
<b>Associates</b>	<b>67,540</b>	<b>2,819,835</b>	<b>3,070,291</b>	<b>94,052</b>	<b>138,104</b>	<b>–</b>	<b>6,189,822</b>
<b>Joint ventures</b>	<b>439,762</b>	<b>804,673</b>	<b>2,385,753</b>	<b>307,886</b>	<b>69,288</b>	<b>–</b>	<b>4,007,362</b>
<b>Capital expenditure<sup>#</sup></b>	<b>1,125,429</b>	<b>33,579</b>	<b>791,134</b>	<b>343,385</b>	<b>32,183</b>	<b>–</b>	<b>2,325,710</b>

# Capital expenditure consists of additions of property, plant and equipment, investment properties and intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 39 OPERATING SEGMENTS (continued)

### Operating Segments – 31 December 2016

	CapitaLand Singapore \$'000	CapitaLand China \$'000	CapitaLand Mall Asia \$'000	Ascott \$'000	Others \$'000	Elimination \$'000	Total \$'000
<b>Revenue</b>							
External revenue	1,178,105	2,375,620	587,250	1,029,855	81,504	–	5,252,334
Inter-segment revenue	13,629	52	493	1,996	624,721	(640,891)	–
<b>Total revenue</b>	<b>1,191,734</b>	<b>2,375,672</b>	<b>587,743</b>	<b>1,031,851</b>	<b>706,225</b>	<b>(640,891)</b>	<b>5,252,334</b>
<b>Segmental results</b>							
Company and subsidiaries	436,245	505,202	356,801	372,899	722,803	(742,214)	1,651,736
Associates	18,591	143,281	280,822	(939)	(2,680)	(1,617)	437,458
Joint ventures	67,033	87,217	114,258	216	1,606	–	270,330
<b>Earnings before interest and tax</b>	<b>521,869</b>	<b>735,700</b>	<b>751,881</b>	<b>372,176</b>	<b>721,729</b>	<b>(743,831)</b>	<b>2,359,524</b>
Finance costs							(452,621)
Tax expense							(402,634)
<b>Profit for the year</b>							<b>1,504,269</b>
<b>Segment assets</b>	<b>10,332,506</b>	<b>11,518,582</b>	<b>13,413,421</b>	<b>7,140,980</b>	<b>9,547,958</b>	<b>(6,212,676)</b>	<b>45,740,771</b>
<b>Segment liabilities</b>	<b>3,966,678</b>	<b>4,498,204</b>	<b>3,980,177</b>	<b>3,228,413</b>	<b>5,766,824</b>	<b>–</b>	<b>21,440,296</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 39 OPERATING SEGMENTS (continued)

### Operating Segments – 31 December 2016

	CapitaLand Singapore \$'000	CapitaLand China \$'000	CapitaLand Mall Asia \$'000	Ascott \$'000	Others \$'000	Elimination \$'000	Total \$'000
<b>Other segment items:</b>							
Interest income	1,645	25,627	8,771	4,507	11,230	–	<b>51,780</b>
Depreciation and amortisation	(4,220)	(2,154)	(11,370)	(33,960)	(17,238)	–	<b>(68,942)</b>
<b>(Allowance made)/</b>							
Reversal of provision for foreseeable losses	(34,200)	15,209	–	7,500	6,552	–	<b>(4,939)</b>
<b>(Allowance made)/</b>							
Reversal of provision for impairment losses for assets	(8,954)	(35)	(1,729)	(9,343)	(13,511)	–	<b>(33,572)</b>
<b>Fair value gains/</b>							
<b>(losses) on investment properties and assets held for sale</b>	96,873	28,128	40,063	125,677	(3,180)	–	<b>287,561</b>
<b>Share-based expenses</b>	(6,310)	(7,043)	(12,241)	(5,029)	(16,177)	–	<b>(46,800)</b>
<b>(Losses)/Gains on disposal of investments</b>	(1,803)	45,370	(1,115)	20,318	(2,893)	–	<b>59,877</b>
<b>Associates</b>	68,643	2,526,896	5,293,327	115,458	48,088	–	<b>8,052,412</b>
<b>Joint ventures</b>	1,280,901	806,078	2,363,091	44,984	69,791	–	<b>4,564,845</b>
<b>Capital expenditure<sup>#</sup></b>	8,239	202,975	233,701	334,186	23,807	–	<b>802,908</b>

# Capital expenditure consists of additions of property, plant and equipment, investment properties and intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 39 OPERATING SEGMENTS (continued)

### Geographic Information

	Singapore \$'000	China <sup>1</sup> \$'000	Other Asia <sup>2</sup> \$'000	Europe and Others <sup>3</sup> \$'000	Group \$'000
<b>2017</b>					
<b>External revenue</b>	1,786,808	1,774,120	499,451	549,397	4,609,776
<b>Earnings before interest and tax</b>	1,429,278	1,300,744	233,796	146,677	3,110,495
<b>Earnings before interest, tax, depreciation and amortisation</b>	1,454,369	1,311,202 <sup>4</sup>	245,950 <sup>5</sup>	175,266 <sup>6</sup>	3,186,787
<b>Non-current assets<sup>7</sup></b>	24,391,038	14,807,258	5,015,744	3,865,894	48,079,934
<b>Total assets</b>	28,731,395	22,174,188	6,256,969	4,283,117	61,445,669
<b>2016</b>					
<b>External revenue</b>	1,689,705	2,655,523	487,562	419,544	5,252,334
<b>Earnings before interest and tax</b>	816,398	1,152,894	285,402	104,830	2,359,524
<b>Earnings before interest, tax, depreciation and amortisation</b>	845,807	1,164,267 <sup>4</sup>	294,965 <sup>5</sup>	123,427 <sup>6</sup>	2,428,466
<b>Non-current assets<sup>7</sup></b>	13,262,758	12,442,688	4,423,519	2,709,947	32,838,912
<b>Total assets</b>	17,364,227	19,629,191	5,731,661	3,015,692	45,740,771

1 China includes Hong Kong.

2 Other Asia includes Indonesia, Japan, Malaysia, Philippines, Thailand, Korea, India, Vietnam and Gulf Cooperation Council countries.

3 Europe and Others include Australia and United States of America.

4 Included loss from Hong Kong amounting to \$0.4 million (2016: \$4.9 million).

5 Included contribution from Japan and Korea amounting to \$117.8 million (2016: \$105.9 million).

6 Included contribution from France, Germany, Belgium, United Kingdom, Spain, Australia, Ireland and United States of America amounting to \$175.1 million (2016: \$123.3 million).

7 Non-current assets comprised property, plant and equipment, intangible assets, investment properties, associates and joint ventures.

# NOTES TO THE FINANCIAL STATEMENTS

## 40 SUBSEQUENT EVENTS

- (a) On 5 January 2018, the Group announced that it has, through its subsidiaries and associates, entered into definitive agreements with unrelated entities to divest its effective equity interest in certain companies, which in total hold 20 retail malls in China for an aggregate consideration of US\$881.1 million on 100% basis (approximately S\$1,185.9 million). Targeted for completion in 2Q 2018, the transaction is expected to generate net proceeds of about \$660.0 million to the Group.
- (b) On 13 February 2018, the Group announced that it has acquired Pearl Bank Apartments through a private treaty collective sale for \$728 million. The Group plans to redevelop the site into a highrise residential development comprising around 800 units with a host of social and shared facilities.

## 41 CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW ACCOUNTING STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group will also concurrently apply the new accounting standards SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments*.

The Group and the Company have performed an assessment on the adoption of the new framework and do not expect a significant impact on the financial statements in the year of initial application, except for SFRS(I) 15 for the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 41 CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

### (a) Summary of quantitative impact

The Group is currently finalising transition adjustments. The following reconciliations provide an estimate of the expected impact on initial application of SFRS(I) 15 on the Group's balance sheet as at 31 December 2017 and the Group's income statement for the year ended 31 December 2017.

<b>The Group Balance Sheet As at 31 December 2017</b>	<b>Current framework \$'000</b>	<b>SFRS(I) 15 \$'000</b>	<b>SFRS(I) framework \$'000</b>
Property, plant and equipment	840,021	–	840,021
Intangible assets	563,295	–	563,295
Investment properties	36,479,434	–	36,479,434
Associates	6,189,822	2,101	6,191,923
Joint ventures	4,007,362	6,164	4,013,526
Deferred tax assets	226,300	–	226,300
Other non-current assets	912,551	–	912,551
Development properties for sale and stocks	4,073,708	85,245	4,158,953
Trade and other receivables	1,470,573	–	1,470,573
Other current assets	34,499	–	34,499
Assets held for sale	542,786	–	542,786
Cash and cash equivalents	6,105,318	–	6,105,318
<b>Total assets</b>	<b>61,445,669</b>	<b>93,510</b>	<b>61,539,179</b>
Trade and other payables	5,441,800	58,759	5,500,559
Short term bank borrowings	1,250,627	–	1,250,627
Current portion of debt securities	1,488,368	–	1,488,368
Current tax payable	527,162	–	527,162
Liabilities held for sale	94,625	–	94,625
Long term bank borrowings	10,214,466	–	10,214,466
Debt securities	8,741,468	–	8,741,468
Deferred tax liabilities	901,228	–	901,228
Other non-current liabilities	702,852	–	702,852
<b>Total liabilities</b>	<b>29,362,596</b>	<b>58,759</b>	<b>29,421,355</b>
Share capital	6,309,496	–	6,309,496
Revenue reserves	12,148,192	30,807	12,178,999
Other reserves	(75,314)	(291)	(75,605)
Non-controlling interests	13,700,699	4,235	13,704,934
<b>Total equity</b>	<b>32,083,073</b>	<b>34,751</b>	<b>32,117,824</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 41 CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

### (a) Summary of quantitative impact (continued)

The Group Income Statement Year ended 31 December 2017	Current framework \$'000	SFRS(I) 15 \$'000	SFRS(I) framework \$'000
Revenue	4,609,776	8,424	4,618,200
Cost of sales	(2,771,692)	6,465	(2,765,227)
Gross profit	1,838,084	14,889	1,852,973
Other operating income	850,668	–	850,668
Administrative expenses	(422,998)	–	(422,998)
Other operating expenses	(31,872)	–	(31,872)
<b>Profit from operations</b>	<b>2,233,882</b>	<b>14,889</b>	<b>2,248,771</b>
Finance costs	(486,669)	–	(486,669)
Share of results of associates (net of tax)	552,624	1,035	553,659
Share of results of joint ventures (net of tax)	323,989	4,640	328,629
<b>Profit before tax</b>	<b>2,623,826</b>	<b>20,564</b>	<b>2,644,390</b>
Tax expense	(297,810)	–	(297,810)
<b>Profit for the year</b>	<b>2,326,016</b>	<b>20,564</b>	<b>2,346,580</b>
<b>Attributable to:</b>			
Owners of the Company	1,550,750	18,810	1,569,560
Non-controlling interests	775,266	1,754	777,020
<b>Profit for the year</b>	<b>2,326,016</b>	<b>20,564</b>	<b>2,346,580</b>

### (b) SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 41 CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

### (c) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statement will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

#### (i) Sales commissions paid to sales or marketing agents on the sale of real estate units

The Group pays commissions to property agents on the sale of property and currently recognises such commissions as expense when incurred. Under SFRS(I) 15, the Group will capitalise such commissions as incremental costs to obtain a contract with customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

#### (ii) Significant financing components arising from payments from customers

The Group receives payments from customers for the sale of residential projects. Under certain payment schemes, the time when payments are made by the buyer and the transfer of control of the property to the buyer do not coincide and where the difference between the timing of receipt of the payments and the transfer of goods and services is 12 months or more, there may exist a significant financing component arising from payments from buyers. A finance income or finance expenses will be recognised depending on the arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

## 41 CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

### (d) SFRS(I) 9

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group expects that all its existing hedges that are designated in effective hedging relationship will continue to qualify for hedge accounting under SFRS(I) 9. The relaxation of hedge accounting rules is likely to present more opportunities for the Group to adopt hedge accounting.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information and the Group does not expect the adoption of SFRS(I) 9 to have any significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

### (i) *Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect the impairment calculated using the expected credit loss model to have a significant impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## **41 CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW ACCOUNTING STANDARDS** (continued)

### **(e) SFRS(I) 16**

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and it has approximately \$874.8 million of undiscounted leases commitments as of 31 December 2017. The Group expects that the adoption of SFRS(I) 16 will result in increase in total assets, total liabilities, earnings before interest, tax, depreciation and amortisation and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively using the modified retrospective approach as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

# ECONOMIC VALUE ADDED STATEMENT

	Note	2017 S\$ million	2016 S\$ million
<b>Net Operating Profit Before Tax</b>		<b>1,747.2</b>	1,199.1
Adjust for:			
Share of results of associates and joint ventures		<b>876.6</b>	707.8
Interest expense		<b>504.7</b>	463.9
Others		<b>18.3</b>	67.0
<b>Adjusted Profit Before Interest and Tax</b>		<b>3,146.8</b>	2,437.8
Cash operating taxes	1	<b>(365.1)</b>	(487.1)
<b>Net Operating Profit After Tax (NOPAT)</b>		<b>2,781.7</b>	1,950.7
Average capital employed	2	<b>39,926.6</b>	35,697.2
Weighted average cost of capital (%)	3	<b>5.90</b>	6.50
<b>Capital Charge (CC)</b>		<b>2,355.7</b>	2,320.3
<b>Economic Value Added (EVA) [NOPAT – CC]</b>		<b>426.0</b>	(369.6)
Non-controlling interests		<b>(57.5)</b>	312.2
<b>Group EVA attributable to owners of the Company</b>		<b>368.5</b>	(57.4)

1 The reported current tax is adjusted for the statutory tax impact of interest expense.

2 Monthly average capital employed included equity, interest-bearing liabilities, timing provision, cumulative goodwill and present value of operating leases.

<b>Major Capital Components:</b>	<b>S\$ million</b>
Borrowings	16,970.3
Equity	22,400.5
Others	555.8
<b>Total</b>	<b>39,926.6</b>

3 The weighted average cost of capital is calculated as follows:

- i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.69% (2016: 6.12%) per annum;
- ii) Risk-free rate of 2.30% (2016: 2.53%) per annum based on yield-to-maturity of Singapore Government 10-year Bonds;
- iii) Ungeared beta ranging from 0.50 to 0.95 (2016: 0.50 to 0.98) based on the risk categorisation of CapitaLand's strategic business units; and
- iv) Cost of Debt rate at 3.43% (2016: 3.72%) per annum using 5-year Singapore Dollar Swap Offer rate plus 125 basis points (2016: 125 basis points).

# VALUE ADDED STATEMENT

	2017 S\$ million	2016 S\$ million
<b>Value Added From:</b>		
Revenue earned	4,609.8	5,252.3
Less: Bought in materials and services	(2,251.2)	(3,150.6)
<b>Gross Value Added</b>	<b>2,358.6</b>	<b>2,101.7</b>
Share of results of associates and joint ventures	876.6	707.8
Exchange gain (net)	7.9	44.0
Other operating income (net)	752.5	353.4
<b>Total Value Added</b>	<b>1,637.0</b>	<b>1,105.2</b>
	<b>3,995.6</b>	<b>3,206.9</b>
<b>Distribution:</b>		
To employees in wages, salaries and benefits	656.2	570.7
To government in taxes and levies	461.5	600.6
To providers of capital in:		
– Net interest on borrowings	467.8	461.0
– Dividends to owners of the Company	424.7	383.0
	<b>2,010.2</b>	<b>2,015.3</b>
<b>Balance Retained in the Business:</b>		
Depreciation and amortisation	76.3	68.9
Revenue reserves net of dividends to owners of the Company	1,126.0	807.4
Non-controlling interests	775.3	313.9
	<b>1,977.6</b>	<b>1,190.2</b>
<b>Non-Production Cost:</b>		
Allowance for doubtful receivables	7.8	1.4
<b>Total Distribution</b>	<b>3,995.6</b>	<b>3,206.9</b>
<b>Productivity Analysis:</b>		
Value added per employee (S\$'000)#	278	250
Value added per dollar of employment cost (S\$)	3.59	3.68
Value added per dollar sales (S\$)	0.51	0.40

# Based on average 2017 headcount of 8,484 (2016: 8,407).

# SUPPLEMENTAL INFORMATION

## 1. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) \$'000
<b>Transactions with Temasek Holdings (Private) Limited and its associates:</b>		
Purchase of goods and services	37,766	-
<b>Transactions with Singapore Airlines Limited:</b>		
Purchase of goods and services	210	-
<b>Transactions with Starhub Ltd and its associates:</b>		
Purchase of goods and services	161	-
<b>Transactions with Singapore Technologies Engineering Ltd and its associates:</b>		
Purchase of goods and services	2,492	-

# SHAREHOLDING STATISTICS

As at 8 March 2018

## SHARE CAPITAL

Paid-up Capital	:	S\$6,355,122,885.32
Number of Issued and Paid-up Shares (including Treasury Shares)	:	4,274,383,746
Number and Percentage of Treasury Shares	:	32,715,648 or 0.77% <sup>1</sup>
Number of Issued and Paid-up Shares (excluding Treasury Shares)	:	4,241,668,098
Number and Percentage of Subsidiary Holdings <sup>2</sup>	:	0 or 0%
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share. The Company cannot exercise any voting rights in respect of the shares held by it as treasury shares.

## TWENTY LARGEST SHAREHOLDERS

As shown in the Register of Members and Depository Register

	<b>Name</b>	<b>No. of Shares</b>	<b>%<sup>1</sup></b>
1	Temasek Holdings (Private) Limited	1,680,704,140	39.62
2	Citibank Nominees Singapore Pte Ltd	659,690,632	15.55
3	DBS Nominees Pte Ltd	396,848,561	9.36
4	DBSN Services Pte Ltd	355,911,975	8.39
5	HSBC (Singapore) Nominees Pte Ltd	254,621,201	6.00
6	United Overseas Bank Nominees Private Limited	138,802,894	3.27
7	Raffles Nominees (Pte) Ltd	62,781,717	1.48
8	BPSS Nominees Singapore (Pte.) Ltd.	46,410,426	1.09
9	Phillip Securities Pte Ltd	18,015,126	0.42
10	DB Nominees (Singapore) Pte Ltd	17,041,122	0.40
11	Pei Hwa Foundation Limited	12,757,635	0.30
12	OCBC Nominees Singapore Private Limited	11,719,341	0.28
13	DBS Vickers Securities (Singapore) Pte Ltd	7,211,581	0.17
14	OCBC Securities Private Limited	6,991,602	0.17
15	BNP Paribas Nominees Singapore Pte Ltd	6,686,974	0.16
16	Maybank Kim Eng Securities Pte Ltd	6,077,503	0.14
17	Merrill Lynch (Singapore) Pte Ltd	5,821,295	0.14
18	UOB Kay Hian Private Limited	5,212,285	0.12
19	Societe Generale Singapore Branch	4,133,176	0.10
20	Yeo Wei Yan	4,053,000	0.10
	<b>Total</b>	<b>3,701,492,186</b>	<b>87.26</b>

### Notes:

1 Percentage is calculated based on 4,241,668,098 issued shares, excluding treasury shares.

2 "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.



# SHAREHOLDING STATISTICS

As at 8 March 2018

## SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Temasek Holdings (Private) Limited	1,680,704,140	39.57	17,973,712 <sup>1</sup>	0.42
BlackRock, Inc.	–	–	254,383,911 <sup>2</sup>	6.00
The PNC Financial Services Group, Inc.	–	–	254,383,911 <sup>2</sup>	6.00

## SIZE OF HOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares excluding Treasury Shares	
			No. of Shares	% <sup>3</sup>
1 – 99	354	0.65	6,466	0.00
100 – 1,000	8,469	15.47	7,670,368	0.18
1,001 – 10,000	36,465	66.61	163,764,065	3.86
10,001 – 1,000,000	9,414	17.20	333,487,809	7.86
1,000,001 and above	37	0.07	3,736,739,390	88.10
<b>Total</b>	<b>54,739</b>	<b>100.00</b>	<b>4,241,668,098</b>	<b>100.00</b>

Approximately 53.88%<sup>3</sup> of the issued shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

### Notes:

- 1 Temasek Holdings (Private) Limited is deemed to have an interest in 17,973,712 shares in which its subsidiary and associated companies have or are deemed to have an interest.
- 2 BlackRock, Inc. is deemed to have an interest in 254,383,911 shares held through its various subsidiaries. The PNC Financial Services Group, Inc. is deemed to have an interest in the same shares held by BlackRock, Inc. through its over 20% interest in BlackRock, Inc.
- 3 Percentage is calculated based on 4,241,668,098 issued shares, excluding treasury shares.



# CORPORATE INFORMATION

As at 8 March 2018

## BOARD OF DIRECTORS

---

**Ng Kee Choe**  
Chairman

**Lim Ming Yan**  
President & Group CEO

**John Powell Morschel**  
**Euleen Goh Yiu Kiang**  
**Tan Sri Amirsham Bin A Aziz**  
**Stephen Lee Ching Yen**  
**Dr Philip Nalliah Pillai**  
**Kee Teck Koon**  
**Chaly Mah Chee Kheong**  
**Anthony Lim Weng Kin**  
**Gabriel Lim Meng Liang**  
**Goh Swee Chen**

## COMPANY SECRETARIES

---

**Michelle Koh Chai Ping**  
**Ng Chooi Peng**

## BOARD COMMITTEES

---

**Audit Committee**  
**Chaly Mah Chee Kheong**  
Chairman

**Tan Sri Amirsham Bin A Aziz**  
**Dr Philip Nalliah Pillai**  
**Gabriel Lim Meng Liang**

**Executive Resource and  
Compensation Committee**

**Ng Kee Choe**  
Chairman

**Stephen Lee Ching Yen**  
**Kee Teck Koon**  
**Goh Swee Chen**

## Finance and Investment Committee

**Ng Kee Choe**  
Chairman

**John Powell Morschel**  
**Euleen Goh Yiu Kiang**  
**Kee Teck Koon**  
**Anthony Lim Weng Kin**

## Nominating Committee

**Stephen Lee Ching Yen**  
Chairman

**Ng Kee Choe**  
**John Powell Morschel**

## Risk Committee

**Tan Sri Amirsham Bin A Aziz**  
Chairman

**Euleen Goh Yiu Kiang**  
**Dr Philip Nalliah Pillai**  
**Chaly Mah Chee Kheong**  
**Gabriel Lim Meng Liang**

## REGISTERED ADDRESS

---

168 Robinson Road  
#30-01 Capital Tower  
Singapore 068912  
Tel : +65 6713 2888  
Fax : +65 6713 2999

## SHARE REGISTRAR

---

**M & C Services Private Limited**  
112 Robinson Road  
#05-01  
Singapore 068902  
Tel : +65 6227 6660  
Fax : +65 6225 1452

## AUDITORS

---

**KPMG LLP**  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
Tel : +65 6213 3388  
Fax : +65 6225 4142  
(Engagement Partner since financial  
year ended 31 December 2015:  
Lee Sze Yeng)

## PRINCIPAL BANKERS

---

**Agricultural Bank of China Limited**  
**Australia and New Zealand  
Banking Group Limited**  
**Bank of China**  
**Bank of Communications Co., Ltd**  
**BNP Paribas**  
**BNS Asia Limited**  
**CIMB Bank Berhad**  
**DBS Bank Ltd**  
**Industrial and Commercial Bank of  
China Limited**  
**JPMorgan Chase Bank, N.A.**  
**Malayan Banking Berhad**  
**Mizuho Bank, Ltd.**  
**Oversea-Chinese Banking  
Corporation Limited**  
**Public Bank Berhad**  
**Standard Chartered Bank**  
**Sumitomo Mitsui Banking  
Corporation**  
**The Bank of East Asia, Limited**  
**The Bank of Tokyo-Mitsubishi  
UFJ, Ltd.**  
**The Hongkong and Shanghai  
Banking Corporation Limited**  
**United Overseas Bank Limited**



**CAPITALAND LIMITED**

Registration Number: 198900036N  
Incorporated in the Republic of Singapore

168 Robinson Road  
#30-01 Capital Tower  
Singapore 068912  
Tel: +65 6713 2888  
Fax: +65 6713 2999

[www.capitaland.com](http://www.capitaland.com)  
[ask-us@capitaland.com](mailto:ask-us@capitaland.com)



# CAPITALAND LIMITED ANNUAL REPORT 2017 PROPELLING OUR GROWTH JOURNEY