

WE ARE PURSUING  
**HIGHER  
DREAMS**





## WE ARE PURSUING HIGHER DREAMS

Just as children see no limit to what they can do and achieve, we at CapitaLand Retail China Trust reach for our aspirations with energy, enthusiasm and excitement. We see growth opportunities in the dynamic Chinese retail scene, as we continue to enhance shopping experience by introducing more experiential elements and enhancing customer service to increase dwell time at our malls. With a finger on the pulse of the Chinese retail market, we are committed to be the malls of choice for our retailers and consumers to cater to every step of their life journey. We pursue higher dreams – to cultivate a portfolio of income-producing retail assets that fulfil consumers' desires and houses the best mix of tenants and lifestyle choices.

## VISION

Sustainable and resilient REIT with a professionally managed portfolio of quality retail real estate across China.

## MISSION

Deliver sustainable income growth to our Unitholders and value-add to the community and stakeholders by enhancing organic growth through proactive asset management; creating new value through innovative asset enhancement strategies; and capitalising on yield-accretive acquisition growth.

## CORPORATE PROFILE

CapitaLand Retail China Trust (CRCT) (stock code: AU8U) is the first China shopping mall real estate investment trust (REIT) in Singapore, with a portfolio of 11 income-producing shopping malls. Listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 8 December 2006, it is established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau.

CRCT properties are strategically located in densely populated areas with good connectivity to public transport. The malls are positioned as one-stop family-oriented destinations housing a wide range of lifestyle offerings that cater to varied consumer preferences from shopping, dining to entertainment. As at 31 December 2018, CRCT's portfolio comprised a diverse mix of approximately 1,600 leases, which include leading brands UNIQLO, Xiaomi, ZARA, Nanjing Impressions, Nike, Sephora, Starbucks and Sisyphus. Working closely with these tenants, CRCT malls offer engaging retail experiences that attract more than 114 million shoppers.

CRCT's geographically diversified portfolio of quality shopping malls, with a total gross rentable area of approximately 700,000 square metre, is located in eight Chinese cities. The malls are CapitaMall Xizhimen, CapitaMall Wangjing, CapitaMall Grand Canyon and CapitaMall Shuangjing in Beijing; Rock Square (51% interest) in Guangzhou; CapitaMall Xinnan in Chengdu; CapitaMall Qibao in Shanghai; CapitaMall Minzhongleyuan in Wuhan; CapitaMall Erqi in Zhengzhou; CapitaMall Saihan in Hohhot and CapitaMall Wuhu (51% interest) in Wuhu. As at 31 December 2018, CRCT's total assets were S\$3.0 billion, a fourfold increase from the Trust's listing.

CRCT is managed by CapitaLand Retail China Trust Management Limited, an indirect wholly owned subsidiary of CapitaLand Limited, one of Asia's largest real estate companies headquartered and listed in Singapore.

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# YEAR IN BRIEF 2018

## JANUARY

- CRCT achieved net property income of RMB730.6 million in FY 2017, representing a 9.1% year-on-year increase. In SGD terms, CRCT's distribution per unit (DPU) was 10.10 cents for FY 2017.
- Completed the acquisition of Rock Square, one of the largest malls in Haizhu District in Guangzhou.

## FEBRUARY

- Participated in the SGX-REITAS (REIT Association of Singapore) Education Series that is aimed at increasing investors' knowledge on REITs.

## MARCH

- Completed Asset Enhancement Initiative (AEI) at level 4 of CapitaMall Wangjing as part of the active leasing strategy to reduce exposure to department stores. The recovered space of approximately 4,700 square metre (sq m) was transformed to higher-yielding specialty stores.
- CapitaMall Xinnan was awarded the Commercial District Advancement Award at the 7th Annual Chengdu Retail Awards.

## APRIL

- Held the 2018 Annual General Meeting with all resolutions duly passed.
- CRCT's DPU of 2.75 cents for the period 1 January 2018 to 31 March 2018 was 0.4% higher as compared to the same period last year.

## MAY

- Participated in the "REITs Symposium 2018" jointly organised by REITAS and ShareInvestor to promote REITs as an investment option for the fourth consecutive year.

## JUNE

- Mr Lim Ming Yan stepped down as Deputy Chairman, Non-Independent Non-Executive Director, Chairman of the Executive Committee and Member of the Corporate Disclosure Committee.  
Mr Lee Chee Koon and Mr Tan Tze Wooi were appointed as Chairman of the Executive Committee and Member of the Corporate Disclosure Committee respectively on 1 July 2018.
- CapitaMall Wangjing was awarded the Best Asset Enhancement Award at the China Chain Store & Franchise Association Shopping Mall Awards 2018.

## JULY

- Successfully completed maiden issuance of S\$130.0 million Medium Term Notes (MTN) due 2022 at a fixed interest rate of 3.25% per annum. The MTN are issued under the CRCT's S\$1 billion Multicurrency Debt Issuance Programme.
- CRCT's DPU of 5.39 cents for the period 1 January 2018 to 30 June 2018 was 0.6% higher as compared to the same period last year.

## AUGUST

- Completed the rooftop AEI of CapitaMall Saihan. The refurbished space has been used to host several successful large-scale events, helping to draw the crowd into the mall.

## SEPTEMBER

- CRCT was awarded the joint winner of Shareholder Communications Excellence Award (REITs & Business Trusts) at the Securities Investors Association Singapore (SIAS) 19th Investors' Choice Awards.
- Participated in the 9th Singapore Corporate Governance Week 2018 organised by SIAS and joined the Statement of Support initiative to uphold and advance good corporate governance standards.

## OCTOBER

- CRCT's DPU of 7.80 cents for the period 1 January 2018 to 30 September 2018 was 0.9% higher as compared to the same period last year.
- Completed phase 2 of ceiling and floor refurbishment works in CapitaMall Xizhimen as part of the continuous effort to upgrade and enhance the overall shopping experience for our shoppers.

## DECEMBER

- Launched a new corporate website to refresh the corporate brand with improved content and enhanced user-friendly browsing experience as part of our commitment to improve our shareholder communication.
- Completed AEI on level 4 and 5 of CapitaMall Grand Canyon, recovering additional Net Lettable Area (NLA), which has been used to introduce more dining options.



# 2018 HIGHLIGHTS



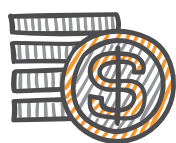
NET PROPERTY INCOME  
(NPI)

**\$S\$147.4<sup>1</sup>**  
million



DISTRIBUTABLE  
INCOME

**\$S\$99.7**  
million



DISTRIBUTION PER UNIT  
(DPU)

**10.22**  
cents



DISTRIBUTION  
YIELD

**7.5%<sup>2</sup>**



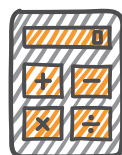
MARKET  
CAPITALISATION

**\$S\$1.3<sup>3</sup>**  
billion



AGGREGATE  
LEVERAGE

**35.4%**



AVERAGE COST  
OF BORROWINGS

**2.73%**



PORTFOLIO OCCUPANCY  
RATE

**97.5%**



TENANTS'  
SALES

**RMB4,603.7<sup>4</sup>**  
million



ANNUAL SHOPPER  
TRAFFIC

**>114<sup>4</sup>**  
million

\* Information as at 31 December 2018 or for FY 2018.

<sup>1</sup> If include CRCT's 51.0% interest in Rock Square, total NPI is \$S\$159.3 million.

<sup>2</sup> Based on FY 2018 DPU of 10.22 cents and the closing price of \$1.36 per Unit as at 31 December 2018.

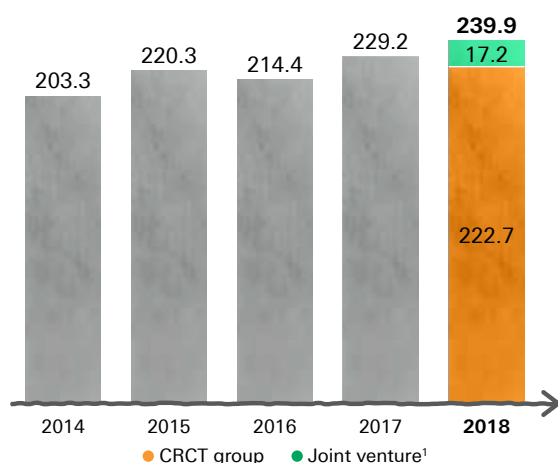
<sup>3</sup> Referencing the closing price of \$1.36 per Unit as at 31 December 2018.

<sup>4</sup> Includes only multi-tenanted malls based on 100% ownership.

# FINANCIAL HIGHLIGHTS

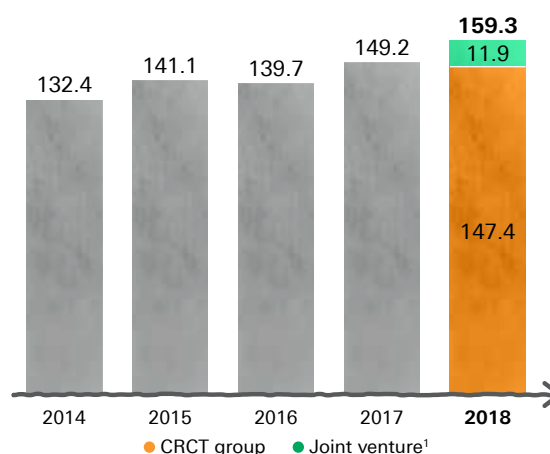
## GROSS REVENUE

(S\$ million)



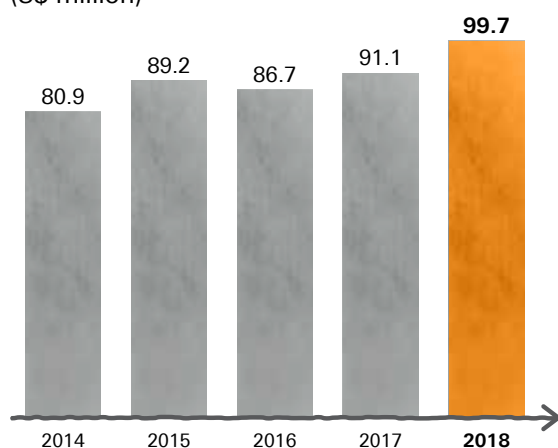
## NET PROPERTY INCOME

(S\$ million)



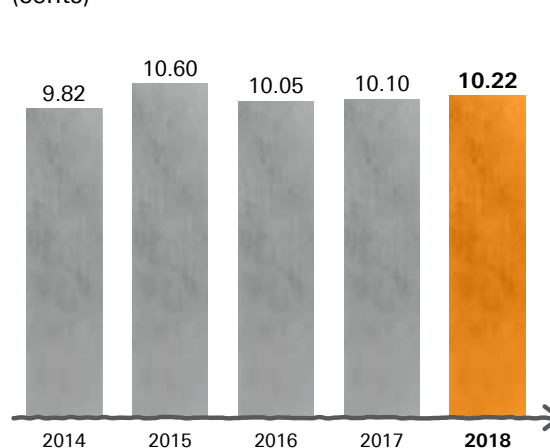
## DISTRIBUTABLE INCOME

(S\$ million)



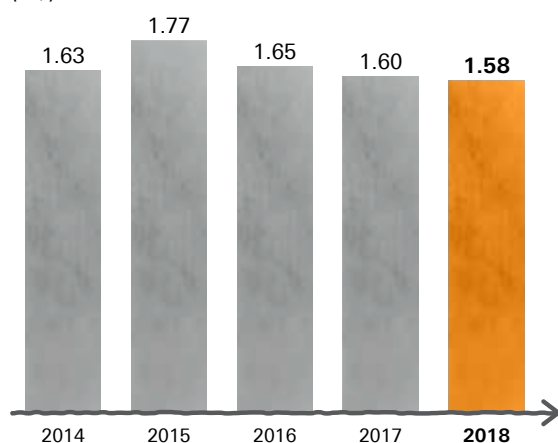
## DISTRIBUTION PER UNIT

(cents)



## NET ASSET VALUE PER UNIT

(S\$)



# 5-YEAR FINANCIAL HIGHLIGHTS

As at 31 December Balance Sheet	2014	2015	2016	2017	2018
Total Assets (S\$'000)	2,358,062	2,570,304	2,783,467	2,668,068	<b>2,982,690</b>
Total Deposited Properties <sup>1</sup> (S\$'000)	2,328,008	2,544,671	2,761,930	2,648,157	<b>3,072,298</b>
Net Assets Attributable to Unitholders (S\$'000)	1,349,738	1,490,820	1,431,811	1,548,771	<b>1,553,220</b>
Total Borrowings (S\$'000)	672,893	707,092	979,246	750,000	<b>1,041,250</b>
Market Capitalisation (S\$ million)	1,337	1,256	1,191	1,565	<b>1,334</b>
Net Asset Value Per Unit (S\$)	1.63	1.77	1.65	1.60	<b>1.58</b>
Portfolio Property Valuation (S\$'000)	2,250,783	2,412,626	2,628,353	2,441,024	<b>2,439,106<sup>2</sup></b>

## Financial Ratios

Earnings Per Unit (¢)	17.69	13.61	12.45	16.21	<b>13.22</b>
Diluted Earnings Per Unit (¢)	–	–	12.39	16.14	<b>13.16</b>
Distribution Per Unit (¢)	9.82	10.60	10.05	10.10	<b>10.22</b>
Aggregate Leverage <sup>3</sup> (%)	28.7	27.7	35.3	28.4	<b>35.4</b>
Interest Cover (times)	5.6	6.3	6.0	5.8	<b>5.3</b>
Management Expense Ratio <sup>4</sup> (%)	1.0	0.9	1.0	1.0	<b>1.0</b>

## As at 31 December 2018

### Financial Derivatives

Net Fair Value of Financial Derivatives <sup>5</sup> (S\$ million)	<b>(1.8)</b>
Proportion of Financial Derivatives to Net Assets Attributable to Unitholders (%) <sup>5</sup>	<b>(0.1)</b>

### Total Operating Expenses and Taxation

Total Operating Expenses <sup>6</sup> (S\$'000)	<b>91,514</b>
Total Operating Expenses as a percentage of Net Asset Value (%)	<b>5.8</b>
Taxation <sup>7</sup> (S\$'000)	<b>56,549</b>

1 All the assets of CRCT (or proportional share if CRCT owns less than 100% of a Barbados Company as defined in the CRCT Prospectus dated 29 November 2006 and/or a Project Company (as defined in the CRCT Prospectus)) including the properties and all the authorised investments of CRCT for the time being held or deemed to be held upon the trusts under the trust deed dated, 23 October 2006, as amended by the First Supplemental Deed dated 8 November 2006, Second Supplemental Deed dated 15 April 2010, Third Supplemental Deed dated 5 April 2012, Fourth Supplemental Deed dated 14 February 2014, Fifth Supplemental Deed dated 6 May 2015, Sixth Supplemental Deed dated 29 April 2016 and a Seventh Supplemental Deed dated 5 June 2018 (collectively, the Trust Deed), and excluding undistributed income at the year end.

2 Based on valuations as at 31 December 2018. The portfolio property valuation includes the valuation of the 10 malls (excluding Rock Square) and the carrying amount of CapitaMall Minzhongleyuan's three residential units. Refer to page 134 for more details.

3 The aggregate leverage is calculated based on total borrowings over the deposited properties in accordance to Property Funds Appendix (includes CRCT's proportionate share of its Joint Venture's borrowing and deposited property).

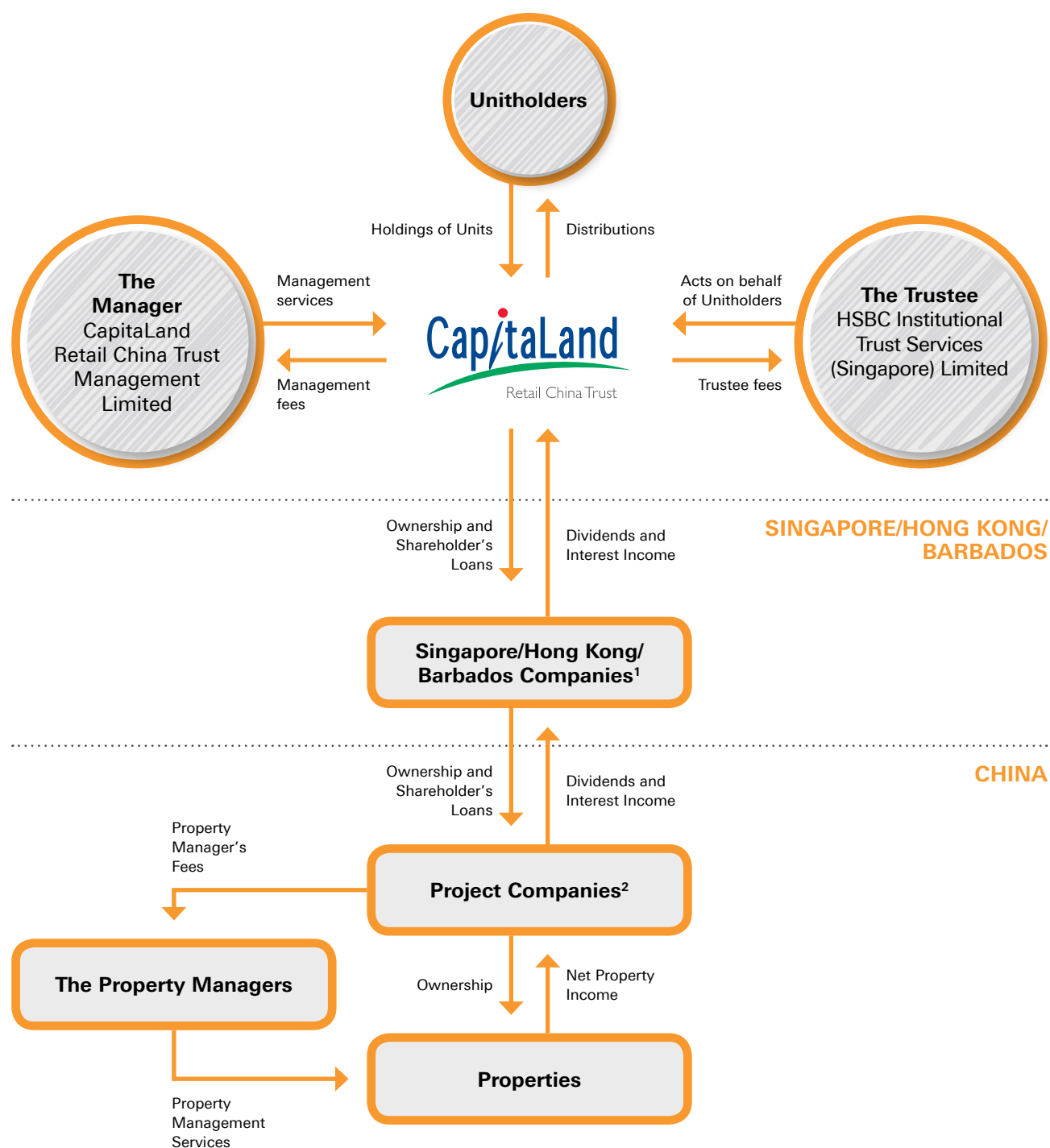
4 Refers to the expenses of CRCT excluding property expenses and interest expenses but including the performance component of CRCTML's management fees, expressed as a percentage of weighted average net assets.

5 Financial derivatives include interest rate swaps and foreign currency forwards which CRCT entered into as a form of hedging against interest rate risks and RMB cashflows.

6 Total operating expenses include all fees and charges paid to the Manager and interested parties.

7 Taxation includes corporate taxation, withholding taxation and deferred taxation.

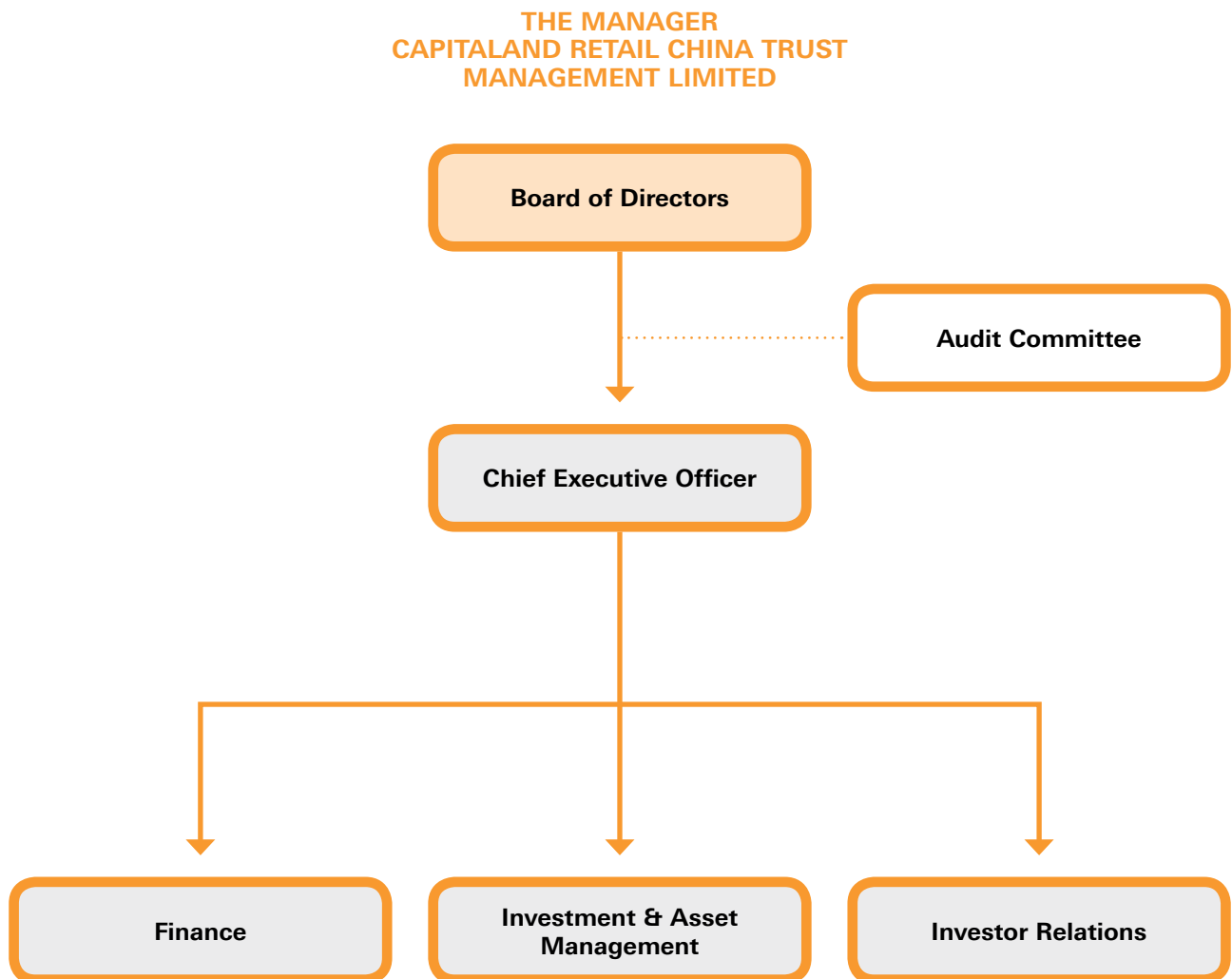
# TRUST STRUCTURE



1 Interest income and shareholder's loans from the Project Companies are payable to the Singapore/Hong Kong/Barbados Companies (where applicable).  
2 Includes Project Compan(ies) which are not wholly owned by CRCT. In such instances, CRCT receives a proportionate share of dividends, interest income and principal repayment of shareholder's loans from the Project Compan(ies) for the mall(s) (where applicable).



# ORGANISATION STRUCTURE





A child's arm is visible on the left side of the frame, holding a rainbow flag. The background is a clear blue sky with a green field at the bottom. The text is positioned in the upper right area of the image.

## EYEING BRIGHTER HORIZONS

Just as a child seeks to innovate, CRCT is focused on creating sustainable income growth for Unitholders through our portfolio reconstitution strategy of strengthening our asset portfolio, optimising growth through asset enhancement initiatives and extracting operational efficiencies to maximise returns.



# MESSAGE TO UNITHOLDERS



We will focus on new growth catalysts and reinforce our resilient attributes to drive sustainable returns. Significant sectoral strengths remain to be tapped, even as the Chinese economy undergoes a transition.



**Soh Kim Soon**  
Chairman



**Tan Tze Wooi**  
Chief Executive Officer



## Dear Unitholders,

China's retail sales of consumer goods grew by 9.0% to RMB38.1 trillion in 2018, sustained by consumption in major cities that saw an increase in urban disposal income and expenditure per capita of 7.8% and 6.8% respectively. The growth was achieved in spite of challenges to both its domestic and the global economy, including the China-US trade war that overshadowed the year. To encourage consumption, China implemented a series of import tax cuts and fiscal measures to stimulate the economy. Demand for retail space remained resilient, underpinned by domestic mid-tier brands, food and beverage outlets and international fashion labels establishing broader networks in China.

Amidst the uncertainty of the global economy and volatility of the Chinese Renminbi, CRCT was able to stay on course, riding on the momentum of China's domestic demand and the successful execution of our well-thought-out strategy to deliver a positive set of results in 2018.

## RESILIENT FINANCIAL PERFORMANCE

In FY 2018, CRCT achieved a gross revenue of S\$222.7 million and net property income of S\$147.4 million. Distributable income reached S\$99.7 million, 9.4% higher than FY 2017. The growth was attributable to newly acquired Rock Square as well as the improved performance in CRCT's core multi-tenanted malls. Distribution per unit increased 1.2% year-on-year to 10.22 cents on an enlarged unit base<sup>1</sup> at the end of FY 2018.



Our ongoing strategy to optimise CRCT's assets and create rewarding shopping experience for shoppers has served us well. Portfolio tenants' sales and shopper traffic expanded by 18.8%<sup>2,3</sup>, and 19.4%<sup>2</sup> year-on-year respectively in 2018. As at 31 December 2018, portfolio occupancy reached 97.5% with a weighted average lease expiry of 2.9 years<sup>4</sup>. During the year, 663 leases were signed or renewed at an average rental reversion of 10.9%. CRCT's investment property value, including its 51.0% interest in Rock Square and CapitaMall Wuhu, has been assessed by independent valuers to be worth RMB13,993 million as at 31 December 2018, representing a 17.8% year-on-year increase due to the inclusion of Rock Square.

### DISCIPLINED PORTFOLIO RECONSTITUTION

As part of CRCT's portfolio reconstitution strategy, the acquisition of Rock Square at RMB1,703.8<sup>5</sup> million, through a 51:49 joint venture with CapitaLand, was completed in January 2018. The accretive acquisition strategically diversified CRCT's footprint into another Tier 1 city within CapitaLand's core city clusters. It also enabled CRCT to leverage the Group's established presence in Guangzhou and enjoy leasing synergies across our portfolio.

Rock Square has strong growth potential, with over half of the mall's total rent up for renewal between 2018 and 2020. Since the completion of the acquisition, we have achieved more than 20.0% rental reversions over four consecutive quarters as well as double-digit year-on-year increase in average sales per square metre (sq m) for specialty tenants in 2018. Leveraging on our strong leasing network, we enhanced Rock Square's tenant mix by introducing 25 prominent new brands to Haizhu District, creating a compelling positioning for the mall.

In January 2019, CRCT entered into a co-operative framework agreement with unrelated third parties for a bundle deal to acquire a property in Yuquan District, Hohhot, Inner Mongolia, China, at an agreed property value of RMB808.3 million (S\$159.6 million) and to transfer its entire interest in a company that holds CapitaMall Saihan in Hohhot to a party

related to the vendor of the new mall at an agreed property value of RMB460.0 million (S\$90.8 million)<sup>6</sup>.

By swapping CapitaMall Saihan for the new Yuquan mall, we are effectively recycling our capital to obtain a more strategically located property that is newly built and enjoys direct connectivity to the upcoming metro line. The new mall has stronger growth potential as it is double in size and has a longer balance lease tenure of an additional eight years, as compared to CapitaMall Saihan. Leveraging on the strong track record of the local team, we intend to strengthen our presence in that emerging catchment by transforming the new mall into a one-stop shopping destination with enticing retail concepts catering to the lifestyle needs and aspirations of the city's rising middle class.

### INNOVATIVE ASSET ENHANCEMENT

The dynamic Chinese retail industry is constantly evolving as consumers seek shopping experiences that are both engaging and synergistic with their lifestyles. To respond to the changing needs, we completed several asset enhancement initiatives (AEI) during the year, with the objectives of improving productivity of the spaces within our malls as well as providing optimal tenant mix.

After recovering 4,700 sq m of space from a former anchor tenant on level 4 of CapitaMall Wangjing, we introduced higher-yielding specialty stores to create a more immersive retail experience for shoppers. This led to a strong rental reversion of 15.7% year-on-year for CapitaMall Wangjing in FY 2018. Collaborating closely with our business partner Ucommune, a leading coworking space operator, we successfully created 500 sq m of income-producing leasable area on level 8 to meet their needs. This strategic move will increase rental income at the floor by around 50.0% in 2019.

At CapitaMall Xinnan, we reconfigured about 37.0% of Basement 1, attracting popular brands that resulted in the doubling of gross rental income for the zone. It was a timely enhancement that brought about rental reversion uplift of 17.9% year-on-year for the

2 Includes only multi-tenanted malls based on 100% ownership.

3 Excludes tenant sales from supermarket and department store.

4 By Gross Rental Income.

5 Based on 51% effective interest in Rock Square.

6 Refer to CRCT Announcement released on 1 February 2019.

# MESSAGE TO UNITHOLDERS

entire mall, reflecting the demand for retail space in one of Chengdu's most established shopping belts. Similarly, at CapitaMall Grand Canyon, we increased the net lettable area on levels 4 and 5, by removing the escalators and reconfiguring the floor area, which allowed us to offer new dining options and experiences.

CapitaMall Qibao was repositioned to enhance its attractiveness for young parents and children. We reorganised the tenant mix with an emphasis on education and learning to appeal to young families. The rooftop garden was expanded to accommodate animal and vegetable farms, a large screen cinema and an enlarged event space to host interactive activities for children. The enhancement provided memorable shopping experiences and increased the families' dwell time at the mall.

## ENGAGING SHOPPING EXPERIENCE

To stay ahead of competition, we took proactive measures to embrace the use of digital technology and roll out interesting events to attract shoppers and create stickiness to our malls.

Exciting marketing events were organised throughout 2018 to draw shopper traffic and increase the visibility of our malls, such as the large-scale B.Duck display at Rock Square, live performances and pop-up stores at CapitaMall Wangjing and popular music concerts at CapitaMall Saihan.

Increasingly, we are tapping on online marketing campaigns and gamification techniques to engage shoppers. At CapitaMall Xizhimen and CapitaMall Wangjing, we partnered a popular social media app to set up booths where shoppers could participate in multi-player games and share their experiences on social media. These marketing initiatives strengthened our malls' branding and social media engagement.

## PRUDENT CAPITAL MANAGEMENT

As part of our disciplined capital management to diversify funding sources, we successfully completed maiden issuance of S\$130.0 million MTN due 2022 at a fixed interest rate of 3.25% per annum. The MTN are issued under the CRCT's S\$1 billion Multicurrency Debt Issuance Programme.

Through proactive management efforts, we have refinanced all debts due in 2019 ahead of time. 80.0%<sup>7</sup> of CRCT's total debt is on fixed interest rates, providing certainty of interest expenses. We have strengthened the balance sheet and maintained a low gearing ratio of 35.4% that is well below the 45.0% ceiling set by the Monetary Authority of Singapore. To mitigate the impact of foreign currency fluctuations, approximately 80.0% of CRCT's distributable income has been hedged into Singapore dollars. This put us in a strong financial position to pursue acquisition opportunities to drive new growth while we continue with our active asset management strategy to unlock more value from existing assets.

## STRIVING FOR EXCELLENCE

As the first China shopping mall REIT to be listed in Singapore, CRCT always strive to maintain a high level of corporate governance, transparency and accountability, which include active board oversight and timely communication with Unitholders and key stakeholders. We are honoured that these efforts have been recognised by the Securities Investors Association Singapore, who awarded us the joint winner of the Shareholder Communications Excellence Award (REITs & Business Trusts) at its 19th Investors' Choice Awards in 2018.

To further improve our engagement with Unitholders, tenants, shoppers and other stakeholders, we launched a new look for our website that offers refreshing content and features as well as a more intuitive user experience.

CRCT's malls also received industry recognition: CapitaMall Xinnan won the Commercial District Advancement Award at the 7th Annual Chengdu Retail Awards, and CapitaMall Wangjing clinched the Best Asset Enhancement Award at the Shopping Mall Awards 2018 organised by the China Chain Store & Franchise Association.

### JOURNEY AHEAD

China remains one of the world's fastest growing consumer markets. While China's GDP is projected to grow at a slower pace in the short term, retail consumption is expected to stay robust in the years ahead. Underpinned by a growing base of consumers seeking improved quality of life, the long-term outlook for the retail sector remains positive.

We will focus on new growth catalysts and reinforce our resilient attributes to drive sustainable returns. Significant sectoral strengths remain to be tapped, even as the Chinese economy undergoes a transition. While uncertainties and challenges will continue to define the fast-changing retail scene in China, CRCT possesses the financial strength, professional skill sets, local network and customer centric culture to continually innovate and adapt to market dynamics in our pursuit to create value for shoppers, tenants and Unitholders.

We will continue to leverage CapitaLand's extensive expertise to expand our presence in China and to further strengthen our portfolio. Our aim is to differentiate CRCT from the competition and create a quality portfolio of malls that is an integral part of China's urban landscape and lifestyle. We remain steadfast in our efforts to create relevant and rewarding shopping experiences, which will keep pace with the evolving needs and aspirations of shoppers and their communities.

### ACKNOWLEDGEMENTS

Mr Lim Ming Yan, who joined our Board in 2013, stepped down as Deputy Chairman, Non-Independent Non-Executive Director, Chairman of the Executive Committee and Member of the Corporate Disclosure Committee. Mr Lee Chee Koon, Non-Independent Non-Executive Director, was appointed the Chairman of the Executive Committee. Both changes on the Board took effect on 1 July 2018. We would like to thank Ming Yan for his contributions over the years and wish him success in his future endeavours.

In closing, we would like to thank the Board for providing their insights and actively participating in Board engagements and discussions, the Management for its leadership and strategy and our staff for their dedication and support. We are grateful to all our tenants, business partners, shoppers, and above all, Unitholders for their trust and support. Together, we will continue to develop resilient retail assets for our Unitholders and deliver great retail experiences for shoppers in China.

**Soh Kim Soon**

Chairman

**Tan Tze Woon**

Chief Executive Officer

18 February 2019

# 致信托单位持有人之信函

## 尊敬的信托单位持有人，

2018年，中国主要城市的可支配收入和人均支出同比增长分别为7.8%和6.8%，带动消费品零售额同比增长了9.0%至38.1万亿人民币。尽管中国和全球经济在全年面临中美贸易战和其他诸多挑战，国内消费仍然取得增长。刺激消费的政策包括一系列进口减税和财政措施。国内中高端品牌、餐饮店和国际时尚品牌继续拓展网络，让零售空间的需求保持了韧性。

面对全球经济的不确定性和人民币的波动，凯德商用中国信托继续稳健发展，依靠中国国内需求的势头以及成功执行深思熟虑的战略，在2018年取得佳绩。

### 坚韧的财务业绩

2018年，凯德商用中国信托的总收入为2.227亿新元，房地产净收入为1.474亿新元。可派发收入达0.997亿新元，比2017财政年度高出9.4%。增长归因于收购后乐峰广场做出的财务贡献以及多租户商场的良好表现。每单位派息在年末扩大的单位基数<sup>1</sup>上同比增长1.2%至10.22新分。

我们持续优化资产与创造优越购物体验的策略章显成效。在2018年，资产组合的租户销额总额和客流量分别同比增长18.8%<sup>2,3</sup>和19.4%<sup>2</sup>。截至2018年12月31日，资产组合出租率达97.5%，加权平均租赁期限为2.9年<sup>4</sup>。年内，我们签署或更新了663个租约，平均租金调升率为10.9%。包括乐峰广场及凯德广场•芜湖51.0%的权益，凯德商用中国信托截至2018年12月31日的资产估值经由独立估值师评估为139.93亿人民币，同比增加17.8%。这得归因于乐峰广场的加入。

### 严谨的资产组合重组

凯德商用中国信托通过与凯德集团的51:49合资，于2018年1月以17.038<sup>5</sup>亿人民币顺利收购乐峰广场。这是信托资产组合重组策略的重要的一环。这项增值收购将信托的足迹扩展到凯德集团核心城市群中的另一个一线城市，并且让我们有效的利用集团在广州的优势地位巩固资产组合中租赁的协同效应。

乐峰广场拥有强大的增长潜能。商场在2018年到2020年之间的到期租约占总租金的一半以上。自完成收购以来，商场在2018年连续四个季度的租金调升率都超过了20.0%，专卖店租户全年取得了双位数的平均销售坪效增长。我们利用强大的租赁网络，增强了乐峰广场的租户组合，这不仅为海珠区引进了25个特出的新品牌，更为商场创造了强劲的定位。

2019年1月，我们与无关联第三方签订合作框架协议，以8.083亿人民币（1.596亿新元）收购位于中国内蒙古自治区呼和浩特市玉泉区已建成的一座商场，并以4.6亿人民币（0.908亿新元）<sup>6</sup>的商定价格转让持有凯德MALL•赛罕的公司的全部权益给新的业主。

通过凯德MALL•赛罕与玉泉项目的互换，我们有效的回收资本，并收获一个地理位置更加优异的新建商场。新购入资产与即将开通的地铁线将直接联通。与凯德MALL•赛罕相比，新购入的玉泉项目面积扩大一倍，土地使用期限延长八年，并具有更强的升值潜力。我们将通过当地营运团队的良好记录，巩固信托在新兴市场的地位，将新收购的商场转变成一站式消费聚点，提供引人入胜的零售概念，以满足日益富裕中产阶级消费者对更高生活品质的追求。

### 创新的资产提升

消费者不断寻求符合他们生活方式的优质购物体验，激发了中国零售业的蓬勃发展。为了迎合需求，我们在年内完成了多项资产提升计划，以提高商场空间的利用率和优化租户组合。

从凯德MALL•望京的主力租户回收了四楼4,700平方米的空间后，推出了更高收益的特色专卖店，为购物者创造更具沉浸性的零售体验。这使凯德MALL•望京2018全年同比租金调升率为15.7%。优客工场是一家领先的共享空间经营者。我们与优客工场密切合作，成功在八楼创造500平方米的可租赁面积，以满足租户需求。这举措将会增加八楼在2019年的租金收入约50.0%。

在凯德广场•新南，我们重新规划了负一楼约37.0%的空间，引进了知名品牌的同店，成功使该区域每月的租金收入翻倍。这项适时的资产提升使得商场整体租金调升率同比提高至17.9%，反映了租户对成都成熟商圈空间的高需求。相同的，我们在凯德MALL•大峡谷通过拆除自动扶梯，成功增加四楼和五楼的可租赁面积，用来提供新的用餐选择和体验。

我们为凯德七宝购物广场重新定位，调整租户组合并把重点放在教育和学习上，以增强对年轻家庭的吸引力。为了能有更宽阔的活动空间举办儿童节目，我们扩建屋顶花园并增添小型动物园、蔬菜农场和大屏幕。凯德七宝购物广场设施的改进为消费者提供更深刻的购物体验，也增加了家庭在商场的逗留时间。

1 CRCT于2017年12月7日以私募的形式发行了6,440万新单位。

2 只包括多租户商场，以100%权益计入。

3 不包括超市和百货商店的租户销售。

4 按租金总收入。

5 按乐峰广场51%的有效权益。

6 请参阅2019年2月1日发布的信托公告。



### 丰富的购物体验

为了在竞争中保持领先地位,我们采取积极主动的措施,通过采用数码科技和推出有趣的活动来吸引购物者并为购物中心创造黏性。

商场全年举办了精彩的营销活动来吸引购物流量以及提高购物中心的知名度,例如乐峰广场的大型B.Duck展示,凯德MALL•望京的现场表演和快闪店,以及凯德MALL•赛罕的流行音乐会。

我们加强了在线营销活动和游戏化技巧来吸引购物者。我们和一个备受欢迎的社交媒体应用程序合作,在凯德MALL•西直门和凯德MALL•望京设置展位,让购物者可以上线参与多人游戏并在社交媒体上分享体验。这些营销活动加强了我们的商场品牌和社交媒体参与度。

### 谨慎的资本管理

作为我们规范资本管理以实现资金来源多元化的一部分,我们成功发行了首批1.3亿新元的MTN,到期日为2022年,固定利率为每年3.25%。此MTN是根据CRCT的10亿新元多币种债务发行计划发行的。

通过积极财务管理,我们提前为2019年到期的所有债务再融资。80.0%<sup>7</sup>的债务是以固定利率贷款,以增强利息费用的确定性。我们加强了资产负债表,并保持了35.4%的负债比率,远低于新加坡金融管理局设定的45.0%上限。为减轻外汇波动带来的影响,约80.0%的可支配收入已以新元对冲。稳健的财务状况,让我们有能力追逐推动新增长的收购机会,并继续采用积极的资产管理策略,从现有资产中释放更多价值。

### 追求卓越表现

作为首个在新加坡上市的中国商用房地产投资信托基金,凯德商用中国信托始终保持着高水平的公司治理,透明度和问责制,其中包括董事会的积极监督,以及与信托单位持有人和主要利益相关者的适时沟通。我们很荣幸这些努力得到了新加坡证券投资者协会的认可,在2018年的第19届“投资者的选择颁奖”中,联合获得“股东沟通良好奖(房地产投资信托基金与商业信托组别)”。

为了进一步增进我们与信托单位持有人、租户、购物者和其他利益相关者的互动,我们将网站改版升级,提供令人耳目一新的内容和功能以及更直观的用户体验。

我们的购物中心也获得了中国行业的认可:凯德广场•新南在“第七届成都零售业年度总评榜”获得“商圈发展推动大奖”,而凯德MALL•望京则获得中国连锁经营协会颁发的“2018CCFA金百合购物中心最佳升级改造奖”。

### 展望未来

中国仍是全球增长最快的消费市场之一。虽然国内生产总值将预计在短期内放缓,但未来几年里,零售消费将会保持强劲的增长。在消费者群体不断增长和寻求更高的生活品质的背景下,零售业的长期前景维持乐观。

我们将着重于寻找新的增长契机以加强我们的韧性来推动可持续回报。尽管中国经济正在经历过渡期,许多重大的领域潜力仍待开发。快速转变中的中国零售商场产业将继续充满不确定因素和挑战性,但我们拥有扎实的财务实力,专业技能,地方网络和以客为尊的企业文化,使我们可以不断的创新和适应市场动态,为购物者、租户和信托单位持有人创造价值。

我们将继续沿用凯德集团广泛的专业知识,扩大在中国的业务和进一步加强我们的资产组合。我们的目标是与竞争对手区分化,并创造一个与中国城市景观和生活方式相结合的优质商用资产组合。我们将继续努力创造贴近需求,优越的购物体验,以满足购物者及社区不断变化的愿景。

### 致谢

林明彦先生于2013年加入董事会,在年内卸下董事会副主席、非独立非执行董事、执行委员会主席及公司披露委员会成员的职务。非独立非执行董事李志勤先生获委任为执行委员会主席。这两项变更均于2018年7月1日生效。我们感谢林先生多年来的贡献,祝愿他未来一帆风顺。

最后,我们要感谢董事会所提供的见解并积极参与会议和讨论,管理层给予公司的领导和员工们的奉献和支持。我们对所有租户、业务合作伙伴和购物者心存感激,尤其是对信托单位持有人的信任与支持。通过共同努力,我们将继续为信托单位持有人经营优质的零售资产,以及为中国购物者提供优越的零售体验。

**苏锦春**  
主席

**陈子威**  
首席执行官

2019年2月18日

7 不包括货币市场。

# PROPERTY PORTFOLIO

## CRCT'S PROPERTIES IN CHINA

### A. BEIJING

1. CapitaMall Xizhimen
2. CapitaMall Wangjing
3. CapitaMall Grand Canyon
4. CapitaMall Shuangjing

### B. SHANGHAI

5. CapitaMall Qibao

### C. GUANGZHOU

6. Rock Square

### D. CHENGDU

7. CapitaMall Xinnan

### E. WUHAN

8. CapitaMall Minzhongleyuan

### F. HOHHOT

9. CapitaMall Saihan

### G. ZHENGZHOU

10. CapitaMall Erqi

### H. WUHU

11. CapitaMall Wuhu



CRCT's geographically diversified portfolio of quality shopping malls is located in eight of China's cities. The malls are positioned as one-stop family-oriented shopping, dining and entertainment destinations for the sizeable population catchment areas in which they are located, and are accessible via major transportation routes or access points.



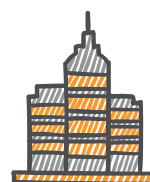
**8 CITIES**  
in China



Around  
**1,600**  
leases



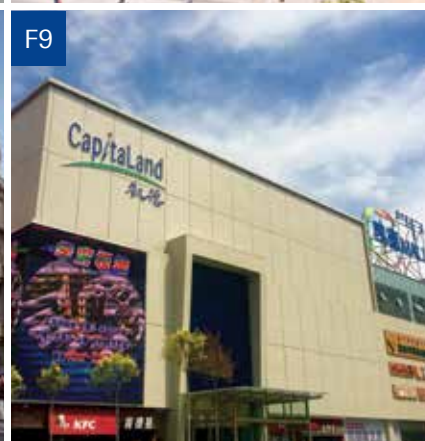
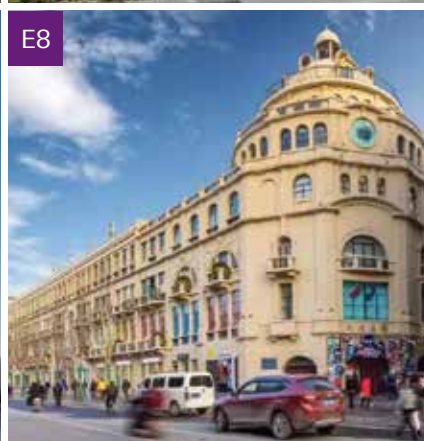
Around  
**700,000**  
square metre of gross  
rentable area



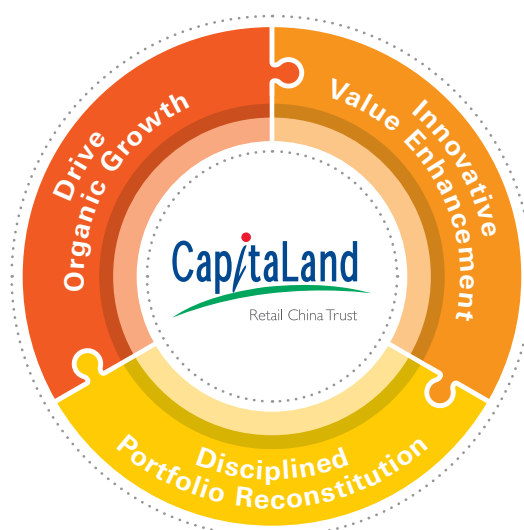
**PORTFOLIO PROPERTY  
VALUATION**

**RMB15,754.0<sup>1</sup>**  
million  
11 properties





# GROWTH STRATEGIES



## Drive Organic Growth

- › Mall of choice: operational excellence
- › Curate retail experience and mix by continuously engaging both retailers and shoppers
- › Targeted marketing initiatives coupled with loyalty programmes to capture repeat spending



## Innovative Value Enhancement

- › Seek new growth and achieve stronger returns from AEIs
- › Review and optimise space productivity and revenue psm



## Disciplined Portfolio Reconstitution

- › Review asset performance and unlock value at the optimal stage of lifecycle
- › Focus on accretive acquisitions to strengthen overall portfolio attributes
- › Actively engage Sponsor's pipeline and third-party vendors

Sustainable portfolio growth is carefully crafted through an integrated strategy of driving organic growth, innovative value enhancement, disciplined portfolio reconstitution as well as prudent capital and risk management, all of which are honed through CapitaLand's strong operating and management track record. This enables CRCT to enhance asset value and deliver sustainable income growth to Unitholders.

### DISCIPLINED PORTFOLIO RECONSTITUTION

In order to deliver sustainable growth and superior value to our Unitholders, CRCT diligently engages in proactive portfolio reconstitution – the strategic and timely acquisition, enhancement and divestment of our assets – to optimise its portfolio.

We source for retail assets with high growth potential, especially properties located in the core Chinese city clusters where CapitaLand has an established presence. This allows CRCT to leverage on the retail leadership and in-depth local knowledge to manage and enhance the income-generating retail assets to extract maximum value for our Unitholders. At the optimal stage of the asset life cycle, we recycle our capital through the timely divestment of mature properties and reinvest the proceeds into new growth opportunities. This value-creation strategy allows CRCT to continuously grow and revitalise through the injection of new yield-accretive assets into the portfolio.

### PRUDENT CAPITAL & RISK MANAGEMENT

Key risks such as liquidity risk, credit risk and foreign currency risk are managed through disciplined capital stewardship, sound corporate governance and prudent risk management. We monitor our exposure to various risks by closely following established management policies and procedures. These risk management policies are reviewed regularly and carefully balanced with its benefits to ensure an acceptable balance between the risk and cost of managing these risks. We mitigate our capital risk by diversifying our funding sources, improving debt profile and optimising our capital structure. CRCT leverages on CapitaLand's strong credit standing to secure competitive cost of capital for our retail mall operations and fund our expansion.

### LEVERAGING ON CAPITALAND'S ESTABLISHED INTEGRATED RETAIL PROPERTY PLATFORM

CRCT's long-term growth potential is reinforced through the synergies we obtain by working closely with our committed Sponsor. Tapping on CapitaLand's unique integrated retail real estate platform, we have access to the best of retail real estate management and capital management capabilities. We stand to benefit from our right of first refusal on the strong pipeline of high quality assets held under CapitaLand Group and its private funds.



## BOARD OF DIRECTORS



**SOH KIM SOON**

*Chairman*

*Non-Executive Independent Director*



**TAN TZE WOON**

*Chief Executive Officer*

*Executive Non-Independent Director*



**FONG HENG BOO**

*Non-Executive Independent Director*



**CHRISTOPHER GEE KOK AUN**

*Non-Executive Independent Director*



**PROFESSOR TAN KONG YAM**

*Non-Executive Independent Director*



**NEO POH KIAT**

*Non-Executive Independent Director*



**KUAN LI LI**

*Non-Executive Independent Director*



**LEE CHEE KOON**

*Non-Executive Non-Independent Director*



**LIM CHO PIN ANDREW  
GEOFFREY**

*Non-Executive Non-Independent Director*

# BOARD OF DIRECTORS

## SOH KIM SOON, 73

### Chairman

### Non-Executive Independent Director

Bachelor of Arts (Honours), University of Singapore  
Associate, Chartered Institute of Bankers

#### Date of first appointment as a director:

20 April 2017

#### Date of appointment as Chairman:

20 April 2017

#### Length of service as a director

(as at 31 December 2018):

1 year 8 months

#### Board committee served on

- › Corporate Disclosure Committee (Chairman)

#### Present principal commitments

- › ORIX Investment and Management Private Limited (Chairman)
- › ORIX Leasing Singapore Limited (Chairman)

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

- › Engro Corporation Limited
- › Frasers Centrepoint Asset Management Ltd. (manager of Frasers Centrepoint Trust)

#### Background and working experience

- › Senior Managing Director of DBS Bank Ltd. (was with DBS Bank Ltd. from 1971 to 2000 where he held various senior management positions)

#### Awards

- › Public Service Medal (2007)
- › May Day Award (Friend of Labour) (2012)

## TAN TZE WOOL, 46

### Chief Executive Officer

### Executive Non-Independent Director

Bachelor of Accountancy (Honours),  
Nanyang Technological University of Singapore  
Chartered Financial Analyst® and Member, CFA Institute

#### Date of first appointment as a director:

1 April 2017

#### Length of service as a director

(as at 31 December 2018):

1 year 9 months

#### Board committees served on

- › Corporate Disclosure Committee (Member)
- › Executive Committee (Member)

#### Background and working experience

- › Chief Executive Officer (Designate) of CapitaLand Retail China Trust Management Limited (March 2017)
- › Deputy Chief Executive Officer of CapitaLand Retail China Trust Management Limited (From December 2016 to February 2017)
- › Regional General Manager, North China of CapitaMalls Asia Limited (now known as CapitaLand Mall Asia Limited) (From March 2014 to February 2017)
- › Regional Deputy General Manager, North China of CapitaMalls Asia Limited (From July 2013 to February 2014)
- › General Manager, Investment & Asset Management, North China of CapitaMalls Asia Limited (From September 2011 to July 2013)
- › Deputy Head, Investment & Asset Management of CapitaMalls Asia Limited (From April 2010 to September 2011)
- › Vice President, Investment & Asset Management of CapitaRetail China Trust Management Limited (From October 2008 to December 2014)
- › Senior Manager of CapitaRetail China Trust Management Limited (From January 2007 to September 2008)
- › Senior Manager of CapitaMall Trust Management Limited (From July 2005 to December 2006)
- › Vice President, Wholesale Banking (Real Estate) of Standard Chartered Bank (From 2001 to 2005)
- › Assistant Manager of KPMG (From 1997 to 2001)

**FONG HENG BOO, 69****Non-Executive Independent Director**

Bachelor of Accountancy (Honours), University of Singapore

**Date of first appointment as a director:**  
**1 January 2013**

**Length of service as a director**  
**(as at 31 December 2018):**  
**6 years**

**Board committee served on**

- › Audit Committee (Chairman)

**Present directorships in other listed companies**

- › Advance SCT Limited
- › Asian American Medical Group Limited (ASX)
- › Colex Holdings Limited
- › Sheng Ye Capital Limited (HKEX)
- › TA Corporation Ltd

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

- › Agency for Integrated Care Pte. Ltd. (Director)
- › Singapore Health Services Pte Ltd (Director)
- › Singapore Turf Club (Member, Management Committee)
- › Surbana Jurong Private Limited (Director)

**Past directorships in other listed companies held over the preceding three years**

- › Pteris Global Limited
- › Sapphire Corporation Limited

**Background and working experience**

- › Director, Special Duties of Singapore Totalisator Board (From July 2004 to December 2014)
- › Senior Vice President, Corporate Services of Singapore Turf Club (From May 2000 to June 2004)
- › Deputy General Manager, Corporate Services of Singapore Turf Club (From May 1998 to May 2000)
- › Chief Financial Officer of Easycall International Pte Ltd/Matrix Telecommunications Ltd (From June 1996 to April 1998)
- › General Manager, Corporate Services of Amcol Holdings Limited (From October 1993 to May 1996)
- › Assistant Auditor-General of Auditor-General's Office (From February 1987 to September 1993)
- › Divisional Director of Auditor-General's Office (From May 1980 to January 1987)
- › Auditor of Auditor-General's Office (From November 1975 to April 1979)

**Award**

- › Institute of Certified Public Accountants of Singapore Silver Medal (1999)

**CHRISTOPHER GEE KOK AUN, 50****Non-Executive Independent Director**

Bachelor of Arts in Law (Honours), University of Nottingham, UK

Chartered Financial Analyst® and Member, CFA Institute

**Date of first appointment as a director:**  
**24 January 2014**

**Length of service as director**  
**(as at 31 December 2018):**  
**4 years 11 months**

**Board committee served on**

- › Audit Committee (Member)

**Present principal commitments**

- › Institute of Policy Studies, Lee Kuan Yew School of Public Policy, National University of Singapore (Senior Research Fellow)
- › Manas Asian Equities Value Fund (Director)

**Background and working experience**

- › Head, Singapore Equities Research of J.P. Morgan Securities Singapore Private Limited (From July 2002 to February 2012)
- › Head, Asia Real Estate Equities Research of J.P. Morgan Securities Singapore Private Limited (From September 2006 to February 2012)
- › Head, Singapore and Malaysia Equities Research of ING Barings Securities (From June 2000 to June 2002)
- › Head, Malaysia Equities Research and Investment Analyst of ING Barings Securities Malaysia Sdn. Bhd. (From June 1994 to June 2000)
- › Audit and Corporate Recovery of Price Waterhouse, London (From September 1990 to March 1994)

# BOARD OF DIRECTORS

## PROFESSOR TAN KONG YAM, 63

### **Non-Executive Independent Director**

*Bachelor in Economics, Princeton University, USA  
PhD in Economics, Stanford University, USA*

**Date of first appointment as a director:**  
**31 October 2014**

**Length of service as a director  
(as at 31 December 2018):**  
**4 years 2 months**

### **Board committee served on**

- > Audit Committee (Member)

### **Present principal commitments**

- > APS Asset Management Pte Ltd (Director)
- > Ascendas-Singbridge Pte. Ltd. (Director)
- > Changi Airport Group (Singapore) Pte. Ltd. (Director)
- > EMR Capital Investment (No. 3B) Pte. Ltd. (Director)
- > EMR Capital Investment (No. 4B) Pte. Ltd. (Director)
- > Nanyang Technological University of Singapore (Professor of Economics)
- > Surbana Jurong Private Limited (Director)

### **Background and working experience**

- > Senior Economist, Beijing Office of World Bank (From July 2002 to July 2005)
- > Member, Expert Group on the 11th Five Year Plan of World Bank (2004)
- > Chief Economist of The Ministry of Trade and Industry (From July 1999 to June 2002)
- > Head, Department of Business Policy at NUS Business School of National University of Singapore (From 1988 to 1999)

## NEO POH KIAT, 68

### **Non-Executive Independent Director**

*Bachelor of Commerce (Honours), Nanyang University, Singapore*

**Date of first appointment as a director:**  
**20 April 2017**

**Length of service as a director  
(as at 31 December 2018):**  
**1 year 8 months**

### **Present directorship in other listed company**

- > China Yuchai International Limited (NYSE)

### **Present principal commitment**

#### **(other than directorship in other listed company)**

- > Octagon Advisors Pte. Ltd. (Managing Director, Advisory Services)

### **Background and working experience**

- > Country Officer (China) and Head, Corporate Banking (Greater China) of United Overseas Bank Ltd (From July 2001 to January 2005)
- > General Manager (Leasing and Corporate Services) of Sino Land Co Ltd (From January 1994 to August 1996)
- > A Managing Director of DBS Bank (was with DBS Bank group of companies from January 1976 to December 1993 and from August 1996 to July 2001 where he held various senior management positions)

**KUAN LI LI, 55****Non-Executive Independent Director**

*Bachelor of Economics, University of Sydney, Australia*  
*Bachelor of Laws, University of Sydney, Australia*

**Date of first appointment as a director:**  
**1 January 2018**

**Length of service as a director**  
**(as at 31 December 2018):**  
**1 year**

**Present principal commitments**

- > CPA Australia Ltd's Skills-Future Committee (Member)
- > Legal Inquiry Panel of Singapore (Member)
- > Valuation Review Board of Singapore (Member)
- > WWF-World Wide Fund for Nature (Singapore) Limited (Audit Committee Member)

**Background and working experience**

- > Chief Financial Officer of ABB Pte. Ltd. (From January 2018 to January 2019)
- > Chief Executive Officer of Barclays Merchant Bank (Singapore) Ltd (From June 2014 to December 2017)
- > Chief Executive Officer of Barclays Capital Futures (Singapore) Private Limited (From June 2014 to December 2017)
- > Country Head and Chief Operating Officer of Barclays Bank PLC (From April 2014 to December 2017)
- > Head of Tax, Asia Pacific of Barclays Capital Services Limited Singapore Branch (From October 2004 to March 2014)

**LEE CHEE KOON, 44****Non-Executive Non-Independent Director**

*Bachelor of Science in Mechanical Engineering (First Class Honours), National University of Singapore*  
*Master of Science in Advanced Mechanical Engineering (Distinction), Imperial College London, UK*

**Date of first appointment as a director:**  
**1 January 2018**

**Length of service as a director**  
**(as at 31 December 2018):**  
**1 year**

**Board committee served on**

- > Executive Committee (Chairman)

**Present directorships in other listed companies**

- > Ascott Residence Trust Management Limited (manager of Ascott Residence Trust)
- > CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)
- > CapitaLand Limited

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

- > CapitaLand Limited (President & Group Chief Executive Officer)
- > EDBI Pte Ltd (Director)
- > Lifelong Learning Endowment Fund Advisory Council (Member)
- > National University of Singapore – Institute of Real Estate Studies (Member of the Management Board)
- > St. Joseph's Institution International Ltd (Member of the Development Committee and Fund Raising Committee)
- > St. Joseph's Institution International Elementary School Ltd (Member of the Development Committee and Fund Raising Committee)
- > SkillsFuture Singapore Agency (Director)
- > Temasek Foundation Nurtures CLG Limited (Director)

**Background and working experience**

- > Group Chief Investment Officer of CapitaLand Limited (From 1 January 2018 to 14 September 2018)
- > Chief Executive Officer of The Ascott Limited (From June 2013 to December 2017)
- > Deputy Chief Executive Officer of The Ascott Limited (From February 2012 to May 2013)
- > Managing Director, North Asia of The Ascott Limited (From July 2009 to May 2013)
- > Vice President, Office of the President of CapitaLand Limited (From February 2007 to June 2009)
- > Head, International Relations & Economic Strategy of Ministry of Finance (From November 2003 to January 2007)
- > Assistant Director, Trade Directorate of Ministry of Trade and Industry (From November 2001 to November 2003)

**Awards**

- > Business China Young Achiever Award in 2017
- > National Order of Merit (*Chevalier de l'Ordre National du Mérite*) in 2016



# BOARD OF DIRECTORS

## LIM CHO PIN ANDREW GEOFFREY, 49

### **Non-Executive Non-Independent Director**

*Bachelor of Commerce (Economics), University of Toronto, Canada*

*Master in Business Administration, Rotman School of Business, University of Toronto, Canada*

*Chartered Financial Analyst® and Member, CFA Institute*

#### **Date of first appointment as a director:**

**1 January 2018**

#### **Length of service as a director (as at 31 December 2018):**

**1 year**

#### **Board committees served on**

- › Audit Committee (Member)
- › Corporate Disclosure Committee (Member)
- › Executive Committee (Member)

#### **Present directorships in other listed companies**

- › Ascott Residence Trust Management Limited (manager of Ascott Residence Trust)
- › CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)
- › CapitaLand Malaysia Mall REIT Management Sdn. Bhd. (manager of CapitaLand Malaysia Mall Trust)
- › CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust)

#### **Present principal commitments**

##### **(other than directorships in other listed companies)**

- › Accounting for Sustainability Circle of Practice (Member)
- › Accounting Standards Council (Member)
- › CapitaLand Limited (Group Chief Financial Officer)
- › Institute of Singapore Chartered Accountants' CFO Committee (Member)
- › Real Estate Investment Trust Association of Singapore (REITAS) (President)

#### **Background and working experience**

- › Group Chief Financial Officer (Designate) of CapitaLand Limited (From 25 November 2016 to 31 December 2016)
- › Managing Director and Head of SEA Coverage Advisory of HSBC Global Banking (From January 2016 to December 2016)
- › Managing Director and Head of SEA Real Estate of HSBC Global Banking (From January 2015 to December 2015)
- › Managing Director, SEA Investment Banking of HSBC Global Banking (From April 2013 to December 2014)
- › Director, SEA Investment Banking of HSBC Global Banking (From April 2010 to March 2013)
- › Associate Director, Investment Banking of HSBC Global Banking (From April 2007 to March 2010)
- › Associate, Investment Banking of HSBC Global Banking (From July 2004 to March 2007)

# TRUST MANAGEMENT TEAM (CRCTML)

## TAN TZE WOOL

**Chief Executive Officer & Executive Non-Independent Director**

Please refer to the description under the section on Board of Directors.

## FINANCE TEAM

The Finance Team is responsible for all finance-related functions, including preparing quarterly financial statements, budgeting, sourcing and managing funds and implementing treasury and tax policies.

## JOANNE TAN SIEW BEE

**Head, Finance**

Joanne heads the finance team at CRCTML and is responsible for the financial management function. She oversees matters involving accounting, management reporting, treasury and capital management. The finance team works closely with Investment & Management team to review, evaluate and execute appropriate acquisitions and divestments as well as business plans. Joanne has over 18 years of experience in finance and accounting. She has been with CapitaLand since 2005 and has headed the CRCTML finance team since 2010.

Joanne is a Chartered Accountant (Singapore) and holds a professional degree with the Association of Chartered Certified Accountants (ACCA).

## INVESTMENT AND ASSET MANAGEMENT TEAM

The Investment and Asset Management (IAM) Team is responsible for optimising CRCT's portfolio by identifying and evaluating potential acquisitions and divestments, formulating business and enhancement plans and evaluating alternative investment and asset holding structures to improve the REIT's total investment returns. The team works closely with the property managers to carry out planned asset strategies, enhance income and manage operating expenses.

## YOU HONG

**Assistant Vice President, Investment and Asset Management**

You Hong leads the Investment and Asset Management team at CRCTML and is responsible for creating value for Unitholders through acquisitions and divestments, proactive asset management and asset enhancement initiatives. You Hong has 13 years of experience in real estate that spans various areas including investment and asset management, private fund management, risk management and real estate financing. Prior to joining CRCTML, You Hong was a fund manager for CapitaLand sponsored private funds, and an investment and asset manager based in Shanghai office.

You Hong holds a Bachelor of Science (Honours) in Quantitative Finance from the National University of Singapore.

## INVESTOR RELATIONS TEAM

The investor relations team ensures clear and timely communication with stakeholders using various engagement platforms. The team engages in two-way communication with investors, media and analysts through regular meetings and conferences and produces collaterals such as press releases, annual reports and presentations to update the community on CRCT's strategy and plans.

## NICOLE CHEN YU QING

**Senior Manager, Investor Relations**

Nicole manages the Investor Relations function at CRCTML and is responsible for building relations and facilitating strategic communications with CRCT's investors and stakeholders across various communication platforms. She has over nine years of investor relations and corporate communications experience in both in-house as well as agency positions. Nicole has led client-servicing teams and managed multi-channel, multi-market programmes across Asia-Pacific, focusing on reputation building, positioning and content creation in both IR and PR agencies. She has also amassed experience through her previous roles encompassing investor relations and corporate communications at a STI component company as well as a Hong Kong listed company.

Nicole is a Chartered Accountant (Singapore) and a holder of the International Certificate in Investor Relations. She has a Master of Science in Communication Management (Dean's List) and a Bachelor of Accountancy from the Singapore Management University.

# CORPORATE GOVERNANCE

## OUR ROLE

We, as the manager of CRCT (Manager) set the strategic direction of CRCT and its subsidiaries (CRCT Group) and make recommendations to HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CRCT (Trustee), on any investment or divestment opportunities for CRCT and the enhancement of the assets of CRCT in accordance with the stated investment strategy for CRCT. The research, evaluation and analysis required for this purpose are coordinated and carried out by us as the Manager.

As the Manager, we have general powers of management over the assets of CRCT. Our primary responsibility is to manage the assets and liabilities of CRCT for the benefit of the unitholders of CRCT (Unitholders). We do this with a focus on generating rental income and enhancing asset value over time so as to maximise returns from the investments, and ultimately the distributions and total returns, to Unitholders.

Our other functions and responsibilities as the Manager include:

- (a) using our best endeavours to conduct CRCT's business in a proper and efficient manner;
- (b) preparing annual business plans for review by the directors of the Manager (Directors), including forecasts on revenue, net income, operating expenses and capital expenditure, explanations on major variances to previous years' financial results, written commentaries on key issues and underlying assumptions on rental rates, operating expenses and any other relevant assumptions;
- (c) ensuring compliance with relevant laws and regulations, including the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) (Listing Manual), the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS) (including Appendix 6 of CIS Code (Property Funds Appendix)), the Securities and Futures Act (Chapter 289 of Singapore) (SFA), written directions, notices, codes and other guidelines that MAS may issue from time to time, and the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of CRCT and Unitholders;
- (d) attending to all regular communications with Unitholders; and
- (e) supervising CapitaLand Retail (Shanghai) Management & Consulting Co., Ltd. and its branches (Property Managers), the property manager which performs the day-to-day property management functions (including leasing, marketing, promotion, operations coordination and other property management activities) for CRCT's malls.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. CRCT's environmental sustainability and community outreach programmes are set out on pages 58 to 65 of this Annual Report.

CRCT, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified personnel to run its day-to-day operations.

The Manager was appointed in accordance with the terms of the trust deed constituting CRCT dated 23 October 2006 (as amended, varied or supplemented from time to time) (Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The Manager is a wholly owned subsidiary of CapitaLand Limited (CL) which holds a significant unitholding interest in CRCT. CL is a long-term real estate developer and investor, with a vested interest in the long-term performance of CRCT. CL's significant unitholding in CRCT demonstrates its commitment to CRCT and as a result, CL's interest is aligned with that of other Unitholders. The Manager's association with CL provides the following benefits, among other things, to CRCT:

- (a) a stable pipeline of property assets through CL's development activities;
- (b) wider and better access to banking and capital markets on favourable terms;
- (c) fund raising and treasury support; and
- (d) access to a bench of experienced management talent.

## OUR CORPORATE GOVERNANCE CULTURE

The Manager embraces the tenets of good corporate governance, including accountability, transparency and sustainability. It is committed to enhancing long-term unitholder value and has appropriate people, processes and structure to direct and manage the business and affairs of the Manager. The policies and practices it has developed to meet the specific business needs of CRCT provide a firm foundation for a trusted and respected business enterprise. The Manager 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 CRCT's long-term strategic objectives. The Board of Directors (Board) is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor & Media Relations section on page 54 of this Annual Report. CRCT is a joint winner for Shareholder Communication Excellence Award (REITs & Business Trusts).

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2018 with reference to the principles of the Code. For FY 2018, save as stated in this Report, CRCT has complied in all material aspects with the principles and 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. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the Code.

## (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 Manager is led by the Board, with non-executive independent directors (IDs) constituting more than half of the Board.

### Board's Duties and Responsibilities

The Board oversees the strategic direction, performance and affairs of the Manager, in furtherance of the Manager's primary responsibility to manage the assets and liabilities of CRCT for the benefit of Unitholders. The Board provides leadership to the Chief Executive Officer (CEO) and the management team (Management). The CEO, assisted by Management, is responsible for the execution of the strategy for CRCT and the day-to-day operations of CRCT's business.

The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Manual, the Property Funds Appendix, as well as any other applicable guidelines prescribed by the SGX-ST, MAS or other relevant authorities, and applicable laws. It also sets the disclosure and transparency standards for CRCT and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board has reserved authority to approve certain matters and these include:

- (a) material acquisitions, investments and divestments;
- (b) issue of new units in CRCT (Units);
- (c) income distributions and other returns to Unitholders; and
- (d) matters which involve a conflict of interest for a controlling Unitholder or a Director.

# CORPORATE GOVERNANCE

## 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 Corporate Disclosure Committee (CDC) and the Executive Committee (EC). Each of these Board Committees operates under the authority delegated 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 page 49 of this Annual Report.

The Board may form other Board Committees from time to time. The composition of the Board Committees is also reviewed as and when there are changes to Board membership. The composition of the Board Committee is such that there is appropriate diversity of skills and experience, it fosters active participation and contributions from Board members and there is an equitable distribution of responsibilities among Board members.

## 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 debt 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 Manager also permits the Directors to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval.

In line with the Manager's ongoing commitment to limit paper wastage and reduce its carbon footprint, the Manager 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 during meetings. This initiative also enhances information security as the papers are downloaded to the tablet devices through an encrypted channel. Directors are also able to sign Board papers through the tablet devices.

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. During the Board meeting to discuss strategies, non-executive Directors constructively challenge and help develop proposals on strategy. Directors attend and actively participate in Board and Board Committee meetings.

The Manager adopts and practises the principle of collective decisions. This ensures that no individual influences or dominates the decision making process.

A total of four Board meetings were held in FY 2018. A record of the Directors' attendance at Board and Board Committees meetings in FY 2018 is set out on page 49 of this Annual Report. The CEO who is also a Director attends all Board and Board Committee meetings. 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 to the best of their abilities. The Manager has in place a training framework to guide and support the Manager towards meeting the objective of having a Board which comprises individuals who are competent and possess up-to-date knowledge and skills necessary to discharge their responsibilities. The Manager also maintains a training record to track the Directors' attendance at training and professional development courses. The costs of training are borne by the Manager. 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, undergo an induction programme which focuses on orientating the Director to CRCT's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices. Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as director's 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. Directors also receive on-the-job training through being engaged in actual Board work. In FY 2018, 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. They also received on a regular basis reading materials on topical matters or subjects and regulatory updates and implications.

### 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 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, and that the Board has a strong independent element and diversity of thought and background in its composition. The review takes into account the scope and nature of the operations of CRCT Group.

The Board has a strong independent element and it presently comprises nine Directors, six of whom (including the Chairman) are IDs. The recommendation in the Code for a lead ID is therefore not applicable. Non-executive Directors also make up a majority of the Board. Profiles of the Directors are provided on pages 20 to 24 of this Annual Report.

The Board assesses the independence of each Director in accordance with the guidance in the Code, the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR) and the Listing Manual.

An ID is one who is independent in conduct, character and judgement and:

- (a) has no relationship with the Manager, its related corporations and its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement, in the best interests of the Unitholders;
- (b) is independent from the management of the Manager and CRCT, from any business relationship with the Manager and CRCT, and from every substantial shareholder of the Manager and every substantial unitholder of CRCT;
- (c) is not a substantial shareholder of the Manager or a substantial unitholder of CRCT;
- (d) has not served on the Board for a continuous period of nine years or longer; and
- (e) is not employed by the Manager or CRCT or their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or CRCT or their related corporations for the past three financial years and whose remuneration is determined by the Board.

# CORPORATE GOVERNANCE

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

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

The Board has carried out the assessment of each of its Directors for FY 2018 and the paragraphs below set out the outcome of the assessment.

Mr Soh Kim Soon is a non-executive director and Chairman of ORIX Leasing Singapore Limited (ORIX Leasing) and ORIX Investment & Management Pte Ltd (ORIX) (together, "ORIX Companies"). ORIX Leasing provides leasing services to CL group whereas ORIX is one of the tenants of Raffles City Tower which is managed by CL group. The services were provided or received in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Soh's role in the ORIX Companies is non-executive in nature and he is not involved in the day-to-day conduct of business of the ORIX Companies.

Mr Fong Heng Boo serves as a non-executive director of Agency Integrated Care Pte. Ltd., CapitaLand Township Development Fund Pte. Ltd., CapitaLand Township Development Fund II Pte. Ltd., and Singapore Health Services Pte Ltd; all of which had business relationships with CL group. The services were provided or received in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Fong was a non-executive director of Certis CISCO Security Pte. Ltd. (CISCO), a subsidiary of Temasek Holdings (Private) Limited (Temasek), until 31 December 2018. Temasek is deemed to be a substantial unitholder of CRCT through its direct and deemed interests in CL. CISCO provided security and maintenance services to CL group and the services provided were in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Fong's role in these companies is/was non-executive in nature and he is/was not involved in the day-to-day conduct of the business.

Each of Professor Tan Kong Yam and Mr Neo Poh Kiat is a non-executive director of a few subsidiaries and/or associated corporations of Temasek. Each of Professor Tan and Mr Neo's role in these corporations is non-executive in nature and he is not involved in the day-to-day conduct of the business of these corporations.

The Board also considered the conduct of Mr Soh, Mr Fong, Professor Tan and Mr Neo in the discharge of their responsibilities as directors, and is of the view that the relationships set out above did not impair their ability to act with independent judgement in the discharge of their responsibilities as directors, and that as at the last day of FY 2018, they were able to act in the best interests of all the Unitholders in respect of FY 2018. Save for the relationships stated above, they do not have any other relationships and are not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect their independent judgement. Mr Soh, Mr Fong, Professor Tan and Mr Neo will recuse themselves from participating in any Board deliberation on any transactions that could potentially give rise to a conflict of interest.

Mr Christopher Gee Kok Aun and Ms Kuan Li Li do not have any relationships and are not faced with any of the circumstances identified in the Code, SFR and Listing Manual, 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.

It is noted that all of the current Directors have served on the Board for fewer than nine years.

On the bases of the declarations of independence provided by the relevant non-executive Directors and the guidance in the Code, the SFR and the Listing Manual, the Board arrived at the determination that each of Mr Soh, Mr Fong, Professor Tan, Mr Neo, Mr Gee and Ms Kuan is an independent director.

Each of the above Directors had recused himself or herself from the Board's deliberations on his or her independence.

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

### 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 CEO are held by separate individuals, in keeping with the principles that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers of decision making.

The non-executive independent Chairman is Mr Soh Kim Soon, whereas the CEO is Mr Tan Tze Woon. They do not share any family ties.

The Chairman provides leadership to the Board and facilitates 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 CEO and ensuring 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 CEO on strategic issues. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO and Management on strategies. He also maintains open lines of communication, engages with other members of Management regularly and acts as a sounding board on strategic and operational matters.

Mr Tan Tze Woon has full executive responsibilities to manage CRCT's business and to develop and implement Board approved policies. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, facilitate robust deliberations on the business activities of CRCT and the exchange of ideas and views to help shape CRCT's strategic process and ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. As the roles of the Chairman and CEO are held by separate individuals who are not related to each other and the Chairman is an ID, no Lead ID is required to be appointed.

### Board Membership

#### Principle 4:

**There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

The Board undertakes the functions of a nominating committee and therefore, the Manager does not have a nominating committee. The Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of Board members. The Board seeks to ensure that the Board is comprised of talented and dedicated directors with a diverse mix of expertise, experience, perspective, skills and backgrounds. Due consideration is also given to other diversity factors including but not limited to tenure, age and gender.

The current Board comprises individuals who are business leaders and professionals with financial, banking, fund management, real estate, legal, investment and accounting backgrounds. The Board believes in diversity and values the benefits diversity can bring to the Board. Diversity enhances decision making capability and ensures that the Manager has the opportunity to benefit from all available talent and perspectives. The Board is committed to diversity and will continue to consider the differences in skillsets and educational, business and professional backgrounds in determining the optimal composition of the Board in its Board renewal process.

# CORPORATE GOVERNANCE

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 Manager, the Board has adopted the principle that it will generally not approve the appointment of alternate directors.

The Board is able to undertake the functions of a nominating committee because:

- (a) the Manager is a dedicated manager to CRCT and in general, REITs (including CRCT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
- (b) the focused scope of the business of CRCT also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and
- (c) IDs form at least half of the Board and the Chairman is an ID, which demonstrates that the IDs play a substantive role, and assure the objectivity and independence of the decision making process concerning nomination. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of nomination.

The SGX-ST has also issued a Practice Note which provides that the requirement for the establishment of nominating and remuneration committee under the Listing Manual does not apply to REITs if the REIT complies with regulations made under the SFA relating to board composition of a REIT manager. As the Manager complies with Regulation 13D of the SFR relating to the composition of the Board of the Manager, the Manager is of the opinion that the corporate governance requirements relating to the nominating and remuneration committee have been substantively addressed.

The Board has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

- (a) The Board carries out a proactive review of the Board composition on an annual basis as well as on each occasion that an existing ID gives notice of his intention to retire or resign. The review includes assessing the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for CRCT. In carrying out this review, the Board considers the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity).
- (b) The Board reviews the suitability of any candidates put forward by any director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he or she has sufficient time available to commit to his or her responsibilities as a director, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
- (c) External consultants may be engaged from time to time to access a wide base of potential directors.
- (d) No member of the Board is involved in any decision of the Board relating to his or her own appointment, reappointment or assessment of independence.
- (e) A newly appointed Director receives a formal appointment letter 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).
- (f) All Directors undergo an induction programme on appointment to help familiarise them with matters relating to CRCT's business and the Manager's strategy for CRCT.
- (g) The performance of the Board, Board Committees and directors is reviewed annually.
- (h) The Board proactively addresses any issues identified in the board performance evaluation.



The adopted process takes into account the requirements in the Code that the composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, be determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry, banking, finance and legal fields; and
- (b) at least one-third of the Board should comprise IDs. Where, among other things, the Chairman of the Board is not an ID, at least half of the Board should comprise IDs.

As more than half of the Board comprises IDs, the Manager will not be voluntarily subjecting any appointment or reappointment of directors to voting by Unitholders. The Chairman of the Board is presently also an ID.

The Board seeks to refresh Board membership progressively and in an orderly manner. In this regard, Board succession planning is carried out through the annual review of Board composition as well as when a Director gives notice of his or her intention to retire or resign. On the issue of Board renewal, the Manager 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 CRCT's business.

The Board 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 and diligently discharge their duties. 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 can devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of CRCT for the benefit of Unitholders.

All Directors are required to confirm on an annual basis, and for FY 2018, had confirmed that they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of CRCT. The Board assessed each Director's ability to commit time to the affairs of CRCT, taking into consideration their confirmation, their commitments, their attendance record at meetings of the Board and Board Committees, as well as their conduct and contributions (including preparedness, participation and candour) at Board and Board Committee meetings. The Directors' listed company directorships and principal commitments are disclosed on pages 20 to 24 of this Annual Report and their attendance record for FY 2018 is set out on page 49 of this Annual Report. For FY 2018, the Directors achieved high attendance record and they contributed positively to Board discussions at Board and Board Committee meetings, based on which the Board has determined that each Director has been adequately carrying out his or her duties as a Director of the Manager.

## 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 Manager believes that oversight from a strong and effective board goes a long way towards guiding a business enterprise to achieving success.

The Board 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 CRCT'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 CRCT.

Whilst board performance is ultimately reflected in the long-term performance of CRCT, 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 CRCT.

# CORPORATE GOVERNANCE

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate the effectiveness of the Board as a whole and the Board Committees annually. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the Chairman of the Board. The evaluation categories covered in the questionnaire include Board composition, Board processes, strategy, performance and governance, access to information and Board Committee effectiveness. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision making process. The results of the survey were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities. The outcome of the evaluation was satisfactory with positive ratings received for all the attributes in the evaluation categories.

The Board was also able to assess the Board Committees through their regular reports to the Board on their activities. In respect of individual Directors, their contributions 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 Manager 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 CRCT in the appropriate direction, as well as the long-term performance of CRCT whether under favourable or challenging market conditions.

## Access to Information

### Principle 6:

**In order to fulfil 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 Manager 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 the Directors to make informed decisions to discharge their duties and responsibilities. Reports on CRCT's performance are also provided to the Board on a regular basis.

The Board meets regularly and Board meetings, in general, last up to half a day. At each Board meeting, the CEO provides updates on CRCT's business and operations, as well as financial performance. Presentations in relation to specific business areas are also made by key executives, external consultants or experts. This allows the Board to develop a good understanding of the progress of CRCT's business as well as the issues and challenges facing CRCT, and promotes active engagement with the key executives of the Manager.

As a general rule, Board papers are sent to Board members at least five working days prior to each meeting, to allow the Board members to prepare for the meetings and to enable discussions to focus on any questions that they may have.

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 CRCT, such as monthly management reports.

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 has unfettered access to any Management staff for any information that it may require at all times. It also has separate and independent access to the company secretary of the Manager (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 an individual Director or as a group, is also entitled to have access to independent professional advice where required, with expenses borne by the Manager.

There were no separate meetings of the IDs without the presence of other Directors in FY 2018 because no Lead ID is required to be appointed.

The AC meets the internal and external auditors separately at least once a year without the presence of the CEO and Management.

## **(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.**

### **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 is able to undertake the functions of a remuneration committee because:

- (a) the Manager is a dedicated manager to CRCT and in general, REITs (including CRCT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and
- (b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role and assure the objectivity and independence of the decision making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of remuneration.

In undertaking this function, the Board oversees the design and implementation of the remuneration policy and the specific remuneration packages for each Director and senior executives including the CEO. No member of the Board, however, will be involved in any decision of the Board relating to his or her own remuneration.

The Board sets the remuneration policies in line with CRCT Group'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 for advice as required.

# CORPORATE GOVERNANCE

In terms of the process adopted by the Manager for developing and reviewing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate, so as to ensure that the remuneration packages payable to Directors and executive officers are in line with the objectives of the remuneration policies. It also considers the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant stake in CRCT. The association with the CL group puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities. In FY 2018, an independent remuneration consultant, Willis Towers Watson, was appointed to provide professional advice on Board and executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 40,000 employees serving more than 140 countries. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

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

## Business Alignment

- › Focus on generating rental income and enhancing asset value over time so as to maximise returns from investments and ultimately the distributions and total returns to Unitholders
- › 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

## Fair & Appropriate

- › Ensure competitive remuneration relative to the appropriate external talent markets
- › Manage internal equity such that remuneration systems are viewed as fair across CRCT Group
- › Significant and appropriate portion of pay-at-risk, taking into account risk policies of CRCT 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

## Remuneration for Key Management Personnel

Remuneration for key management personnel comprises fixed components, variable cash components, unit-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) that 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.

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

After the close of each year, the Board reviews CRCT Group's achievements against the targets set in the Balanced Scorecard and determines the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends.



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

### C. Unit-based Components

Unit awards were granted in FY 2018 pursuant to the CapitaLand Retail China Trust Management Limited Performance Unit Plan (PUP) and CapitaLand Retail China Trust Management Limited Restricted Unit Plan (RUP) (together, the Unit Plans), approved by the Board. The Manager believes that the Unit-based Component of the remuneration for key management personnel serves to align the interests of such key management personnel with that of Unitholders and CRCT's long-term growth and value.

The obligation to deliver the Units is expected to be satisfied out of the Units held by the Manager.

#### ***CapitaLand Retail China Trust Management Limited Performance Unit Plan***

In FY 2018, the Board granted awards which are conditional on targets set for a three-year performance period. A specified number of Units will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold target is achieved. An initial number of Units (baseline award) is contingently allocated conditional on the achievement of a pre-determined target in respect of the Relative Total Unitholder Return (TUR) of CRCT Group measured by the percentile ranking of CRCT Group's TUR against the REITs in the FTSE ST REIT Index.

The above performance measure has been selected as a key measure of wealth creation for Unitholders. The final number of Units to be released will depend on CRCT's performance against the pre-determined target which is measured over the three-year qualifying performance period. This serves to align Management's interests with that of Unitholders in the longer term and to deter short-term risk taking. No Units will be released if the threshold target is not met at the end of the qualifying performance period. On the other hand, if the superior target is met, more Units than the baseline award can be delivered up to a maximum of 200% of the baseline award. Recipients will receive fully paid Units at no cost.

For the year under review, the relevant award for assessment of the performance achieved by CRCT is the award granted in FY 2016 where the qualifying performance period was FY 2016 to FY 2018. Based on the Board's assessment that the performance achieved by CRCT Group has not met the pre-determined performance targets for such performance period, no Unit has been released for the Unit award granted in FY 2016.

In respect of the Unit awards granted under the PUP in FY 2017 and FY 2018, the respective qualifying performance periods have not ended as at the date of this Report.

#### ***CapitaLand Retail China Trust Management Limited Restricted Unit Plan***

In FY 2018, the Board granted awards which are conditional on targets set for a one-year performance period. A specified number of Units will only be released to recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved. Under the RUP, an initial number of Units (baseline award) is contingently allocated conditional on the achievement of pre-determined targets in respect of the following performance conditions:

- Net property income of CRCT Group
- Distribution per Unit of CRCT Group

The above performance measures have been selected as they are the key drivers of business performance and are aligned to unitholder value. The final number of Units to be released will depend on CRCT's performance against the pre-determined targets at the end of the one-year qualifying performance period. The Units will be released progressively over a vesting period of three years, which serves to align Management's interests with that of Unitholders in the longer term, deter short-term risk taking, as well as facilitate talent retention. No Units 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 Units than the baseline award can be delivered up to a maximum of 150% of the baseline award. Recipients will receive fully paid Units at no cost. This ensures alignment between remuneration and sustaining business performance in the longer term.

# CORPORATE GOVERNANCE

In respect of the Unit awards granted under the RUP in FY 2018, based on the Board's assessment that the performance achieved by the CRCT Group has met the pre-determined performance targets for FY 2018, the resulting number of units released has been adjusted accordingly to reflect the performance level.

To further promote alignment of Management's interests with that of Unitholders in the longer term, the Board has approved unit ownership guidelines for senior management to instill stronger identification by senior executives with the longer-term performance and growth of CRCT Group. Under these guidelines, senior management participants are required to retain a prescribed proportion of CRCT's Units received under the Unit Plans.

## D. Employee Benefits

The benefits provided are comparable with local market practices.

The remuneration for the CEO in bands of S\$250,000 and a breakdown of the remuneration of the CEO and other key management personnel of the Manager in percentage terms are provided in the Key Management Personnel's Remuneration Table on page 50 of this Annual Report.

At present, there are four key management personnel of the Manager (including the CEO). The Manager outsources various other services to a wholly owned subsidiary of CL (CL Subsidiary). CL Subsidiary provides the services through its employees (Outsourced Personnel). This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of CRCT from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of the CL Subsidiary, is not included as part of the disclosure of remuneration of key management personnel of the Manager in this Report.

The Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the other key management personnel of the Manager (whether in bands of S\$250,000 or otherwise). In arriving at its decision, it took into account the commercial sensitivity and confidential nature of remuneration matters. The Manager is of the view that disclosure in such manner is not prejudicial to the interests of Unitholders as the indicative range for the CEO's remuneration, as well as the total remuneration for the CEO and other key management personnel of the Manager, is made known to Unitholders, and sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between CRCT's performance and the remuneration of the CEO and other key management personnel. In addition, the remuneration of the CEO and other key management personnel of the Manager is paid out of the fees that the Manager receives (of which the quantum and basis have been disclosed), rather than borne by CRCT.

The Board seeks to ensure that the remuneration paid to the CEO and other key management personnel of the Manager are strongly linked to the achievement of business and individual performance targets. The performance targets approved by the Board are set at realistic yet stretched levels each year to motivate a high level of business performance with emphasis on both short and long term quantifiable objectives.

In FY 2018, there were no termination, retirement or post-employment benefits granted to Directors, the CEO and other key management personnel of the Manager. There was also no special retirement plan, 'golden parachute' or special severance package for any of the other key management personnel of the Manager.

There were no employees of the Manager who were substantial shareholders of the Manager, substantial unitholders of CRCT or immediate family members of a Director, the CEO or a shareholder of the Manager or substantial unitholder of CRCT in FY 2018. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

### Non-executive Director Remuneration

The Directors' fees for FY 2018 are shown in the table below. The CEO who is also a Director is remunerated as part of the key management personnel of the Manager and therefore does not receive any Director's fees. 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 framework for the Directors' fees remains unchanged from that for the previous financial year.

The compensation package is market benchmarked, taking into account the demanding responsibilities on the part of the Directors in light of the scope and nature of CRCT Group's business.

Directors' fees of non-executive Directors will be paid in cash (about 80.0%) and in the form of units (about 20.0%), save for fees to be paid to a non-executive director (not being an employee of CL) who steps down from the board, which are paid entirely in cash. The Manager believes that the payment of a portion of the Directors' fees in Units will serve to align the interests of Directors with that of Unitholders and CRCT's long-term growth and value. In order to encourage the alignment of the interests of the non-executive Directors with the interests of Unitholders, a non-executive Director is required to hold Units worth at least one year of his or her basic retainer fee or the total number of Units awarded under the above policy, whichever is lower, at all times during his or her Board tenure.

### Directors' Fees<sup>1,2</sup>

Board Members	FY 2018	FY 2017
Liew Cheng San Victor <sup>3</sup>	N.A.	S\$38,136
Soh Kim Soon <sup>4</sup>	S\$129,000	S\$90,867
Lim Ming Yan <sup>5</sup>	N.A. <sup>6</sup>	N.A. <sup>6</sup>
Tony Tan Tee Hieong <sup>7</sup>	N.A.	N.A.
Tan Tze Wooi <sup>8</sup>	N.A.	N.A.
Fong Heng Boo	S\$91,000	S\$91,000
Christopher Gee Kok Aun	S\$75,400	S\$76,000
Professor Tan Kong Yam	S\$74,000	S\$70,000
Neo Poh Kiat <sup>9</sup>	S\$53,000	S\$46,562
Kuan Li Li <sup>10</sup>	S\$51,000	N.A.
Lee Chee Koon <sup>11</sup>	N.A. <sup>6</sup>	N.A.
Lim Cho Pin Andrew Geoffrey <sup>12</sup>	N.A. <sup>6</sup>	N.A.
Jason Leow Juan Thong <sup>13</sup>	N.A.	N.A. <sup>6</sup>
Ng Kok Siong <sup>14</sup>	N.A.	N.A. <sup>6</sup>

N.A.: Not Applicable

- Inclusive of attendance fees of (a) S\$2,000 (local meeting) and S\$5,000 (overseas meeting) per meeting attendance in person, (b) S\$1,700 per meeting attendance via audio or video conference, and (c) S\$1,000 per meeting attendance at project and verification meetings subject to a maximum of S\$10,000 per Director per annum.
- Each non-executive Director (save for non-executive Directors who are employees of CL) shall receive up to 20.0% of his or her Directors' fees in the form of Units (subject to truncation adjustments). The remainder of the Directors' fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.
- Mr Liew Cheng San Victor stepped down as Non-Executive Independent Director with effect from 20 April 2017. Mr Liew also ceased to be Chairman of the Board and Chairman of the Corporate Disclosure Committee with effect from 20 April 2017.
- Mr Soh Kim Soon was appointed as Non-Executive Independent Director, Chairman of the Board and Chairman of the Corporate Disclosure Committee with effect from 20 April 2017.
- Mr Lim Ming Yan retired as Non-Executive Non-Independent Director and Deputy Chairman with effect from 1 July 2018. Mr Lim also relinquished his role as Chairman of the Executive Committee and Member of the Corporate Disclosure Committee with effect from 1 July 2018.
- Non-executive Directors who are employees of CL do not receive Directors' fees.
- Mr Tony Tan Tee Hieong ceased to be the Chief Executive Officer, an Executive Non-Independent Director and a Member of the Executive Committee with effect from 1 April 2017.
- Mr Tan Tze Wooi was appointed as the Chief Executive Officer, an Executive Non-Independent Director and a Member of the Executive Committee with effect from 1 April 2017. He was subsequently appointed as a Member of Corporate Disclosure Committee with effect from 1 July 2018.
- Mr Neo Poh Kiat was appointed as Non-Executive Independent Director with effect from 20 April 2017.
- Ms Kuan Li Li was appointed as Non-Executive Independent Director with effect from 1 January 2018.
- Mr Lee Chee Koon was appointed as Non-Executive Non-Independent Director and a Member of the Executive Committee with effect from 1 January 2018. Mr Lee was subsequently appointed as the Chairman of Executive Committee on 1 July 2018.
- Mr Lim Cho Pin Andrew Geoffrey was appointed as Non-Executive Non-Independent Director, Member of the Audit Committee, the Corporate Disclosure Committee and the Executive Committee with effect from 1 January 2018.
- Mr Jason Leow Juan Thong was appointed as Non-Executive Non-Independent Director and a Member of the Executive Committee on 20 April 2017. Mr Leow had subsequently stepped down as Director with effect from 1 January 2018 and had also ceased to be a Member of the Executive Committee.
- Mr Ng Kok Siong stepped down as Non-Executive Non-Independent Director with effect from 1 January 2018. Mr Ng also ceased to be a Member of the Audit Committee, the Corporate Disclosure Committee and the Executive Committee.

# CORPORATE GOVERNANCE

## (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 Manager provides Unitholders 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 Unitholders by announcement to the SGXNet. These releases of quarterly and annual financial statements are accompanied by news releases issued to the media and which are also posted on SGXNet. In presenting the quarterly and annual financial statements to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of CRCT'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 CRCT's financial performance, position and prospects.

In addition to quarterly and annual financial statements, the Manager also keeps Unitholders, stakeholders and analysts informed of the performance and changes in CRCT or its business which would likely materially affect the price or value of the Units on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

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

### 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 Manager maintains an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and CRCT's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems. The AC assists the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies for CRCT Group.

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

- (a) makes recommendations to the Board on the Risk Appetite Statement (RAS) for CRCT Group;
- (b) assesses the adequacy and effectiveness of the risk management and internal controls system established by the Manager to manage risks;
- (c) oversees the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with CRCT Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;
- (d) makes the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal controls system can be made by the Board in the annual report of CRCT in accordance with the Listing Manual and the Code; and
- (e) considers and advises on risk matters referred to it by Management or the Board including reviewing and reporting to the Board on any material breaches of the RAS, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

The Manager adopts 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.

As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) annually to identify material risks along with their mitigating measures. The systems of risk management and internal controls are reviewed regularly by the Management, the AC and the Board, taking into account best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council and the Listing Manual.

CRCT Group's RAS, incorporating the risk limits, addresses the management of material risks faced by CRCT Group. Alignment of CRCT Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Manager.

More information on the Manager's ERM Framework can be found in the Enterprise Risk Management section on pages 51 to 53 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risks management systems. 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 the Manager on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the CEO and the Head, Finance of the Manager that:

- (a) the financial records of CRCT Group have been properly maintained and the financial statements for FY 2018 give a true and fair view of CRCT Group's operations and finances; and
- (b) the systems of risk management and internal controls in place for CRCT Group are adequate and effective to address risks (including financial, operational, compliance and IT risks) which the Manager considers relevant and material to the current business environment.

The CEO and the Head, Finance of the Manager have obtained similar assurances from the respective risk and control owners.

In addition, in FY 2018, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders 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 CEO and the Head, Finance of the Manager, the Board is of the opinion that the systems of risk management and internal controls are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which CRCT Group considers relevant and material to its current business environment as at 31 December 2018. The AC concurs with the Board in its opinion. No material weaknesses in the systems of risk management and internal controls were identified by the Board or the AC in the review for FY 2018.

The Board notes that the systems of risk management and internal controls established by the Manager provide reasonable assurance that CRCT 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 systems 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.



# CORPORATE GOVERNANCE

## Audit Committee

### Principle 12:

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

At present, the AC comprises four non-executive Directors, the majority of whom (including the Chairman of the AC) are IDs. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains. The AC does not comprise members who were previously partners of the incumbent external auditors, KPMG LLP (KPMG), within the period of two years commencing on the date of their ceasing to be a partner of KPMG. The AC also does not comprise any member who has any financial interest in KPMG.

The AC has explicit authority to investigate any matter within its terms of reference. Management provides 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 have unrestricted access to the AC.

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

- (a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of CRCT Group, and any announcements relating to CRCT Group's financial performance;
- (b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and IT controls, and risk management systems;
- (c) reviews the adequacy and effectiveness of the Manager's internal audit and compliance functions;
- (d) reviews the scope and results of the external audit and independence and objectivity of the external auditors;
- (e) makes recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration of the external auditors;
- (f) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and CRCT and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations. The regulations include the requirement that Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of CRCT and its minority Unitholders. In respect of any property management agreement which is an Interested Person Transaction, the AC also carries out reviews at appropriate intervals to satisfy itself that the Manager has reviewed the Property Managers' compliance with the terms of the property management agreement and has taken remedial actions where necessary; and
- (g) reviews the whistle-blowing policy and arrangements by which employees of the Manager 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.

The AC undertook a review of the independence of the external auditors, taking into consideration, among others, CRCT's relationships with the external auditors in FY 2018, as well as the processes and safeguards adopted by the Manager and KPMG relating to audit independence. Based on the review, the AC is satisfied that the external auditors are independent. The external auditors have also provided confirmation of their independence to the AC. The amount of audit fees paid/payable to the external auditors for FY 2018 amounted to S\$414,887. There was no non-audit service in FY 2018.

In FY 2018, the AC also met with the internal and external auditors, separately and 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 CRCT Group for FY 2018, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed the following key audit matter as reported by the external auditors for FY 2018.

Key audit matter	How these issues were addressed by AC
Valuation of investment properties	The valuation of the properties in CRCT's portfolio as at 31 December 2018 was performed by several independent external professional valuers. The AC reviewed the professional valuers and is satisfied that their appointment is in accordance with the requirements of the Code and that the professional valuers are experienced, objective and independent.
	The AC considered the valuation methodologies and key assumptions applied by the valuers for investment properties in arriving at the valuations, and 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 or losses during the period under review.
	The valuation of investment properties was also an area of focus for the external auditors. 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.
	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.

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.

The Manager confirms, on behalf of CRCT, that CRCT complies with Rule 712 and Rule 715 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 Manager has in place an internal audit function supported by CL's Internal Audit Department (CL IA). The primary reporting line of CL IA is to the AC. The AC has carried out a review and is of the view that the internal audit function performed by CL IA is adequate, effective and independent. 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 Manager's documents, records, properties and employees, including access to the AC, and has appropriate standing within CRCT Group.

CL IA is adequately resourced and staffed with persons with the relevant qualifications and experience. 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. With respect to FY 2018, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function.

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 that their technical knowledge and skill sets remain current and relevant.

# CORPORATE GOVERNANCE

## (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 Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed 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 the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate Unitholder, through its appointed representative). Unitholders 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 CRCT.

More information on Unitholder participation in general meetings can be found in the section on Principle 16: Conduct of Shareholder Meetings of this Report.

### 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 Manager is committed to keeping all Unitholders, other stakeholders, analysts and the media informed of the performance and changes in CRCT or its business which would likely materially affect the price or value of the Units. This is performed on a timely and consistent basis to assist Unitholders and investors in their investment decisions.

The Manager has in place an Investor Relations team and a Group Communications team, both of which facilitate effective communication with Unitholders, analysts, fund managers and the media.

The Manager actively engages with Unitholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with Unitholders. The Policy is available on CRCT's website at [www.crct.com.sg](http://www.crct.com.sg), and contains the mechanism through which Unitholders may contact CRCT with questions and through which CRCT may respond.

The Board has established the CDC which assists the Board in the discharge of its function to meet the obligations arising under the laws and regulations of Singapore relating to and to conform to best practices in the corporate disclosure and compliance process. The views and approvals of the CDC were sought throughout the year through emails on various announcements and news releases.

More information on the Manager's investor and media relations efforts can be found in the Investor & Media Relations section on pages 54 to 55 of this Annual Report and the Policy which is available on CRCT's website.

CRCT's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by CRCT which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion. Distributions are generally paid within 35 market days after the relevant book closure 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 Manager supports the principle of encouraging Unitholders' participation and voting at general meetings. Unitholders will receive a copy of notice of the general meeting and may download the Annual Report (printed copies of the Annual Report are available upon request) from CRCT's website at [www.crct.com.sg](http://www.crct.com.sg). Notices of the general meetings are also advertised in the press and issued on SGXNet. More than the requisite notice period for general meetings is generally provided. All Unitholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, Management makes a presentation to Unitholders to update them on CRCT's performance, position and prospects. The presentation materials are made available to Unitholders on CRCT's website and SGXNet. Unitholders are given the opportunity to communicate their views and discuss with the Board and Management matters affecting CRCT. Unitholders are informed of the rules governing general meetings. Representatives of the Trustee, Directors (including the chairpersons of the respective Board Committees), the Manager's senior management and the external auditors of CRCT, are present for the entire duration of general meetings to address any queries that Unitholders may have. Directors and Management also interact with Unitholders after the general meetings. All the Directors attended the general meeting held during their tenure in FY 2018. A record of the Directors' attendance at the general meeting can be found in the records of their attendance at meetings set out at page 49 of this Annual Report.

To safeguard Unitholders' 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 Unitholders' interests, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings. One Unit is entitled to one vote. 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 Unitholders 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 Unitholders 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 Unitholders for their inspection upon request. Minutes of the annual general meetings are also uploaded to CRCT's website at [www.crct.com.sg](http://www.crct.com.sg).

## (E) ADDITIONAL INFORMATION

### Executive Committee

In addition to the AC and CDC, the Board has also established an EC.

The EC oversees the day-to-day activities of the Manager and that of CRCT, on behalf of the Board. The EC is guided by its terms of reference, in particular, the EC:

- (a) reviews, endorses and approves strategic directions and management policies of the Manager in respect of CRCT;
- (b) oversees operational, investment and divestment matters within the approved financial limits; and
- (c) reviews management reports and operating budgets.

The members of the EC also meet informally during the course of the year.

# CORPORATE GOVERNANCE

## Dealings with Interested Persons

### Review Procedures for Interested Person Transactions

The Manager has established internal control procedures to ensure that all Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and are not prejudicial to the interests of CRCT and Unitholders. In respect of such transactions, the Manager would have to demonstrate to the AC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CRCT and Unitholders which may include obtaining (where practicable) third party quotations or obtaining valuations from independent valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix). The internal control procedures also ensure compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

In particular, the procedures in place include the following:

Interested Person Transactions <sup>1</sup>	Approving Authority, Procedures and Disclosure
Below S\$100,000 per transaction	> Trustee
S\$100,000 and above per transaction (which singly, or when aggregated with other transactions <sup>2</sup> with the same Interested Person in the same financial year is less than 3.0% of CRCT's latest audited net tangible assets/net asset value)	> Trustee > Audit Committee
Transaction <sup>2</sup> which:	> Trustee
(a) is equal to or exceeds 3.0% of CRCT's latest audited net tangible assets/net asset value; or	> Audit Committee > Immediate announcement
(b) when aggregated with other transactions <sup>2</sup> with the same Interested Person in the same financial year is equal to or exceeds 3.0% of CRCT's latest audited net tangible assets/net asset value	
Transaction <sup>2</sup> which:	> Trustee
(a) is equal to or exceeds 5.0% of CRCT's latest audited net tangible assets/net asset value; or	> Audit Committee > Immediate announcement
(b) when aggregated with other transactions <sup>2,3</sup> with the same Interested Person in the same financial year is equal to or exceeds 5.0% of CRCT's latest audited net tangible assets/net asset value	> Unitholders <sup>3</sup>

1 This table does not include the procedures applicable to Interested Person Transactions falling under the exceptions set out in Rule 915 and Rule 916 of the Listing Manual.

2 Any transaction of less than S\$100,000 in value is disregarded.

3 In relation to approval by Unitholders for transactions that are equal to or exceed 5.0% of CRCT's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

### Role of the Audit Committee for Interested Person Transactions

The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length, on normal commercial terms and are not prejudicial to CRCT and Unitholders' interests.

The Manager maintains a register to record all Interested Person Transactions which are entered into by CRCT (and the basis on which they are entered into, including the quotations obtained to support such basis). All Interested Person Transactions are subject to regular periodic reviews by the AC, which in turn obtains advice from CL IA, to ascertain that the guidelines and procedures established to monitor Interested Person Transactions, including the relevant provisions of the Listing Manual and the Property Funds Appendix, as well as any other guidelines which may from time to time be prescribed by the SGX-ST, MAS or other relevant authorities, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the AC. If a member of the AC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction. In addition, the Trustee also reviews such audit reports to ascertain that the Listing Manual and the Property Funds Appendix have been complied with.

Details of all Interested Person Transactions (equal to or exceeding S\$100,000 each in value) entered into by CRCT in FY 2018 are disclosed on page 178 of this Annual Report.



### Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing CRCT:

- (a) the Manager is a dedicated manager to CRCT and will not manage any other REIT or be involved in any other real property business;
- (b) all resolutions at meetings of the Board in relation to matters concerning CRCT must be decided by a majority vote of the Directors, including at least one ID;
- (c) in respect of matters in which CL and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CL and/or its subsidiaries to the Board will abstain from voting. In such matters, the quorum must comprise a majority of IDs and shall exclude such nominee Directors of CL and/or its subsidiaries;
- (d) in respect of matters in which a Director or his or her associates have an interest, whether direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and shall exclude such interested Director(s);
- (e) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CRCT with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of CRCT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement; and
- (f) at least one-third of the Board shall comprise IDs.

In respect of voting rights where the Manager would face a conflict between its own interests and that of Unitholders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

### Dealings in Securities

The Manager has devised and adopted a securities dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager has issued guidelines to its Directors and employees as well as certain relevant executives of the CL group, which set out prohibitions against dealings in CRCT Group'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, CRCT's financial statements for each of the first three quarters of CRCT's financial year, and (iii) during the one month immediately preceding, and up to the time of the announcement of, CRCT'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 Manager as well as certain relevant executives of the CL group to inform them of the duration of the period. The Manager will also not deal in CRCT Group's securities during the same period. In addition, employees and Capital Markets Services Licence Appointed Representatives of the Manager are required to give pre-trading notification to the CEO and the Compliance department before any dealing in CRCT Group's securities.

Directors and employees of the Manager as well as certain relevant executives of the CL group are also prohibited from dealing in securities of CRCT Group if they are in possession of unpublished price sensitive information of CRCT Group. As and when appropriate, they would be issued an advisory to refrain from dealing in CRCT Group's securities.

Under the policy, Directors and employees of the Manager as well as certain relevant executives of the CL group 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.

Dealings by the Directors are disclosed in accordance with the requirements in the SFA and the Listing Manual.

# CORPORATE GOVERNANCE

## (F) CODE OF BUSINESS CONDUCT

The Manager 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 CL's Intranet, which is accessible by all employees of the Manager.

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

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Manager 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 Manager 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 Manager 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 Manager are required to make a declaration on an annual basis where they pledge to uphold the Manager'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 Manager's zero tolerance policy on bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

### **Whistle-Blowing Policy**

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties who have dealings with the Manager 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 so 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 fullest extent possible, be protected from reprisal. The policy is published on CL's Intranet which is accessible by all employees of the Manager.

### **Anti-Money Laundering and Countering the Financing of Terrorism Measures**

As a holder of a Capital Markets Services Licence issued by MAS, the Manager abides by the MAS' guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

- (a) evaluation of risk;
- (b) customer due diligence;
- (c) suspicious transaction reporting;
- (d) record keeping;
- (e) employee screening and representative screening; and
- (f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and representatives of the Manager are also screened against various lists of terrorist suspects issued by MAS. Periodic training is provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the Manager to combat money laundering and terrorist financing.

### Composition and Attendance Record of Meetings

	Composition			Attendance Record of Meetings in FY 2018		
	Audit Committee	Corporate Disclosure Committee <sup>#</sup>	Executive Committee <sup>#</sup>	Board	Audit Committee	General Meeting
				Number of Meetings Held: 4	Number of Meetings Held: 4	Number of Meetings Held: 1
<b>Board Members</b>						
<b>Soh Kim Soon</b>	–	Chairman	–	4 out of 4	N.A.	1 out of 1
<b>Lim Ming Yan<sup>1</sup></b>	–	Member	Chairman	2 out of 4	N.A.	1 out of 1
<b>Tan Tze Wooi<sup>2</sup></b>	–	Member	Member	4 out of 4	N.A.	1 out of 1
<b>Fong Heng Boo</b>	Chairman	–	–	4 out of 4	4 out of 4	1 out of 1
<b>Christopher Gee Kok Aun</b>	Member	–	–	4 out of 4	4 out of 4	1 out of 1
<b>Professor Tan Kong Yam</b>	Member	–	–	3 out of 4	4 out of 4	1 out of 1
<b>Neo Poh Kiat</b>	–	–	–	4 out of 4	N.A.	1 out of 1
<b>Kuan Li Li<sup>3</sup></b>	–	–	–	3 out of 4	N.A.	1 out of 1
<b>Lee Chee Koon<sup>4</sup></b>	–	–	Chairman	4 out of 4	N.A.	1 out of 1
<b>Lim Cho Pin Andrew Geoffrey<sup>5</sup></b>	Member	Member	Member	3 out of 4	3 out of 4	1 out of 1

N.A.: Not Applicable.

<sup>#</sup> Given the nature and scope of the work of CDC and EC, their business was discussed/transacted primarily through conference call, correspondence and informal meeting.

<sup>1</sup> Mr Lim Ming Yan retired as Non-Executive Non-Independent Director and Deputy Chairman with effect from 1 July 2018. Mr Lim also relinquished his role as Chairman of the Executive Committee and Member of the Corporate Disclosure Committee with effect from 1 July 2018.

<sup>2</sup> Mr Tan Tze Wooi was appointed as Member of the Corporate Disclosure Committee with effect from 1 July 2018.

<sup>3</sup> Ms Kuan Li Li was appointed as Non-Executive Independent Director with effect from 1 January 2018.

<sup>4</sup> Mr Lee Chee Koon was appointed as Non-Executive Non-Independent Director and a Member of the Executive Committee with effect from 1 January 2018. Mr Lee was subsequently appointed as the Chairman of Executive Committee on 1 July 2018.

<sup>5</sup> Mr Lim Cho Pin Andrew Geoffrey was appointed as Non-Executive Non-Independent Director, Member of the Audit Committee, Corporate Disclosure Committee and Executive Committee with effect from 1 January 2018.

# CORPORATE GOVERNANCE

## Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2018

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 Units <sup>2</sup>	Total
<b>Above S\$750,000 to S\$1,000,000</b>				
<b>Tan Tze Woi</b>	36%	43%	21%	100%
<b>Key Officers<sup>3</sup></b>				
<b>Joanne Tan Siew Bee</b>				
<b>Delphine Sze Li Xin</b>				
<i>(for the period from 1 January 2018 to 13 July 2018)</i>				
<b>Nicole Chen Yu Qing</b>	56%	34%	10%	100%
<i>(for the period from 6 August 2018 to 31 December 2018)</i>				
<b>You Hong</b>				
<i>(for the period from 1 July 2018 to 31 December 2018)</i>				
<b>Total for CEO and Key Officers</b>		<b>S\$1,542,859</b>		

1 The amounts disclosed include bonuses earned and the other incentive plans which have been accrued for in FY 2018.

2 The proportion of value of the Unit awards is based on the fair value of the Units comprised in the contingent awards under the CapitaLand Retail China Trust Management Limited Restricted Unit Plan (RUP) and the CapitaLand Retail China Trust Management Limited Performance Unit Plan (PUP) at the time of grant in FY 2018. The final number of Units released under the contingent awards of Units for the RUP and PUP will depend on the achievement of pre-determined targets and subject to the respective vesting period under the RUP and PUP.

3 The remuneration of Ms Pauline Yeh as Vice President, Investment and Asset Management for the period 1 January to 30 June 2018, was borne by CapitaLand Limited and/or its subsidiaries (other than the Manager), to which the Manager outsources the Investment and Asset Management functions, among others.

# ENTERPRISE RISK MANAGEMENT

CapitaLand Retail China Trust and its subsidiaries (CRCT) takes a proactive approach to risk management, making it an integral part of our business — both strategically and operationally. Our objective is not risk minimisation, but rather the optimisation of opportunities within the known and agreed risk appetite levels set by our Board of Directors. In short, we take measured risks in a prudent manner for justifiable business reasons.

## GOVERNANCE

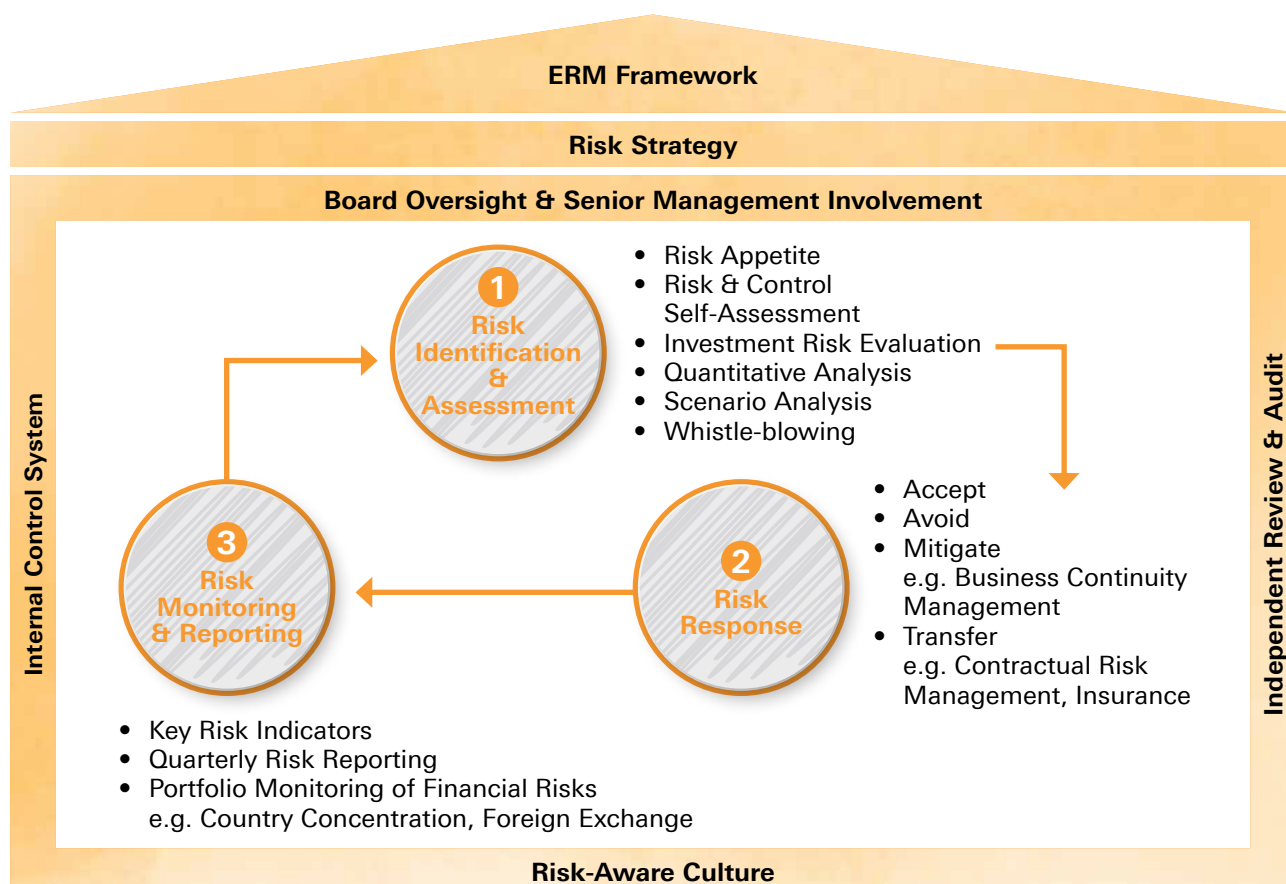
The Board of Directors of the Manager (CRCT Board) is responsible for the governance of risk across CRCT. It falls on them to determine CRCT's risk appetite; oversee the Manager's Enterprise Risk Management (ERM) Framework; regularly review CRCT's risk profile, material risks and mitigation strategies; and to ensure the adequacy and effectiveness of the risk management framework and policies. For these purposes, the Board is assisted by the Audit Committee (AC) which provides dedicated oversight over risk management at the Board level.

The AC currently comprises three Independent Board members and one Non-Independent Board member

and meets quarterly. The meetings are attended by the Chief Executive Officer (CEO) as well as other key management staff of the Manager.

The Board approves CRCT's risk appetite, which determines the nature and extent of material risks that the Manager is willing to take to achieve its strategic and business objectives. CRCT'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. Taking the interests of key stakeholders into consideration, the RAS sets out explicit and forward-looking views of CRCT's desired risk profile and ensures it is aligned with CRCT's strategy and business plans.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK



The Manager's ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It is also guided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework and other

relevant best practices and guidelines. It specifies the required environmental and organisational components needed to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually.



# ENTERPRISE RISK MANAGEMENT

A robust internal control system and an effective, independent review and audit process underpins the Manager'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 internal controls to provide reasonable assurance to the AC on the adequacy and effectiveness of the risk management and internal control systems.

CRCT's successful ERM program is based on fostering the right risk culture. The Manager works closely with CapitaLand's Risk Assessment Group (RAG) to conduct regular workshops to enhance risk management knowledge and promote a culture of risk awareness. Risk management principles are embedded in all our decision-making and business processes.

Once a year, the Manager coordinates a CRCT's Risk and Control Self-Assessment (RCSA) exercise. This requires respective risk and control owners to identify, assess and document material risks along with their key controls and mitigating measures. Material risks and their associated controls are consolidated and reviewed by the Manager before they are presented to the AC and the Board.

## MANAGING MATERIAL RISKS

The Manager takes a comprehensive and iterative approach to identifying, managing, monitoring and reporting material risks across CRCT. These material risks include:

### Business Interruption Risk

CRCT is exposed to business interruption risk arising from sudden and major disaster events such as fire, prolonged power outages or other major infrastructure or equipment failures which may significantly disrupt operations at our malls or our data centers. Such risks are managed through proactive facilities management (e.g. routine inspection and scheduled maintenance) and having crisis management standard operating procedures for each property. In addition, the outsourced Information Technology (IT) team from CapitaLand has a defined disaster recovery plan which is reviewed and tested annually.

### Competition Risk

Facing keen industry competition from established players and new market entrants in the real estate industry, CRCT strengthens its competitive position by differentiating ourselves in the market place through ongoing brand building. A constant stream of customer-centric initiatives and shopper loyalty programmes also helps set us apart. Our in-house team of analysts keeps us on top of latest market trends. In addition, regular scheduled innovation workshops help us brainstorm ideas to ensure we stay ahead of our competitors.

### Economic Risk

CRCT is exposed to event risks in major economies as well as in key financial and property markets. These event risks may reduce revenue, increase costs and result in downward revaluation of our assets. Market illiquidity during a financial crisis makes asset investment and/or divestment challenging and can affect CRCT's investment and strategic objectives. The Manager manages these economic risks through a disciplined approach to financial management.

### Foreign Exchange Risk

CRCT is exposed to Chinese Renminbi (RMB) fluctuation against the Singapore Dollar which is the distribution pay out currency. Where possible, CRCT adopts a natural hedging by borrowing in RMB which matches the revenue stream generated from its investments. In relation to CRCT's overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risk and are held for long-term investment purposes, the differences arising from such translation is captured under foreign currency translation reserve which are reviewed and monitored on a regular basis.

### Information Technology Risk

With increased reliance on IT as a business enabler, the outsourced IT team from CapitaLand has put 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 CRCT's information assets. This includes implementing access controls, enhancing data security and raising employees' IT security awareness through phishing campaigns and other activities. In addition, CapitaLand conducts IT disaster recovery exercise annually to ensure business recovery objectives are met.

### Interest Rate Risk

Some of CRCT's existing debts carry floating interest rates, and consequently, the interest cost for such loans will be subject to fluctuations in interest rates. As part of CRCT's active capital management strategies, the Manager enters into hedging transactions to partially mitigate the risk of such interest rate fluctuations with interest rate swaps and/or fixed rate borrowings. The exposure to interest rate risk is further managed through regular reviews with senior management on the optimal mix of fixed and floating rate borrowings. In addition, debt portfolio is reviewed on an on-going basis, taking into account the investment holding period and nature of the assets.

### Liquidity Risk

The Manager actively monitors CRCT's debt maturity profile, operating cash flows and the availability of funding to ensure that there are sufficient liquid reserves, in the form of cash and banking facilities, to finance CRCT's working capital obligations and operating needs. In addition, CRCT has access to the debt market through its Multicurrency Debt Issuance Programme to raise funds for acquisition, development and/or refinance maturing debt. CRCT's ability to raise funds from both banks and capital markets has enabled it to diversify its sources of funding to minimise over-reliance on a single source of funds for any funding or refinancing requirements.

### Political & Policy Risk

CRCT is exposed to various levels of political and policy risks such as political leadership uncertainty, inconsistent public policies, social unrest, change in property-related regulations and other events. Such risks may threaten the economic and sociopolitical environment, which may in turn affect the financial viability of the CRCT's investments. To mitigate these risks, the Manager keeps abreast of regular updates on economic news and market trends. Malls are managed by overseas experienced managers and teams familiar with the local conditions and cultures.

### Regulatory and Compliance Risk

CRCT's operations are subject to applicable laws and regulations in the market we operate, such as the Listing Manual of the Singapore Exchange Securities Trading Limited, the Securities and Futures Act (Chapter 289 of Singapore), the Code of Corporate Governance, the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the tax rulings by the Inland Revenue Authority of Singapore. The Manager has in place a framework that proactively identifies applicable laws and regulatory obligations and embeds compliance into the day-to-day operations.

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**Risk management supports the achievement of CRCT's business objectives and corporate strategy, hence creating and preserving value.**

## INVESTOR & MEDIA RELATIONS

CRCT is committed to provide the investor and media community with timely, accurate and transparent information. Our stakeholder groups include Unitholders, potential retail and institutional investors, analysts and the media. Regular and proactive engagement with the investment community is conducted to provide a clear overview and explanation of CRCT's business, operating performance and future growth strategy. This commitment is stated in our "Unitholders' Communication and Investor Relations Policy", which addresses CRCT's guiding principles of its approach, and is accessible on CRCT's corporate website ([www.crct.com.sg](http://www.crct.com.sg)) under the Investor Relations section.

To cultivate our relationships with key stakeholders and to broaden and diversify our shareholder base, the Investor Relations (IR) team proactively engages with the investment community using a variety of channels including the CRCT website, announcements and press releases, conferences, mall visits, analyst briefings, non-deal roadshows and investor meetings.

There were approximately 10,800 registered Unitholders that owned CRCT units as at 31 December 2018. During the financial year, the senior management and IR team met with over 200 investors globally and locally through investor conferences, one-on-one meetings, teleconferences and roadshows held in Bangkok, Tokyo, Hong Kong, and Singapore. Individual and group mall visits were also arranged for investors and analysts who travelled to the cities in which CRCT's malls are located. These visits offered a first-hand experience of the designs and operations of the malls, and a greater appreciation of CRCT's long-term growth potential. Regular business updates and the biannual financial results briefings for the media and analysts are hosted by the Chief Executive Officer (CEO) in January and July. Recordings of the briefings are available on CRCT's website to keep stakeholders abreast of the latest developments.

We also made conscious efforts to engage retail investors through large group seminars and events. CRCT is a member of the Investor Relations Professional Association Singapore (IRPAS) and the REIT Association of Singapore (REITAS). In February 2018, CRCT participated in the SGX-REITAS Education Series, a joint initiative by the Singapore Exchange (SGX) and REITAS to reach out to retail investors, where our CEO shared about CRCT and China's retail industry. The participants had the opportunity to ask questions and interact with the CEO at the event.

In April 2018, CRCT held its annual general meeting (AGM), which gave the Board and the senior management an opportunity to interact with our investors on CRCT's performance for the year and address questions and comments from the Unitholders. The AGM provides an important channel

for communication between the management and Unitholders. CRCT adopts the use of electronic voting by poll for resolutions put forth and this has resulted in greater efficiency in the polling process. Minutes of the AGM are also made available on CRCT's website for greater transparency.

In July 2018, CRCT successfully completed our maiden issuance of S\$130 million MTN due 2022 at a fixed interest rate of 3.25% per annum. The MTN are issued under the CRCT's S\$1 billion Multicurrency Debt Issuance Programme. Prior to the issuance, CRCT went on a non-deal roadshow to meet with institutional investors to provide clarity on CRCT's operations and growth strategy.

In December 2018, CRCT launched a new website to improve our stakeholder communication efforts. The streamlined user interface provides updated content with a more interactive experience to allow valued stakeholders to easily access the information they seek.

CRCT is currently covered by seven research houses as disclosed on our website, and is a component stock of FTSE Straits Times Real Estate Investment Trust Index.

As a recognition of CRCT's good investor relations and corporate governance practices, the REIT was named the joint overall winner of the Shareholder Communication Excellence Award under the REITs and Business Trusts category at the Securities Investors Association Singapore (SIAS) 19th Investors' Choice Awards.

All announcements and news are promptly published on SGXNet and CRCT's website including financial results, annual reports, property portfolio details as well as presentation for conferences and non-deal roadshows. Investors may also sign up for email alerts to receive updates on CRCT's latest announcements and press releases. There is a dedicated "Ask Us" email address ([ask-us@crct.com.sg](mailto:ask-us@crct.com.sg)) to address queries from investors and the general public.

### UNITHOLDINGS BY INVESTOR TYPE (%) (As at 31 December 2018)



● CapitaLand	37.5
● Institutional Investors	37.0
● Retail Investors	25.5

**Investor Relations & Media Calendar 2018**

Date	Event and Location	Organiser
31 January	FY 2017 Post-Results Briefing for Media and Analysts, Singapore	CRCT
31 January	FY 2017 Post-Results Luncheon, Singapore	DBS
6 February	SGX-REITAS Education Series, Singapore	SGX and REITAS
28 February – 1 March	SGX-DBS-REITAS SREITs Corporate Day 2018, Tokyo	SGX, DBS and REITAS
7 – 8 March	Non-Deal Roadshow, Hong Kong	DBS
25 April	Annual General Meeting, Singapore	CRCT
27 April	1Q 2018 Post-Results Luncheon, Singapore	UBS
16 May	Lunch Presentation to Trading Representatives, Singapore	Phillip Securities
19 May	REITs Symposium 2018, Singapore	REITAS and ShareInvestor
19 June	Non-Deal Roadshow, Singapore	DBS
26 June	Citi-ASEAN Investor Day Conference 2018, Singapore	Citi
27 July	2Q 2018 Post-Results Briefing for Media and Analysts, Singapore	CRCT
27 July	2Q 2018 Post-Results Luncheon, Singapore	Macquarie
16 August	CapitaLand & REITs Corporate Day, Bangkok	DBS
23 August	Citi, REITAS & SGX C-Suite Singapore REITs & Sponsors Forum 2018, Singapore	Citi, REITAS and SGX
27 August	Macquarie ASEAN Conference 2018, Singapore	Macquarie
3 October	SGX-CS Real Estate Corporate Day 2018, Singapore	SGX and Credit Suisse
31 October	3Q 2018 Post-Results Luncheon, Singapore	SCCM

**Financial Calendar 2019 – 2020 (tentative)**

March 2019	Second Half Distribution to Unitholders
April 2019	First Quarter Results Announcement
April 2019	Annual General Meeting
July 2019	Second Quarter Results Announcement
September 2019	First Half Distribution to Unitholders
October 2019	Third Quarter Results Announcement
January 2020	Full Year Results Announcement
March 2020	Second Half Distribution to Unitholders

**UNITHOLDER & MEDIA ENQUIRIES**

If you have any enquiries or would like to find out more about CRCT, please contact:

**The Manager**

**Ms Nicole Chen Yu Qing**  
Investor Relations

**Ms Chia Pei Siang**

Group Communications

Tel : +65 6713 2888

Fax : +65 6713 2999

Email : ask-us@crct.com.sg

Website: www.crct.com.sg

**Unit Registrar**

**Boardroom Corporate & Advisory Services Pte. Ltd.**

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Tel : +65 6536 5355

Fax : +65 6536 1360

Website: www.boardroomlimited.com

For depository-related matters such as change of details pertaining to Unitholders' investment records, please contact:

**The Central Depository (Pte) Limited**

9 North Buona Vista Drive

#01-19/20 The Metropolis

Singapore 138588

Tel : +65 6535 7511

Email : asksgx@sgx.com

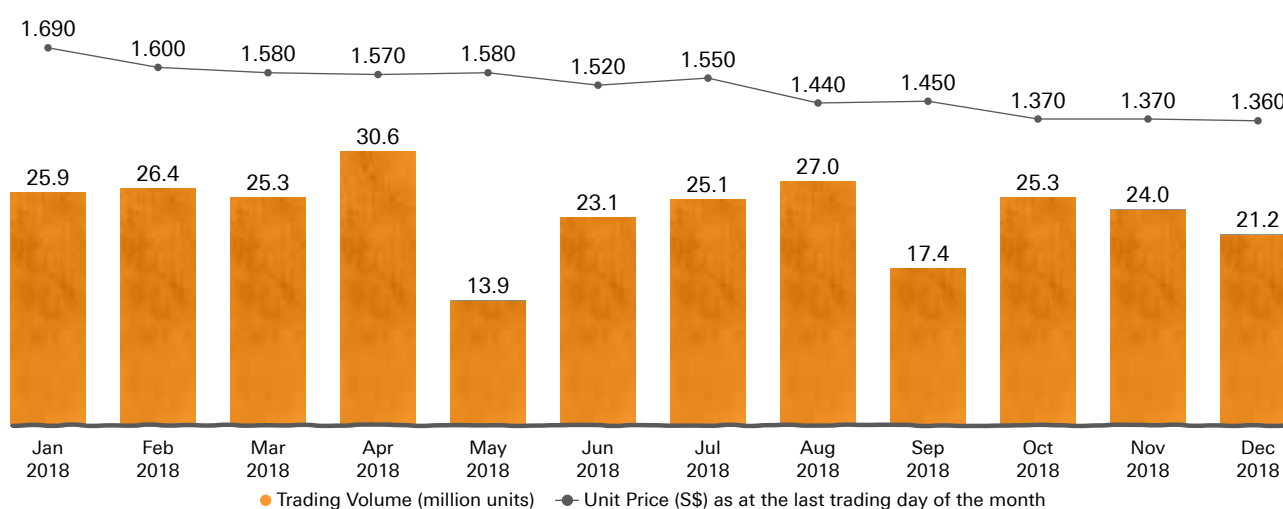
Website: www.sgx.com/cdp

# UNIT PRICE PERFORMANCE

## CRCT TRADING DATA IN FY 2018

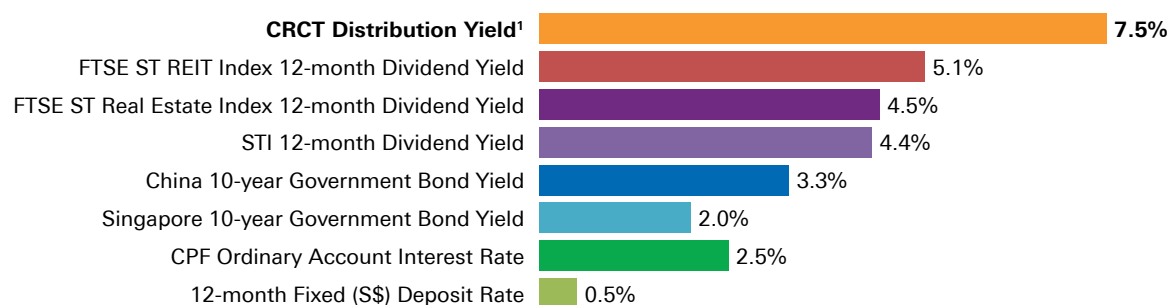
Highest Unit Price (S\$)	1.690
Lowest Unit Price (S\$)	1.350
Average Closing Unit Price (S\$)	1.498
Opening Unit Price on 2 January 2018	1.620
Closing Unit Price on 31 December 2018	1.360
Turnover (million units)	285.2

## CRCT MONTHLY TRADING PERFORMANCE IN FY 2018



## COMPARATIVE YIELDS (%)

(As at 31 December 2018)

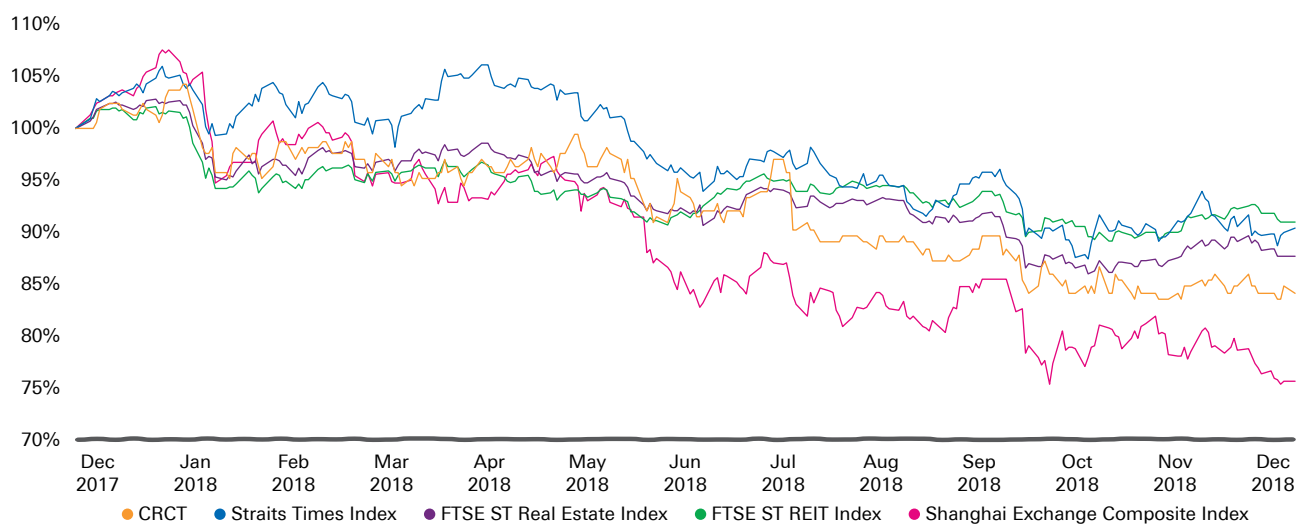


Source: Bloomberg, CRCTML, Central Provident Fund (CPF) Board, Monetary Authority of Singapore.

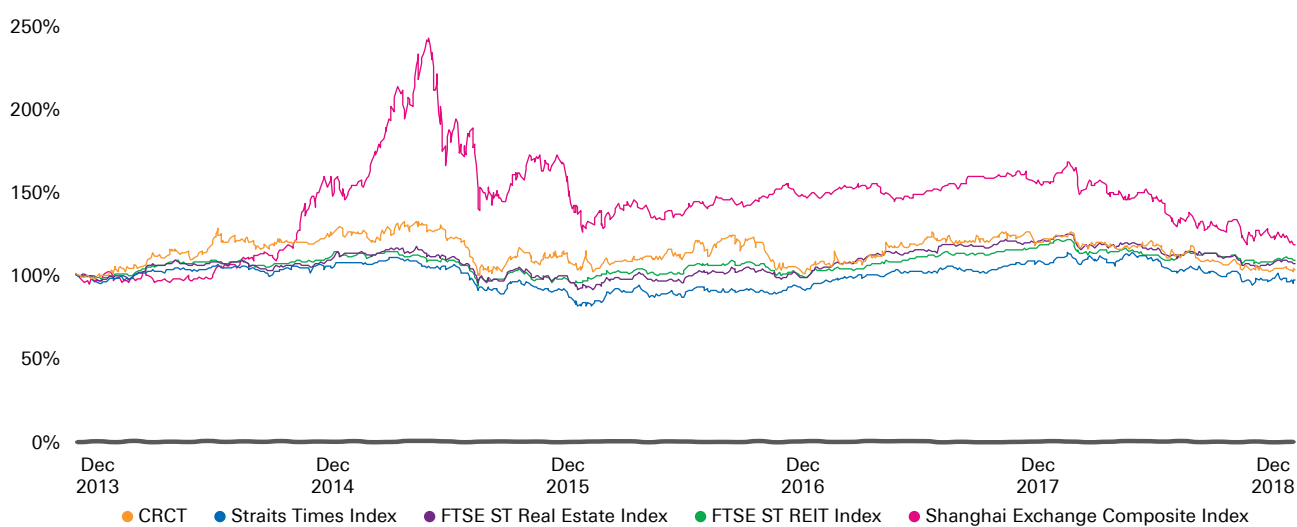
<sup>1</sup> Based on FY 2018 distribution per unit of 10.22¢ and the unit closing price of S\$1.36 on 31 December 2018.



### COMPARATIVE TRADING PERFORMANCE FOR FY 2018



### COMPARATIVE TRADING PERFORMANCE FOR FY 2014 – FY 2018



# MANAGING SUSTAINABILITY

## SUSTAINABILITY COMMITMENT

As a CapitaLand-sponsored REIT, CRCT is managed by wholly owned subsidiaries of CapitaLand which include the Manager as well as Property Managers that oversees the daily property operations for the portfolio of malls. The Manager and Property Managers are responsible for the property operations across CRCT's portfolio, and abide by CapitaLand sustainability framework, policies, guidelines, as well as ethics and code of business conduct.

CRCT's sustainability strategy is aligned to CapitaLand's (Group) credo of 'Building People. Building Communities'. The Group 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.

The Group 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. The Group's proactive approach towards environmental, health and safety (EHS) management, which incorporates universal design into its developments, ensures that its properties are sustainable and future-proof. Policies and guidelines are put in place to ensure the efficient use of energy, water and other resources.

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

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



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

For its efforts, CapitaLand is listed in the Sustainability Yearbook, Global 100 Most Sustainable Corporations, 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.

CapitaLand Global Sustainability Report 2018 will be published by 31 May 2019 and will continue to be prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We will also continue to apply the Guiding Principles of the International Integrated Reporting Framework and ISO 26000:2010 Guidance on Social Responsibility and reference the UN Sustainable Development Goals and the Taskforce on Climate Related Financial Disclosure. It will cover the Group's global portfolio and employees, including its listed Real Estate Investment Trusts (REITs) CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust, unless otherwise indicated. Lastly, the report will be externally assured to AA1000 Assurance Standard.

This sustainability chapter covers CRCT's properties from 1 January to 31 December 2018 unless otherwise stated. The teams behind the Manager and Property Manager responsible for property and portfolio operations are identified as employees of the Trust.

#### BOARD STATEMENT

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

The Board sets CRCT's risk appetite, which determines the nature and extent of material risks that CRCT 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. CRCT's business plans are translated to both quantitative and qualitative performance targets, including sustainable corporate practices and are cascaded throughout the organisation.

#### TOP MANAGEMENT COMMITMENT AND STAFF INVOLVEMENT

The Group's sustainability management comes under the purview of its Sustainability Council, comprising the Group's top management. It is supported by a Sustainability Steering Committee which oversees various work teams to ensure the Group's continued progress and improvement in the areas of ESG. The Sustainability Steering Committee comprises the CEOs of the business units and REITs, and the 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. The Board is also updated on the sustainability management performance of the Group, key material issues identified by stakeholders and the planned follow up measures.

#### Sustainability Management Structure



# MANAGING SUSTAINABILITY

## MATERIALITY

The Group has a regular review, assessment and feedback process in relation to ESG topics. 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. These material risks include fraud and corruption, environmental, health and safety, and human capital risks which are ESG-relevant. Other existing channels for feedback to ensure relevance of issues include:

### ENVIRONMENT



- › Regular dialogue/feedback sessions with government agencies (e.g. Building and Construction Authority, National Environment Agency)
- › Active participation in Singapore Green Building Council
- › Participate in engagement sessions with key sustainability indices

### SOCIAL



- › Regular dialogue with government agencies and unions
- › Active participation in Singapore Workplace Safety and Health Council
- › Regular employee engagement survey
- › Participate in engagement sessions with key sustainability indices

### GOVERNANCE



- › Engagement with Securities Investors Association (Singapore) (SIAS) periodically and for its annual Corporate Governance Conference
- › Engagement where appropriate with Singapore Exchange and Monetary Authority of Singapore
- › Participate in engagement sessions with key sustainability indices

CapitaLand identified and reviewed 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 the Group. For more information on stakeholder engagement, please refer to the Social and Relationship Capital, Human Capital and Environmental Capital chapters in the upcoming CapitaLand Global Sustainability Report 2018.

## Prioritisation of ESG Material Issues

### ENVIRONMENT



#### Critical

- › Energy efficiency
- › Climate change and emissions reduction
- › Water management

#### Moderate and emerging

- › Building materials
- › Construction and operational waste
- › Biodiversity

### SOCIAL / LABOUR PRACTICES



#### Critical

- › Occupational health & safety
- › Employment
- › Stakeholder engagement
- › Supply chain management

#### Moderate and emerging

- › Diversity
- › Human rights

### GOVERNANCE



#### Critical

- › Compliance
- › Business ethics
- › Product and services\*

\* This includes customer health and safety.

## CREATING VALUE AND ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS<sup>1</sup>)

The Group referenced the Guiding Principles of the International Integrated Reporting Council (IIRC) Framework and grouped its material ESG issues into six Capitals – Financial, Organisational, Manufactured, Environmental, Human, and Social and Relationship. This is also mapped against some of the Group's key efforts and programmes in relation to the key UN SDGs. For more information, please refer to CapitaLand Global Sustainability Report 2018 which will be published by end May 2019.

Capitals	What CapitaLand does (UN SDGs supported)	2018 CRCT Performance and Value Created
<b>Financial</b> > Earnings > Equity > Investments > Assets	> Disciplined portfolio recycling.	> Refer to Financial Highlights, CRCT Annual Report 2018.
<b>Organisational</b> > Leadership & culture > Corporate governance > Risk management	> CapitaLand adopts a strong stance against bribery and corruption. > All employees are required to make an annual declaration to uphold CapitaLand's core values and to not engage in any corrupt or unethical practices. > Requires certain agreements with third-party service providers and vendors to incorporate anti-bribery and anti-corruption provisions. > Requires main contractor to ensure no child labour and forced labour at CapitaLand project sites. > Supply Chain Code of Conduct to influence its supply chain to operate responsibly in the areas of anti-corruption, human rights, health and safety, as well as environmental management. > CapitaLand is a signatory to UN Global Compact.	> Refer to Corporate Governance, CRCT Annual Report 2018. > No reported incident relating to discrimination, child labour or forced labour in CRCT.

(SDG 16)

<sup>1</sup> The UN SDGs call on companies everywhere to advance sustainable development through the investments they make, the solutions they develop, and the business practices they adopt. In doing so, the goals encourage companies to reduce their negative impacts while enhancing their positive contribution to the sustainable development agenda.



# MANAGING SUSTAINABILITY

Capitals	What CapitaLand does (UN SDGs supported)	2018 CRCT Performance and Value Created
<b>Manufactured</b> <ul style="list-style-type: none"> <li>Environmentally sustainable, healthy, safe and accessible quality buildings</li> <li>Innovative and sustainable construction methods and technologies</li> </ul>	<p>CapitaLand is committed to:</p> <ul style="list-style-type: none"> <li>Reduce energy consumption through energy efficiency and encourage renewable energy sources.</li> <li>Reduce water consumption, reuse water and prevent water pollution, especially in countries where the availability of clean water and sanitation are of concern.</li> <li>Green its operational portfolio by 2030.</li> <li>Actively embrace innovation to ensure commercial viability without compromising the environment for future generations.</li> <li>Future-proof its developments by addressing the risks of climate change right from the design stage.</li> <li>Preserve the biodiversity of its sites as well as the wider area where possible.</li> </ul> <p>Occupational health and safety is of utmost importance to CapitaLand, including all its employees, tenants, contractors, suppliers and the communities who use its properties.</p> <p>CapitaLand EHS Management System is externally audited to receive the International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries</p> <p>CapitaLand continues to participate in the CDP (Carbon Disclosure Project). Its footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol<sup>5</sup>.</p> <p>(SDG 3, 6, 7, 9, 11, 13, 15)</p>	<ul style="list-style-type: none"> <li>For 2018, CRCT's operational properties'<sup>2</sup> total energy consumption was 54,999MWh. Purchased electricity and heating consumption accounted for about 87.9% and direct energy consumption from gas, diesel and other fuels accounted for about 12.1% of total energy consumption. Scope 1 and 2 emissions<sup>3</sup> are 1,218 tonnes CO<sub>2</sub>e and 27,091 tonnes CO<sub>2</sub>e respectively. The REIT's operating properties' total water consumption was about 453,819m<sup>3</sup> for 2018.</li> <li>Energy and Water Usage and Carbon Intensity Reduction<sup>4</sup>: For 2018, the reduction in water usage in m<sup>3</sup>/m<sup>2</sup> was 25.7% from the 2008 baseline, and the reduction in carbon intensity (kg/m<sup>2</sup>) was 46.8% from the 2008 baseline. Energy usage in kWh/m<sup>2</sup> also reduced by 33.8% from the 2008 baseline.</li> <li>CRCT will continue to implement energy and water conservation measures to ensure efficient operations and minimise resource wastage, which include replacing the lights within the malls with LED lights and installing water efficient sanitary fittings in the mall toilets.</li> <li>CapitaMall Qibao organised a recycling bin decoration competition using tiger motifs. The activity aimed to raise awareness for wildlife protection amongst the young participants while stimulating their creativity. A total of 120 children took part in the event and completed 20 recycling bins, which were donated to the city council and subsequently placed in parks and sidewalks around the city.</li> <li>Safety talks and briefings are given to employees and tenants on a periodic basis, and regular emergency evacuation drills are conducted at least once a year at each property to familiarise both employees and tenants on the emergency response plan. The properties are subjected to fire safety audits and regular maintenance of safety equipment.</li> </ul>

2 Computation of total consumption considers only managed properties and excludes master-leased properties.

3 This is computed mostly from purchased electricity consumption under Scope 2, and some direct energy consumption under Scope 1 as defined by the Greenhouse Gas (GHG) Protocol (operational control approach) and using individual country CO<sub>2</sub> emission factors retrieved from the IEA Statistics – CO<sub>2</sub> emission factors from fuel combustion 2018 edition.

4 Computation of energy, water and carbon intensities excludes new properties which have been in operation for less than 12 months, master-leased properties and properties undergoing asset enhancement initiatives (AEI).

5 This was 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.

Capitals	What CapitaLand does (UN SDGs supported)	2018 CRCT Performance and Value Created
<b>Human</b> <ul style="list-style-type: none"> <li>&gt; Health and safety</li> <li>&gt; Job creation and security</li> <li>&gt; Learning and development</li> <li>&gt; Benefits and remuneration</li> </ul>	<p>CapitaLand believes that regardless of ethnicity, age or gender, employees can make a significant contribution based on their talent, expertise and experience. We adopt consistent, equitable, and fair labour policies and practices in rewarding as well as developing employees under the direct hire of CapitaLand.</p> <p>CapitaLand is a signatory to the UN Global Compact.</p> <p>CapitaLand aims to provide a work environment that is safe and contributes to the general well-being of its employees.</p> <p>(SDG 3, 8, 10)</p>	<ul style="list-style-type: none"> <li>&gt; Employees of the Manager and Property Managers form an almost equal proportion of males and females, at a ratio of 58 : 42.</li> <li>&gt; 76% of the Manager and the Property Managers' workforce was aged between 30 and 50 (77% in 2017).</li> <li>&gt; About 50% of senior management were women.</li> <li>&gt; Average training hours per staff is more than 86 hours.</li> <li>&gt; Almost 43% of staff have been with the Manager or the Property Managers for five years or longer.</li> </ul>
<b>Social and relationship</b> <ul style="list-style-type: none"> <li>&gt; Stakeholder relations</li> <li>&gt; Social license to operate</li> <li>&gt; Community development</li> </ul>	<p>CapitaLand Hope Foundation (CHF), CapitaLand's philanthropic arm, believes in investing 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<sup>6</sup>.</p> <p>(SDG 1, 2, 4)</p>	<ul style="list-style-type: none"> <li>&gt; In October, CapitaLand staff participated in the 26th edition of the Group's International Volunteer Expedition to CapitaLand Zhongxiang Hope School in Wuhan, China. During the expedition, staff volunteers distributed new schoolbags and stationery to the 282 students as part of "My Schoolbag" – CapitaLand's key annual corporate social responsibility programme that was into its eighth year in China. In 2018, My Schoolbag benefitted more than 14,000 students from 393 schools in China, including 23 CapitaLand Hope Schools.</li> </ul>

<sup>6</sup> SDG1 No Poverty includes targets such as ensuring equal rights to economic resources. SDG2 Zero Hunger includes targets such as ending all forms of malnutrition. Both targets are in line with CHF's work to provide education, healthcare and shelter for underprivileged children.

# MANAGING SUSTAINABILITY

## STAKEHOLDER ENGAGEMENT

Stakeholders are groups that CRCT's business has a significant impact on, and those with a vested interest in CRCT operations. Key stakeholders include employees, customers, business associates, builders and suppliers, and the local community. Other groups include regulators and key government agencies, non-governmental organisations (NGOs), representatives of the capital market and the media. They are mapped into groups based on their impact on the Trust.

Through the various engagement channels, CRCT seeks to understand its stakeholders' views, communicate effectively with them and respond to their concerns.

Stakeholder	Engagement Channel	Issues	Sustainability Report*
<b>Tenants</b>	<ul style="list-style-type: none"> <li>› Tenant satisfaction survey, green fit out guide and joint promotions and strategic partnerships</li> </ul>	<ul style="list-style-type: none"> <li>› Facilities management</li> </ul>	Social and Relationship Capital, Environmental Capital
<b>Shoppers</b>	<ul style="list-style-type: none"> <li>› Marketing and promotional events</li> <li>› Loyalty programmes</li> <li>› Online and mobile platforms</li> </ul>	<ul style="list-style-type: none"> <li>› Customer experience</li> </ul>	Social and Relationship Capital, Environmental Capital
<b>Investors, Analysts and Media</b>	<ul style="list-style-type: none"> <li>› Annual general meetings</li> <li>› Quarterly financial results announcements</li> <li>› Media releases and interviews</li> <li>› Annual reports and sustainability reports</li> <li>› Company website</li> <li>› Regular analyst and investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>› Operational efficiency, monetary savings, cost avoidance.</li> <li>› Return on equity, earnings, business strategy, market outlook</li> <li>› ESG risks and opportunities</li> </ul>	Financial Capital, Social and Relationship Capital
<b>Employees</b>	<ul style="list-style-type: none"> <li>› Regular dialogue sessions with senior management</li> <li>› Regular employee engagement survey</li> <li>› Volunteer programmes</li> <li>› Recreation club activities</li> </ul>	<ul style="list-style-type: none"> <li>› Work-life balance</li> <li>› Remuneration and benefits</li> <li>› Employee welfare</li> </ul>	Human Capital, Social and Relationship Capital
<b>Supply Chain – main contractors, vendors, suppliers</b>	<ul style="list-style-type: none"> <li>› CapitaLand Supply Chain Code of Conduct</li> <li>› Environmental, Health and Safety (EHS) Policy and quarterly EHS monitoring</li> <li>› Vendor evaluation, including events, meetings and trainings</li> </ul>	<ul style="list-style-type: none"> <li>› Design and quality</li> <li>› Occupational health and safety practices</li> <li>› Workers welfare and well-being</li> <li>› Environmental compliance</li> </ul>	Human Capital, Social and Relationship Capital, Environmental Capital
<b>Government/ national agencies/ community and non-governmental organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>› Longstanding partner of various national programmes</li> <li>› Sustainability reports</li> <li>› Participation in external conferences/forums</li> <li>› Corporate advertisements</li> <li>› Consultation and sharing with academics, NGOs and business associations</li> </ul>	<ul style="list-style-type: none"> <li>› Stakeholder programmes to advocate sustainable tenant/ customer behaviours</li> <li>› Advocating best practices</li> </ul>	Social and Relationship Capital

\* For more information on key stakeholders' issues of interest, please refer to CapitaLand Global Sustainability Report 2018 – to be published by 31 May 2019.

In 2018, CRCT continued to expand its programmes and activities to engage different stakeholder groups on sustainability, raise awareness about healthy living, volunteerism, charity as well as enhance customer service.



A tenant satisfaction survey has been conducted at eight of the shopping malls in CRCT's portfolio. 90% of the malls' tenants participated in the survey.

CRCT garnered feedback on matters pertaining to cleanliness, security, mall ambience, adequacy of car park lots and frequency of building maintenance.

On average, 86% of the respondents expressed satisfaction with the services rendered. We also received specific and actionable feedback from these respondents, which allowed us to better address their needs and concerns.

*Picture above: Features CapitaMall Xinnan*



CRCT collaborated with the local fire departments, government agencies and associations to organise fire evacuation drills at its malls to raise safety awareness among its tenants and shoppers. The drills were accompanied by hands-on sessions in operating fire extinguishers.

*Picture above: CRCT tenants taking part in the fire drill exercise at CapitaMall Qibao*



All our properties are strategically located near local transportation hubs, with convenient access to metro stations, railway stations and bus stops. Electric vehicle charging stations are installed at CapitaMall Wangjing, CapitaMall Qibao and CapitaMall Grand Canyon, bringing greater convenience to the growing pool of electric vehicle owners who are committed to using a greener mode of transportation.

*Picture above: Electric vehicle charging stations at CapitaMall Qibao*



CapitaMall Xinnan collaborated with a key tenant, High Wave, to organise a series of sports and dance events such as a run and a dance competition to spread the message about developing a healthy lifestyle.



CapitaMall Grand Canyon successfully held a mass workout in partnership with a key tenant to promote healthy living. The event recorded a strong turnout of around 300 participants.



Three CRCT malls – CapitaMall Xizhimen, CapitaMall Grand Canyon and CapitaMall Wangjing – collaborated with six other CapitaLand malls on a mass cycling activity to promote the adoption of carbon-lite transportation. The cycling event was well-received by staff, tenants and shoppers, who collectively clocked a total mileage of 81.6 kilometres.







# DELIVERING RICHER EXPERIENCES

Similar to a child's endless excitement for new activities, CRCT is enthusiastic about creating new experiences to attract shoppers to our malls. Our malls are synonymous with quality lifestyle and unique retail experiences – destinations that address the evolving needs and wants of our valued shoppers.



# OPERATIONS REVIEW

## COMMITTED OCCUPANCY RATES

	As at 31 December 2018 <sup>1</sup> %	As at 31 December 2017 <sup>1</sup> %
<b>Multi-Tenanted Malls</b>		
CapitaMall Xizhimen	99.9	98.2
CapitaMall Wangjing	99.4	98.4
CapitaMall Grand Canyon	97.5	98.5
CapitaMall Xinnan	99.5	99.0
CapitaMall Qibao	95.3	94.6
CapitaMall Saihan	100.0	99.9
<b>Master-Leased Malls</b>		
CapitaMall Erqi	100.0	100.0
CapitaMall Shuangjing	100.0	100.0
<b>Malls Under Stabilisation</b>		
CapitaMall Minzhongleyuan	70.3	78.0
CapitaMall Wuhu <sup>2</sup>	–	69.7
<b>Joint Venture</b>		
Rock Square	98.4	–
<b>CRCT Portfolio<sup>3</sup></b>	<b>97.5</b>	<b>97.5</b>

1 Based on committed leases.

2 CapitaMall Wuhu is closed following the exit of its anchor tenant.

3 Restated committed occupancy as at 31 December 2017 to exclude CapitaMall Wuhu for comparative purposes.

## SHOPPER TRAFFIC<sup>1</sup>

	2018 Million	2017 Million
<b>Multi-Tenanted Malls</b>		
CapitaMall Xizhimen	35.7	35.0
CapitaMall Wangjing	12.4	11.6
CapitaMall Grand Canyon	9.4	10.3
CapitaMall Xinnan	8.6	8.5
CapitaMall Qibao	12.7	13.3
CapitaMall Saihan	8.8	9.4
<b>Malls Under Stabilisation</b>		
CapitaMall Minzhongleyuan	3.5	5.0
CapitaMall Wuhu <sup>2</sup>	0.7	2.6
<b>Joint Venture</b>		
Rock Square <sup>3</sup>	22.5	–
<b>CRCT Portfolio</b>	<b>114.3</b>	<b>95.7</b>

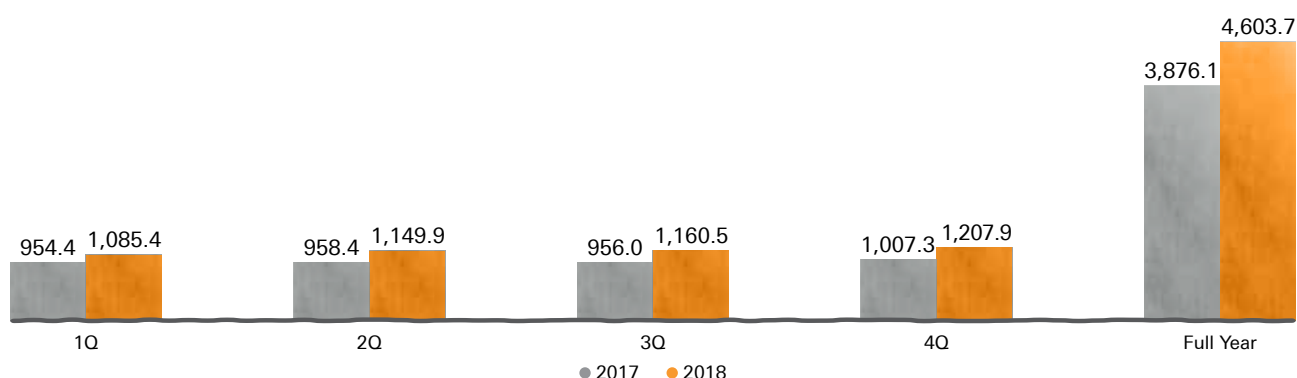
1 Includes multi-tenanted malls only.

2 Based on 6 months of shopper traffic from 1 January 2018 to 30 June 2018 as the mall was closed following the exit of its anchor tenant.

3 Based on 11 months of shopper traffic from 1 February 2018 to 31 December 2018 as Rock Square was acquired on 31 January 2018.

## PORTFOLIO TENANTS' SALES<sup>1</sup>

(RMB Million)



<sup>1</sup> Based on full year tenant sales (excluding Department Stores and Supermarkets) from CapitaMall Xizhimen, CapitaMall Wangjing, CapitaMall Grand Canyon, CapitaMall Xinnan, CapitaMall Qibao, CapitaMall Saihan, CapitaMall Minzhongleyuan, 11 months of tenant sales (1 February 2018 to 31 December 2018) from Rock Square, as well as 6 months of tenant sales (1 January 2018 to 30 June 2018) from CapitaMall Wuhu.

## LEASE STRUCTURE

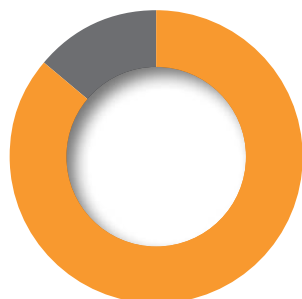
CRCT's favourable lease structure provides Unitholders with a stable and growing rental cash flow. Gross Rental Income comprises base rental income, service fee and advertising and promotion (A&P) fee. 86.2% of the leases (by gross rental income) contain turnover rent provisions, which enables CRCT to capture the upside and participate in the growth of high performing tenants while providing stable base rent. Majority of the leases for anchor and mini-anchor tenants also have an annual step-up in the

base rent. The combination of direct point-of-sales system and system link-up with tenants' point-of sales allows for tracking of tenants' sales.

The long-term master leases at CapitaMall Erqi and CapitaMall Shuangjing contain provisions for upside in rental through step-ups in the base rent. Additionally, the master leases at CapitaMall Erqi provide further potential upside through a percentage of tenants' sales turnover if the turnover exceeds an agreed threshold.

## % of Committed Leases with Turnover Rent Provisions by Gross Rental Income

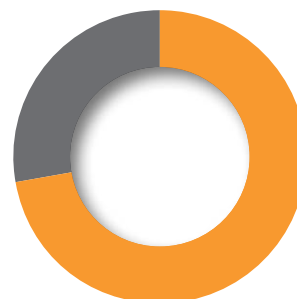
(as at 31 December 2018)



● % of committed leases with turnover rent provisions	86.2
● % of committed leases without turnover rent provisions	13.8

## % of Committed Leases with Turnover Rent Provisions by NLA

(as at 31 December 2018)



● % of committed leases with turnover rent provisions	72.4
● % of committed leases without turnover rent provisions	27.6

# OPERATIONS REVIEW

## LEASE RENEWALS AND NEW LEASES

CRCT reviews its tenancy mix and attracts new and emerging brands to inject vibrancy to the malls. A total of 663 leases were newly signed or renewed in FY 2018 (FY 2017: 616). The average

rental reversion of these new and renewal leases was 10.9% (FY 2017: 5.6%). All the malls, with the exception of CapitaMall Qibao and CapitaMall Minzhongleyuan, posted positive reversions between 5.2% to 26.8%.

## Summary of Renewals/New Leases

(From 1 January 2018 to 31 December 2018)

	Number of New Leases/Renewals in FY 2018 <sup>1</sup>	Variance Over Preceding Rental <sup>2,3</sup> %
<b>Multi-Tenanted Malls</b>		
CapitaMall Xizhimen	124	5.2
CapitaMall Wangjing	119	15.7
CapitaMall Grand Canyon	87	7.2
CapitaMall Xinnan	75	17.9
CapitaMall Qibao	43	(2.9)
CapitaMall Saihan	94	6.8
<b>Malls Under Stabilisation</b>		
CapitaMall Minzhongleyuan	55	(9.9)
<b>Joint Venture</b>		
Rock Square	66	26.8
<b>CRCT Portfolio</b>	<b>663</b>	<b>10.9</b>

1 Excluding new leases at newly created units leased, short term renewals (<1 year), units vacant for >= 1 year and pre-terminated leases. Includes re-configured units.

2 Excluding gross turnover rent component.

3 Majority of leases have rental escalation clauses.

## PORTFOLIO LEASE EXPIRY PROFILE

CRCT's 9 of 11 malls are multi-tenanted and actively managed to improve operating performance and tenancy mix to optimise rental reversions. The portfolio weighted average lease expiry by gross rental income and net lettable area are 2.9 years and 5.3 years respectively. The typical lease terms are 15 to 20 years for anchor tenants, 5 to 7 years for mini-anchor tenants, and 1 to 3 years for specialty tenants, which are consistent with the market practice in China. For new and renewed leases in 2018, the weighted average lease expiry

(by gross rental income) based on the date of commencement of the leases was 2.8 years and accounted for 39% of the gross rental income in the month of December.

Two of CRCT's retail malls, CapitaMall Erqi and majority of the Gross Rentable Area (GRA) of CapitaMall Shuangjing, are let out under master-leases. These leases are long-term with a typical tenure of 20 years and are supported by periodic rental escalation, which provide income stability while ensuring growth.

### Weighted Average Lease Expiry by Mall

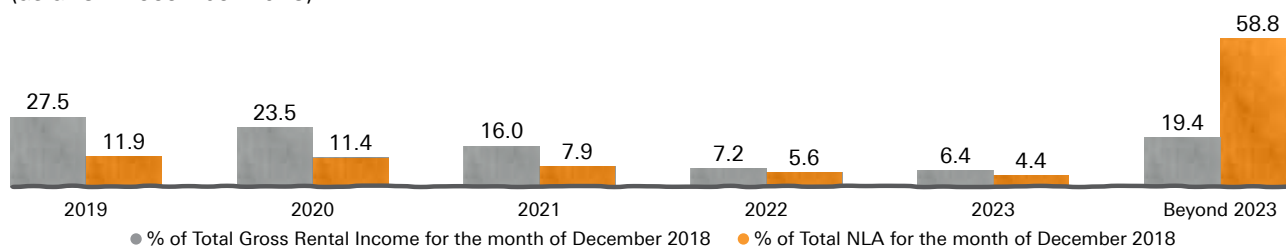
(as at 31 December 2018)

	Weighted Expiry (by Gross Rental Income <sup>1</sup> ) Years	Weighted Expiry (by Net Lettable Area) Years
<b>Multi-Tenanted Malls</b>		
CapitaMall Xizhimen	2.3	3.9
CapitaMall Wangjing	2.4	4.8
CapitaMall Grand Canyon	3.3	6.3
CapitaMall Xinnan	2.1	3.2
CapitaMall Qibao	2.4	3.5
CapitaMall Saihan	2.2	4.6
<b>Master-Leased Malls</b>		
CapitaMall Erqi	7.9	7.9
CapitaMall Shuangjing	4.9	5.2
<b>Malls Under Stabilisation</b>		
CapitaMall Minzhongleyuan	4.8	5.9
<b>Joint Venture</b>		
Rock Square	3.3	5.2
<b>CRCT Portfolio</b>	<b>2.9</b>	<b>5.3</b>

1 Excludes gross turnover rent component.

### Portfolio Lease Expiry Profile (%)

(as at 31 December 2018)



### Lease Expiry Profile for 2019 by Mall

(as at 31 December 2018)

	No. of leases <sup>1</sup>	% of Gross Rental Income <sup>2,3</sup>	% of Net Lettable Area <sup>4</sup>
<b>Multi-Tenanted Malls</b>			
CapitaMall Xizhimen	123	27.7	17.2
CapitaMall Wangjing	132	37.9	18.9
CapitaMall Grand Canyon	58	25.8	11.8
CapitaMall Xinnan	116	36.2	24.8
CapitaMall Qibao	66	29.6	13.1
CapitaMall Saihan	141	47.7	26.6
<b>Master-Leased Malls</b>			
CapitaMall Shuangjing	5	6.0	0.8
<b>Malls Under Stabilisation</b>			
CapitaMall Minzhongleyuan	72	32.8	24.5
<b>Joint Venture</b>			
Rock Square	47	14.3	9.1
<b>CRCT Portfolio</b>	<b>760</b>	<b>27.5</b>	<b>11.9</b>

1 Based on all committed leases as at 31 December 2018.

2 As a percentage of total contractual gross rental income of each mall for the month of December 2018.

3 Excludes gross turnover rent component.

4 As a percentage of each mall's total net lettable area as at 31 December 2018.



# OPERATIONS REVIEW

## TRADE SECTOR ANALYSIS

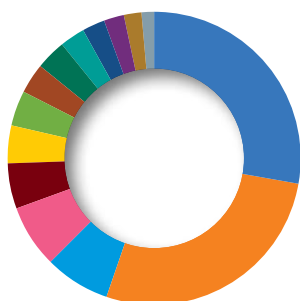
CRCT's tenancy mix is well-diversified across a wide range of trade sectors for rental income. As part of our proactive asset management effort, CRCT reduced exposure to Department Stores and increased exposure to emerging trade sectors

including coworking space and the education sector. As at 31 December 2018, Fashion & Accessories remained the largest contributor to gross rental income at 28.0% of the total portfolio while Food & Beverage remained the second largest contributor at 27.4%.

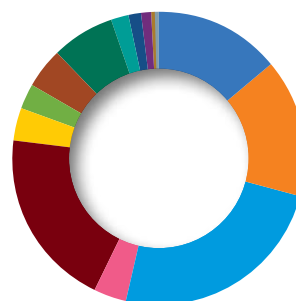
## Breakdown of CRCT Portfolio by Trade Sector

(as at 31 December 2018)

By Gross Rental Income



By Committed NLA



(include Master-leased Malls)

Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Fashion & Accessories	28.0	14.1
Food & Beverage	27.4	15.1
Supermarket	7.1	24.5
Beauty & Healthcare	7.0	3.6
Department Stores	5.1	19.7
Education	4.1	3.7
Sundry & Services	4.0	2.7
Houseware & Furnishings	3.4	4.6
Leisure & Entertainment	3.3	7.0
Sporting Goods & Apparel	2.6	1.7
Others	2.5	1.5
Shoes & Bags	2.4	1.0
Jewellery/Watches/Pens	1.8	0.4
Information & Technology	1.3	0.4

## TOP 10 TENANTS

The portfolio's biggest tenant is the Beijing Hualian Group of entities (BHG). BHG is the master leasee at CapitaMall Erqi and also take up anchor spaces at CapitaMall Xizhimen, CapitaMall Wangjing and CapitaMall Saihan.

### 10 Largest Tenants<sup>1</sup>

(Based on percentage of Total Rental Income in the month of December 2018)

Tenant <sup>2</sup>	Brand Names	Trade Sector	% of Total Rental Income <sup>3</sup>
BHG Group of Companies	Beijing Hualian Department Store Beijing Hualian Supermarket Costa Coffee	Department Stores Supermarket Food & Beverage	8.3
Carrefour Group of Companies	Carrefour	Supermarket	3.8
绫致时装(天津)有限公司	Only Jack & Jones Vero Moda Selected	Fashion & Accessories	3.0
UNIQLO Group of Companies	UNIQLO	Fashion & Accessories	2.2
北京为之味餐饮有限公司 富迪康(北京)餐饮管理有限公司	夹拣成厨麻辣烫 川成元麻辣香锅 传奇碳烤鱼头 金汤玉线 姑姑家宴 寻味香港 姑姑宴	Food & Beverage	1.3
北京百安居装饰建材有限公司	B&Q	Houseware & Furnishings	1.2
Inditex Group of Companies	ZARA Pull & Bear Bershka Stradivarius	Fashion & Accessories	0.9
HOTWIND Group of Companies	HOTWIND	Fashion & Accessories	0.8
Ucommune Group of Companies	优客工场	Sundry & Services	0.7
北京联郡餐饮管理有限公司	南京大牌档	Food & Beverage	0.7

<sup>1</sup> Based on CRCT's effective interest in each property, including CRCT's 51.0% interest in Rock Square.

<sup>2</sup> Tenants that are under the same group of companies are listed together.

<sup>3</sup> Includes both gross rental income and the gross turnover rental income (GTO) components to account for pure GTO leases.

# FINANCIAL REVIEW

In RMB terms, gross revenue for FY 2018 decreased by RMB29.9 million, or 2.7% lower than FY 2017. The decrease was mainly due to no contribution from CapitaMall Anzhen which was divested in July 2017, partially offset by the growth in gross revenue from CapitaMall Xizhimen, CapitaMall Wangjiang and CapitaMall Xinnan. Including Rock Square, gross revenue for FY 2018 increased by RMB54.7 million, or 4.9% higher than FY 2017.

Gross Revenue by Property	FY 2018 S\$'000	FY 2017 S\$'000	% Change	FY 2018 RMB'000	FY 2017 RMB'000	% Change
<b>Multi-Tenanted Malls</b>						
CapitaMall Xizhimen	60,094	58,800	2.2	294,697	287,911	2.4
CapitaMall Wangjing	47,659	45,851	3.9	233,715	224,505	4.1
CapitaMall Grand Canyon <sup>1</sup>	26,905	29,534	(8.9)	131,941	144,612	(8.8)
CapitaMall Xinnan	27,675	26,765	3.4	135,716	131,053	3.6
CapitaMall Qibao	20,640	20,348	1.4	101,218	99,631	1.6
CapitaMall Saihan	13,631	13,083	4.2	66,843	64,061	4.3
<b>Subtotal</b>	<b>196,604</b>	<b>194,381</b>	<b>1.1</b>	<b>964,130</b>	<b>951,773</b>	<b>1.3</b>
<b>Malls Under Stabilisation</b>						
CapitaMall Minzhongleyuan	4,682	5,440	(13.9)	22,960	26,638	(13.8)
CapitaMall Wuhu <sup>2</sup>	1,927	1,783	8.1	9,448	8,732	8.2
<b>Total Multi-Tenanted Malls</b>	<b>203,213</b>	<b>201,604</b>	<b>0.8</b>	<b>996,538</b>	<b>987,143</b>	<b>1.0</b>
<b>Master-Leased Malls</b>						
CapitaMall Erqi	10,201	10,088	1.1	50,024	49,397	1.3
CapitaMall Shuangjing	9,325	9,349	(0.3)	45,727	45,775	(0.1)
<b>Total Master-Leased Malls</b>	<b>19,526</b>	<b>19,437</b>	<b>0.5</b>	<b>95,751</b>	<b>95,172</b>	<b>0.6</b>
<b>Total excluding CapitaMall Anzhen</b>	<b>222,739</b>	<b>221,041</b>	<b>0.8</b>	<b>1,092,289</b>	<b>1,082,315</b>	<b>0.9</b>
CapitaMall Anzhen <sup>3</sup>	–	8,149	(100.0)	–	39,849	(100.0)
<b>Total</b>	<b>222,739</b>	<b>229,190</b>	<b>(2.8)</b>	<b>1,092,289</b>	<b>1,122,164</b>	<b>(2.7)</b>
CRCT's interest in joint venture's gross revenue is shown below for information:						
Rock Square <sup>4</sup>	17,242	–	100.0	84,553	–	100.0
<b>Total including joint venture</b>	<b>239,981</b>	<b>229,190</b>	<b>4.7</b>	<b>1,176,842</b>	<b>1,122,164</b>	<b>4.9</b>

1 Impacted by lower income from atrium trading activities as well as a one-off government subsidy received in 2017.

2 CapitaMall Wuhu is closed, following the exit of its anchor tenant. Gross revenue includes compensation received in FY 2018.

3 CapitaMall Anzhen was divested in July 2017.

4 This relates to 51.0% interest in Rock Square for the period from 1 February 2018 to 31 December 2018.

Gross Revenue Contribution by Property <sup>1</sup>	FY 2018 %	FY 2017 %
<b>Multi-Tenanted Malls</b>		
CapitaMall Xizhimen	25.0	25.6
CapitaMall Wangjing	19.9	20.0
CapitaMall Grand Canyon	11.2	12.9
CapitaMall Xinnan	11.5	11.7
CapitaMall Qibao	8.6	8.9
CapitaMall Saihan	5.7	5.7
<b>Malls Under Stabilisation</b>		
CapitaMall Minzhongleyuan	2.0	2.4
CapitaMall Wuhu	0.7	0.8
<b>Master-Leased Malls</b>		
CapitaMall Erqi	4.3	4.4
CapitaMall Shuangjing	3.9	4.1
CapitaMall Anzhen	–	3.5
<b>Joint Venture</b>		
Rock Square	7.2	–

1 Includes CRCT's 51% interest in Rock Square.

# FINANCIAL REVIEW

In RMB terms, NPI for FY 2018 decreased by RMB7.6 million, or 1.0% lower than FY 2017. The decrease was mainly due to no contribution from CapitaMall Anzhen which was divested in July 2017, partially offset by the growth in NPI from CapitaMall Xizhimen, CapitaMall Wangjiang and CapitaMall Xinnan. Including Rock Square, NPI for FY 2018 increased by RMB50.6 million, or 6.9% higher than FY 2017.

NPI by Property	FY 2018 S\$'000	FY 2017 S\$'000	% Change	FY 2018 RMB'000	FY 2017 RMB'000	% Change
<b>Multi-Tenanted Malls</b>						
CapitaMall Xizhimen	42,592	41,005	3.9	208,865	200,779	4.0
CapitaMall Wangjing	33,888	32,363	4.7	166,182	158,465	4.9
CapitaMall Grand Canyon <sup>1</sup>	18,039	18,591	(3.0)	88,463	91,029	(2.8)
CapitaMall Xinnan	19,253	18,327	5.1	94,417	89,738	5.2
CapitaMall Qibao	9,705	9,294	4.4	47,591	45,506	4.6
CapitaMall Saihan	7,868	7,910	(0.5)	38,585	38,730	(0.4)
<b>Subtotal</b>	<b>131,345</b>	<b>127,490</b>	<b>3.0</b>	<b>644,103</b>	<b>624,247</b>	<b>3.2</b>
<b>Malls under Stabilisation</b>						
CapitaMall Minzhongleyuan	393	263	49.4	1,925	1,286	49.7
CapitaMall Wuhu <sup>2</sup>	(556)	(1,374)	59.5	(2,727)	(6,724)	59.4
<b>Total multi-tenanted malls</b>	<b>131,182</b>	<b>126,379</b>	<b>3.8</b>	<b>643,301</b>	<b>618,809</b>	<b>4.0</b>
<b>Master-Leased Malls</b>						
CapitaMall Erqi	8,727	8,614	1.3	42,798	42,177	1.5
CapitaMall Shuangjing	7,514	7,509	0.1	36,849	36,768	0.2
<b>Total master-leased malls</b>	<b>16,241</b>	<b>16,123</b>	<b>0.7</b>	<b>79,647</b>	<b>78,945</b>	<b>0.9</b>
<b>Total excluding CapitaMall Anzhen</b>	<b>147,423</b>	<b>142,502</b>	<b>3.5</b>	<b>722,948</b>	<b>697,754</b>	<b>3.6</b>
CapitaMall Anzhen <sup>3</sup>	–	6,710	(100.0)	–	32,813	(100.0)
<b>Total</b>	<b>147,423</b>	<b>149,212</b>	<b>(1.2)</b>	<b>722,948</b>	<b>730,567</b>	<b>(1.0)</b>
<b>CRCT's interest in joint venture's NPI is shown below for information:</b>						
Rock Square <sup>4</sup>	11,879	–	100.0	58,255	–	100.0
<b>Total including joint venture</b>	<b>159,302</b>	<b>149,212</b>	<b>6.8</b>	<b>781,203</b>	<b>730,567</b>	<b>6.9</b>

1 Impacted by lower income from atrium trading activities as well as a one-off government subsidy received in 2017.

2 CapitaMall Wuhu is closed, following the exit of its anchor tenant. Negative NPI was lower due to compensation received in FY 2018.

3 CapitaMall Anzhen was divested in July 2017.

4 This relates to 51.0% interest in Rock Square for the period from 1 February 2018 to 31 December 2018.



<b>NPI Contribution by Property<sup>1</sup></b>	<b>FY 2018 %</b>	<b>FY 2017 %</b>
<b>Multi-Tenanted Malls</b>		
CapitaMall Xizhimen	26.7	27.4
CapitaMall Wangjing	21.3	21.7
CapitaMall Grand Canyon	11.3	12.5
CapitaMall Xinnan	12.1	12.3
CapitaMall Qibao	6.1	6.2
CapitaMall Saihan	4.9	5.3
<b>Malls under Stabilisation</b>		
CapitaMall Minzhongleyuan	0.2	0.2
CapitaMall Wuhu	(0.3)	(0.9)
<b>Master-Leased Malls</b>		
CapitaMall Erqi	5.5	5.8
CapitaMall Shuangjing	4.7	5.0
CapitaMall Anzhen	–	4.5
<b>Joint Venture</b>		
Rock Square	7.5	–

1 Includes CRCT's 51% interest in Rock Square.

# FINANCIAL REVIEW

## VALUATION AND PROPERTY YIELD OF PORTFOLIO

	Valuation 2018	Valuation 2017	Valuation 2018 (in per sq m of GRA) RMB	Property Yield 2018 <sup>1</sup> %	Valuation 2018 S\$ Million	Valuation 2017 S\$ Million
<b>Multi-Tenanted Malls</b>						
CapitaMall Xizhimen	3,293.0	3,075.0	39,639	6.3	650.1	627.1
CapitaMall Wangjing	2,543.0	2,375.0	37,392	6.5	502.0	484.3
CapitaMall Grand Canyon	2,095.0	2,090.0	29,943	4.2	413.6	426.2
CapitaMall Xinnan	1,550.0	1,536.0	28,908	6.1	306.0	313.2
CapitaMall Qibao	470.0	495.0	6,462	10.1	92.8	100.9
CapitaMall Saihan	460.0	456.0	10,969	8.4	90.8	93.0
<b>Malls Under Stabilisation</b>						
CapitaMall Minzhongleyuan	515.0	528.0	13,744	0.4	101.7	107.7
CapitaMall Wuhu <sup>2</sup>	193.0	193.0	4,229	N.M.	38.1	39.4
<b>Master-Leased Malls</b>						
CapitaMall Erqi	645.0	638.0	6,984	6.6	127.3	130.1
CapitaMall Shuangjing	590.0	583.0	11,928	6.2	116.5	118.9
<b>Total</b>	<b>12,354.0</b>	<b>11,969.0</b>		<b>6.0<sup>2</sup></b>	<b>2,438.9</b>	<b>2,440.8</b>
<b>Joint Venture</b>						
Rock Square <sup>3</sup>	3,400.0	–	40,674	3.7	671.2	–
<b>Total including joint venture<sup>4</sup></b>	<b>15,754.0</b>	<b>11,969.0</b>		<b>5.7<sup>2,5</sup></b>	<b>3,110.1</b>	<b>2,440.8</b>

1 Property yield is calculated based on NPI for FY 2018 and the valuation as at 31 December 2018.

2 Excludes CapitaMall Wuhu's yield as the mall is closed, following the exit of its anchor tenant.

3 Rock Square valuation stated at 100% basis. Property yield for FY 2018 is based on annualised NPI for period 1 February to 31 December 2018 and valuation as at 31 December 2018.

4 The year-on-year increase in valuations, as independently assessed by valuers, took into consideration amongst others, the property's rental growth and improved performance. The year-on-year decreases for certain assets took into consideration amongst others, the occupancy and leasing progress.

5 Includes CRCT's 51% interest in Rock Square.

N.M. – not meaningful

	S\$'000
<b>Investment Properties as at 31 December 2018<sup>1,2</sup></b>	<b>2,439,106</b>
<b>Increase in valuation for FY 2018<sup>2</sup></b>	<b>68,423</b>

1 The carrying amount of the investment properties includes the carrying amount of CapitaMall Minzhongleyuan's three residential units.

2 Excludes Rock Square that is equity accounted.

# CAPITAL MANAGEMENT

As at 31 December 2018, CRCT maintains the following debt facilities:

## S\$ DENOMINATED FACILITIES

- > S\$151.0 million money market line (MML) facilities
- > S\$120.0 million one-year trust bridge loan facility
- > S\$100.0 million three-year trust term loan facilities
- > S\$200.0 million four-year trust term loan facilities
- > S\$350.0 million five-year trust term loan facilities
- > S\$100.0 million six-year trust term loan facility

## US\$ DENOMINATED FACILITIES

- > US\$70.0 million money market line facilities

## MULTICURRENCY DEBT ISSUANCE PROGRAMME

- > S\$1.0 billion Multicurrency Debt Issuance Programme

As at 31 December 2018, the total outstanding debt of CRCT was S\$1,041.3 million with an aggregate leverage of 35.4%<sup>1</sup>. In July 2018, CRCT diversified its funding sources and issued its maiden S\$130.0 million MTN due 2022 at a fixed interest rate of 3.25% per annum. Proceeds from the issuance were used to partially repay the Trust's bridge loan.

CRCT's effective capital management includes hedging of its currency and interest rate risk exposures. To mitigate interest rate risk exposure, 80.0%<sup>2</sup> of the total debt is on fixed interest rates. In addition, about 80.0% of the expected RMB distributable income has been hedged into SGD, mitigating foreign currency exposure.

The fair value derivatives for FY 2018, which were included as financial derivatives in total assets and total liabilities were S\$1.2 million and S\$3.0 million respectively. This net amount represented a negative 0.1% of the net assets attributable to Unitholders of CRCT as at 31 December 2018.

CRCT has completed all its refinancing requirements in 2019 at favourable rates and kept the overall average cost of debt at 2.73% as at 31 December 2018.

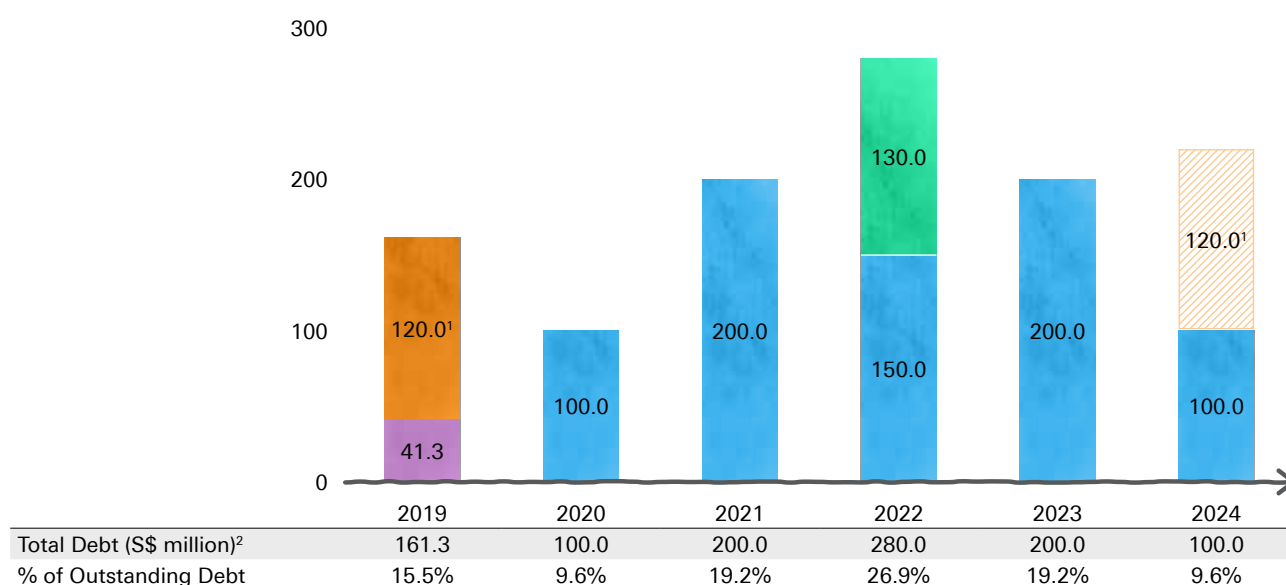
<sup>1</sup> In accordance to Property Funds Appendix (includes CRCT's proportionate share of its Joint Venture borrowing and deposited property).

<sup>2</sup> Excludes MML.

# CAPITAL MANAGEMENT

Debt maturity each year as a percentage of total outstanding debt as at 31 December 2018 is as follows:

## DEBT MATURITY PROFILE (S\$ million) (as at 31 December 2018)



- Trust – Unsecured Offshore Term Loan
- Trust – Floating Bridge Loan
- Trust – MTN issued under Multicurrency Debt Issuance Programme
- Trust – Unsecured Money Market Line

There is no term loan due for refinancing in FY 2019.

1 S\$120.0 million bridge loan in January 2019 has been extended to 2024.

2 Total outstanding debt was S\$1,041.3 million. 80% of loans was fixed (excluding the MML which were intended to be short term).

## CASH FLOWS AND LIQUIDITY

CRCT takes a proactive role in monitoring its cash and liquid reserves to ensure that adequate funding is available for distribution to the Unitholders as well as to meet any short-term obligations.

## OPERATING ACTIVITIES

Operating net cash flow for FY 2018 was S\$117.8 million, an increase of S\$1.5 million over the operating cash flow of S\$116.3 million in the preceding financial year.

## INVESTING ACTIVITIES

CRCT adheres to stringent criteria when evaluating potential acquisitions. Thorough risks and returns are reviewed to ensure that potential acquisitions will add value to the existing portfolio. CRCT is continuously seeking new acquisition opportunities.

### FINANCING ACTIVITIES

CRCT continues to adopt a prudent and proactive approach in monitoring the cash position and level of borrowings to ensure a healthy cash position to finance its operations. CRCT can tap on available debt headroom or the capital market to facilitate new acquisitions.

### CASH AND CASH EQUIVALENTS

As at 31 December 2018, the value of the cash and cash equivalents at CRCT stood at S\$173.9 million compared with S\$186.5 million as at 31 December 2017. The slight decrease is mainly due to a loan extended to the joint venture.

On 31 January 2018, the Trust announced the completion of the Rock Square acquisition, which

was partially funded by net proceeds of S\$101.7 million raised through a private placement on 7 December 2017. The net proceeds have been fully utilised to fund the Rock Square acquisition. Such use is in accordance to the stated use in the private placement announcement and is in accordance with the percentage allocated in the announcement.

During the year, S\$16.0 million of the cash retained from our distributions through the distribution reinvestment plan on 20 September 2018 were used for repayment of the Trust's interest-bearing borrowings, as well as for general corporate and working capital purposes. This is in accordance with the stated use and allocation of the proceeds in the financial statement announcement dated 31 January 2019.

### KEY FINANCIAL INDICATORS

(As at 31 December 2018)

Unencumbered Assets as % of Total Assets	100.0%
Aggregate Leverage <sup>1</sup>	35.4%
Net Debt / EBITDA (times) <sup>2</sup>	7.2
Interest Coverage (times) <sup>3</sup>	5.3
Average Term to Maturity (Years)	3.47
Average Cost of Debt <sup>4</sup>	2.73%

1 The aggregate leverage is calculated based on total borrowings over the deposited properties in accordance to Property Funds Appendix (includes CRCT's proportionate share of its Joint Venture's borrowing and deposited property).

2 Net Debt refers to the outstanding debt on balance sheet as at 31 December 2018 and EBITDA refers to net income of CRCT before fair value changes, non-operational gain and/or loss, interest, tax, depreciation and amortisation, and includes annualised share of results from 51.0% interest in Rock Square Joint Venture.

3 Ratio of EBITDA over consolidated FY 2018 interest expense.

4 Ratio of the consolidated FY 2018 interest expense reflected over weighted average borrowings on balance sheet.



# PORTFOLIO SUMMARY

As at 31 December 2018

Name	Address	GFA (sq m)	GRA (sq m)	NLA (sq m)	Number of Leases	Land Use Right Expiry	Market Valuation <sup>1</sup> (RMB Million)
CapitaMall Xizhimen 凯德MALL•西直门	No. 1 Xizhimenwai Road, Xicheng District, Beijing	83,075	83,075	50,699	271	23 August 2044 23 August 2054	3,293.0
CapitaMall Wangjing 凯德MALL•望京	No. 33 Guangshun North Road, Chaoyang District, Beijing	83,768	68,010	51,716	251	15 May 2043 15 May 2053	2,543.0
CapitaMall Grand Canyon 凯德MALL•大峡谷	No. 16 South Third Ring West Road, Fengtai District, Beijing	92,918	69,967	45,994	165	29 August 2044 29 August 2054	2,095.0
CapitaMall Xinnan 凯德广场•新南	No. 99, Shenghe Yi Road, Gaoxin District, Chengdu, Sichuan Province	91,816	53,619	36,121	245	17 October 2047	1,550.0
CapitaMall Qibao 凯德七宝购物广场	No. 3655, Qixin Road, Minhang District, Shanghai	83,986	72,729	50,433	174	10 March 2043 <sup>4</sup>	470.0
CapitaMall Saihan 凯德MALL•赛罕	No. 32 Ordos Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region	41,938	41,938	31,094	200	11 March 2041 20 March 2041	460.0
CapitaMall Minzhongleyuan 凯德新民众乐园	No. 704 Zhongshan Avenue, Jiangnan District, Wuhan, Hubei Province	41,717	37,472	23,498	105	30 June 2044 <sup>5</sup> 15 September 2045	515.0
CapitaMall Wuhu <sup>6</sup> 凯德广场•芜湖	No. 37 Zhongshan North Road, Jinghu District, Wuhu, Anhui Province	59,624	45,634	35,859	N.M.	29 May 2044	193.0
CapitaMall Erqi 凯德广场•二七	No. 3 Minzhu Road, Erqi District, Zhengzhou, Henan Province	92,356	92,356	92,356	2	31 May 2042	645.0
CapitaMall Shuangjing 凯德MALL•双井	No. 31 Guangqu Road, Chaoyang District, Beijing	49,463	49,463	51,193 <sup>7</sup>	10	10 July 2042	590.0
Rock Square <sup>8</sup> 乐峰广场	106-108 Gongye Avenue North, Haizhu District, Guangzhou City, Guangdong Province	88,279	83,591	52,870	179	17 October 2045	3,400.0 <sup>9</sup>

1 Independent valuations of CapitaMall Xizhimen, CapitaMall Wangjing, CapitaMall Grand Canyon, CapitaMall Minzhongleyuan and CapitaMall Erqi were conducted by Beijing Colliers International Real Estate Valuation Co. Ltd.

Independent valuations of CapitaMall Shuangjing, CapitaMall Saihan and CapitaMall Xinnan were conducted by Cushman & Wakefield International Property Advisers (Shanghai) Co. Ltd.

Independent valuations of CapitaMall Qibao and CapitaMall Wuhu were conducted by Knight Frank Petty Limited.

Independent valuation of Rock Square was conducted by Jones Lang LaSalle Property Consultants Pte Ltd.

2 Refers to the completion of the acquisition of the special purpose vehicles which own the properties.

3 CapitaMall Shuangjing and CapitaMall Erqi do not have traffic counters.

4 CapitaMall Qibao is indirectly held by CRCT under a master lease with Shanghai Jin Qiu (Group) Co. Ltd, the legal owner of Qibao Mall. The master lease expires in January 2024, with the right to renew for a further term of 19 years and two months. Accordingly, the land use right is owned by the legal owner.

5 The conserved building is under a lease from the Wuhan Cultural Bureau.

Purchase Price (RMB Million)	Acquisition Date <sup>2</sup>	Committed Occupancy Rate	Shopper Traffic for 2018 <sup>3</sup> (Million)	Major Tenants	Gross Revenue for 2018 (RMB Million)	NPI for 2018 (RMB Million)
1,851.4	Phase 1: 5 February 2008 Phase 2: 29 September 2008	99.9%	35.7	Beijing Hualian Supermarket, Costa Coffee, Vero Moda, Only, Selected, Jack & Jones, UNIQLO, 为之味(夹拣成厨麻辣烫/金汤玉线/川成元麻辣香锅/姑姑家宴), GAP, 南京大牌档, 绿茶	294.7	208.9
1,102.0	1 December 2006	99.4%	12.4	Beijing Hualian Group (Department Store & Supermarket), UNIQLO, 优客工场, Vero Moda, Only, Selected, Jack & Jones, 为之味(夹拣成厨麻辣烫/金汤玉线/川成元麻辣香锅/姑姑家宴), ZARA, 南京大牌档	233.7	166.2
1,740.0	30 December 2013	97.5%	9.4	Carrefour, Poly Cinema, H&M, UNIQLO, GAP, Vero Moda, Only, Selected, Jack & Jones, 南京大牌档, 北李妈妈菜	131.9	88.5
1,500.0	30 September 2016	99.5%	8.6	Golden Harvest Cinema, UNIQLO, H&M, ZARA, Pull&Bear, Stradivarius, Bershka, Selected, Jack & Jones, Sephora	135.7	94.4
264.0	8 November 2006	95.3%	12.7	Carrefour, 七宝大光明影城 (Cinema), 小蜜蜂农场, UNIQLO, HOTWIND, TOM'S WORLD, Haoledi (KTV)	101.2	47.6
315.0	1 December 2006	100.0%	8.8	Beijing Hualian Supermarket, Jinyi Cinema, NIKE, UNIQLO, Vero Moda, Only, Jack & Jones, Gymboree, BOYLONDON, TRENDIANO	66.8	38.6
395.0	30 June 2011	70.3%	3.5	UA Cinemas, UCommune, Innisfree, Starbucks, Skechers, Watsons	23.0	1.9
130.0	8 November 2006	N.M.	N.M.	N.M.	9.4	(2.7)
454.0	1 December 2006	100.0%	N.A.	Beijing Hualian Department Store, Beijing Hualian Supermarket	50.0	42.8
414.0	1 December 2006	100.0%	N.A.	Carrefour, B&Q	45.7	36.8
3,340.7	31 January 2018	98.4%	22.5 <sup>10</sup>	AEON, 飞扬影城, ZARA, UNIQLO, Meland, TOPSPORT, Pull&Bear, Stradivarius, HOTWIND, 宴荟, 金羊座, 绿茶餐厅	165.8	114.2

6 CapitaMall Wuhu's number of leases, committed occupancy and shopper traffic are not meaningful as the mall is fully closed following the market exit of its anchor tenant.

7 Includes the area zoned for civil defense but is certified for commercial use.

8 CRCT has a 51.0% interest in Rock Square. All information are presented based on 100% ownership.

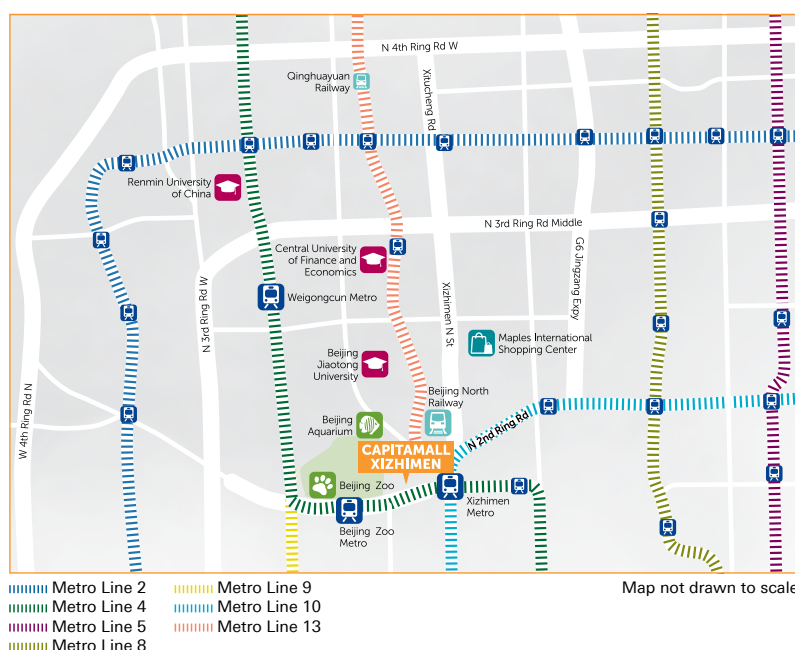
9 CRCT and CapitaLand Limited (CL) completed the acquisition of 51.0% and 49.0% interest respectively in Gold Yield Pte. Ltd. (the "Target Company"), from NPF Singapore Pte. Ltd. and ASPF II Omikron GmbH, on 31 January 2018. The Target Company holds the entire equity interest of Guangzhou Starshine Properties Co., Ltd, which in turn holds Rock Square. An independent valuation, carried out using the discounted cash flow method and the capitalisation method, valued Rock Square's open market value at RMB3,360.0 million (approximately S\$688.8 million) as at 3 November 2017. Pursuant to the acquisition, CRCT and CL, each via wholly owned subsidiaries, entered into a joint venture agreement on 28 November 2017. The remaining term of lease for Rock Square is 26 years.

10 Based on 11 months of shopper traffic as Rock Square was acquired on 31 January 2018.

N.M. – Not Meaningful

N.A. – Not Applicable

# PORTFOLIO DETAILS

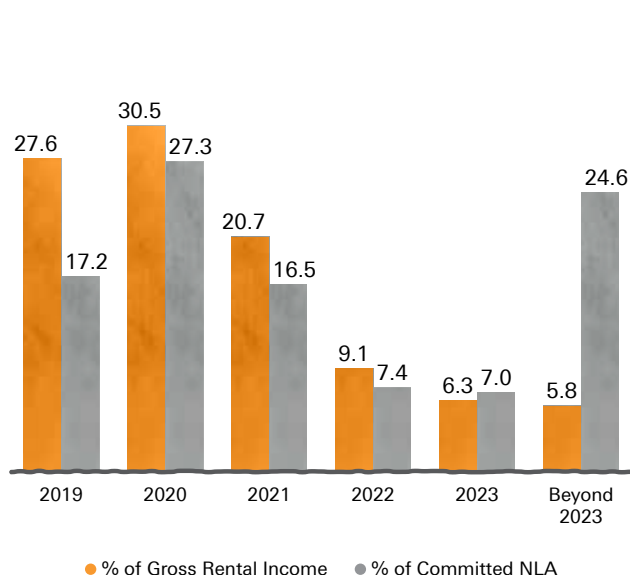


## CAPITAMALL XIZHIMEN 凯德MALL·西直门

CapitaMall Xizhimen is strategically located next to the Second Ring Road in Xicheng district and is well-served by Beijing's metro lines 2, 4 and 13, as well as the Beijing North Railway Station. The mall offers a diverse array of product offerings, which serves the needs of a large and well-established catchment comprising middle-income residents, working professionals from the Beijing Financial Street and technological zones of Zhongguancun District, as well as students from the nearby universities. Positioned as a vibrant mall targeting the young and trendy, it features a large supermarket, popular fast-fashion tenants such as UNIQLO and GAP, and a wide selection of dining options such as Nanjing Impressions, South Memory and Xiabu Xiabu.

## LEASE EXPIRY PROFILE (%)

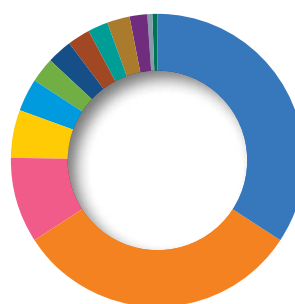
(As at 31 December 2018)



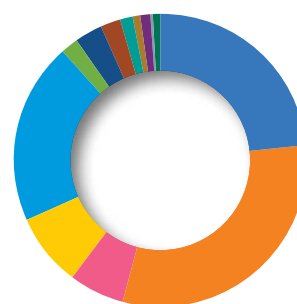
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Fashion	34.3	23.5
Food & Beverage	31.8	30.9
Beauty & Healthcare	9.2	6.0
Education	5.5	8.2
Supermarket	3.4	20.0
Sundry & Services	3.0	1.7
Others	2.7	3.2
Houseware & Furnishings	2.4	2.2
Sporting Goods & Apparel	2.4	1.4
Jewellery/Watches/Pens	2.3	0.9
Shoes & Bags	2.0	0.9
Information & Technology	0.7	0.3
Leisure & Entertainment	0.3	0.8

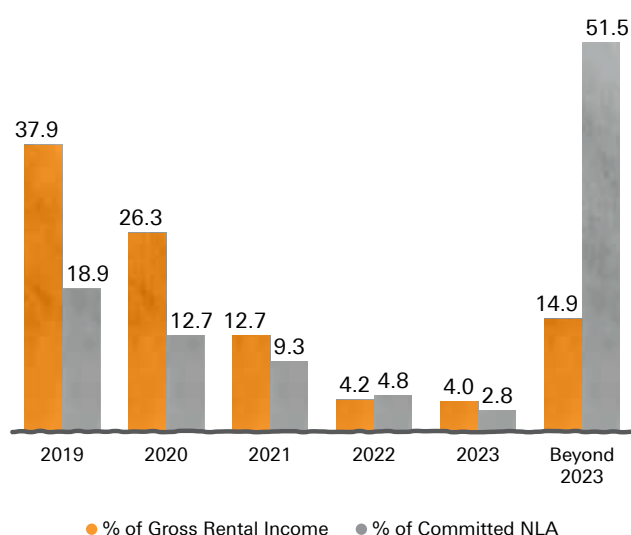


### CAPITAMALL WANGJING 凯德MALL·望京

CapitaMall Wangjing is a leading shopping mall within the densely populated Wangjing residential enclave, located near the North Fourth Ring Road of Beijing. The mall is conveniently located next to Futong station, which is served by metro line 14, and in close proximity to Wangjing station, the interchange for metro lines 14 and 15. It is also connected to major highways with numerous bus routes serving the area. The mall is a popular meeting place amongst working professionals and discerning expatriates in search of high-quality shopping, dining and entertainment options in the district. Its stable of international tenants include UNIQLO, ZARA, Paris Baguette, Starbucks Reserve, Calvin Klein and Swarovski.

### LEASE EXPIRY PROFILE (%)

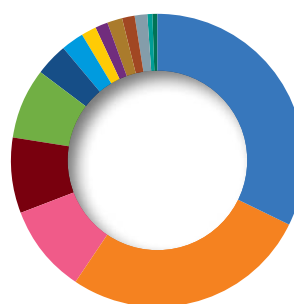
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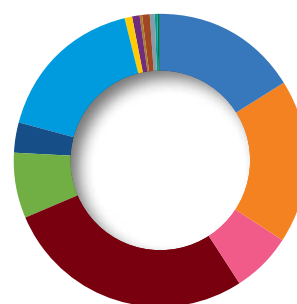
### TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Fashion	32.4	16.2
Food & Beverage	27.3	18.2
Beauty & Healthcare	9.7	6.7
Department Stores	8.1	27.7
Sundry & Services	7.9	7.1
Others	3.5	3.3
Supermarket	2.6	17.1
Education	1.6	0.7
Shoes & Bags	1.6	0.8
Jewellery/Watches/Pens	1.5	0.4
Houseware & Furnishings	1.4	0.7
Information & Technology	1.4	0.7
Sporting Goods & Apparel	0.6	0.2
Leisure & Entertainment	0.4	0.2

# PORTFOLIO DETAILS

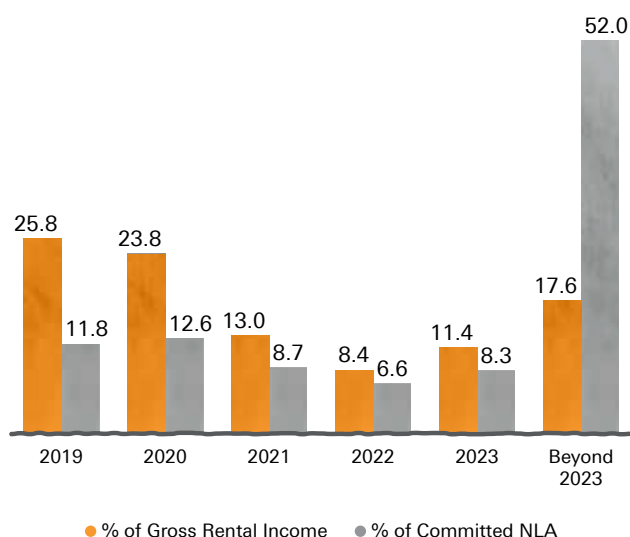


## CAPITAMALL GRAND CANYON 凯德MALL•大峡谷

CapitaMall Grand Canyon faces the busy South Third Ring West Road in Beijing's Fengtai district. The mall is easily accessible via several public bus routes, Beijing South Railway Station, and metro line 4 from the nearby Majiapu station. The mall's comprehensive offerings and well-established tenants such as Carrefour, GAP, H&M, Nanjing Impressions, Poly Cinema, and Xiaomi, make it a sought-after retail and lifestyle destination among residents and office workers in the local community.

## LEASE EXPIRY PROFILE (%)

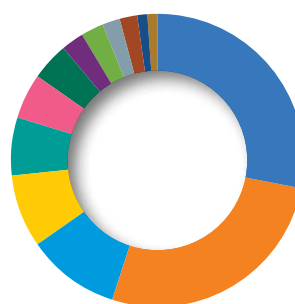
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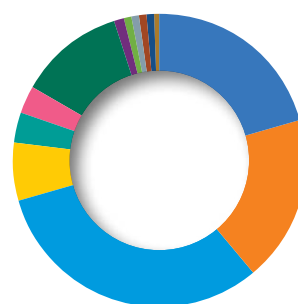
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Fashion	28.3	20.7
Food & Beverage	26.9	18.3
Supermarket	10.3	31.7
Education	7.9	6.5
Sporting Goods & Apparel	6.5	3.2
Beauty & Healthcare	5.0	3.1
Leisure & Entertainment	4.0	11.7
Shoes & Bags	2.7	1.1
Sundry & Services	2.3	0.7
Information & Technology	2.1	0.9
Houseware & Furnishings	1.8	0.8
Others	1.3	1.0
Jewellery/Watches/Pens	0.9	0.3





Metro Line 1  
 Metro Line 7

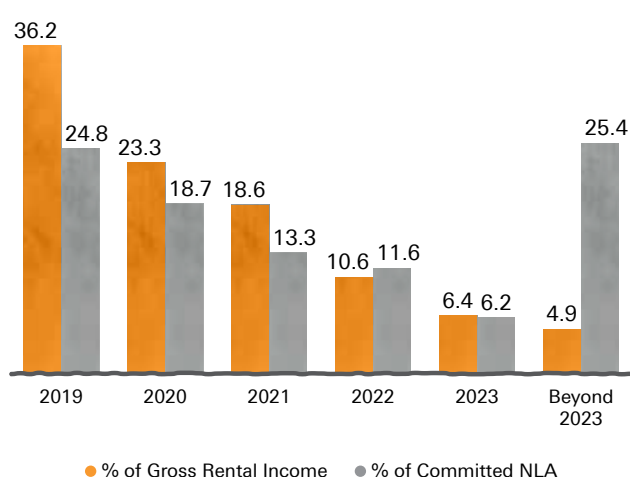
Map not drawn to scale

### CAPITAMALL XINNAN 凯德广场·新南

CapitaMall Xinnan is a six-storey building situated along one of the most established shopping belts in the affluent Gaoxin district, south of Chengdu. The mall is conveniently accessible via the nearby Chengdu South Railway Station, a major transportation hub linked to operational metro lines 1 and 7 plying the South Railway metro station, and to Chengdu Airport via airport express line (metro line 18) that is currently under construction. The mall's diverse mix of fashion, dining and entertainment options sets it apart as a trendy destination with varied retail experiences that appeal to families and young urbanites living in the mid- to high-income neighbourhood. Its tenant mix includes well-known international brands such as Golden Harvest Cinema, H&M, Pandora, UNIQLO and Charles & Keith.

### LEASE EXPIRY PROFILE (%)

(As at 31 December 2018)

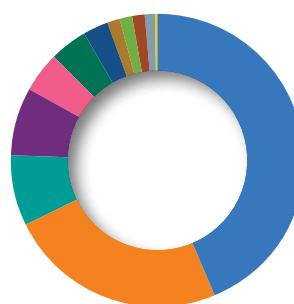


% of Gross Rental Income   
 % of Committed NLA

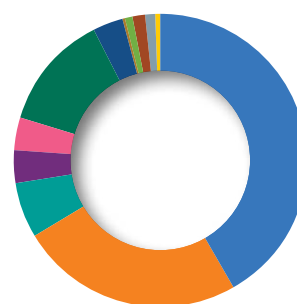
### TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Fashion	43.8	41.7
Food & Beverage	24.0	24.7
Sporting Goods & Apparel	7.8	6.2
Shoes & Bags	7.5	3.7
Beauty & Healthcare	4.6	3.5
Leisure & Entertainment	4.0	12.8
Others	2.9	3.3
Jewellery/Watches/Pens	1.4	0.4
Sundry & Services	1.4	0.7
Houseware & Furnishings	1.3	1.5
Information & Technology	1.1	1.0
Education	0.2	0.5

# PORTFOLIO DETAILS

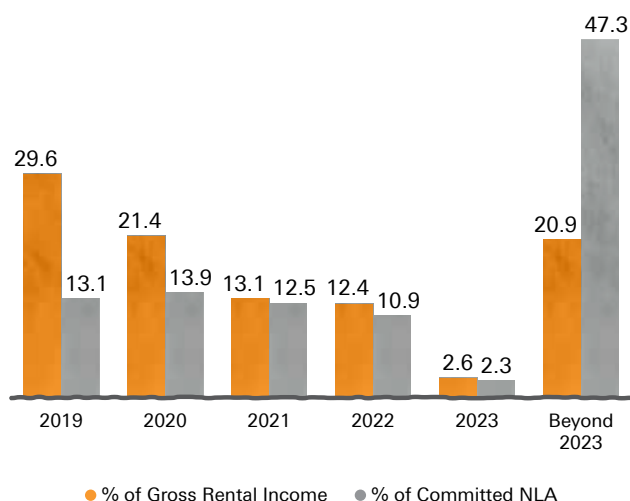


## CAPITAMALL QIBAO 凯德七宝购物广场

CapitaMall Qibao is located in Shanghai's Minhang district near the bustling Hongqiao transport hub. Surrounded by residences, the mall is favourably positioned as a family friendly shopping destination for the growing number of residents living in this choiced neighbourhood. The mall offers a myriad of shopping, dining and entertainment experiences, as well as interactive leisure and learning facilities for children. This includes one of the city's largest rooftop playground that features horse riding, fishing and outdoor movie screenings, popular amongst young families. The mall features well-known brands such as Carrefour, UNIQLO, Hotwind, Watsons, Xiabu Xiabu, Miniso and Jack & Jones.

## LEASE EXPIRY PROFILE (%)

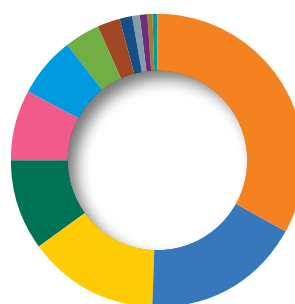
(As at 31 December 2018)



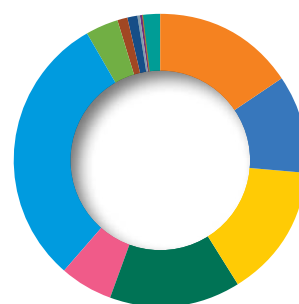
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

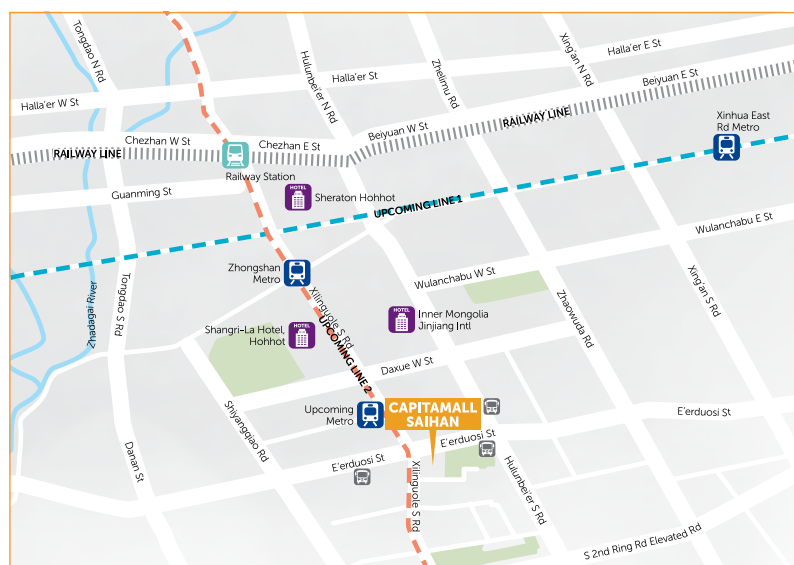
By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Food & Beverage	33.1	15.7
Fashion	17.7	10.7
Education	14.4	14.8
Leisure & Entertainment	9.9	14.4
Beauty & Healthcare	7.8	5.8
Supermarket	6.6	30.4
Sundry & Services	3.9	3.5
Houseware & Furnishings	2.6	1.1
Others	1.4	1.1
Information & Technology	0.9	0.2
Shoes & Bags	0.7	0.3
Jewellery/Watches/Pens	0.6	0.1
Sporting Goods & Apparel	0.4	1.9



■ Upcoming Metro Line 1  
■ Upcoming Metro Line 2

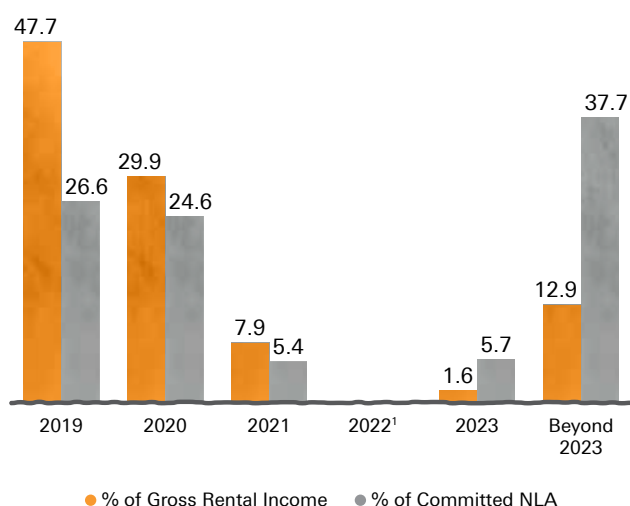
Map not drawn to scale

## CAPITAMALL SAIHAN 凯德MALL·赛罕

CapitaMall Saihan is one of the most popular one-stop shopping destinations near to the heart of Hohhot's main retail precinct. Adding to the mall's access to public transport networks is the expected completion of the nearby metro lines in 2020. As one of Hohhot's preferred destination of choice for premium merchandise, CapitaMall Saihan is home to many notable international brands such as BHG Supermarket, Nike, UNIQLO, Starbucks, Vero Moda and Timberland.

## LEASE EXPIRY PROFILE (%)

(As at 31 December 2018)



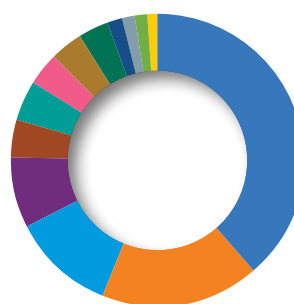
● % of Gross Rental Income ● % of Committed NLA

<sup>1</sup> There are no leases due for expiry in 2022

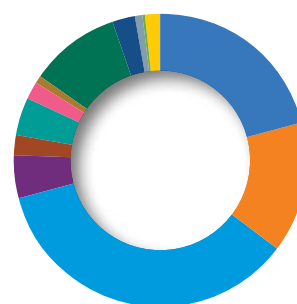
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income

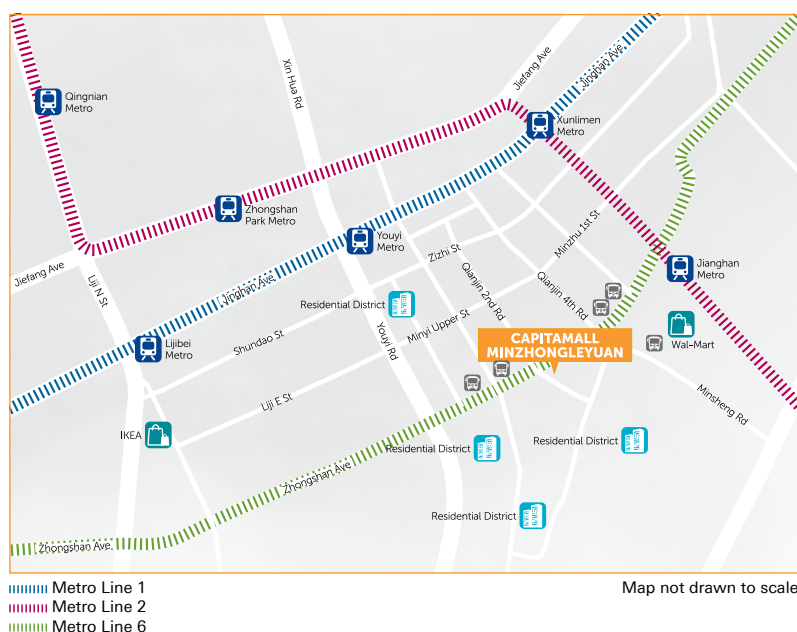


By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Fashion	38.7	21.1
Food & Beverage	17.6	14.2
Supermarket	11.4	35.8
Shoes & Bags	7.8	4.7
Houseware & Furnishings	4.2	2.0
Sporting Goods & Apparel	4.2	4.3
Beauty & Healthcare	3.8	1.8
Jewellery/Watches/Pens	3.6	0.9
Leisure & Entertainment	3.2	10.0
Others	1.7	2.6
Information & Technology	1.5	0.7
Sundry & Services	1.2	0.4
Education	1.1	1.5

# PORTFOLIO DETAILS

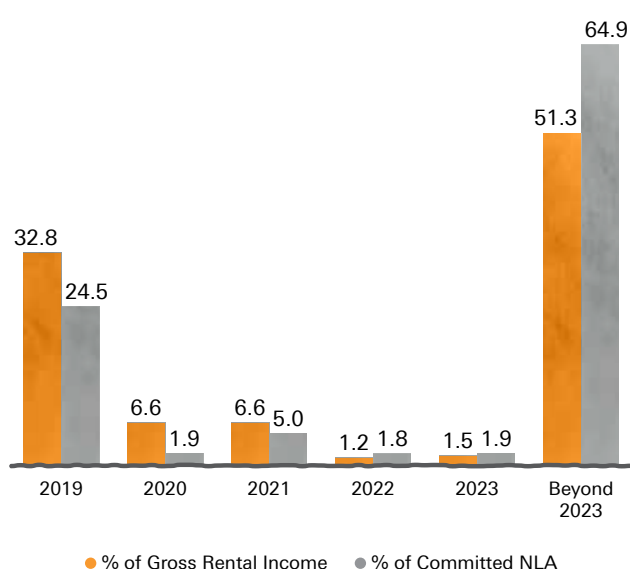


## CAPITAMALL MINZHONGLEYUAN 凯德新民众乐园

CapitaMall Minzhongleyuan is a heritage building constructed in 1919 that is strategically located in the Jiangnanlu business district, a short walk from Wuhan's renowned entertainment and shopping belt along the Jiangnanlu pedestrian street. The mall is easily accessible via metro line 1 from the nearby Youyi Road station, and metro lines 2 and 6 from the Jiangnan Road station. As one of Wuhan's oldest retail and cultural centres, the mall offers the unique appeal of rich iconic architecture. With a tenant mix ranging from anchors like UA Cinema and Ucommune, to popular lifestyle brands like Adidas and Starbucks, the mall is positioned as a thematic destination for work and leisure.

## LEASE EXPIRY PROFILE (%)

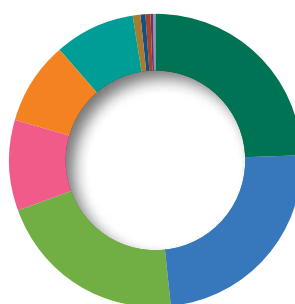
(As at 31 December 2018)



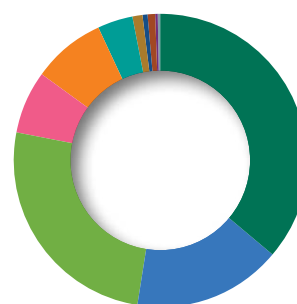
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Leisure & Entertainment	24.6	36.3
Fashion	24.0	16.2
Sundry & Services	21.1	25.7
Beauty & Healthcare	10.0	6.9
Food & Beverage	9.0	8.2
Sporting Goods & Apparel	8.9	3.9
Jewellery/Watches/Pens	0.8	1.1
Others	0.6	0.5
Houseware & Furnishings	0.5	0.8
Shoes & Bags	0.4	0.3
Information & Technology	0.1	0.1



■ Upcoming Metro Line 1

Map not drawn to scale

## CAPITAMALL WUHU

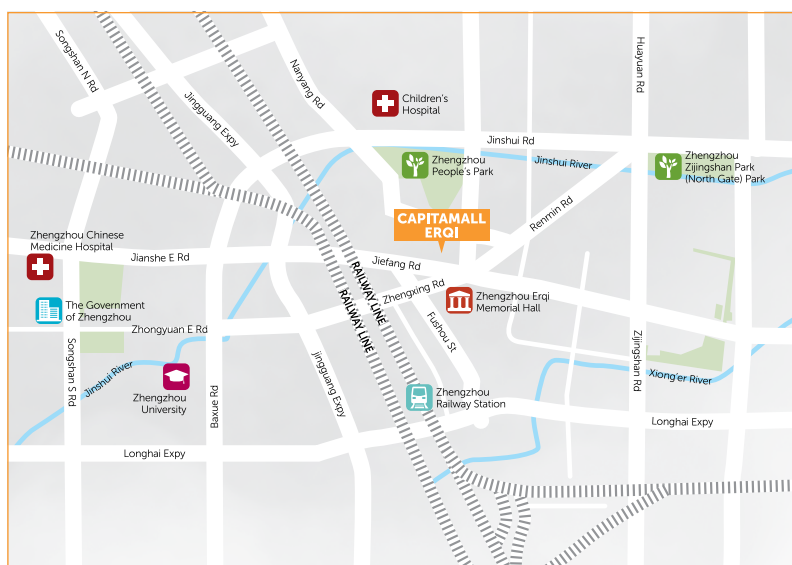
凯德广场·芜湖

CapitaMall Wuhu is located near to Wuhu's Central Business District and Anhui Education University.

The mall has been closed since August 2018.



# PORTFOLIO DETAILS



Map not drawn to scale

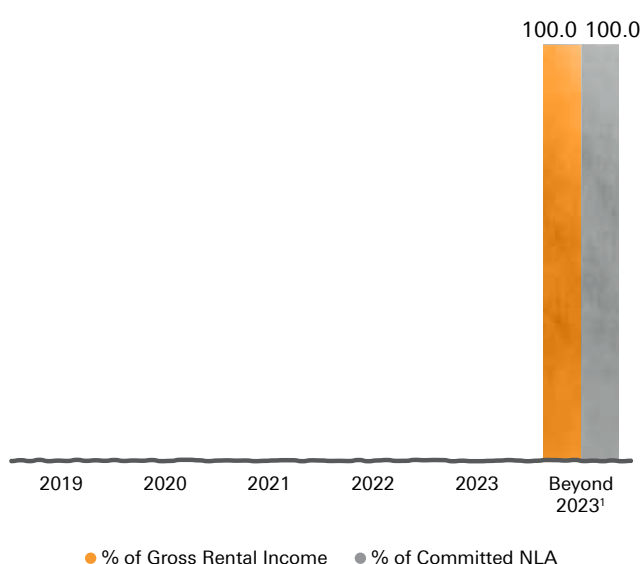
## CAPITAMALL ERQI

### 凯德广场•二七

CapitaMall Erqi is located in the heart of Zhengzhou's premier shopping precinct in Henan. The mall is currently master-leased to Beijing Hualian Department Store and Beijing Hualian Supermarket. The mall is popular with visitors to Zhengzhou as well as residents and office workers in the vicinity.

## LEASE EXPIRY PROFILE (%)

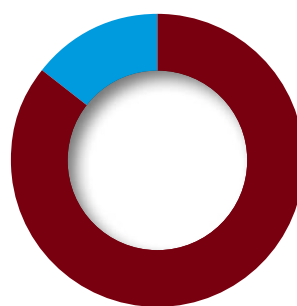
(As at 31 December 2018)



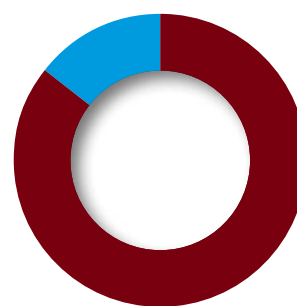
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

### By Gross Rental Income



### By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Department Stores	85.8	85.8
Supermarket	14.2	14.2



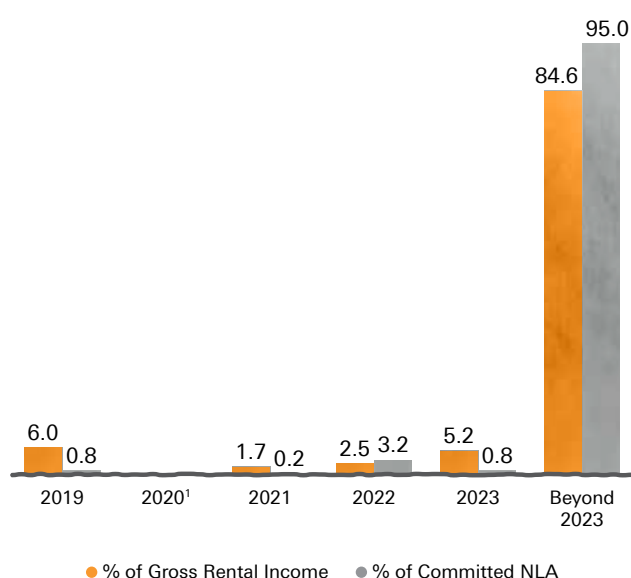
Map not drawn to scale

### CAPITAMALL SHUANGJING 凯德MALL·双井

CapitaMall Shuangjing is located in Beijing's Chaoyang district near the East Third Ring Road. The mall is well-served by public bus routes and lies within close proximity to the Jiulongshan metro station, which is served by lines 7 and 14. Its anchor tenants, Carrefour and B&Q, are strong retail brands that are able to draw significant shopper traffic from the surrounding local and expatriate community as well as office workers from nearby commercial buildings.

### LEASE EXPIRY PROFILE (%)

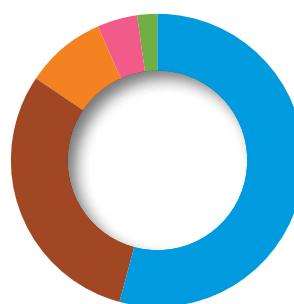
(As at 31 December 2018)



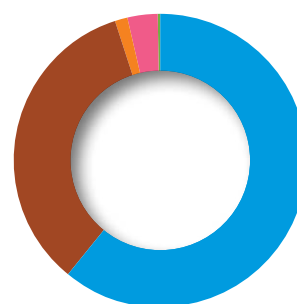
### TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Supermarket	54.3	61.1
Houseware & Furnishings	30.3	34.0
Food & Beverage	9.0	1.4
Beauty & Healthcare	4.2	3.4
Sundry & Services	2.2	0.1

<sup>1</sup> There are no leases due for expiry in 2020

# PORTFOLIO DETAILS

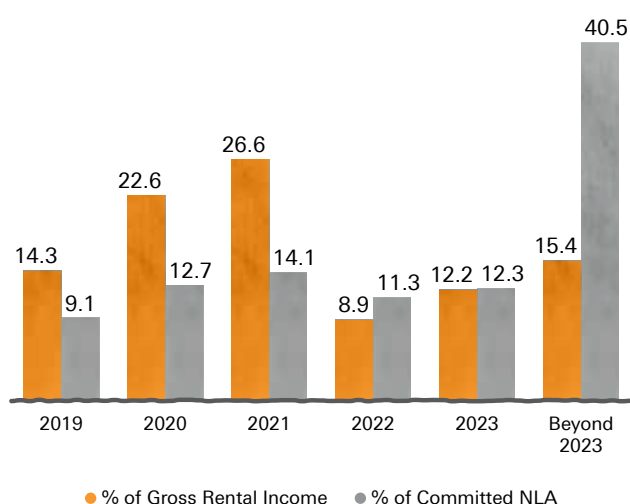


## ROCK SQUARE 乐峰广场

Rock Square is one of the largest shopping malls located within the well-established Jiangnanxi retail cluster in Guangzhou's Haizhu district. The mall benefits from the large catchment of affluent residents in the vicinity, in addition to high commuter traffic coming through via Guangzhou metro line 8 and Guangzhou – Foshan city express metro line from the adjoining Shayuan interchange station. The mall is also highly accessible from Guangzhou Inner Ring Road, the main thoroughfare connecting Guangzhou city. Offering a wide range of fashion, dining and entertainment options for modern lifestyle needs, the mall represents a one-stop shopping and lifestyle experience, with well-known international brands such as AEON, Pull & Bear, Costa Coffee, Victoria's Secret, Xiaomi and TOPSPORT.

## LEASE EXPIRY PROFILE (%)

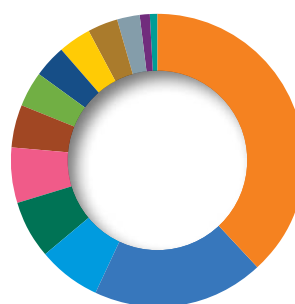
(As at 31 December 2018)



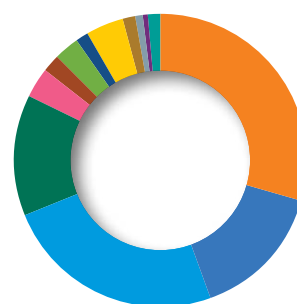
## TRADE SECTOR ANALYSIS

(For the month of December 2018)

By Gross Rental Income



By Committed NLA



Trade Sector	By Gross Rental Income (%)	By Committed NLA (%)
Food & Beverage	38.3	29.7
Fashion	18.8	15.0
Supermarket	6.8	24.4
Leisure & Entertainment	6.6	13.3
Beauty & Healthcare	6.0	3.4
Houseware & Furnishings	4.7	1.8
Sundry & Services	4.0	2.8
Others	3.6	1.5
Education	3.5	4.1
Jewellery/Watches/Pens	3.5	1.4
Information & Technology	2.4	0.9
Shoes & Bags	1.2	0.5
Sporting Goods & Apparel	0.6	1.2

## MARKETING & PROMOTIONS

CRCT's portfolio of properties forms an integral part of the community with the aim of creating stickiness to our malls, by serving the people who live and work around our assets. Our strategic marketing activities continue to focus on building the loyalty of shoppers through customer-centric experiences while creating memorable events and moments to be the preferred mall of choice.



Fun-filled celebration events were held over the course of three days during CapitaMall Xizhimen's 11th year anniversary. Shoppers were treated to a host of exciting activities including lucky draws, live performances, discount give-away, music party and more.



At CapitaMall Xinnan, a Christmas Neon Light Decoration social media wall was set up for shoppers to share their shopping experiences to strengthen the mall's social media engagement.



A series of exhibitions in the Golden Week was held for the public to enjoy the nostalgia of CapitaMall Minzhongleyuan's rich heritage.



The introduction of B.Duck at Rock Square attracted throngs of shoppers, boosting the mall's popularity in Guangzhou.



CapitaMall Qibao organised a series of activities, such as candy hunts, DIY handicraft, mall tour and other interactive games, to engage children during its 12th year anniversary celebrations.



## MARKETING & PROMOTIONS



Exciting host of live performances were organised at CapitaMall Xinnan to usher in the new year with a bang.



In partnership with SISYPHE at CapitaMall Wangjing, fans of Ali the Fox participated in the book launch party, which included a meet-and-greet session with the author.



A grand gaming competition was held at CapitaMall Minzhongleyuan where gamers could compete against one another to win the top prize. Targeting the millennials, the event captivated the audience as they were able to watch the action through the large screens set up to show exciting snippets of the game.



CapitaMall Grand Canyon celebrated its eighth year anniversary with a fun-filled outdoor festival comprising of dance performances and fashion parades for children.



CapitaMall Xizhimen celebrated the annual Lantern Festival with fun-filled activities including lantern painting, guessing of riddles and more.




CapitaMall Saihan organised the first Christmas lights event at FUNBOX, the newly-opened connector that was built as part of the mall's L4 rooftop AEI to enhance experiential shopping. The novelty concept, along with other attractions such as the inverted Christmas tree, light displays, snow show and live band, became a hot spot for shoppers to capture memorable selfies and to soak in the festive spirit.





# FINANCIAL STATEMENTS

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100	Independent Auditors' Report
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104	Statements of Total Return
105	Distribution Statements
107	Statements of Movements in Unitholders' Funds
108	Portfolio Statement
110	Consolidated Statement of Cash Flows
113	Notes to the Financial Statements



# REPORT OF THE TRUSTEE

Year ended 31 December 2018

HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of CapitaLand Retail China Trust (the “Trust”) in trust for the Unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of CapitaLand Retail China Trust Management Limited (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed dated 23 October 2006 (as amended by a first supplemental deed dated 8 November 2006, a second supplemental deed dated 15 April 2010, a third supplemental deed dated 5 April 2012, a fourth supplemental deed dated 14 February 2014, a fifth supplemental deed dated 6 May 2015, a sixth supplemental deed dated 29 April 2016 and a seventh supplemental deed dated 5 June 2018) (collectively the “Trust Deed”) between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages 103 to 177, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

**For and on behalf of the Trustee,  
HSBC Institutional Trust Services (Singapore) Limited**



**Tan Ling Cher**  
*Authorised Signatory*

**Singapore**  
18 February 2019

# STATEMENT BY THE MANAGER

Year ended 31 December 2018

In the opinion of the directors of CapitaLand Retail China Trust Management Limited (the “Manager”), the accompanying financial statements set out on pages 103 to 177 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in Unitholders’ funds of the CapitaLand Retail China Trust (the “Trust”) and its subsidiaries (the “Group”) and of the Trust, the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust and the portfolio of the Group as at 31 December 2018, the total return, distributable income and movements in Unitholders’ funds of the Group and of the Trust and cash flows of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “*Reporting Framework for Unit Trusts*” issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

**For and on behalf of the Manager,  
CapitaLand Retail China Trust Management Limited**



**Tan Tze Wooi**  
*Director*

**Singapore**  
18 February 2019

# INDEPENDENT AUDITORS' REPORT

Unitholders of CapitaLand Retail China Trust  
(Constituted under a trust deed dated 23 October 2006 (as amended) in the Republic of Singapore)

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of CapitaLand Retail China Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position of the Trust as at 31 December 2018, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in Unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 103 to 177.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the portfolio holdings of the Group and the financial position of the Trust as at 31 December 2018 and the consolidated total return, consolidated distributable income, consolidated movements in Unitholders' funds and consolidated cash flows of the Group and the total return, distributable income, and movements in Unitholders' funds of the Trust for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts*" ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

### *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 these requirements and 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 Portfolio Statement and Note 4 to the financial statements)

### *Risk*

The Group owns and invests in a portfolio of 11 shopping malls located in 8 cities in China. Investment properties represent the largest asset item on the consolidated statement of financial position, at S\$2.44 billion as at 31 December 2018 (2017: S\$2.44 billion).

The investment properties are stated at their fair value based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodologies and in estimating the underlying assumptions to be applied in the valuations. Any changes in the key assumptions applied could result in a material impact to the financial statements.

# INDEPENDENT AUDITORS' REPORT

Unitholders of CapitaLand Retail China Trust  
(Constituted under a trust deed dated 23 October 2006 (as amended) in the Republic of Singapore)

## *Our response*

We evaluated the objectivity, qualifications and competence of the external valuers and discussed with the valuers to understand their valuation approaches, assumptions used and bases of valuations. We considered the valuation methodologies against those applied by other valuers for similar property types.

We compared the projected cash flows used in the valuations to lease agreements and other supporting documents. We evaluated the appropriateness of the discount, capitalisation and terminal yield rates used in the valuation by comparing these against historical trends and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected ranges, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

## *Our findings*

The Group has a structured process in appointing external valuers and in reviewing, challenging and accepting their valuations. The valuers are members of generally-recognised professional bodies for valuers. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are supported by market data.

## *Other information*

CapitaLand Retail China Trust Management Limited, the Manager of the Trust (the "Manager"), 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 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.

## *Responsibility of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager 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 the Manager either intends to terminate the Group or to cease operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

## *Auditors' responsibility 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

Unitholders of CapitaLand Retail China Trust  
(Constituted under a trust deed dated 23 October 2006 (as amended) in the Republic of Singapore)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

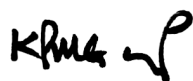
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 the Manager.
- Conclude on the appropriateness of the Manager'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 Manager 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 Manager with a statement that we have complied with relevant ethical requirements regarding independence, and 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 Manager, 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.

The engagement partner on the audit resulting in this independent auditors' report is Lim Pang Yew, Victor.



**KPMG LLP**  
*Public Accountants and  
Chartered Accountants*

**Singapore**  
18 February 2019

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current assets</b>					
Investment properties	4	2,439,106	2,441,024	–	–
Plant and equipment	5	2,335	2,962	–	–
Subsidiaries	6	–	–	1,581,896	1,320,937
Interest in joint venture	7	257,679	–	–	–
Financial derivatives	12	1,048	309	1,048	309
Other receivables	8	1,457	1,536	–	–
		<b>2,701,625</b>	<b>2,445,831</b>	<b>1,582,944</b>	<b>1,321,246</b>
<b>Current assets</b>					
Non-trade amounts due from subsidiaries	6	–	–	5,777	5,108
Financial derivatives	12	124	127	124	127
Trade and other receivables	8	107,037	35,595	330	25,562
Cash and cash equivalents	9	173,904	186,515	879	9,630
		<b>281,065</b>	<b>222,237</b>	<b>7,110</b>	<b>40,427</b>
<b>Total assets</b>		<b>2,982,690</b>	<b>2,668,068</b>	<b>1,590,054</b>	<b>1,361,673</b>
<b>Current liabilities</b>					
Trade and other payables	10	60,670	59,191	8,525	4,964
Security deposits		25,320	21,518	–	–
Financial derivatives	12	71	5,360	71	5,360
Interest-bearing borrowings	11	161,244	–	161,244	–
Provision for taxation		3,850	6,555	15	7
		<b>251,155</b>	<b>92,624</b>	<b>169,855</b>	<b>10,331</b>
<b>Non-current liabilities</b>					
Financial derivatives	12	2,951	2,443	2,951	2,443
Other payables	10	313	372	–	–
Security deposits		29,279	29,300	–	–
Interest-bearing borrowings	11	876,778	747,507	876,778	747,507
Deferred tax liabilities	13	250,652	227,734	–	–
		<b>1,159,973</b>	<b>1,007,356</b>	<b>879,729</b>	<b>749,950</b>
<b>Total liabilities</b>		<b>1,411,128</b>	<b>1,099,980</b>	<b>1,049,584</b>	<b>760,281</b>
<b>Net assets</b>		<b>1,571,562</b>	<b>1,568,088</b>	<b>540,470</b>	<b>601,392</b>
Represented by:					
Unitholders' funds	14	1,553,220	1,548,771	540,470	601,392
Non-controlling interest	15	18,342	19,317	–	–
		<b>1,571,562</b>	<b>1,568,088</b>	<b>540,470</b>	<b>601,392</b>
<b>Units in issue ('000)</b>	16	<b>980,549</b>	<b>966,226</b>	<b>980,549</b>	<b>966,226</b>
<b>Net asset value per Unit attributable to Unitholders (\$)</b>		<b>1.58</b>	<b>1.60</b>	<b>0.55</b>	<b>0.62</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF TOTAL RETURN

Year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Gross rental income		206,586	212,859	–	–
Other income		16,153	16,331	–	–
<b>Gross revenue</b>		<b>222,739</b>	<b>229,190</b>	<b>–</b>	<b>–</b>
Land rental		(5,747)	(5,940)	–	–
Property related tax		(20,616)	(23,806)	–	–
Business tax		(1,207)	(1,234)	–	–
Property management fees and reimbursables		(14,136)	(13,880)	–	–
Other property operating expenses	18	(33,610)	(35,118)	–	–
<b>Total property operating expenses</b>		<b>(75,316)</b>	<b>(79,978)</b>	<b>–</b>	<b>–</b>
<b>Net property income</b>		<b>147,423</b>	<b>149,212</b>	<b>–</b>	<b>–</b>
Manager's management fees					
– Base fee	19	(7,690)	(6,973)	(7,690)	(6,973)
– Performance fee	19	(6,383)	(5,948)	(6,383)	(5,948)
Manager's acquisition fee		–	–	(3,488)	–
Manager's divestment fee		–	–	–	(1,162)
Trustee's fees		(464)	(423)	(464)	(423)
Audit fees		(415)	(408)	(159)	(138)
Valuation fees		(190)	(202)	–	–
Other trust operating (expense)/income	20	(1,056)	(579)	(486)	606
Dividend income		–	–	4,104	161,891
Foreign exchange (loss)/gain – realised		(138)	(636)	162	(7,577)
Finance income		6,738	2,418	18,799	18,950
Finance costs		(27,167)	(23,465)	(27,167)	(22,359)
Net finance income/(costs)	21	(20,429)	(21,047)	(8,368)	(3,409)
<b>Net income/(loss) before share of results of joint venture</b>		<b>110,658</b>	<b>112,996</b>	<b>(22,772)</b>	<b>136,867</b>
Share of results (net of tax) of joint venture		7,249	–	–	–
<b>Net income/(loss)</b>		<b>117,907</b>	<b>112,996</b>	<b>(22,772)</b>	<b>136,867</b>
Gain on disposal of subsidiary		–	52,227	–	–
Change in fair value of investment properties	4	68,423	41,457	–	–
Impairment of subsidiary	6	–	–	(3,835)	(8,815)
Change in fair value of financial derivatives		(1,686)	–	(8,403)	(9,857)
Foreign exchange (loss)/gain – unrealised		(625)	584	9,141	(28,141)
<b>Total return for the year before taxation</b>		<b>184,019</b>	<b>207,264</b>	<b>(25,869)</b>	<b>90,054</b>
Taxation	22	(56,549)	(64,214)	(13)	(7)
<b>Total return for the year after taxation</b>		<b>127,470</b>	<b>143,050</b>	<b>(25,882)</b>	<b>90,047</b>
<b>Attributable to:</b>					
Unitholders		128,561	144,696	(25,882)	90,047
Non-controlling interest	15	(1,091)	(1,646)	–	–
<b>Total return for the year after taxation</b>		<b>127,470</b>	<b>143,050</b>	<b>(25,882)</b>	<b>90,047</b>
<b>Earnings per Unit (cents)</b>	23				
– Basic		<b>13.22</b>	<b>16.21</b>		
– Diluted		<b>13.16</b>	<b>16.14</b>		

The accompanying notes form an integral part of these financial statements.

# DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Amount available for distribution to Unitholders at beginning of the year</b>		<b>8,491</b>	<b>41,389</b>	<b>8,491</b>	<b>41,389</b>
Total return for the year attributable to Unitholders		128,561	144,696	(25,882)	90,047
Distribution adjustments	A	(34,820)	(57,260)	119,623	(2,611)
Income for the year available for distribution to Unitholders		93,741	87,436	93,741	87,436
Capital distribution <sup>1</sup>		6,000	3,700	6,000	3,700
Distributable amount to Unitholders	B	99,741	91,136	99,741	91,136
<b>Amount available for distribution to Unitholders</b>		<b>108,232</b>	<b>132,525</b>	<b>108,232</b>	<b>132,525</b>
<b>Distribution to Unitholders during the year:</b>					
– Distribution of 0.83 cents per Unit for the period from 7 December 2017 to 31 December 2017		(8,020)	–	(8,020)	–
– Distribution of 5.39 cents per Unit for the period from 1 January 2018 to 30 June 2018		(52,280)	–	(52,280)	–
– Distribution of 4.73 cents per Unit for the period from 1 July 2016 to 31 December 2016		–	(41,136)	–	(41,136)
– Distribution of 5.36 cents per Unit for the period from 1 January 2017 to 30 June 2017		–	(47,637)	–	(47,637)
– Advance distribution of 3.91 cents per Unit for the period from 1 July 2017 to 6 December 2017		–	(35,261)	–	(35,261)
		(60,300)	(124,034)	(60,300)	(124,034)
<b>Amount available for distribution to Unitholders at end of the year</b>	*	<b>47,932</b>	<b>8,491</b>	<b>47,932</b>	<b>8,491</b>
<b>Distribution per Unit (cents)</b>	*	<b>10.22</b>	<b>10.10</b>		

<sup>1</sup> Comprises partial distribution of the gain from the disposal of Anzhen SPV.

\* The Distribution per Unit relates to the distributions in respect of the relevant financial year. The distribution relating to 1 July 2018 to 31 December 2018 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

The accompanying notes form an integral part of these financial statements.

# DISTRIBUTION STATEMENTS

Year ended 31 December 2018

## Note A – Distribution adjustments

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Distribution adjustment items:</b>				
– Gain on disposal of subsidiary, net of tax	–	(37,314)	–	–
– Foreign exchange capital loss realised	–	851	–	156
– Manager's management fees (performance component paid/payable in Units)	6,383	5,995	6,383	5,995
– Change in fair value of financial derivatives	1,686	–	8,403	9,857
– Change in fair value of investment properties <sup>1</sup>	(68,442)	(43,247)	–	–
– Deferred taxation <sup>1</sup>	29,764	21,129	–	–
– Transfer to general reserve	(6,188)	(6,086)	–	–
– Unrealised foreign exchange loss/(gain) <sup>1</sup>	289	(317)	(9,141)	28,141
– Other adjustments <sup>1</sup>	1,336	1,729	–	–
– Adjustments for share of results (net of tax) of joint venture	352	–	–	–
– Net overseas income not distributed/(distributed) to the Trust	–	–	113,978	(46,760)
<b>Net effect of distribution adjustments</b>	<b>(34,820)</b>	<b>(57,260)</b>	<b>119,623</b>	<b>(2,611)</b>

<sup>1</sup> Excludes non-controlling interest's share.

## Note B – Distributable amount to Unitholders

		Group		Trust	
	Note	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>Comprises:</b>					
– from operations		(20,236)	87,436	(20,236)	87,436
– from Unitholders' contribution		113,977	–	113,977	–
		93,741	87,436	93,741	87,436
– from capital distribution		6,000	3,700	6,000	3,700
<b>Total Unitholders' distribution</b>	<b>17</b>	<b>99,741</b>	<b>91,136</b>	<b>99,741</b>	<b>91,136</b>



# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Operations</b>				
Unitholders' funds as at beginning of the year	1,548,771	1,431,811	601,392	489,969
Change in Unitholders' funds resulting from operations	128,561	144,696	(25,882)	90,047
Transfer to general reserve	(6,188)	(6,086)	–	–
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b>122,373</b>	<b>138,610</b>	<b>(25,882)</b>	<b>90,047</b>
<b>Movements in hedging reserve</b>				
Effective portion of changes in fair value of cash flow hedges	2,886	(3,704)	2,886	(3,704)
<b>Movements in foreign currency translation reserve</b>				
Translation differences from financial statements of foreign operations	(77,960)	(6,917)	–	–
Exchange differences on monetary items forming part of net investment in foreign operations	(4,396)	(32,337)	–	–
Exchange differences on hedges of net investment in foreign operations	(6,716)	(9,858)	–	–
<b>Net (loss)/gain recognised directly in Unitholders' funds</b>	<b>(86,186)</b>	<b>(52,816)</b>	<b>2,886</b>	<b>(3,704)</b>
<b>Movement in general reserve</b>	<b>6,188</b>	<b>6,086</b>	<b>–</b>	<b>–</b>
<b>Unitholders' transactions</b>				
New Units issued	–	103,800	–	103,800
Creation of Units paid/payable to manager				
– Units issued and to be issued as satisfaction of the portion of Manager's management fees payable in Units	6,383	5,995	6,383	5,995
Units issued in respect of the distribution reinvestment plan	15,991	41,419	15,991	41,419
	22,374	151,214	22,374	151,214
Distributions to Unitholders	(60,300)	(124,034)	(60,300)	(124,034)
Equity issue expenses	–	(2,100)	–	(2,100)
<b>Net (decrease)/increase in net assets resulting from Unitholders' transactions</b>	<b>(37,926)</b>	<b>25,080</b>	<b>(37,926)</b>	<b>25,080</b>
<b>Unitholders' funds as at end of the year</b>	<b>1,553,220</b>	<b>1,548,771</b>	<b>540,470</b>	<b>601,392</b>

The accompanying notes form an integral part of these financial statements.

# PORTFOLIO STATEMENT

Year ended 31 December 2018

Description of leasehold property	Location	Term of lease (years)	Remaining term of lease (years)	Valuation		Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
				RMB'000	RMB'000	\$'000	\$'000	%	%
<b>Group</b>									
CapitaMall Xizhimen	No. 1, Xizhimenwai Road, Xicheng District, Beijing	40 – 50	26 – 36	3,293,000	3,075,000	650,104	627,085	41.9	40.5
CapitaMall Wangjing	No. 33, Guangshun North Road, Chaoyang District, Beijing	38 – 48	24 – 34	2,543,000	2,375,000	502,039	484,334	32.3	31.3
CapitaMall Grand Canyon	No. 16, South Third Ring West Road, Fengtai District, Beijing	40 – 50	26 – 36	2,095,000	2,090,000	413,595	426,215	26.6	27.5
CapitaMall Xinnan	No. 99, Shenghe Yi Road, Gaoxin District, Chengdu, Sichuan Province	40	29	1,550,000	1,536,000	306,001	313,236	19.7	20.2
CapitaMall Erqi	No. 3, Minzhu Road, Erqi District, Zhengzhou, Henan Province	38	23	645,000	638,000	127,336	130,107	8.2	8.4
CapitaMall Shuangjing	No. 31, Guangqu Road, Chaoyang District, Beijing	40	24	590,000	583,000	116,478	118,891	7.5	7.7
CapitaMall Minzhongleyuan <sup>1</sup>	No. 704, Zhongshan Avenue, Jiangnan District, Wuhan, Hubei Province	40	25 – 27	515,911	528,911	101,851	107,861	6.6	7.0
CapitaMall Qibao <sup>2</sup>	No. 3655, Qixin Road, Minhang District, Shanghai	39	24	470,000	495,000	92,787	100,945	6.0	6.5
Balance carried forward				11,701,911	11,320,911	2,310,191	2,308,674	148.8	149.1

# PORTFOLIO STATEMENT

Year ended 31 December 2018

Description of leasehold property	Location	Term of lease (years)	Remaining term of lease (years)	Valuation		Valuation		Percentage of Unitholders' funds	
				2018	2017	2018	2017	2018	2017
				RMB'000	RMB'000	\$'000	\$'000	%	%
<b>Group</b>									
Balance brought forward				11,701,911	11,320,911	2,310,191	2,308,674	148.8	149.1
CapitaMall Saihan	No. 32, Ordos Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region	35	22	460,000	456,000	90,813	92,992	5.8	6.0
CapitaMall Wuhu	No. 37, Zhongshan North Road, Jinghu District, Wuhu, Anhui Province	40	25	193,000	193,000	38,102	39,358	2.4	2.5
Investment properties, at valuation				12,354,911	11,969,911	2,439,106	2,441,024	157.0	157.6
Investment in joint venture (Note 7)						257,679	–	16.6	–
Other assets and liabilities (net)						(1,125,223)	(872,936)	(72.4)	(56.4)
						1,571,562	1,568,088	101.2	101.2
Net assets attributable to non-controlling interest						(18,342)	(19,317)	(1.2)	(1.2)
Net assets attributable to Unitholders						1,553,220	1,548,771	100.0	100.0

## Notes:

- The carrying amount of CapitaMall Minzhongleyuan includes the valuation of the retail mall and carrying amount of three residential units.
- CapitaMall Qibao is held under a master lease by CapitaRetail Dragon Mall (Shanghai) Co., Ltd, a subsidiary of CapitaRetail China Investments (B) Alpha Pte. Ltd. The master lease was entered with Shanghai Jin Qiu (Group) Co., Ltd ("Jin Qiu"), the legal owner of CapitaMall Qibao and expires in January 2024, with the right to renew for a further term of 19 years and two months from January 2024 at the option of the Group. Accordingly, the land use rights is held by Jin Qiu.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 \$'000	2017 \$'000
<b>Operating activities</b>			
Total return for the year after taxation		127,470	143,050
Adjustments for:			
Finance income		(6,738)	(2,418)
Finance costs		27,167	23,465
Depreciation and amortisation		1,282	1,727
Taxation		56,549	64,214
Manager's management fees payable in Units	A(i)	6,383	5,995
Plant and equipment written off		97	47
Change in fair value of investment properties		(68,423)	(41,457)
Change in fair value of financial derivatives		1,686	–
Share of results (net of tax) of joint venture		(7,249)	–
Gain on disposal of subsidiary		–	(52,227)
(Write back)/Impairment losses on trade receivables, net		(120)	131
<b>Operating income before working capital changes</b>		<b>138,104</b>	<b>142,527</b>
<b>Changes in working capital:</b>			
Trade and other receivables		431	(1,247)
Trade and other payables		3,372	2,247
<b>Cash generated from operating activities</b>		<b>141,907</b>	<b>143,527</b>
Income tax paid		(24,145)	(27,267)
<b>Net cash from operating activities</b>		<b>117,762</b>	<b>116,260</b>
<b>Investing activities</b>			
Interest received		2,425	2,418
Deposit paid for the acquisition of joint venture		–	(25,525)
Proceeds from disposal of subsidiary, net of tax	C	–	216,754
Capital expenditure on investment properties	A(ii)	(10,642)	(14,146)
Proceeds from disposal of plant and equipment		7	–
Net cash outflow on acquisition of subsidiaries	B	–	(3,510)
Net cash outflow on acquisition of joint venture	D	(229,312)	–
Loan to joint venture		(98,128)	–
Purchase of plant and equipment		(758)	(999)
<b>Net cash (used in)/from investing activities</b>		<b>(336,408)</b>	<b>174,992</b>
<b>Financing activities</b>			
Proceeds from issuance of new Units		–	103,800
Distribution to Unitholders		(44,309)	(82,615)
Payment of equity issue expenses		(82)	(1,535)
Payment of financing expenses		(1,850)	(2,005)
Proceeds from draw down of interest-bearing borrowings		590,850	517,900
Repayment of interest-bearing borrowings		(299,600)	(745,969)
Settlement of derivative contracts		(10,881)	(6,246)
Interest paid		(22,458)	(22,132)
<b>Net cash from/(used in) financing activities</b>		<b>211,670</b>	<b>(238,802)</b>
<b>Decrease/Increase in cash and cash equivalents</b>		<b>(6,976)</b>	<b>52,450</b>
Cash and cash equivalents at 1 January		186,515	136,137
Effect of foreign exchange rate changes on cash balances		(5,635)	(2,072)
<b>Cash and cash equivalents at 31 December</b>	10	<b>173,904</b>	<b>186,515</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

## Notes:

### (A) Significant non-cash and other transactions

- (i) \$6.4 million in 2018 relating to the performance component of the Manager's management fee will be paid through the issue of new Units subsequent to the year end.

\$6.0 million in 2017 relating to the performance component of the Manager's management fee was paid through the issuance of 3,720,617 new Units in March 2018.

- (ii) The Group enhanced its investment properties during the year, of which \$5.0 million (2017: \$5.8 million) was paid. During the year, the Group paid \$5.6 million (2017: \$8.3 million) of the prior years unpaid balance.

### (B) Net cash outflow on the acquisition of subsidiaries

The balance final consideration of \$3.5 million for acquisition of subsidiaries was fully paid in 2017.

### (C) Net cash inflow on the divestment of subsidiary

Net cash inflow on divestment of subsidiary is provided below:

	2017 Group \$'000
Investment properties	202,161
Cash	2,676
Trade and other receivables	4,227
Trade and other payables	(637)
Deferred tax liabilities	(25,782)
Provision for taxation	(529)
<b>Net identifiable assets and liabilities divested</b>	<b>182,116</b>
Gain on disposal of subsidiary	52,227
Sale consideration	234,343
Tax paid	(14,913)
Cash of subsidiary divested	(2,676)
<b>Net cash inflow</b>	<b>216,754</b>

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

**(D) Net cash outflow on the acquisition of joint venture**

Net cash outflow on acquisition of joint venture is provided below:

	<b>2018 Group \$'000</b>
Investment properties	346,641
Cash	11,446
Plant and equipment	17
Trade and other receivables	1,804
Trade and other payables	(5,279)
Bank loans	(96,053)
Security deposits	(3,739)
<b>Net identifiable assets and liabilities acquired</b>	<b>254,837</b>
Deposit paid	(25,525)
<b>Net cash outflow</b>	<b>229,312</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 18 February 2019.

## 1. GENERAL

CapitaLand Retail China Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 23 October 2006 (as amended by a first supplemental deed dated 8 November 2006, a second supplemental deed dated 15 April 2010, a third supplemental deed dated 5 April 2012, a fourth supplemental deed dated 14 February 2014, a fifth supplemental deed dated 6 May 2015, a sixth supplemental deed dated 29 April 2016 and a seventh supplemental deed dated 5 June 2018) (collectively the "Trust Deed") between CapitaLand Retail China Trust Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries (the "Group") in trust for the holders ("Unitholders") of Units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 8 December 2006 (the "Listing Date") and was included under the Central Provident Fund ("CPF") Investment Scheme on 8 December 2006.

For financial reporting purposes, the Group is regarded as a controlled entity of CapitaLand Mall Asia Limited (immediate holding company). Accordingly, the ultimate holding Company is CapitaLand Limited. The immediate and ultimate holding companies are incorporated in the Republic of Singapore.

The principal activities of the Trust are those relating to investment in a diversified portfolio of income-producing properties located primarily in the People's Republic of China ("China"), Hong Kong and Macau and used primarily for retail purposes.

The principal activities of the subsidiaries are those of investment holding of properties located in China and used for retail purposes.

The Group has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures for these services are as follows:

### (a) Trustee's fees

Pursuant to Clause 14.3 of the Trust Deed, the Trustee's fee shall not exceed 0.03% per annum of the value of all the assets of the Group ("Deposited Property"), subject to a minimum of \$15,000 per month, excluding out-of-pocket expenses and Goods and Service Tax.

### (b) Manager's management fees

The Manager is entitled under Clauses 14.1.3, 14.1.4 and 14.1.6 of the Trust Deed to the following management fees:

- a base fee of 0.25% per annum of the value of the Deposited Property;
- a performance fee of 4.0% per annum of the net property income in the relevant financial year (calculated before accounting for the performance fee in that financial year); and
- an authorised investment management fee of 0.5% per annum of the value of authorised investments which are not real estate. Where such authorised investment is an interest in a property fund (either a real estate investment trust or private property fund) wholly managed by a wholly-owned subsidiary of CapitaLand Limited, no authorised investment management fee shall be payable in relation to such authorised investment.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 1. GENERAL (continued)

### (b) Manager's management fees (continued)

The Manager may, in accordance with Clause 14.1.8(i) of the Trust Deed elect to receive the management fees in cash or Units or a combination of cash and/or Units (as it may in its sole discretion determine). Pursuant to Clauses 14.1.3 and 14.1.4 of the Trust Deed, the base fee and performance fee are computed and payable on a quarterly and annual basis respectively.

### (c) Property management fees

Under the property management agreements in respect of each property, the property managers will provide lease management services, property tax services and marketing co-ordination services in relation to that property. The property managers are entitled to the following fees:

- 2.0% per annum of the gross revenue;
- 2.0% per annum of the net property income; and
- 0.5% per annum of the net property income in lieu of leasing commissions otherwise payable to the property managers and/or third party agents.

### (d) Acquisition fee

For any authorised investment acquired from time to time by the Trustee on behalf of the Trust, the acquisition fee payable to the Manager under Clause 14.2 of the Trust Deed shall be:

- up to 1.5% of the purchase price in the case of any authorised investment (as defined in the Trust Deed) acquired by the Trust for less than \$200 million; and
- 1.0% of the purchase price in the case of any authorised investment acquired by the Trust for \$200 million or more.

The acquisition fee payable in respect of any authorised investment acquired from time to time by the Trustee on behalf of the Trust from CapitaLand Mall China Income Fund I, CapitaLand Mall China Income Fund II, CapitaLand Mall China Income Fund III, CapitaLand Mall China Development Fund III, or CapitaLand Mall Asia Limited shall be 1.0% of the purchase price paid by the Trust.

No acquisition fee was payable for the acquisition of the initial property portfolio of the Trust.

The acquisition fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) at the prevailing market price provided that in respect of any acquisition of real estate assets from interested parties, such a fee should, if required by the applicable laws, rules and/or regulations, be in the form of Units issued by the Trust at prevailing market price(s) and subject to such transfer restrictions as may be imposed.

Any payment to third party agents or brokers in connection with the acquisition of any authorised investments for the Trust shall be paid by the Manager to such persons out of the Deposited Property of the Trust or the assets of the relevant special purpose vehicle, and not out of the acquisition fee received or to be received by the Manager.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 1. GENERAL (continued)

### (e) Divestment fee

Under Clause 14.2 of the Trust Deed, the Manager is entitled to receive a divestment fee of 0.5% of the sale price of any authorised investment disposed directly or indirectly by the Trust, prorated if applicable to the proportion of the Trust's interest.

The divestment fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) at the prevailing market price provided that in respect of any divestment of real estate assets to interested parties, such a fee should, if required by the applicable laws, rules and/or regulations, be in the form of Units issued by the Trust at prevailing market price(s) and subject to such transfer restrictions as may be imposed.

Any payment to third party agents or brokers in connection with the divestment of any authorised investments for the Trust shall be paid by the Manager to such persons out of the Deposited Property of the Trust or the assets of the relevant special purpose vehicle, and not out of the divestment fee received or to be received by the Manager.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 *"Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("FRS").

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items on the statement of financial position:

- investment properties are measured at fair value; and
- derivative financial instruments are measured at fair value.

### (c) Functional and presentation currency

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"). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Trust. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 2. BASIS OF PREPARATION (continued)

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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.

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 – Valuation of investment properties; and
- Note 28 – Valuation of financial instruments.

### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – Investment properties; and
- Note 28 – Valuation of financial instruments.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 2. BASIS OF PREPARATION (continued)

### (e) Changes in accounting policies

The Group has applied principles under the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2018:

- FRS 115 *Revenue from Contracts with Customers*; and
- FRS 109 *Financial Instruments*.

Due to the transition methods chosen by the Group in applying the principles under these standards, comparative information throughout these financial statements has not been restated to reflect the principles of the new standards.

#### (i) Revenue from Contracts with Customers

FRS 115 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 adopted the principles under FRS 115 in its financial statements using the retrospective approach.

#### (ii) Financial Instruments

FRS 109 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted the principles under FRS 109 from 1 January 2018.

Additionally, the Group has adopted the consequential amendments to the principles under FRS 107 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of the principles under FRS 109 have been generally applied by the Group retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of the principles under FRS 109 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the principles of FRS 109 but rather those of FRS 39.
- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through the statement of total return; and
  - The designation of an equity investment that is not held for trading as at fair value through other comprehensive income ("FVOCI").

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 2. BASIS OF PREPARATION (continued)

### (e) Changes in accounting policies (continued)

#### (ii) Financial Instruments (continued)

- Changes to hedge accounting policies are applied prospectively. All hedging relationships designated using the principles under FRS 39 at 31 December 2017 met the criteria for hedge accounting using the principles under FRS 109 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

The impact upon adoption of the principles under FRS 109, including the corresponding tax effects, are described below.

#### *Classification of financial assets and financial liabilities*

FRS 109 contains these principal classification categories for financial assets: measured at amortised cost, FVOCI and fair value through the statement of total return. The classification of financial assets using the principles under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale.

FRS 109 largely retains the existing principles of FRS 39 for the classification and measurement of financial liabilities.

The adoption of the principles under FRS 109 has not had a significant effect on the Group's accounting policies for financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial assets and related gains and losses using the principles under FRS 109, see Note 3(c)(ii).

The following table and the accompanying notes below explain the original measurement categories using the principles under FRS 39 and the new measurement categories using the principles under FRS 109 for each class of the Group's and the Trust's financial assets as at 1 January 2018.

Group	Original classification using the principles under FRS 39	New classification using the principles under FRS 109	1 January 2018	
			Original carrying amount using the principles under	New carrying amount using the principles under
			FRS 39	FRS 109
			\$'000	\$'000
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortised cost	31,763	31,763
Cash and cash equivalents	Loans and receivables	Amortised cost	186,515	186,515
<b>Total financial assets</b>			<b>218,278</b>	<b>218,278</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 2. BASIS OF PREPARATION (continued)

### (e) Changes in accounting policies (continued)

#### (ii) Financial Instruments (continued)

Trust			1 January 2018	
	Original classification using the principles under FRS 27/FRS 39	New classification using the principles under FRS 109	Original carrying amount using the principles under FRS 27/ FRS 39 \$'000	New carrying amount using the principles under FRS 109 \$'000
<b>Financial assets</b>				
Loans to subsidiaries	Net investment in subsidiaries	Amortised cost	333,054	333,054
Non-trade amounts due from subsidiaries	Net investment in subsidiaries	Amortised cost	427,497	427,497
Non-trade amounts due from subsidiaries	Loans and receivables	Amortised cost	5,108	5,108
Trade and other receivables	Loans and receivables	Amortised cost	25,562	25,562
Cash and cash equivalents	Loans and receivables	Amortised cost	9,630	9,630
<b>Total financial assets</b>			<b>800,851</b>	<b>800,851</b>

#### *Impairment of financial assets*

FRS 109 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group measure the allowance for impairment is described in Note 8.

#### *Hedging accounting*

The Group had elected to adopt the new general hedge accounting model using the principles under FRS 109. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For an explanation of how the Group applies hedge accounting using the principles under FRS 109, see Note 3(c)(vi).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2(e), which addresses changes in accounting policies.

### (a) Basis of consolidation

#### (i) 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 those 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.

Where the Group acquires an asset or a group of assets that does not constitute a business, the cost of the investment is allocated to the individual identifiable assets acquired and liabilities assumed at the date of acquisition.

#### (ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the statement of total return. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### (iii) Joint ventures

A joint venture is an arrangement in which 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.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

#### (iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or 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.

#### (v) Accounting for subsidiaries by the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the exchange rates at the date that 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 on translation are recognised in the statement of total return, except for foreign currency differences arising from the translation of financial liabilities designated as hedges of the net investment in a foreign operation to the extent that the hedge is effective, and qualifying cash flow hedges to the extent that the hedge is effective (see Note 3(c)(vi)).

#### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve in Unitholders' funds. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the statement of total return 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 NCI. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to the statement of total return.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in Unitholders' funds and are presented in the foreign currency translation reserve.

### (c) Financial instruments

#### (i) Initial recognition

##### *Non-derivative financial assets and financial liabilities*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (ii) Classification and measurement

##### *Non-derivative financial assets – Policy applicable from 1 January 2018*

The Group classifies its non-derivative financial assets into the following measurement categories: Amortised costs.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

##### ***Financial assets at amortised cost***

Financial assets at amortised cost comprise non-trade amounts due from subsidiaries, trade and other receivables (excluding prepayments), and cash and cash equivalents.

##### *Initial measurement*

A financial asset at amortised cost is initially measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

##### *Subsequent measurement*

Financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss on derecognition is recognised in the statement of total return.

##### *Non-derivative financial assets – Policy applicable before 1 January 2018*

The Group classified non-derivative financial assets into the following categories: loans and receivables.

##### ***Loans and receivables***

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised amounts due from subsidiaries, trade and other receivables (excluding prepayments), and cash and cash equivalents.

##### ***Non-derivative financial liabilities***

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise trade and other payables, security deposits and interest-bearing borrowings.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (iii) Derecognition

##### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of total return.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

#### (vi) Derivative financial instruments and hedge accounting

##### *Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018*

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in the statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of total return.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (vi) Derivative financial instruments and hedge accounting (continued)

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated using the principles under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the principles of FRS 109.

#### *Cash flow hedges*

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised and presented in the hedging reserve in Unitholders' fund. The effective portion of changes in the fair value of the derivative that is recognised in the hedging reserve is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of total return.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to the statement of total return in the same period or periods during which the hedged expected future cash flows affect the statement of total return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the statement of total return in the same period or periods as the hedged expected future cash flows affect the statement of total return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to the statement of total return.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (vi) Derivative financial instruments and hedge accounting (continued)

##### ***Net investment hedges***

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on net investments in foreign operations.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised and presented in the foreign currency translation reserve in Unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains or losses on the non-derivative is recognised immediately in the statement of total return. The amount recognised in translation reserve is reclassified to the statement of total return as a reclassification adjustment on disposal of the foreign operation.

##### *Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018*

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. Furthermore, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to the statement of total return in the same period or periods during which the hedged expected future cash flows affected the statement of total return.

### (d) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both. Investment properties are accounted for as non-current assets and are stated at initial cost on acquisition and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Transaction costs are included in the initial measurement. Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year in accordance with the CIS Code issued by the MAS.

Any increase or decrease on revaluation is credited or charged to the statement of total return as a net change in fair value of the investment properties.

Subsequent expenditure relating to investment properties that have already been recognised is added to the carrying amount when 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.

All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between the net proceeds from disposal and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Plant and equipment

#### (i) Recognition and measurement

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.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains or losses arising from the retirement or disposal of plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the statement of total return on the date of retirement or disposal.

#### (ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the statement of total return as incurred.

#### (iii) Depreciation

Depreciation is recognised as an expense in the statement of total return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment as follows:

Improvement to premises	–	5 years
Plant and machinery	–	3 to 5 years
Motor vehicles	–	5 years
Furniture, fittings and equipment	–	2 to 5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

### (f) Impairment

#### (i) Non-derivative financial assets

*Policy applicable from 1 January 2018*

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Impairment (continued)

#### (i) Non-derivative financial assets (continued)

##### ***Simplified approach***

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### ***Measurement of ECLs***

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### ***Credit-impaired financial assets***

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### ***Presentation of allowance for ECLs in the statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Impairment (continued)

#### (i) Non-derivative financial assets (continued)

##### ***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### *Policy applicable before 1 January 2018*

A financial asset not carried at fair value through the statement of total return was assessed at the end of each reporting period to determine whether there is objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor would enter bankruptcy.

The Group considered evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Receivables that were not individually significant were collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group used 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 were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in the statement of total return and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through the statement of total return.

#### (ii) Joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in the statement of total return. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Impairment (continued)

#### (iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) 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 indications 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.

### (g) Unitholders' funds

Unitholders' funds represent the residual interests in the Group's net assets upon termination and are classified as equity.

Expenses incurred in connection with the issuance of Units in the Trust are deducted directly against the Unitholders' funds.

### (h) Employee benefits

#### (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of total return as incurred.

#### (ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Distribution policy

The Trust's distribution policy is to distribute at least 90.0% of its distributable income in each financial year to Unitholders, other than from the sale of properties that are determined by Inland Revenue Authority of Singapore to be trading gains.

### (j) Revenue recognition

#### (i) 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 time pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on an earned basis. No contingent rental is recognised if there are uncertainties due to the possible return of the amounts received.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (k) Lease payments

Payments made under operating leases are recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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.

### (l) Expenses

#### (i) Property expenses

Property expenses are recognised on an accrual basis.

#### (ii) Manager's management fees, property management fees and Trustee's fees

These are recognised on an accrual basis based on the applicable formula stipulated in Note 1.

### (m) Finance income and finance costs

Finance income comprises interest income recognised in the statement of total return as it accrues, using the effective interest method and gain on hedging instruments that are recognised in the statement of total return.

Finance costs comprise interest expense on borrowings and expense incurred in connection with borrowings recognised in the statement of total return, using the effective interest method over the period of the borrowings, and loss on hedging instruments that are recognised in the statement of total return.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Taxation

Taxation on the returns for the year comprises current and deferred tax. Taxation is recognised in the statement of total return except to the extent that it relates to items recognised directly in Unitholders' fund.

Current tax is the expected tax payable on the taxable income 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 is the best estimate of the tax amount expected to be paid 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; and
- temporary differences related to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the 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 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 only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits 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.

Except for the tax exemption as described below, income earned by the Trust will be subject to Singapore income tax at the Trust level at the prevailing corporate tax rate.

The Trust is exempted from Singapore income tax under Section 13(12) of the Singapore Income Tax Act on the following income:

- dividends; and
- interest on shareholders' loans,

payable by its subsidiaries in Barbados, Singapore and Hong Kong out of underlying rental income derived from the investment properties in China.

This exemption is granted subject to certain conditions, including the condition that the Trustee is a tax resident of Singapore.

The tax exemption also applies to dividends payable by these subsidiaries out of gains, if any, derived from the disposal of their shares in the subsidiaries in China.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Earnings per Unit

The Group presents basic and diluted earnings per Unit ("EPU") data for its Units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of ordinary Units outstanding during the period. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

### (p) Segment reporting

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-Makers ("CODMs").

Segment results that are reported to the CODMs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly financial derivative assets and liabilities, other receivables, cash and cash equivalents, trade and other payables, and interest-bearing borrowings.

Segment capital expenditure is the total cost incurred during the year for acquisition of plant and equipment and capital expenditure on investment properties.

### (q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the principles under the new or amended standards and interpretations in preparing these financial statements.

#### Applicable to 2019 financial statements

The Group has assessed the estimated impact that initial application of the principles under FRS 116 will have on the financial statements. The Group's assessment of using the principles under FRS 116, which is expected to have a more significant impact on the Group, is as described below.

#### FRS 116 Leases

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply the principles under FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting the principles under FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply the principles under FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with the principles under FRS 17 and INT FRS 104.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) New standards and interpretations not yet adopted (continued)

#### The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to its land leases. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of investment properties equal to its lease liabilities at 1 January 2019.

The Group expects its existing operating lease arrangements to be recognised as investment properties with corresponding lease liabilities using the principles under FRS 116. Lease payments that are increased every three to five years to reflect market rentals are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in investment properties of \$36,298,000 and an increase in lease liabilities of \$36,298,000.

The nature of expenses related to those leases will change as the principles under FRS 116 replaces the straight-line operating lease expense with interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases. The Group does not expect the adoption of the principles under FRS 116 to impact its ability to comply with the aggregate leverage limit described in Note 28.

## 4. INVESTMENT PROPERTIES

	Group	
	2018	2017
	\$'000	\$'000
At 1 January	2,441,024	2,628,353
Disposal of investment property	–	(202,161)
Expenditure capitalised	9,765	12,033
Changes in fair value	68,423	41,457
Translation differences	(80,106)	(38,658)
At 31 December	2,439,106	2,441,024

Investment properties are stated at fair value based on valuation performed by independent professional valuers having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The Manager reviews the key valuation parameters and underlying data including discount, capitalisation and terminal yield rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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 the market comparable, capitalisation and discounted cash flows approaches in arriving at the open market value as at the reporting date.

The market comparable approach involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment property.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 4. INVESTMENT PROPERTIES (continued)

The capitalisation approach is an investment approach whereby the estimated gross passing income (on both passing and market rent basis) is adjusted to reflect anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised over the remaining term of the lease from the valuation date at an appropriate capitalisation rate. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with a risk adjusted discount rates to arrive at the market value.

Fair value of the investment properties were based on independent professional full valuations carried out by the following valuers on the dates stated below:

Valuers	Valuation Date	Valuation Date
Beijing Colliers International Real Estate Valuation Co., Ltd.	31 December 2018	31 December 2017
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.	31 December 2018	31 December 2017
Knight Frank Petty Limited	31 December 2018	31 December 2017
CBRE Limited		– 31 December 2017
Savills Valuation and Professional Services (S) Pte. Ltd.		– 31 December 2017

Investment properties comprise retail properties that are held mainly for use by tenants under operating leases. Most leases contain an initial non-cancellable period of within 1 to 3 years (2017: within 1 to 3 years).

Contingent rents, representing income based on certain sales achieved by tenants, recognised in the statement of total return during the year amounted to \$10.5 million (2017: \$11.5 million).

### Level 3 fair values

The following table shows the significant unobservable inputs used in the valuation models:

Valuation methods	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation approach	<ul style="list-style-type: none"> <li>Capitalisation rates (from 4.50% to 9.50%) (2017: from 4.25% to 8.00%)</li> </ul>	The fair value increases as capitalisation rates decrease.
Discounted cash flows approach	<ul style="list-style-type: none"> <li>Discount rates (from 7.00% to 10.75%) (2017: from 7.00% to 10.75%)</li> <li>Terminal rates (from 5.50% to 6.25%) (2017: from 5.00% to 7.50%)</li> </ul>	The fair value increases as discount rates and terminal rates decrease.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 5. PLANT AND EQUIPMENT

	Improvement to premises \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2017	10,334	111	24	7,117	17,586
Additions	–	–	–	700	700
Disposal/written off	(228)	(40)	–	(508)	(776)
Translation difference on consolidation	(144)	(1)	(1)	(99)	(245)
At 31 December 2017	9,962	70	23	7,210	17,265
Additions	22	93	–	661	776
Disposal/written off	(3)	–	–	(1,094)	(1,097)
Translation difference on consolidation	(315)	(2)	(1)	(195)	(513)
At 31 December 2018	9,666	161	22	6,582	16,431
<b>Less: Accumulated depreciation</b>					
At 1 January 2017	8,491	106	21	4,934	13,552
Charge for the year	954	–	–	716	1,670
Disposal/written off	(228)	(40)	–	(461)	(729)
Translation difference on consolidation	(119)	(1)	–	(70)	(190)
At 31 December 2017	9,098	65	21	5,119	14,303
Charge for the year	594	48	–	605	1,247
Disposal/written off	(3)	–	–	(990)	(993)
Translation difference on consolidation	(307)	(3)	(1)	(150)	(461)
At 31 December 2018	9,382	110	20	4,584	14,096
<b>Carrying amounts</b>					
At 1 January 2017	1,843	5	3	2,183	4,034
At 31 December 2017	864	5	2	2,091	2,962
At 31 December 2018	284	51	2	1,998	2,335

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 6. SUBSIDIARIES

	Trust	
	2018	2017
	\$'000	\$'000
<b>Non-current assets</b>		
(a) Unquoted equity, at cost	569,201	569,201
Less: Allowance for impairment loss	(12,650)	(8,815)
	556,551	560,386
(b) Loans to subsidiaries	339,124	333,054
Non-trade amounts due from subsidiaries	686,221	427,497
	1,025,345	760,551
	1,581,896	1,320,937
<b>Current assets</b>		
(b) Non-trade amounts due from subsidiaries	5,777	5,108

Movement in allowance for impairment loss was as follows:

	Trust	
	2018	2017
	\$'000	\$'000
At 1 January	(8,815)	–
Allowance for impairment loss	(3,835)	(8,815)
At 31 December	(12,650)	(8,815)

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Place of incorporation/ business	Effective equity held by the Group	
			2018	2017
			%	%
<b>(i) Direct subsidiaries</b>				
* CapitaRetail China Investments (B) Pte. Ltd.	Investment holding	Barbados	100	100
* CapitaRetail China Investments (B) Alpha Pte. Ltd.	Investment holding	Barbados	100	100
* CapitaRetail China Investments (B) Beta Pte. Ltd.	Investment holding	Barbados	100	100
* CapitaRetail China Investments (B) Gamma Pte. Ltd.	Investment holding	Barbados	100	100
** CapitaRetail China Investments (BVI) Alpha Limited	Investment holding	British Virgin Islands	100	100
*** Somerset (Wuhan) Investments Pte Ltd	Investment holding	Singapore	100	100

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 6. SUBSIDIARIES (continued)

(a) Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Principal activities	Place of incorporation/ business	Effective equity held by the Group	
			2018 %	2017 %
(i) Direct subsidiaries (continued)				
*** CapitaLand Retail Investments (SY) Pte Ltd	Investment holding	Singapore	100	100
* BR Spicy (HK) Limited	Investment holding	Hong Kong	100	100
*** Gold Rock Investment Pte Ltd	Investment holding	Singapore	100	100
(ii) Indirect subsidiaries				
Subsidiary of CapitaRetail China Investments (B) Pte. Ltd.				
* CapitaRetail Beijing Wangjing Real Estate Co., Ltd.	Property investment	China	100	100
Subsidiaries of CapitaRetail China Investments (B) Alpha Pte. Ltd.				
* CapitaRetail Dragon Mall (Shanghai) Co., Ltd.	Property investment	China	100	100
* CapitaRetail Beijing Shuangjing Real Estate Co., Ltd.	Property investment	China	100	100
* CapitaRetail Henan Zhongzhou Real Estate Co., Ltd.	Property investment	China	100	100
* Huaxin Saihan Huhhot Real Estate Co., Ltd.	Property investment	China	100	100
Subsidiary of CapitaRetail China Investments (B) Beta Pte. Ltd.				
* CapitaRetail Beijing Xizhimen Real Estate Co., Ltd.	Property investment	China	100	100
Subsidiary of CapitaRetail China Investments (B) Gamma Pte. Ltd.				
* CapitaMalls Wuhu Commercial Property Co., Ltd.	Property investment	China	51	51
Subsidiary of Somerset (Wuhan) Investments Pte Ltd				
* Wuhan New Minzhong Leyuan Co., Ltd.	Property investment	China	100	100

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 6. SUBSIDIARIES (continued)

(a) Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Principal activities	Place of incorporation/ business	Effective equity held by the Group	
			2018 %	2017 %
(ii) Indirect subsidiaries (continued)				
Subsidiary of CapitaLand Retail Investments (SY) Pte Ltd				
* Beijing Huakun Real Estate Management Co., Ltd.	Property investment	China	100	100
Subsidiary of BR Spicy (HK) Limited				
* Spicy (Chengdu) Limited	Property investment	China	100	100

\* Audited by other member firms of KPMG International.

\*\* This subsidiary is not required to be audited by the laws of the country of incorporation.

\*\*\* Audited by KPMG LLP Singapore.

- (b) The loans to subsidiaries, amounting to \$339.1 million (2017: \$333.1 million) and the non-trade amounts due from subsidiaries amounting to \$686.2 million (2017: \$427.5 million) are unsecured and repayable with a notice period of 366 days. The remaining \$5.8 million (2017: \$5.1 million) of the non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The loans to subsidiaries bear interest rates from 5.39% to 6.37% (2017: 5.39% to 6.37%) per annum. There is no allowance for doubtful debts arising from these outstanding balances as ECL is not material.

## 7. INTEREST IN JOINT VENTURE

			Group	
			2018	2017
			\$'000	\$'000
Interest in joint venture			257,679	–
Name of joint venture	Principal activities	Place of incorporation/ business	Effective equity held by the Group	
			2018	2017
			%	%
* Gold Yield Pte. Ltd.	Investment holding	Singapore	51	–
<u>Held by joint venture</u>				
** Guangzhou Starshine Properties Co., Ltd.	Property investment	China	51	–

\* Audited by KPMG LLP Singapore.

\*\* Audited by other member firms of KPMG International.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 7. INTEREST IN JOINT VENTURE (continued)

The Group has joint control over the joint venture via the Joint Venture Agreement and has a residual interest in its net assets. Accordingly, the Group has classified its interest in Gold Yield Pte. Ltd. as a joint venture, which is equity-accounted.

The following table summarises the financial information of the Group's joint venture, based on its consolidated financial statements prepared in accordance with the principles under FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	<b>2018</b> <b>\$'000</b>
<b>Statement of income and expenditure</b>	
Revenue	33,808
Expenses	(17,020)
Net increase in fair value of investment property	4,412
Total return after tax <sup>a</sup>	<u>14,213</u>
<b>Group's share of total return</b>	<u>7,249</u>
<sup>a</sup> Includes:	
– Depreciation and amortisation	(26)
– Interest income	253
– Interest expense	(8,207)
– Taxation	<u>(6,987)</u>
<b>Statement of financial position</b>	
Non-current assets	671,367
Current assets <sup>b</sup>	47,611
Non-current liabilities <sup>c</sup>	(96,782)
Current liabilities <sup>d</sup>	<u>(116,944)</u>
<b>Net assets</b>	<u>505,252</u>
<b>Carrying amount of interest in joint venture based on percentage shareholdings</b>	<u>257,679</u>
<sup>b</sup> Includes cash and cash equivalents	44,713
<sup>c</sup> Includes non-current financial liabilities (excluding deferred tax liabilities and security deposits)	(85,049)
<sup>d</sup> Includes current financial liabilities (excluding trade and other payables and provisions)	<u>(96,578)</u>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 8. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables	2,769	1,021	–	–
Impairment losses	(41)	(238)	–	–
	2,728	783	–	–
Other receivables	2,277	4,561	158	262
Amount due from joint venture (non-trade)	96,878	–	–	–
Interest receivables	172	–	172	–
Deposits	1,083	26,419	–	25,300
Loans and receivables	103,138	31,763	330	25,562
Prepayments	5,356	5,368	–	–
	108,494	37,131	330	25,562
Current	107,037	35,595	330	25,562
Non-current	1,457	1,536	–	–
	108,494	37,131	330	25,562

As at 31 December 2017, \$25.3 million was paid and recognised as deposit for the acquisition of 51% of all the issued shares of Gold Yield Pte. Ltd. and its subsidiary which holds Rock Square, Guangzhou, China. This amounted to 10% of the total purchase consideration.

The non-trade amount due from joint venture is unsecured and repayable on demand. At the reporting date, \$92.6 million of these amount bears an effective interest rate ranging from 4.655% to 5.020% per annum and the remaining amounts are interest-free. There is no allowance for doubtful debts arising from these outstanding balances as ECL is not material.

Concentration of credit risk relating to loans and receivables is limited as the Group has many varied tenants located in several cities in China and a credit policy of obtaining security deposits from tenants for the lease of units in the Group's investment properties. These tenants comprise retailers engaged in a wide variety of consumer trades.

The maximum exposure to credit risk for loans and receivables at the reporting date (by geographical area in China) is:

	Group	
	2018 \$'000	2017 \$'000
Beijing	99,576	3,595
Shanghai	1,758	1,472
Chengdu	554	721
Others	914	407
	102,802	6,195



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 8. TRADE AND OTHER RECEIVABLES (continued)

### *Impairment losses*

The ageing of loans and receivables at the reporting date is:

	Gross		Impairment	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Not past due	102,062	30,870	–	–
Past due 1 – 30 days	214	108	–	–
Past due 31 – 60 days	614	479	–	19
Past due 61 – 90 days	154	43	–	–
More than 90 days past due	135	501	41	219
	103,179	32,001	41	238

	Gross		Impairment	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Trust</b>				
Not past due	330	25,562	–	–

### *Expected credit loss assessment for individual customers as at 1 January and 31 December 2018*

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on actual credit loss experience over the past five years.

The Manager believes that no allowance for impairment is necessary in respect of trade receivables as these receivables relate mainly to tenants that have good records with the Group or have sufficient security deposits as collateral, and hence ECL is not material.

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	Note	Group	
		2018	2017
		\$'000	\$'000
At 1 January		238	161
(Write back)/Impairment losses on trade receivables, net	18	(120)	131
Allowance utilised		(75)	(51)
Translation difference		(2)	(3)
At 31 December		41	238

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 9. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Bank balances	6,206	6,826	879	2,226
Fixed deposits with financial institutions	167,698	179,689	–	7,404
	173,904	186,515	879	9,630

## 10. TRADE AND OTHER PAYABLES

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Trade payable	1,099	1,137	6	51
Accrued operating expenses	18,867	19,485	924	1,198
Accrued development expenditure	5,585	6,098	–	–
Amounts due to related parties (trade)	2,952	2,689	1,976	1,669
Other deposits and advances	26,234	26,571	–	–
Interest payable	5,619	2,046	5,619	2,046
Other payables	627	1,537	–	–
	60,983	59,563	8,525	4,964
Current	60,670	59,191	8,525	4,964
Non-current	313	372	–	–
	60,983	59,563	8,525	4,964

Included in amounts due to related parties (trade) are amounts due to the Manager, Property and Project Managers of \$1.9 million (2017: \$1.7 million), \$0.7 million (2017: \$0.7 million) and \$nil (2017: \$0.1 million) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 11. INTEREST-BEARING BORROWINGS

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unsecured term loans	(a)	870,000	750,000	870,000	750,000
Medium term notes ("MTN")	(b)	130,000	–	130,000	–
Money market facilities		41,250	–	41,250	–
Less: Unamortised transactions costs		(3,228)	(2,493)	(3,228)	(2,493)
		1,038,022	747,507	1,038,022	747,507
Current		161,244	–	161,244	–
Non-current		876,778	747,507	876,778	747,507
		1,038,022	747,507	1,038,022	747,507

(a) As at 31 December 2018, unsecured term loans comprise seven \$50.0 million, two \$100.0 million, a \$200.0 million and a \$120.0 million floating rate trust term loans (collectively known as "Trust Term Loan Facilities"). These facilities have negative pledge covenants which require the Trust, amongst others:

- (i) not to, without the prior written consent of the lender, create or have outstanding any security on or over the Group's interest in any of the investment properties;
- (ii) in the event of a sale of any of the investment properties, to repay an amount equal to the proportion of the market value of the investment properties sold to the total market value of the investment properties as determined by the lender based on the latest annual valuation reports of the investment properties; and
- (iii) not to provide any guarantee for any other entities except for secured borrowings for new investment properties acquired with existing mortgages.

The Trust Term Loan Facilities are repayable in full at maturity, although the Trust has the option to make early repayments.

(b) On 4 July 2018, \$130.0 million MTN were issued under the Trustee's \$1.0 billion Multicurrency Debt Issuance Programme. Under the Multicurrency Debt Issuance Programme, the Trustee may:

- (i) issue notes in any currency, in various amounts and tenors, and the notes may bear interest at fixed, floating, variable or hybrid rates or may not bear interest, in each case as agreed between the Trustee, the Manager and the relevant dealer(s) of the Notes and as specified in the relevant Pricing Supplement; and
- (ii) issue perpetual securities in registered and/or bearer form in any currency, in various amounts and the perpetual securities may confer a right to receive distribution at fixed or floating rates, in each case as agreed between the Trustee, the Manager and the relevant dealer(s) of the Perpetual Securities and as specified in the relevant Pricing Supplement.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 11. INTEREST-BEARING BORROWINGS (continued)

### *Terms and debt repayment schedule*

Terms and conditions of the outstanding interest-bearing borrowings are as follows:

	Nominal interest rate per annum %	Year of maturity	Face value \$'000	Carrying amount \$'000
<b>2018</b>				
<b>Group</b>				
S\$ unsecured floating rate money market facilities	2.31-2.82	2019	41,250	41,250
S\$ fixed rate MTN	3.25	2022	130,000	129,886
S\$ unsecured floating rate loans	1.00-3.20	2019-2024	870,000	866,886
<b>Trust</b>				
S\$ unsecured floating rate money market facilities	2.31-2.82	2019	41,250	41,250
S\$ fixed rate MTN	3.25	2022	130,000	129,886
S\$ unsecured floating rate loans	1.00-3.20	2019-2024	870,000	866,886
<b>2017</b>				
<b>Group</b>				
S\$ unsecured floating rate loans	1.65-2.48	2019-2023	750,000	747,507
<b>Trust</b>				
S\$ unsecured floating rate loans	1.65-2.48	2019-2023	750,000	747,507

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 11. INTEREST-BEARING BORROWINGS (continued)

### *Terms and debt repayment schedule* (continued)

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flow \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000
<b>2018</b>					
<b>Group</b>					
S\$ unsecured floating rate money market facilities	41,250	41,282	41,282	–	–
S\$ fixed rate MTN	129,886	146,797	4,225	142,572	–
S\$ unsecured floating rate loans	866,886	939,800	140,550	698,261	100,989
Trade and other payables (Note 10)	60,983	60,983	60,983	–	–
Security deposits	54,599	54,599	25,320	24,159	5,120
	<u>1,153,604</u>	<u>1,243,461</u>	<u>272,360</u>	<u>864,992</u>	<u>106,109</u>
<b>Trust</b>					
S\$ unsecured floating rate money market facilities	41,250	41,282	41,282	–	–
S\$ fixed rate MTN	129,886	146,797	4,225	142,572	–
S\$ unsecured floating rate loans	866,886	939,800	140,550	698,261	100,989
Trade and other payables (Note 10)	8,525	8,525	8,525	–	–
	<u>1,046,547</u>	<u>1,136,404</u>	<u>194,582</u>	<u>840,833</u>	<u>100,989</u>
<b>2017</b>					
<b>Group</b>					
S\$ unsecured floating rate loans	747,507	817,938	17,354	600,300	200,284
Trade and other payables (Note 10)	59,563	59,563	59,563	–	–
Security deposits	50,818	50,818	21,519	25,585	3,714
	<u>857,888</u>	<u>928,319</u>	<u>98,436</u>	<u>625,885</u>	<u>203,998</u>
<b>Trust</b>					
S\$ unsecured floating rate loans	747,507	817,938	17,354	600,300	200,284
Trade and other payables (Note 10)	4,964	4,964	4,964	–	–
	<u>752,471</u>	<u>822,902</u>	<u>22,318</u>	<u>600,300</u>	<u>200,284</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 11. INTEREST-BEARING BORROWINGS (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January \$'000	Financing cash flows \$'000	Non-cash changes				At 31 December \$'000
			Finance costs \$'000	Fair value loss \$'000	Foreign exchange movement \$'000	Other changes \$'000	
<b>2018</b>							
Interest-bearing borrowings <sup>1</sup>	749,553	266,942	27,167	–	–	(21)	1,043,641
Interest rate swaps and forward exchange contracts used for hedging – assets	(436)	(917)	–	181	–	–	(1,172)
Interest rate swaps and forward exchange contracts used for hedging – liabilities	7,803	(9,964)	–	5,183	–	–	3,022
	<u>756,920</u>	<u>256,061</u>	<u>27,167</u>	<u>5,364</u>	<u>–</u>	<u>(21)</u>	<u>1,045,491</u>
<b>2017</b>							
Interest-bearing borrowings <sup>1</sup>	979,611	(252,206)	23,465	–	(1,185)	(132)	749,553
Interest rate swaps and forward exchange contracts used for hedging – assets	(2,114)	(267)	–	1,945	–	–	(436)
Interest rate swaps and forward exchange contracts used for hedging – liabilities	2,165	(5,979)	–	11,617	–	–	7,803
	<u>979,662</u>	<u>(258,452)</u>	<u>23,465</u>	<u>13,562</u>	<u>(1,185)</u>	<u>(132)</u>	<u>756,920</u>

1 Includes interest payable.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 12. FINANCIAL DERIVATIVES

	<b>Group and Trust</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
Interest rate swaps	1,048	309
<b>Current assets</b>		
Interest rate swaps	124	–
Non-deliverable forwards	–	127
	<b>124</b>	<b>127</b>
<b>Non-current liabilities</b>		
Interest rate swaps	(2,951)	(2,443)
<b>Current liabilities</b>		
Interest rate swaps	(3)	–
Non-deliverable forwards	–	(4,444)
Forwards	(68)	(916)
	<b>(71)</b>	<b>(5,360)</b>

The following are the contractual maturities of financial derivative assets and liabilities, including estimated interest payments:

	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Within 1 year</b>	<b>Within 2 to 5 years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group and Trust</b>				
<b>Financial derivative assets</b>				
<b>2018</b>				
Interest rate swaps	1,172	1,360	908	452
<b>2017</b>				
Interest rate swaps	309	303	(251)	554
Non-deliverable forwards	127	127	127	–
	<b>436</b>	<b>430</b>	<b>(124)</b>	<b>554</b>
<b>Financial derivative liabilities</b>				
<b>2018</b>				
Forwards	(68)	(68)	(68)	–
Interest rate swaps	(2,954)	(3,028)	(928)	(2,100)
	<b>(3,022)</b>	<b>(3,096)</b>	<b>(996)</b>	<b>(2,100)</b>
<b>2017</b>				
Forwards	(916)	(916)	(916)	–
Interest rate swaps	(2,443)	(2,666)	(2,028)	(638)
Non-deliverable forwards	(4,444)	(4,444)	(4,444)	–
	<b>(7,803)</b>	<b>(8,026)</b>	<b>(7,388)</b>	<b>(638)</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 12. FINANCIAL DERIVATIVES (continued)

As at reporting date, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table also indicates the periods in which the cash flows associated with derivatives that are expected to occur and impact the statement of total return and Unitholders' funds.

## 13. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the financial year is as follows:

	At 1 January 2017 \$'000	Statement of total return (Note 22) \$'000	Disposal of subsidiary \$'000	Translation difference \$'000	At 31 December 2017 \$'000	Statement of total return (Note 22) \$'000	Translation difference \$'000	At 31 December 2018 \$'000
<b>Group</b>								
<b>Deferred tax liabilities</b>								
Investment properties	227,781	17,990	(25,098)	(3,443)	217,230	28,556	(7,844)	237,942
Tax on unrepatriated profits	8,645	2,543	(684)	–	10,504	2,206	–	12,710
	<u>236,426</u>	<u>20,533</u>	<u>(25,782)</u>	<u>(3,443)</u>	<u>227,734</u>	<u>30,762</u>	<u>(7,844)</u>	<u>250,652</u>

Deferred tax assets have not been recognised in respect of the following item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Tax losses	27,368	36,061

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the country in which the subsidiaries operate. These tax losses can be carried forward up to five consecutive years and will expire on the fifth year from which the tax losses arise.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 14. UNITHOLDERS' FUNDS

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Net assets resulting from operations		1,240,001	1,117,628	162,145	188,027
Hedging reserve	(a)	(168)	(3,054)	(168)	(3,054)
Foreign currency translation reserve	(b)	(102,652)	(13,580)	–	–
Unitholders' transactions		378,493	416,419	378,493	416,419
General reserve	(c)	37,546	31,358	–	–
		1,553,220	1,548,771	540,470	601,392

- (a) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecast hedged transactions.
- (b) The foreign currency translation reserve comprises:
- (i) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust;
  - (ii) the gains or losses on financial instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges; and
  - (iii) the foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.
- (c) General reserve

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China to the general reserve until the reserve balance reaches 50% of registered capital. The transfer to this reserve must be made before distribution of dividends to its shareholders.

General reserve can be used to make good previous years' losses, if any, and may be converted to registered capital in proportion to the existing interests of the shareholders, provided that the balance after such conversion is not less than 25% of the registered capital.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 15. NON-CONTROLLING INTEREST

The following summarises the financial information of the Group's significant subsidiary with material non-controlling interest. At the reporting date, the Group only had one subsidiary with significant non-controlling interest of 49% (2017: 49%), CapitaMalls Wuhu Commercial Property Co., Ltd.

	Group	
	2018	2017
	\$'000	\$'000
<b>Statement of financial position</b>		
Non-current assets	38,135	43,672
Current assets	1,442	1,153
Non-current liabilities	(14,791)	(17,914)
Current liabilities	(30,830)	(29,327)
<b>Net assets</b>	<b>(6,044)</b>	<b>(2,416)</b>
Net assets based on percentage shareholdings	(2,962)	(1,184)
Add: loans from non-controlling interest to the subsidiary in China	21,304	20,501
<b>Net assets attributable to non-controlling interest</b>	<b>18,342</b>	<b>19,317</b>
<b>Statement of income and expenditure</b>		
Revenue	1,927	1,783
<b>Total return after taxation</b>	<b>(3,586)</b>	<b>(4,642)</b>
Attributable to non-controlling interest:		
Total return after taxation	(1,757)	(2,275)
Add: interest on loans from non-controlling interest to the subsidiary in China	666	629
<b>Total return allocated to non-controlling interest</b>	<b>(1,091)</b>	<b>(1,646)</b>
<b>Statement of cash flows</b>		
Cash flows used in operating activities	(1,157)	(1,594)
Cash flows used in investing activities	(35)	(776)
Cash flows from financing activities	1,579	2,447
<b>Net increase in cash and cash equivalents</b>	<b>387</b>	<b>77</b>

There are no dividends paid to non-controlling interest in 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 16. UNITS IN ISSUE

	2018 Number of Units	2017 Number of Units
Balance as at beginning of year	966,225,901	869,679,633
<b>New Units issued:</b>		
– as payment of Manager's management fees	3,720,617	4,177,316
– in connection with private placement exercise	–	64,392,000
– as payment of distribution through distribution reinvestment plan	10,602,618	27,976,952
Total issued Units as at end of the year	980,549,136	966,225,901
<b>New Units to be issued:</b>		
– as payment of Manager's management fees	4,671,069	3,720,617
Total issued and issuable Units as at end of the year	985,220,205	969,946,518

Units issued during the year ended 31 December 2018 are as follows:

- (a) On 2 March 2018, the Trust issued 3,720,617 new Units at an issue price of \$1.6114 per Unit as payment of the performance component of the management fee for the period from 1 January 2017 to 31 December 2017;
- (b) On 20 September 2018, the Trust issued 10,602,618 new Units at an issue price of \$1.508 per Unit as payment of distribution under the distribution reinvestment plan for the period from 1 January 2018 to 30 June 2018;

Units issued during the year ended 31 December 2017 are as follows:

- (a) On 2 March 2017, the Trust issued 4,177,316 new Units at an issue price of \$1.3556 per Unit as payment of the performance component of the management fee for the period from 1 January 2016 to 31 December 2016;
- (b) On 23 March 2017, the Trust issued 14,888,722 new Units at an issue price of \$1.3830 per Unit as payment of distribution under the distribution reinvestment plan for the period from 1 July 2016 to 31 December 2016;
- (c) On 20 September 2017, the Trust issued 13,088,230 new Units at an issue price of \$1.5910 per Unit as payment of distribution under the distribution reinvestment plan for the period from 1 January 2017 to 30 June 2017; and
- (d) On 7 December 2017, the Trust issued 64,392,000 new Units at an issue price of \$1.6120 per Unit to partially fund the acquisition of Rock Square.

The issue prices were determined based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the relevant periods in which the management fees accrue.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 16. UNITS IN ISSUE (continued)

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- one vote per Unit;
- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his Units while the Units are listed on the SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Unit in the Trust. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

## 17. TOTAL UNITHOLDERS' DISTRIBUTION

Unitholders' distribution for the year is accounted for as distribution from operations and distribution from Unitholders' contributions:

### (a) Distribution from operations

This refers to distribution made by the Trust that is represented by income received or receivable during the financial year, as the case may be, net of expenses. Such income comprises mainly the following:

- dividend from subsidiaries in Barbados, Singapore and Hong Kong paid out of dividend declared by the subsidiaries in China;
- dividend from subsidiaries in Barbados paid out of net interest income earned by subsidiaries in Barbados on shareholders' loans extended to subsidiaries in China; and
- interest income earned by the Trust on shareholders' loans extended to subsidiaries in Barbados.

The above income originates from income derived by the subsidiaries in China in respect of the current financial year.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 17. TOTAL UNITHOLDERS' DISTRIBUTION (continued)

### (b) Distribution from Unitholders' contributions

This refers to the amount of distribution made by the Trust for the financial year where the underlying cash is not, or may not be, received or receivable as income by the Trust during that period. Such distribution comprises mainly the following:

- profits from operations arising from the investment properties which are declared as dividend income after the financial year, as the case may be, and accordingly also received as dividends by the Trust after that year;
- profits from operations arising from the investment properties which cannot be declared as dividends;
- adjustment for depreciation expenses of the investment properties; and
- adjustments for trust expenses that are paid in Units, foreign currency differences attributable to net investment hedges undertaken by the Trust and certain unrealised expenses.

### *Income available for distribution to Unitholders at end of the year*

Distributions are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions within 90 days from the end of each distribution period. Distributions, when paid, will be in Singapore dollars.

Distribution for the period from 1 January 2018 to 30 June 2018 was paid on 20 September 2018. Distribution for the period from 1 July 2018 to 31 December 2018 will be paid within 90 days of the end of the distribution period, in accordance with the provisions of the Trust Deed.

## 18. OTHER PROPERTY OPERATING EXPENSES

	Note	Group 2018 \$'000	2017 \$'000
Utilities		5,179	4,809
Advertising and promotion		5,688	5,256
Maintenance		8,942	9,554
Staff costs		11,177	12,370
Depreciation of plant and equipment	5	1,247	1,670
(Write back)/impairment losses on trade receivables, net	8	(120)	131
Amortisation of deferred expenditure included in other receivables		35	57
Plant and equipment written off		97	47
Others		1,365	1,224
		<b>33,610</b>	<b>35,118</b>

Included in staff costs is contribution to defined contribution plans of \$2.3 million (2017: \$2.4 million).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 19. MANAGER'S MANAGEMENT FEES

Manager's management fees comprise base fee of \$7.7 million (2017: \$7.0 million) and performance fee of \$6.4 million (2017: \$5.9 million). The Manager has elected to receive all performance fee in the form of Units. The performance component of the Manager's management fee amounting to \$6.4 million (2017: \$5.9 million) will be paid through the issue of 4,671,069 (2017: 3,720,617) new Units subsequent to the year end.

## 20. OTHER TRUST OPERATING EXPENSES/(INCOME)

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Professional fees	294	529	201	254
Acquisition related expenses	(221)	237	–	–
Non-deal roadshow expenses	5	7	5	7
Others	978	(194)	280	(867)
	1,056	579	486	(606)

## 21. FINANCE INCOME AND FINANCE COSTS

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest income:				
– financial institutions	2,167	2,418	179	82
– subsidiaries	–	–	18,189	18,868
– joint venture	4,140	–	–	–
Cash flow hedges – gains reclassified from hedging reserve	431	–	431	–
Finance income	6,738	2,418	18,799	18,950
Interest expenses	(25,482)	(19,957)	(25,482)	(18,851)
Cash flow hedges – losses reclassified from hedging reserve	(1,685)	(3,508)	(1,685)	(3,508)
Finance costs	(27,167)	(23,465)	(27,167)	(22,359)
Net finance income/(costs) recognised in statement of total return	(20,429)	(21,047)	(8,368)	(3,409)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 22. TAXATION

	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current taxation</b>					
Current year		26,261	41,567	15	–
(Over)/under provision in prior years		(474)	2,114	(3)	7
		25,787	43,681	12	7
<b>Deferred taxation</b>					
Origination of temporary differences	13	30,762	20,533	–	–
<b>Income tax expense</b>		56,549	64,214	12	7
		Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Reconciliation of effective tax rate</b>					
Total return for the year before taxation		184,019	207,264	(25,869)	90,054
Tax calculated using Singapore tax rate of 17%		31,283	35,235	(4,398)	15,309
Adjustments:					
Effect of different tax rates in foreign jurisdictions		14,658	1,147	–	–
Income not subject to tax		(11)	(270)	(5,405)	(30,992)
Expenses not deductible for tax purposes		1,033	27	2,673	9,430
Deferred tax assets not recognised		1,665	996	–	–
Utilisation of previously unrecognised tax losses		(2,330)	(3,221)	–	–
Tax losses not allowed to be carried forward		7,104	6,256	7,145	6,253
Foreign tax suffered		3,621	21,930	–	–
(Over)/under provision in prior years		(474)	2,114	(3)	7
		56,549	64,214	12	7

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 23. EARNINGS PER UNIT

### Basic earnings per Unit

The calculation of basic earnings per Unit is based on weighted average number of Units during the year and total return for the year after taxation and non-controlling interest before distribution.

	Group	
	2018 \$'000	2017 \$'000
Total return for the year after taxation and non-controlling interest before distribution	128,561	144,696

	Trust	
	Number of Units 2018 '000	Number of Units 2017 '000
Issued Units at beginning of year	966,226	869,680
Effect of creation of new Units:		
– Manager's management fees paid/payable in Units	3,122	3,501
– In connection with private placement exercise	–	4,410
– As payment of distribution under distribution reinvestment plan	2,992	15,278
Weighted average number of issued and issuable Units at end of the year	972,340	892,869

### Diluted earnings per Unit

Diluted earnings per Unit is calculated based on total return for the year after taxation and non-controlling interest and weighted average number of Units outstanding during the period, adjusted for the effects of all dilutive potential Units.

	Trust	
	Number of Units 2018 '000	Number of Units 2017 '000
Issued Units at beginning of year	966,226	869,680
Effect of creation of new Units:		
– Manager's management fees paid/payable in Units	7,780	7,211
– In connection with private placement exercise	–	4,410
– As payment of distribution under distribution reinvestment plan	2,992	15,278
Weighted average number of issued and issuable Units at end of the year	976,998	896,579

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 24. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party 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 significant influence. Related parties may be individuals or other entities. The Manager, being CapitalLand Retail China Trust Management Limited, and the Property and Project Managers, being CapitalLand Retail (Shanghai) Management & Consulting Co., Ltd. and its branches and CapitalLand Retail (Beijing) Facilities & Projects Consulting Co., Ltd., are indirect wholly owned subsidiaries of CapitalLand Limited.

In the normal course of the operations of the Trust, the Manager's management fees and the Trustee's fees have been paid or are payable to the Manager and Trustee respectively. The property management fees, reimbursables and project management fees have been paid or are payable to the Property and Project Managers respectively.

During the financial year, other than those disclosed elsewhere in the financial statements, the following were significant related party transactions carried out in the normal course of business on arm's length commercial terms:

	Group	
	2018	2017
	\$'000	\$'000
Project management fees paid/payable to a related party	–	61

## 25. FINANCIAL RATIOS

	Group	
	2018	2017
	%	%
Ratio of expenses to average net asset value <sup>1</sup>		
– including performance component of Manager's management fees	1.01	0.99
– excluding performance component of Manager's management fees	0.61	0.59
Portfolio turnover rate <sup>2</sup>	–	–

### Notes:

- The annualised ratio is computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses and borrowing costs.
- The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 26. OPERATING SEGMENTS

The Group has 11 reportable segments, as described below, which are the Group's investment properties. The investment properties are managed separately because they require different operating and marketing strategies. For each of the investment properties, the CODMs review internal management reports on a monthly basis.

All of the Group's reportable segments are investment properties located in China used primarily for retail purposes. The reporting segments are as follows:

- CapitaMall Xizhimen
- CapitaMall Wangjing
- CapitaMall Grand Canyon
- CapitaMall Xinnan
- CapitaMall Erqi
- CapitaMall Shuangjing
- CapitaMall Minzhongleyuan
- CapitaMall Qibao
- CapitaMall Saihan
- CapitaMall Wuhu
- Rock Square (Joint venture)

Segment revenue comprises mainly income generated from its tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the CODMs for the purpose of assessment of segment performance. In addition, the CODMs monitor the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the Trust's financial assets and liabilities and its expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Information regarding the Group's reportable segments is presented in the tables in the following pages.

For the purpose of monitoring segment performance, the Group's CODMs monitor the non-financial assets as well as financial assets attributable to each segment.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 26. OPERATING SEGMENTS (continued)

### Information about reportable segments

	CapitaMall Xizhimen		CapitaMall Wangjing		CapitaMall Grand Canyon		CapitaMall Xinnan		CapitaMall Anzhen <sup>#</sup>		CapitaMall Erqi		Sub Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues:														
– Gross rental income	56,272	55,208	45,365	43,262	24,417	25,704	25,703	24,705	–	8,148	10,163	10,078	161,920	167,105
– Others	3,822	3,592	2,294	2,589	2,488	3,830	1,972	2,060	–	1	38	10	10,614	12,082
– Gross revenue	60,094	58,800	47,659	45,851	26,905	29,534	27,675	26,765	–	8,149	10,201	10,088	172,534	179,187
<b>Segment net property income</b>	42,592	41,005	33,888	32,363	18,039	18,591	19,253	18,327	–	6,710	8,727	8,614	122,499	125,610
<b>Finance income</b>	4,551	853	295	286	213	183	231	131	–	35	69	121	5,359	1,609
<b>Finance costs</b>	–	–	–	–	–	(1,106)	–	–	–	–	–	–	–	(1,106)
<b>Share of results (net of tax) of joint venture</b>	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Reportable segment total return before taxation</b>	88,453	65,701	65,490	49,342	17,673	19,244	21,600	18,810	–	6,704	9,731	9,910	202,947	169,711
<b>Segment assets</b>	766,863	700,849	557,716	517,573	423,833	440,698	331,690	326,039	–	–	134,370	131,575	2,214,472	2,116,734
<b>Segment liabilities</b>	119,169	106,506	109,877	100,327	36,635	36,022	21,100	20,798	–	–	19,543	20,054	306,324	283,707
<b>Other segment items:</b>														
Depreciation and amortisation	(264)	(444)	(278)	(456)	(336)	(312)	(56)	(43)	–	(5)	(9)	(32)	(943)	(1,292)
Write-back/ (impairment losses) on trade receivables, net	–	–	–	–	–	3	66	(67)	–	–	–	–	66	(64)
Net change in fair value of investment properties	41,671	23,909	31,502	16,727	(88)	2,217	1,792	442	–	–	1,021	1,189	75,898	44,484
Capital expenditure	(2,958)	(1,422)	(2,801)	(1,757)	(1,250)	(2,457)	(1,082)	(1,588)	–	–	(394)	(240)	(8,485)	(7,464)

# the subsidiary was disposed in 2017

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 26. OPERATING SEGMENTS (continued)

### Information about reportable segments (continued)

	CapitaMall Shuangjing		CapitaMall Minzhongleyuan		CapitaMall Qibao		CapitaMall Saihan		CapitaMall Wuhu		Rock Square		Sub Total		Grand Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues:																
– Gross rental income	9,311	9,312	4,268	5,008	17,946	17,855	12,570	11,912	571	1,667	–	–	44,666	45,754	206,586	212,859
– Others	14	37	414	432	2,694	2,493	1,061	1,171	1,356	116	–	–	5,539	4,249	16,153	16,331
– Gross revenue	9,325	9,349	4,682	5,440	20,640	20,348	13,631	13,083	1,927	1,783	–	–	50,205	50,003	222,739	229,190
Segment net property income	7,514	7,509	393	263	9,705	9,294	7,868	7,910	(556)	(1,374)	–	–	24,924	23,602	147,423	149,212
Finance income	262	287	9	9	327	311	166	70	5	11	–	–	769	688	6,128	2,297
Finance costs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,106)
Share of results (net of tax) of joint venture	–	–	–	–	–	–	–	–	–	–	7,249	–	7,249	–	7,249	–
Reportable segment total return before taxation	8,700	8,369	(2,383)	(108)	3,998	8,466	8,195	9,186	(995)	(4,842)	7,249	–	24,764	21,071	227,711	190,782
Segment assets	134,400	132,759	103,443	109,764	126,046	130,145	104,161	102,128	41,861	40,636	257,679	–	767,590	515,432	2,982,062	2,632,166
Segment liabilities	18,452	18,450	4,298	4,572	17,145	19,170	13,945	14,157	1,698	1,757	–	–	55,538	58,106	361,862	341,813
Other segment items																
Depreciation and amortisation	–	(10)	(94)	(96)	(51)	(66)	(144)	(169)	(50)	(94)	–	–	(339)	(435)	(1,282)	(1,727)
Write-back/ (impairment losses) on trade receivables, net	–	–	62	(67)	–	–	–	–	(8)	–	–	–	54	(67)	120	(131)
Net change in fair value of investment properties	999	620	(2,686)	(221)	(5,972)	(1,058)	223	1,284	(39)	(3,652)	–	–	(7,475)	(3,027)	68,423	41,457
Capital expenditure	(415)	(1,420)	(37)	(911)	(945)	(1,150)	(621)	(982)	(38)	(806)	–	–	(2,056)	(5,269)	(10,541)	(12,733)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 26. OPERATING SEGMENTS (continued)

### Reconciliations of reportable segment revenue, total return, assets and liabilities and other material items

	2018 \$'000	2017 \$'000
<b>Revenue</b>		
Total revenue for reporting segments	222,739	229,190
<b>Total return</b>		
Total return for reportable segments before taxation	227,711	190,782
Unallocated amounts:		
– Other corporate (expenses)/income	(43,692)	16,482
Total return before taxation	184,019	207,264
<b>Assets</b>		
Total assets for reportable segments	2,982,062	2,632,166
Other unallocated amounts	628	35,902
Consolidated assets	2,982,690	2,668,068
<b>Liabilities</b>		
Total liabilities for reportable segments	361,862	341,813
Other unallocated amounts	1,049,266	758,167
Consolidated liabilities	1,411,128	1,099,980
	<b>Reportable segment totals \$'000</b>	<b>Unallocated amounts \$'000</b>
		<b>Consolidated totals \$'000</b>

### Other material items 2018

Finance income	6,128	610	6,738
Finance costs	–	(27,167)	(27,167)

### Other material items 2017

Finance income	2,297	121	2,418
Finance costs	(1,106)	(22,359)	(23,465)

### Geographical segments

All of the Group's investment properties are used for retail purposes and are located in China.

### Major tenant

Revenue from one tenant of the Group represents approximately \$17.9 million (2017: \$27.2 million) of the Group's total revenue.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 27. COMMITMENTS

### (a) Capital commitments

	Group	
	2018	2017
	\$'000	\$'000
Payable:		
– contracted but not provided for	2,745	2,783

### (b) The Group leases out its investment properties. Operating lease rentals are receivable as follows:

	Group	
	2018	2017
	\$'000	\$'000
Receivable:		
– within 1 year	188,771	186,754
– after 1 year but within 5 years	344,023	330,400
– after 5 years	109,813	154,678
	642,607	671,832

### (c) The Group has non-cancellable leases with rentals payable as follows:

	Group	
	2018	2017
	\$'000	\$'000
Payable:		
– within 1 year	6,137	4,788
– after 1 year but within 5 years	23,717	25,598
– after 5 years	457	7,527
	30,311	37,913

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT

### *Capital management*

The Group's objectives when managing capital are to optimise Unitholders' value through the combination of available capital sources which include debt and equity instruments whilst complying with statutory and constitutional capital and distribution requirements, maintaining aggregate leverage and interest service coverage ratio within approved limits. As a key part of the Group's overall strategy, the Board of the Manager reviews the Group and the Trust's debt and capital management cum financing policy regularly so as to optimise the Group and the Trust's funding structure. The Board also monitors the Group and the Trust's exposure to various risk elements by closely adhering to clearly established management policies and procedures.

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Fund Appendix"). The Property Fund Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 45.0% of its Deposited Property. The Group has complied with the Aggregate Leverage limit of 45.0% during the financial year, with an aggregate leverage of 35.4% as at 31 December 2018 (2017: 28.4%).

There were no changes in the Group's approach to capital management during the financial year.

### *Financial risk management*

#### *Overview*

The Group's returns are primarily from net operating income and capital appreciation of its assets. However, these returns are exposed to financial risks including credit, liquidity, interest rate and foreign currency risks.

Financial risk management is integral to the whole business of the Group. The Group adopts an integrated approach to manage the financial risks arising in the normal course of the Group's business. The Group has written risk management policies and guidelines, and established processes to monitor and manage significant exposures. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group adheres to standardised accounting and financial policies and exercises effective controls over the financial affairs of its subsidiaries. This is achieved by ensuring group-wide adherence to a comprehensive set of guidelines covering contracts, policies and procedures and other requirements. Adequate measures are in place to ensure that the reliability and integrity of financial information compiled from subsidiaries are kept intact.

#### *Credit risk*

While it is necessary to assume a certain level of tenant credit risks to remain competitive in China, the Group has established credit limits for tenants and monitors their balances on an ongoing basis. Risks associated with credit limits are reflected in the level of security deposits and bank guarantees placed as collateral in respect of the leases. Appropriate risk mitigating actions are in place to manage trade receivables.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Financial risk management* (continued)

#### *Credit risk* (continued)

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of allowance on cash and cash equivalents was negligible.

#### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations.

In addition, the Group maintains the following debt facilities and programme as at 31 December 2018.

S\$ denominated facilities:

- S\$151.0 million money market line facilities
- S\$120.0 million one-year trust term bridge loan facility
- S\$100.0 million three-year trust term loan facilities
- S\$200.0 million four-year trust term loan facilities
- S\$350.0 million five-year trust term loan facilities
- S\$100.0 million six-year trust term loan facility

United States dollar ("US\$") denominated facilities:

- US\$70.0 million money market line facilities

Multicurrency Debt Issuance Programme:

- \$1.0 billion multicurrency Debt Issuance Programme

As at 31 December 2018, the Group has outstanding debt of \$870.0 million (2017: \$750.0 million) trust term loan facilities, \$130.0 million MTN (2017: \$nil million) and \$41.1 million (2017: \$nil million) money market line facilities.

The Group also monitors and observes the Property Fund Appendix issued by MAS concerning limits on total borrowings.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Financial risk management* (continued)

#### *Interest rate risk*

The Manager adopts a proactive interest rate management policy to manage the risk associated with changes in interest rates on the Group's loan facilities while also seeking to ensure that the ongoing cost of debt remains competitive.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

As at 31 December 2018, the Group has interest rate swaps ("IRS") with notional contract amount of \$820.0 million (2017: \$600.0 million). The Group pays a fixed rate interest and receives a variable rate equal to the Swap Offer Rate ("SOR") on the notional contract amount. The Group classifies the IRS with notional contract amount of \$670.0 million (2017: \$600.0 million) as cash flow hedges to hedge the exposure in interest rate fluctuations on certain of its term loans.

The term loans and the underlying IRS have the same terms and conditions.

The Manager proactively seeks to minimise the level of interest rate risk by locking the majority of the Group's borrowings at fixed rates. As at 31 December 2018, the Group has locked in approximately 80% (2017: 80%) of its borrowings at fixed rates (excluding money market line).

#### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss and the Group does not designate interest rate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of total return.

#### *Cash flow sensitivity analysis for variable rate instruments*

The net change in fair value of the interest component of IRS as at 31 December 2018 of \$2.0 million (2017: \$2.8 million), representing the effective portion of the cash flow hedge, has been recognised directly in the hedging reserve.

Effects of a 100 basis point ("bp")\* movement in interest rate at the reporting date would increase/(decrease) statement of total return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

\* 100 basis point is equivalent to 1 percentage point

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Financial risk management* (continued)

#### *Interest rate risk* (continued)

	Statement of total return		Unitholders' funds	
	100 bp increase \$'million	100 bp decrease \$'million	100 bp increase \$'million	100 bp decrease \$'million
<b>Group and Trust</b>				
<b>2018</b>				
Interest rate swaps	–	–	6.2	(6.2)
Variable rate instruments	(2.0)	2.0	–	–
Cash flow sensitivity (net)	(2.0)	2.0	6.2	(6.2)
<b>2017</b>				
Interest rate swaps	–	–	4.2	(4.2)
Variable rate instruments	(1.5)	1.5	–	–
Cash flow sensitivity (net)	(1.5)	1.5	4.2	(4.2)

#### *Foreign currency risk*

The Group is exposed to foreign currency risk on cash holdings and operating expenses that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily the US\$ and RMB.

The Manager's strategy is to achieve a natural hedge through local RMB financing. To mitigate the foreign currency cashflow, the Manager will enter into foreign currency forwards to limit on exposure for the RMB denominated cashflow.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In 2017, the Group entered into foreign exchange forward contracts with notional amounts of \$114.0 million to hedge the foreign currency exposure of a highly probable forecast transaction. No ineffectiveness was recognised from the cash flow hedge. The fair value of the forwards as at 31 December 2017 of \$0.9 million, representing the effective portion of the cash flow hedge, had been recognised directly in the hedging reserve. The contracts were settled in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Financial risk management* (continued)

### *Foreign currency risk* (continued)

The Group's and Trust's exposure to foreign currencies is as follows:

	US\$ \$'000	RMB \$'000	Total \$'000
<b>Group</b>			
<b>2018</b>			
Cash and cash equivalents	306	74	380
<b>2017</b>			
Trade and other receivables	25,300	–	25,300
Cash and cash equivalents	8,114	76	8,190
	33,414	76	33,490
<b>Trust</b>			
<b>2018</b>			
Loans to subsidiaries	339,124	–	339,124
Non-trade amounts due from subsidiaries	159,754	–	159,754
Cash and cash equivalents	83	53	136
	498,961	53	499,104
<b>2017</b>			
Loans to subsidiaries	333,054	–	333,054
Non-trade amounts due from subsidiaries	156,224	–	156,224
Trade and other receivables	25,300	–	25,300
Cash and cash equivalents	7,889	55	7,944
	522,467	55	522,522

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Sensitivity analysis*

A 10% strengthening of Singapore dollar against the US\$ and RMB at the reporting date would increase/(decrease) total return after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Statements of total return	
	Group	Trust
	\$'000	\$'000
<b>2018</b>		
US\$	(31)	(49,896)
RMB	(7)	(5)
<b>2017</b>		
US\$	(3,341)	(52,247)
RMB	(8)	(6)

A 10% weakening of Singapore dollar against the US\$ and RMB would have had equal but opposite effect on the US\$ and RMB to the amounts shown above, on the basis that all other variables remain constant.

### *Forwards*

During the year, the group entered into foreign currency forward contracts with notional amount of \$36.8 million to hedge the RMB cash flows. The fair value of the forwards as at 31 December 2018 of \$68,000 has been recognised directly in the statement of total return.

A 10% strengthening/weakening of Singapore dollar against the RMB at the reporting date would increase and decrease the statement of total return by \$3.3 million and \$4.2 million respectively.

### *Hedge of net investment in foreign operation*

As at 31 December 2017, the Group has non-deliverable forwards ("NDF") of \$375.0 million as hedges of the Group's net investment in certain subsidiaries in China. No ineffectiveness was recognised from the net investment hedges. The NDF were settled in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Sensitivity analysis*

For NDF (accounted for as net investment hedges), a 10% strengthening/weakening of Singapore dollar against the RMB at the reporting date would increase/(decrease) Unitholders' funds as at 31 December 2018 by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Unitholders' funds	
	\$'million	\$'million
<b>Group</b>		
<b>2018</b>		
Non-deliverable forwards	—	—
<b>2017</b>		
Non-deliverable forwards	28.6	(35.0)

### **Hedge accounting**

#### ***Cash flow hedges***

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity		
	1 – 6 months	6 – 12 months	More than one year
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Notional amount (in thousands of SGD)	150,000	100,000	420,000
Average fixed interest rate	1.4%	1.7%	1.8%

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2018			During the period – 2018			
	Notional amount \$'000	Carrying amount – assets \$'000	Carrying amount – liabilities \$'000	Changes in the value of the hedging instrument recognised in Unitholders' funds \$'000	Amount reclassified from hedging reserve to the statement of total return \$'000	Amount reclassified from costs of hedging reserve to the statement of total return \$'000	Line item in the statement of total return affected by the reclassification
Group and Trust							
Foreign currency risk							
Forward exchange contracts	–	–	–	–	916	–	Change in fair value of financial derivatives
Interest rate risk							
Interest rate swaps	670,000	1,172	(1,340)	716	1,254	–	Finance income/(costs)

The following table provides a reconciliation by risk category of components of equity and analysis of items recognised in Unitholders' funds, net of tax, resulting from cash flow hedge accounting.

	Group and Trust	
	Hedging reserve \$'000	Cost of hedging reserve \$'000
<b>Balance at 1 January 2018</b>		
<b>Cash flow hedges</b>	(3,054)	–
Change in fair value:		
Interest rate risk	716	–
Amount reclassified to profit or loss:		
Foreign currency risk – other items	916	–
Interest rate risk	1,254	–
<b>Balance at 31 December 2018</b>	<b>(168)</b>	<b>–</b>



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Accounting classifications and fair values*

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount					Fair value			
		Amortised costs	Fair value to statement of total return	Fair value to hedging reserve	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>										
<b>2018</b>										
<b>Financial assets not measured at fair value</b>										
Trade and other receivables	8	103,138	–	–	–	103,138	–	–	–	–
Cash and cash equivalents	9	173,904	–	–	–	173,904	–	–	–	–
		<u>277,042</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>277,042</u>				
<b>Financial assets measured at fair value</b>										
Financial derivative assets	12	–	–	1,172	–	1,172	–	1,172	–	1,172
<b>Financial liabilities not measured at fair value</b>										
Trade and other payables	10	–	–	–	60,983	60,983	–	–	–	–
Security deposits		–	–	–	54,599	54,599	–	51,657	–	51,657
Interest-bearing borrowings	11	–	–	–	1,038,022	1,038,022	–	1,041,250	–	1,041,250
		<u>–</u>	<u>–</u>	<u>–</u>	<u>1,153,604</u>	<u>1,153,604</u>				
<b>Financial liabilities measured at fair value</b>										
Financial derivative liabilities	12	–	1,686	1,336	–	3,022	–	3,022	–	3,022

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Accounting classifications and fair values* (continued)

		Carrying amount				Fair value			
	Note	Loans and receivables \$'000	Fair value to hedging reserve \$'000	Other financial liabilities within scope of the principles under FRS 39 \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>									
<b>2017</b>									
<b>Financial assets not measured at fair value</b>									
Trade and other receivables	8	31,763	–	–	31,763	–	–	–	–
Cash and cash equivalents	9	186,515	–	–	186,515	–	–	–	–
		<u>218,278</u>	<u>–</u>	<u>–</u>	<u>218,278</u>				
<b>Financial assets measured at fair value</b>									
Financial derivative assets	12	–	436	–	436	–	436	–	436
<b>Financial liabilities not measured at fair value</b>									
Trade and other payables	10	–	–	59,563	59,563	–	–	–	–
Security deposits		–	–	50,818	50,818	–	48,776	–	48,776
Interest-bearing borrowings	11	–	–	747,507	747,507	–	750,000	–	750,000
		<u>–</u>	<u>–</u>	<u>857,888</u>	<u>857,888</u>				
<b>Financial liabilities measured at fair value</b>									
Financial derivative liabilities	12	–	7,803	–	7,803	–	7,803	–	7,803

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Accounting classifications and fair values* (continued)

		Carrying amount				Fair value				
	Note	Amortised costs \$'000	Fair value to statement of total return \$'000	Fair value to hedging reserve \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Trust										
2018										
Financial assets not measured at fair value										
Loans to subsidiaries	6	339,124	–	–	–	339,124	–	–	–	–
Non-trade amounts due from subsidiaries	6	691,998	–	–	–	691,998	–	–	–	–
Trade and other receivables	8	330	–	–	–	330	–	–	–	–
Cash and cash equivalents	9	879	–	–	–	879	–	–	–	–
		<u>1,032,331</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,032,331</u>				
Financial assets measured at fair value										
Financial derivative assets	12	<u>–</u>	<u>–</u>	<u>1,172</u>	<u>–</u>	<u>1,172</u>	<u>–</u>	<u>1,172</u>	<u>–</u>	<u>1,172</u>
Financial liabilities not measured at fair value										
Trade and other payables	10	–	–	–	8,525	8,525	–	–	–	–
Interest-bearing borrowings	11	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,038,022</u>	<u>1,038,022</u>	<u>–</u>	<u>1,041,250</u>	<u>–</u>	<u>1,041,250</u>
		<u>–</u>	<u>–</u>	<u>–</u>	<u>1,046,547</u>	<u>1,046,547</u>				
Financial liabilities measured at fair value										
Financial derivative liabilities	12	–	1,686	1,336	–	3,022	–	3,022	–	3,022

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Accounting classifications and fair values* (continued)

		Carrying amount				Fair value			
	Note	Loans and receivables \$'000	Fair value to hedging reserve \$'000	Other financial liabilities within scope of the principles under FRS 39 \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Trust</b>									
<b>2017</b>									
<b>Financial assets not measured at fair value</b>									
Non-trade amounts due from subsidiaries	6	5,108	–	–	5,108	–	–	–	–
Trade and other receivables	8	25,562	–	–	25,562	–	–	–	–
Cash and cash equivalents	9	9,630	–	–	9,630	–	–	–	–
		<u>40,300</u>	<u>–</u>	<u>–</u>	<u>40,300</u>				
<b>Financial assets measured at fair value</b>									
Financial derivative assets	12	–	436	–	436	–	436	–	436
<b>Financial liabilities not measured at fair value</b>									
Trade and other payables	10	–	–	4,964	4,964	–	–	–	–
Interest-bearing borrowings	11	–	–	747,507	747,507	–	750,000	–	750,000
		<u>–</u>	<u>–</u>	<u>752,471</u>	<u>752,471</u>				
<b>Financial liabilities measured at fair value</b>									
Financial derivative liabilities	12	–	7,803	–	7,803	–	7,803	–	7,803

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Estimation of fair value*

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Trust.

#### *Financial derivatives*

The fair values of non-deliverable forwards and interest rates are based on banks' quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the Group entity and counterparties when appropriate.

#### *Interest-bearing borrowings*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### *Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities (including non-trade amounts due from subsidiaries, trade and other receivables, cash and cash equivalents, trade and other payables and current security deposits) are assumed to approximate their fair values because they are either short term in nature, or effect of discounting is immaterial. All other financial assets and liabilities (non-current security deposits) are discounted to determine their fair values.

#### *Interest rates used in determining fair values*

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve as at 31 December 2018 plus an adequate constant credit spread, and are as follows:

	2018 % p.a.	2017 % p.a.
Interest-bearing borrowings	1.00 – 3.25	2.02 – 2.35
Security deposits	2.92 – 3.25	2.07 – 2.34

### *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 Trust's statements of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the statements of financial position.

The Trust's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("ISDA") Master Agreements. In certain circumstances, for example when a termination event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 28. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

### *Offsetting financial assets and financial liabilities* (continued)

Under the agreements signed, the Trust and its counterparties neither have a legal obligation nor intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously. In addition, the right of set-off of recognised amounts is enforceable only following the occurrence of a termination event as set out in the agreements. Accordingly, the ISDA agreements do not meet the criteria for offsetting and the derivatives financial instruments presented below are not offset in the Statement of Financial Position.

### *Financial assets and liabilities subject to offsetting and enforceable master netting arrangement under termination events*

	Gross amounts of recognised financial instruments \$'000	Gross amount of recognised financial instruments offset in the statement of financial position \$'000	Net amounts of financial instruments presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position \$'000	Net amounts \$'000
<b>31 December 2018</b>					
<b>Financial assets</b>					
Interest rate swaps	1,172	–	1,172	(1,106)	66
<b>Financial liabilities</b>					
Interest rate swaps	2,954	–	2,954	(1,106)	1,848
Forwards	68	–	68	–	68
	3,022	–	3,022	(1,106)	1,916
<b>31 December 2017</b>					
<b>Financial assets</b>					
Interest rate swaps	309	–	309	(165)	144
Non-deliverable forwards	127	–	127	(127)	–
	436	–	436	(292)	144
<b>Financial liabilities</b>					
Interest rate swaps	2,443	–	2,443	(165)	2,278
Non-deliverable forwards	4,444	–	4,444	(127)	4,317
Forwards	916	–	916	–	916
	7,803	–	7,803	(292)	7,511



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

## 29. SUBSEQUENT EVENTS

On 1 February 2019, the Group announced that it has, through its subsidiaries, entered into a co-operative framework agreement with unrelated entities to divest the issued shares of Huaxin Saihan Huhhot Real Estate Co., Ltd., which hold CapitaMall Saihan, for RMB503.2 million (approximately \$99.3 million), subject to post completion adjustment; and to acquire a property from the same parties for a purchase consideration of RMB808.3 million (approximately \$159.6 million).

On 1 February 2019, the Manager declared a distribution of 4.83 cents per Unit to Unitholders in respect of the period from 1 July 2018 to 31 December 2018.

# INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year, which fall under the Listing Manual and the Property Funds Appendix of the CIS Code (excluding transactions of less than \$100,000 each), are as follows:

Name of Interested Persons	Aggregate value of all Interested person transactions during the financial year under review (excluding transactions of less than S\$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920) S\$'000	Aggregate value of all Interested person transactions during the financial year under review under shareholder's mandate pursuant to Rule 920 (excluding transactions of less than S\$100,000) S\$'000
<b>CapitalLand Limited and its subsidiaries or associates</b>		
– Acquisition fee on Rock Square	3,488	–
– Manager's Management fees	14,073	–
– Property management fees (including reimbursables)	4,794	–
– Financial Shared Services fee	232	–
<b>HSBC Institutional Trust Services (Singapore) Limited</b>		
Trustee's fees	464	–

Saved as disclosed above, there were

- (i) no additional Interested Person Transactions (excluding transactions of less than S\$100,000 each) entered into during the financial period under review.
- (ii) no material contracts of CRCT and its subsidiaries involving the interests of the chief executive officer or each director of the Manager or the controlling unitholder of CRCT, either still subsisting at the end of FY 2018 or if not then subsisting, entered into since the end of FY 2018.

The fees and charges payable by CRCT to the Manager under the Trust Deed, and to the Property Managers under the Property Management Agreements (collectively, the "Exempted Agreements"), each of which constitutes an Interested Person Transaction, are deemed to have been specifically approved by the Unitholder upon purchase of the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will affect CRCT. However, the renewal of such agreements will be subject to Rules 905 and 906 of the Listing Manual.

Please also see Related Party Transactions on Note 24 in the financial statements.

## SUBSCRIPTION OF CRCT UNITS

An aggregate of 3,720,617 Units were issued during the year in relation to the performance component of the Manager's management fee for the financial year 2017. As at 31 December 2018, 985,220,205 Units were in issue and outstanding. In the first quarter of 2019, 4,671,069<sup>1</sup> Units will be issued to the Manager as part payment of the performance component of its management fee for the financial year 2018.

<sup>1</sup> Based on the volume weighted average price per Unit for all trades on the SGX-ST in the ordinary course of trading for the period of 10 business days immediately preceding the financial year 2018.

# STATISTICS OF UNITHOLDINGS

As at 14 February 2019

## ISSUED AND FULLY PAID UNITS

980,549,136 Units (voting rights: 1 vote per Unit)

Market Capitalisation: S\$1,362,963,299 (based on closing Unit price of S\$1.39 on 14 February 2019)

## DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	147	1.53	6,704	0.00
100 – 1,000	1,656	17.24	1,487,530	0.15
1,001 – 10,000	5,438	56.62	24,488,277	2.50
10,001 – 1,000,000	2,339	24.36	101,539,365	10.36
1,000,001 and above	24	0.25	853,027,260	86.99
<b>Total</b>	<b>9,604</b>	<b>100.00</b>	<b>980,549,136</b>	<b>100.00</b>

## LOCATION OF UNITHOLDERS

Country	No. of Unitholders	%	No. of Units	%
Singapore	7,358	76.61	351,570,628	35.85
Malaysia	161	1.68	2,798,096	0.29
Others	2,085	21.71	626,180,412	63.86
<b>Total</b>	<b>9,604</b>	<b>100.00</b>	<b>980,549,136</b>	<b>100.00</b>

## TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	DBS Nominees (Private) Limited	201,666,706	20.57
2	Retail Crown Pte. Ltd.	192,214,529	19.60
3	HSBC (Singapore) Nominees Pte Ltd	166,321,984	16.96
4	Citibank Nominees Singapore Pte Ltd	108,681,796	11.08
5	CapitaLand Retail China Trust Management Limited	52,324,802	5.34
6	DBSN Services Pte. Ltd.	36,941,519	3.77
7	Raffles Nominees (Pte.) Limited	28,142,630	2.87
8	DBS Vickers Securities (Singapore) Pte Ltd	12,261,963	1.25
9	UOB Kay Hian Private Limited	10,492,353	1.07
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	8,566,043	0.87
11	DB Nominees (Singapore) Pte Ltd	4,677,905	0.48
12	United Overseas Bank Nominees (Private) Limited	4,281,869	0.44
13	BPSS Nominees Singapore (Pte.) Ltd.	3,620,666	0.37
14	OCBC Securities Private Limited	3,450,871	0.35
15	OCBC Nominees Singapore Private Limited	2,699,049	0.28
16	Maybank Kim Eng Securities Pte. Ltd.	2,609,140	0.27
17	Phillip Securities Pte Ltd	2,539,013	0.26
18	CGS-CIMB Securities (Singapore) Pte. Ltd.	2,513,067	0.26
19	Heng Siew Eng	2,451,201	0.25
20	Yap Chong Hin Gabriel	1,660,000	0.17
	<b>Total</b>	<b>848,117,106</b>	<b>86.51</b>

# STATISTICS OF UNITHOLDINGS

As at 14 February 2019

## DIRECTORS' INTERESTS IN UNITS AND CONVERTIBLE SECURITIES AS AT 21 JANUARY 2019

Based on the Register of Directors' Unitholdings, save for those disclosed below, none of the Directors holds any interest in Units and convertible securities issued by CRCT.

Name of Director	No. of Units		Contingent Awards of Units <sup>1</sup> under the Manager's	
	Direct Interest	Deemed Interest	Performance Unit Plan	Restricted Unit Plan
Soh Kim Soon	11,623	–	–	–
Tan Tze Wooi	71,514	3,000	0 to 285,252 <sup>2</sup>	59,536 <sup>3,4</sup> 0 to 126,018 <sup>2,4</sup>
Fong Heng Boo	59,468	–	–	–
Christopher Gee Kok Aun	42,162	–	–	–
Professor Tan Kong Yam	29,662	–	–	–
Neo Poh Kiat	55,956	–	–	–
Kuan Li Li	31,071	–	–	–
Lee Chee Koon	–	21,200	–	–
Lim Cho Pin Andrew Geoffrey	16,571	–	–	–

### Notes:

- 1 This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's Performance Unit Plan ("PUP") and Restricted Unit Plan ("RUP"). The final number of Units that will be released could range from 0% to a maximum of 200% of the baseline award under the PUP and from 0% to a maximum of 150% of the baseline award under the RUP.
- 2 The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for the PUP and RUP.
- 3 Being the unvested two-thirds of the RUP 2017 Award.
- 4 On the final 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 foregone due to the vesting mechanism of RUP, will also be released.

# STATISTICS OF UNITHOLDINGS

As at 14 February 2019

## SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS AS AT 14 FEBRUARY 2019

Based on the information available to the Manager as at 14 February 2019, the unitholdings of Substantial Unitholders of CRCT are as follows:

Name of Substantial Unitholder	Direct Interest		Deemed Interest	
	No. of Units	%	No. of Units	%
Temasek Holdings (Private) Limited (THPL)	–	–	374,277,522 <sup>1</sup>	38.17
CapitaLand Limited (CL)	–	–	367,244,331 <sup>2</sup>	37.45
CapitaLand Business Services Pte. Ltd. (CLBS)	–	–	192,214,529 <sup>3</sup>	19.60
CapitaLand Mall Asia Limited (CMA)	–	–	192,214,529 <sup>4</sup>	19.60
CapitaLand Retail China Pte. Ltd. (CLRC)	–	–	192,214,529 <sup>5</sup>	19.60
Retail Crown Pte. Ltd. (RCPL)	192,214,529	19.60	–	–
CapitaLand Singapore Limited (CLS)	–	–	122,705,000 <sup>6</sup>	12.51
CL Retail Singapore Pte. Ltd. (CRSPL)	–	–	122,705,000 <sup>6</sup>	12.51
HSBC Institutional Trust Services (Singapore) Limited, as trustee of CapitaLand Mall Trust	122,705,000	12.51	–	–
CapitaLand Financial Limited (CFL)	–	–	52,324,802 <sup>7</sup>	5.34
CapitaLand Retail China Trust Management Limited (CRCTML)	52,324,802	5.34	–	–
Matthews International Capital Management, LLC (MICM)	–	–	63,447,160 <sup>8</sup>	6.47
Matthews International Funds (MIF)	–	–	56,102,400 <sup>9</sup>	5.72
Prudential plc (PRU)	–	–	52,742,816 <sup>10</sup>	5.37
Prudential Corporation Asia Limited (PCA)	–	–	50,296,916 <sup>10</sup>	5.12

- 1 THPL is deemed to have an interest in the unitholdings in which its associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister for Finance.
- 2 CL is deemed to have an interest in the unitholdings held by HSBC Institutional Trust Services (Singapore) Limited, as trustee of CapitaLand Mall Trust, and its indirect wholly owned subsidiaries namely, RCPL and CRCTML.
- 3 CLBS is deemed to have an interest in the unitholdings held by RCPL through its interest in CMA.
- 4 CMA is deemed to have an interest in the unitholdings held by its indirect wholly owned subsidiary namely, RCPL.
- 5 CLRC is deemed to have an interest in the unitholdings held by its direct wholly owned subsidiary namely, RCPL.
- 6 CLS and CRSPL are deemed to have an interest in the unitholdings held by HSBC Institutional Trust Services (Singapore) Limited, as trustee of CapitaLand Mall Trust.
- 7 CFL is deemed to have an interest in the unitholdings held by its direct wholly owned subsidiary namely, CRCTML.
- 8 MICM is a U.S. registered investment advisor who has a discretionary authority over its clients' investment.
- 9 MIF is deemed to have an interest in the unitholdings held by its custodian, Brown Brothers Harriman & Co.
- 10 PRU and PCA are deemed to have an interest in the unitholdings managed by their subsidiaries as fund managers.

## PUBLIC FLOAT

Based on the information available to the Manager, approximately 49.94% of the Units in CRCT were held in the hands of the public as at 14 February 2019. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been compiled with.

# MALL DIRECTORY

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## CAPITAMALL SAIHAN

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## CAPITAMALL WUHU

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## CAPITAMALL ERQI

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## CAPITAMALL SHUANGJING

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# CORPORATE INFORMATION

## CAPITALAND RETAIL CHINA TRUST

### REGISTERED ADDRESS OF THE TRUSTEE

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Email: ask-us@crct.com.sg  
Website: www.crct.com.sg  
Stock Code: AU8U  
Counter Name: CapitaR China Tr

### TRUSTEE

#### HSBC Institutional Trust Services (Singapore) Limited

21 Collyer Quay  
#03-01 HSBC Building  
Singapore 049320  
Tel: +65 6658 6667

### AUDITOR

#### KPMG LLP

Public Accountants and  
Chartered Accountants  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
Tel: +65 6213 3388  
Fax: +65 6225 0984  
Partner-In-Charge:  
Lim Pang Yew, Victor  
Appointed: With effect from  
financial year ended  
31 December 2017

### UNIT REGISTRAR

#### Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: +65 6536 5355  
Fax: +65 6536 1360

## THE MANAGER

### REGISTERED ADDRESS OF THE MANAGER

#### CapitaLand Retail China Trust Management Limited

168 Robinson Road  
#30-01 Capital Tower  
Singapore 068912  
Tel: +65 6713 2888  
Fax: +65 6713 2999

### BOARD OF DIRECTORS

#### Soh Kim Soon

Chairman & Non-Executive  
Independent Director

#### Tan Tze Wooi

Chief Executive Officer & Executive  
Non-Independent Director

#### Fong Heng Boo

Non-Executive Independent  
Director

#### Christopher Gee Kok Aun

Non-Executive Independent  
Director

#### Professor Tan Kong Yam

Non-Executive Independent  
Director

#### Neo Poh Kiat

Non-Executive Independent  
Director

#### Kuan Li Li

Non-Executive Independent  
Director

#### Lee Chee Koon

Non-Executive Non-Independent  
Director

#### Lim Cho Pin Andrew Geoffrey

Non-Executive Non-Independent  
Director

### AUDIT COMMITTEE

#### Fong Heng Boo

Chairman

#### Christopher Gee Kok Aun

Professor Tan Kong Yam

Lim Cho Pin Andrew Geoffrey

### CORPORATE DISCLOSURE COMMITTEE

#### Soh Kim Soon

Chairman

#### Tan Tze Wooi

Lim Cho Pin Andrew Geoffrey

### EXECUTIVE COMMITTEE

#### Lee Chee Koon

Chairman

#### Tan Tze Wooi

Lim Cho Pin Andrew Geoffrey

### COMPANY SECRETARY

Chuo Cher Shing

This Annual Report to Unitholders may contain forward-looking statements. Forward-looking statement is subject to inherent uncertainties and is based on numerous assumptions. Actual performance, outcomes and results may differ materially from those expressed in forward-looking statements. Representative examples of factors which may cause the actual performance, outcomes and results to differ materially from those in the forward-looking statements include (without limitation) changes in general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate investment opportunities, competition from other companies, shifts in customers' demands, changes in operating conditions, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of management on future events.

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**CapitaLand Retail China Trust Management Limited**

As Manager of CapitaLand Retail China Trust  
Company Registration No. 200611176D

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#30-01 Capital Tower  
Singapore 068912  
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