

## CAPITALAND COMMERCIAL TRUST

### MINUTES OF THE ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 10 APRIL 2019 AT 10.00 A.M. THE STAR GALLERY, LEVEL 3, THE STAR PERFORMING ARTS CENTRE, 1 VISTA EXCHANGE GREEN, SINGAPORE 138617

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Present: Unitholders (present in person or by proxy)

As per attendance list

In attendance: Directors of CapitaLand Commercial Trust Management Limited (the “Directors”), as manager of CapitaLand Commercial Trust (the “Manager”)

Mr Soo Kok Leng, Chairman

Mr Kevin Chee Tien Jin, Chief Executive Officer (“CEO”)

Mr Lam Yi Young

Ms Tan Soon Neo Jessica

Mrs Quek Bin Hwee

Mr Ng Wai King

Mr Lim Cho Pin Andrew Geoffrey

Mr Lee Chee Koon

HSBC Institutional Trust Services (Singapore) Limited, trustee of CapitaLand Commercial Trust

Mr Antony Wade Lewis, Chief Executive Officer

Company Secretaries of the Manager

Ms Lee Ju Lin, Audrey

Ms Tee Leng Li

Management of the Manager

Ms Anne Chua, Head, Finance

Ms Ho Mei Peng, Head, Investor Relations

Mr Chew Peet Mun, Head, Investment and Asset Management

## 1 **INTRODUCTION**

- 1.1 On behalf of HSBC Institutional Trust Services (Singapore) Limited, the trustee of CapitaLand Commercial Trust (“**CCT**”, and the trustee of CCT, the “**Trustee**”), and the Board of Directors (the “**Board**”) of the Manager, Ms Ho Mei Peng, the Master of Ceremonies, welcomed the unitholders of CCT (the “**Unitholders**”) to the Meeting.
- 1.2 Prior to the commencement of the Annual General Meeting (“**AGM**”), the Emcee briefed all in attendance on the emergency evacuation plan and explained that in lieu of refreshments, CapitaVouchers worth \$20 (expiring on 31 December 2019) were issued to Unitholders attending the AGM. The Emcee also mentioned that Unitholders who wish to sign up as members of SIAS would be entitled to a one-year free associate membership. The Emcee then introduced the panellists.
- 1.3 Thereafter, Mr Kevin Chee Tien Jin, the CEO, gave a short presentation on CCT’s performance for the year ended 31 December 2018, CCT’s portfolio highlights, leveraging on the momentum of rising Singapore office rents, new initiatives and community engagement efforts, and plans to position CCT for sustainable growth.
- 1.4 The Emcee then handed the proceedings of the Meeting over to Mr Soo Kok Leng, the Chairman of the Board of Directors of the Manager, who had been nominated by the Trustee to preside as Chairman of the Meeting (the “**Chairman**”) in accordance with paragraph 8 of the schedule to the trust deed constituting CCT dated 6 February 2004 (as amended and supplemented) (the “**Trust Deed**”).
- 1.5 The Chairman noted that a quorum was present and declared the Meeting open at 10.10 a.m. The notice of Meeting dated 13 March 2019 (the “**Notice of Meeting**”) contained in the annual report of CCT to the Unitholders of the same date was, with the approval of the Unitholders, taken as read.
- 1.6 Chairman informed the Meeting that, in accordance with Rule 730A(2) of the Listing Manual of the SGX-ST, each resolution (“**Resolution**”) as set out in the Notice of Meeting will be conducted by poll. Polling would be conducted in a paperless manner using a wireless handset.
- 1.7 Chairman also informed the Meeting that as Chairman and an appointed proxy for this AGM, he would propose all the motions to be tabled.
- 1.8 Chairman further informed the Meeting that an independent scrutineer, DrewCorp Services Pte Ltd, had been appointed to conduct the poll and that Mr Raymond Lam of DrewCorp Services Pte Ltd would explain the procedures for voting by electronic poll. Following Mr Lam’s explanation of the electronic poll voting procedures and a test resolution carried out to familiarise Unitholders with the electronic handset, Mr Lam handed the proceedings of the Meeting back to Chairman.

- 1.9 Chairman requested that Unitholders raise their questions and/or comments only after the Resolution in respect of the agenda item had been proposed and to adhere strictly to matters that are relevant to the agenda and also to limit the questions to a reasonable number and length.
- 1.10 Chairman informed Unitholders that all resolutions tabled today are Ordinary Resolutions and explained that an Ordinary Resolution meant a resolution proposed and passed by a majority greater than 50% of the total number of votes cast for and against such Resolution at the Meeting.

## **2 ORDINARY RESOLUTION 1:**

### **Adoption of the Report of the Trustee, Statement by the Manager, the Audited Financial Statement and the Auditors' Report**

- 2.1 Ordinary Resolution 1 to receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of CCT for FY 2018 and the Auditors' Report was read and duly proposed by Chairman.
- 2.2 The Chairman invited questions and comments from the floor.
- 2.3 Mr Tan Yong Nee ("**Vincent Tan**") began by congratulating the Manager for its excellent performance in managing CCT throughout 2018, including the divestment of Twenty Anson at a favourable capitalisation rate which was well received by the market. Mr Tan highlighted that there may be a tendency for a flight to safety in the next few years arising from investors' concerns about the possibility of an impending recession. This may lead investors to invest in safer investment products such as real estate investment trusts ("**REITs**"). Subsequently, he asked the following questions:
- (a) Mr Vincent Tan queried on CCT's plan for the 200,000 square feet space at 21 Collyer Quay since HSBC's lease will expire in April 2020. Mr Vincent Tan wanted to know if the Manager viewed the lease expiry as an opportunity or threat to CCT given that HSBC's lease is a triple net lease, noting that should the Manager fail to procure a tenant to lease on a triple net basis, the Manager would need to pay taxes (including property taxes) and other charges. Further noting that as the leasehold term for 21 Collyer Quay is 999 years as compared to the leasehold term for the properties of other REITs which are typically about 50 years, Mr Vincent Tan suggested the possibility for CCT to carve out and lease shorter leasehold tenure, such as for 99-year periods.

Mr Vincent Tan further urged the Manager to release updates if CCT manages to secure new tenants for 21 Collyer Quay, just like how CCT announced that CapitaSpring had secured J.P. Morgan as its tenant. This will instil greater confidence in investors of CCT.

- (b) Mr Vincent Tan asked if co-working concepts by companies such as WeWork would affect CCT's strategies. According to Mr Vincent Tan, REITs, including CCT, are owners of "hard" assets. On the other hand, companies that pioneered co-working emphasise "soft" assets and data analytics. This allows them to develop services for their tenants. These companies appear to be able to lease space from REITs at lower rents and re-let the same space to other tenants at higher rents. Mr Vincent Tan noted that CCT had introduced core-flex offerings and asked if the Manager could provide more insights on how the core-flex offerings and other strategies offered by CCT can differentiate CCT from its competitors and to allow CCT to compete effectively with disruptors in the office leasing space.
  - (c) Mr Vincent Tan noted that some existing tenants, such as J.P. Morgan, have large meeting rooms, and asked whether CCT has explored the possibility of sharing amenities for more efficient use of the unused rooms. Mr Vincent Tan also queried about CCT's role for such arrangements, and whether CCT acts as a broker in helping such tenants to lease out their unused spaces, or whether CCT leases out designated common space in the property for sharing purposes.
- 2.4 The CEO expressed his appreciation to Mr Vincent Tan for supporting CCT. In response to the first question regarding the expiring triple net lease on 21 Collyer Quay, the CEO first explained the concept of a triple net lease and reiterated that HSBC's lease had been extended by one year to April 2020. The CEO then stated that the teams have been working hard to consider different options, such as re-letting the property to new single or multiple tenants to replace HSBC. There would be a need to upgrade 21 Collyer Quay because CCT had acquired the property from HSBC in 2005 and leased it back to the bank on a triple net basis under which HSBC was responsible for maintenance of the property for the past 14 years. Since minimal upgrading has been done during this time, some upgrading work is now necessary. The CEO also mentioned that the Manager will consider other options to optimize value from 21 Collyer Quay, such as redevelopment and divestment.

The CEO then reassured Mr Vincent Tan that the Manager will release updates to the public when there is information to be shared.

- 2.5 On the second question regarding how CCT remains competitive in light of the rise of co-working spaces, the CEO agreed that the office sector is not immune to disruptions. According to the CEO, the main disruption to the office sector would be the change in the way people work, as companies are now looking for more flexibility, openness and collaboration in the work environment. Additionally, as economic cycles are getting shorter, a traditional three or four year lease may not be suitable for all companies. Some companies are growing very quickly and expansion and contraction situations are more common compared to the past. Within a year, a company may outgrow or reduce the space it needs. As such, CCT is adapting its offerings to provide more options to its occupiers and tenants, by way of the core-flex offerings mentioned earlier. CCT offers tenants a core space for which they can sign on for a fixed term of three to four years while at the same time also offers flex solutions in its portfolio, which allows occupiers and tenants to expand temporarily for project needs without the need to re-locate.

The CEO mentioned that there are many co-working operators today. However, co-working operators have realised that their business model may not be sustainable in the long term because they do not own the space they operate in and are at the mercy of their landlords since these operators have committed to leasing out their spaces to their sub-tenants. Hence, some of the bigger co-working operators are looking into acquiring real estate to ensure the sustainability of their business model. CapitaLand and CCT are cognizant of the evolving market and are working to develop creative solutions. Currently, CapitaLand has a 50-50 joint venture with The Work Project and has leased space at CCT's properties, on an arm's-length basis. This will increase synergies as The Work Project would be able to help CCT provide other value-added services which CCT on its own may not be able to provide.

- 2.6 On the third question regarding the sharing of amenities, the CEO clarified that while large tenants such as J.P. Morgan have the luxury of creating their own meeting rooms within their leases, it may not be as cost effective for smaller tenants to do the same. Hence, CCT is trying to develop shared amenities such as meeting rooms that can be booked for use by all tenants. This will result in more efficient use of the space and generate new income streams.
- 2.7 Next, Mr Lee Ying Chai thanked the Manager for the Manager's hard work and good performance in 2018. Mr Lee Ying Chai also expressed his hope that the management team has good work-life balance. He noted that CapitaLand recently announced its intention to acquire Ascendas-Singbridge and wished to find out more about the impact of this acquisition on CCT.

2.8 The CEO stated that CCT's strategy is to remain predominantly focused on Singapore with exposure of up to 20% of CCT's portfolio property value in gateway cities of developed markets. Germany is a market that CCT would focus on. The CEO explained that he could not speak on behalf of CapitaLand, but in the past, CapitaLand as a group had divested properties to other platforms such as funds and unrelated third parties. CCT will benefit from a strong sponsor. The CEO believed that this acquisition would strengthen CapitaLand as a group which would be positive for CCT.

2.9 Mr James Low ("**Mr Low**") asked the following questions:

- (a) Mr Low sought clarification on the CEO's statement that the options under consideration for 21 Collyer Quay would not affect CCT's income or CCT's distributions to Unitholders, in light of the fact that S\$27.5 million out of S\$300 million, or almost 7% of CCT's distributable income, was contributed by 21 Collyer Quay in 2018.
- (b) Mr Low also queried CCT's investment strategy on future investments in Singapore. He observed that investing in Singapore at current investment yields would not be favourable as the rate is very low, as demonstrated by the exit yields of the properties divested by CCT recently. Bearing in mind that CCT's equity cost of capital was 4.6% (distribution versus unit price and Singapore dollar borrowing rate was 2.8% to 3.0%, Mr Low stated that it is difficult to see how a future acquisition of a Singapore property can be DPU accretive to Unitholders, and wanted to know how CCT intended to deal with this issue. Mr Low noted that this is in contrast to the situation in Germany where the property yield is approximately 4.0%, while funding cost remains low at approximately 1%.

- 2.10 The CEO thanked Mr Low for his questions. With respect to 21 Collyer Quay, the CEO clarified that the S\$27.5 million mentioned earlier was made in reference to the new rent rates negotiated for the one-year extension of the lease i.e. for the period between April 2019 and April 2020. The CEO stated that the option of re-letting 21 Collyer Quay is the Manager's preferred course of action as this would ensure continuity of income from the property. The Manager is working on leasing the property and also making sure that the property is in good condition to be leased. He stated that more information will be shared by the Manager when available. The CEO emphasised that the Manager understands the importance of distributions to all Unitholders, and reiterated that the Manager will evaluate the impact on of each investment decision on Unitholders' distributions.

With respect to Mr Low's second question, the CEO stated that the Manager had been grappling with this issue for a while. The CEO commented that CCT had been very fortunate to grow over the past years since its inception through acquisitions and developments and will continue to seize opportunities locally when appropriate. The CEO cited the example of the re-development of CapitaSpring, which is expected to be completed in the first half of 2021 and start to contribute to CCT's income when stabilized. The CEO emphasised that CCT's main focus is on the Singapore market and that the Manager will capitalise on the right opportunities to manage CCT's portfolio of properties. CCT will continue to pursue its value-creation strategy through different engines of growth and ensure that all engines of growth are effective. Having said that, the CEO stated that the Manager is aware that it is getting more challenging to grow in Singapore and having grown in Singapore over the years, a conscious and deliberate decision was made to expand its horizons overseas in Germany in 2018. As Mr Low rightly pointed out, the yield spread that can be achieved in overseas countries is more positive when compared to Singapore. As a result, DPU accretion was positive when CCT conducted a private placement to part fund the acquisition of the property in Germany. Nevertheless, the CEO reiterated that CCT intends to keep the proportion of overseas properties to not more than 20% of CCT's portfolio value, and all investment decisions of CCT are made after careful deliberations to ensure CCT's sustainable growth.

- 2.11 Mr Lim Shiang Liang sought the Manager's opinion on the regions that the Manager believed were promising for future expansion opportunities. Mr Lim Shiang Liang observed that while the yield spread in Germany is favourable, Japan and the United States also offer favourable yield spreads. Mr Lim Shiang Liang opined that investments should be made in regions where CCT has a competitive advantage in.

- 2.12 The CEO responded to Mr Lim Shiang Liang's question by stating that CCT had considered various markets before making the decision to invest in Germany. Although CCT is one of the largest REITs in Singapore, it is still small compared to overseas REITs, and CCT's resources are also finite. Hence, CCT has to be very careful in selecting the right markets for future expansion. At this point in time, CCT had identified Germany as an ideal investment location and it is important for CCT to remain focused. The Manager hopes to find more suitable properties in Germany to add to CCT's portfolio, and cautioned against taking a scattered-gun approach without a clear focus when acquiring overseas properties. While there are certainly good markets around the world, the Manager must be circumspect in its investment approach. The Manager's objective is to ensure that if CCT does invests in a foreign market, the Manager will do so in a manner that allows CCT to gain sufficient scale to build a platform over time.
- 2.13 Mr Lum Yue Wah noted that a recent report from the media indicated that CCT was in the process of a negotiation to buy Duo Tower in Bugis. Mr Lum Yue Wah asked if CCT could provide more details on this transaction, including whether any equity fund raising exercise would be undertaken to fund this acquisition. Mr Lum Yue Wah urged the Chairman and the Board to keep unitholders in mind when deciding the form of equity fund raising. He cited the example of the rights issue held in 2017 in connection with the acquisition of Asia Square Tower 2 and expressed his appreciation to the Board for providing minority Unitholders with the opportunity to participate in such fund-raising.
- 2.14 The CEO thanked Mr Lum Yue Wah for his confidence in CCT. In relation to the media report CCT's potential interest in Duo Tower, the CEO stated that the Manager refrains from commenting on speculations. As a professional investment manager, the Manager's role is to evaluate all opportunities when they present themselves, and to find the best funding options for CCT, including private placement, rights issue, recycling of properties to secure funds and other debt instruments.
- 2.15 In response, Mr Lum Yue Wah said that CCT's potential interest in Duo Tower was reported in reliable sources such as the Bloomberg and The Business Times. As a minority Unitholder, he wished that the Manager could provide some indications on this deal since Unitholders would like to know if there are updates involving CCT.
- 2.16 The CEO reiterated that the Manager is continually evaluating all possible options in the market and will release more information when available.
- 2.17 The Chairman further reassured Unitholders that the Manager is putting in its best efforts to protect the interests of Unitholders.

- 2.18 Mr Tan Choon Han commented that the government had recently introduced a Master Plan to increase the base plot ratio by roughly 25% in the central business district. He wished to find out about the impact of this master plan on CCT and CapitaLand Limited. Mr Tan Choon Han also suggested that 21 Collyer Quay appeared to be able to benefit under the Master Plan.
- 2.19 The CEO first highlighted that the 2014 Master Plan provided incentive plot ratios under various schemes such as bonus plot ratio for proximity to MRT stations. The CEO clarified that in relation to revised plot ratios under the draft 2019 Master Plan, the as-built of CCT's properties are already close to the revised plot ratios. Therefore, there is no additional Gross Floor Area for redevelopment. For 21 Collyer Quay, the Manager will assess the costs and benefits of any re-development option.
- 2.20 As there were no further questions, the Chairman proceeded to put Ordinary Resolution 1 to vote by poll. The result of the poll on Ordinary Resolution 1 was as follows:

For		Against	
No. of Units	%	No. of Units	%
2,611,916,244	99.95	1,259,842	0.05

Based on the results of the poll, the Chairman declared Ordinary Resolution 1 as carried.

### **3 ORDINARY RESOLUTION 2:**

#### **Re-appointment of Auditors of CCT and authority to the Manager to fix their remuneration**

- 3.1 Ordinary Resolution 2 to re-appoint KPMG LLP as Auditors of CCT to hold office until the conclusion of the next AGM of CCT, and to authorise the Manager, to fix their remuneration was read and duly proposed by Chairman.
- 3.2 The Chairman also highlighted that KPMG LLP has indicated their willingness to accept reappointment.
- 3.3 The Chairman invited questions and comments from the floor.

- 3.4 As there were no further questions on Ordinary Resolution 2, the Chairman proceeded to put Ordinary Resolution 2 to vote by poll. The result of the poll on Ordinary Resolution 2 was as follows:

For		Against	
No. of Units	%	No. of Units	%
2,609,184,081	99.91	2,465,337	0.09

Based on the results of the poll, Chairman declared Ordinary Resolution 2 as carried.

#### 4 **ORDINARY RESOLUTION 3:**

**Authority for the Manager to issue units in CapitaLand Commercial Trust (“Units”) and to make or grant convertible instruments, and to issue Units in pursuance of such instruments.**

- 4.1 Ordinary Resolution 3 to authorise the Manager to issue Units and to make or grant convertible instruments (such as warrants or debentures) convertible into Units, and to issue Units in pursuance of such instruments was read and proposed by Chairman.
- 4.2 The Chairman explained that such Units must not in aggregate exceed 50% of the total number of issued Units with a sub-limit of 20% for issuance on a non pro-rata basis to Unitholders. The Chairman further highlighted that, if approved, the general mandate will, unless revoked or varied by Unitholders in a general meeting, be valid from the date of this AGM until the conclusion of the next AGM of CCT or the date by which the next AGM of CCT is required by applicable laws and regulations or the Trust Deed to be held, whichever is earlier.
- 4.3 The Chairman also explained that this is a common mandate often sought by listed companies and REITs to give them the flexibility and efficiency to raise capital to, for example, grow the business through property acquisitions, repay debt and make capital expenditures without requiring the time and financial expense of convening extraordinary general meetings. The mandate sought by CCT is within the limits set out in the SGX Listing Manual. In the event of any equity raising under this mandate, Unitholders will be informed through announcements made on the SGXNet. Moreover, if any equity raising is to exceed the limits under the mandate, Unitholders’ approval will be sought separately.
- 4.4 The Chairman invited questions and comments from the floor.

- 4.5 As there were no further questions on Ordinary Resolution 3, the Chairman proceeded to put Ordinary Resolution 3 to vote by poll. The result of the poll on Ordinary Resolution 3 was as follows:

For		Against	
No. of Units	%	No. of Units	%
2,527,522,213	96.80	83,515,654	3.20

Based on the results of the poll, Chairman declared Resolution 3 as carried.

## 5 **ORDINARY RESOLUTION 4:**

### **To approve the renewal of the Unit Buy-Back Mandate**

- 5.1 Resolution 4 to approve the renewal of the unit buy-back mandate authorising the Manager to repurchase issued Units for and on behalf of CCT was read and duly proposed by Chairman.
- 5.2 The Chairman informed Unitholders that if approved, the renewed Unit Buy-Back Mandate will give the Manager the flexibility to undertake repurchases of Units at any time, subject to market conditions, during the period that the Unit Buy-Back Mandate is in force and on the terms set out in the Notice of AGM and the Letter to Unitholders dated 13 March 2019.
- 5.3 The Chairman also informed Unitholders that the Unit Buy-Back Mandate would be a flexible and cost-effective capital management tool to, among other things, enhance return on equity for Unitholders. Additionally, any Unit repurchased under the Unit Buy-Back Mandate shall be deemed cancelled immediately on repurchase.
- 5.4 The Chairman further stated that the Manager will only exercise the Unit Buy-Back Mandate when it considers it to be in the best interests of CCT and the Unitholders. No repurchase of Units will be made in circumstances which would have or may have a material adverse effect on the financial position of CCT. Furthermore, the total number of issued Units which may be repurchased by the Manager pursuant to the renewed mandate is limited to 2.5% of the total number of issued Units as of today. This limit is the same as that approved by Unitholders at last year's AGM.
- 5.5 The Chairman invited questions and comments from the floor.

- 5.6 As there were no questions on Ordinary Resolution 4, the Chairman proceeded to put Ordinary Resolution 4 to vote by poll. The result of the poll on Ordinary Resolution 4 was as follows:

For		Against	
No. of Units	%	No. of Units	%
2,608,536,350	99.92	2,143,120	0.08

Based on the results of the poll, Chairman declared Ordinary Resolution 4 as carried.

## **6 CLOSURE**

The Chairman thanked the Unitholders for their attendance and support on behalf of HSBC Institutional Trust Services (Singapore) Limited, the trustee of CCT, and CapitaLand Commercial Trust Management Limited, the manager of CCT, and declared the Meeting closed at 11:50 p.m.

CONFIRMED

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Mr Soo Kok Leng  
Chairman of Meeting