



HSUAN OWYANG  
CHAIRMAN

PUA SECK GUAN  
CHIEF EXECUTIVE OFFICER

**“The potential for the growth of REITs in Asia looks very promising. In view of this, CMT’s values remain compelling and will continue to attract liquidity in light of our solid track record and sound fundamentals.”**

**MR HSUAN OWYANG, CHAIRMAN,  
CAPITAMALL TRUST MANAGEMENT LIMITED**

### On behalf of the Board of CapitaMall Trust Management Limited (CMTML), the Manager of CapitaMall Trust (CMT), we present the report of CMT for the year ended 31 December 2004.

#### FINANCIAL PERFORMANCE

During 2004, on the back of the country's strong economic showing, with Gross Domestic Product (GDP) growth of 8.4<sup>1</sup> percent, the fastest pace in four years, we saw greater demand for retail space and more positive business sentiments among retailers. These improving economic conditions, increased visitor arrivals, and higher levels of domestic consumer confidence contributed to sustained occupancy and growth in rental rates in our malls in 2004.

CMT has continued to outperform forecast and deliver increased returns to Unitholders. Unitholders who have held CMT units since 1 January 2004 will have enjoyed a total return of 29.7<sup>2</sup> percent as at 31 December 2004. For unitholders who have invested in CMT since our Initial Public Offering (IPO) in July 2002 they would have enjoyed a total return of 105.1<sup>3</sup> percent as at 31 December 2004. In 2004, CMT's performance again exceeded forecast, returning to Unitholders a total Distribution Per Unit (DPU) of 9.48 cents, 18.1 percent above the total DPU payout

of 8.03 cents for the financial period ended 31 December 2003.

This result is mainly due to the addition of Plaza Singapura to CMT's portfolio on 2 August 2004, the receipt of interest income from CMT's investment in Class E bonds issued by CapitaRetail Singapore Limited, and a full year's contribution from IMM Building (IMM) this year. Higher rental income on new and renewed leases from the other malls and rental income from new retail areas created at Junction 8 and Tampines Mall also contributed to an increase in gross revenue.

CMT's ability to deliver sustainable distributions to Unitholders is underpinned by management's success in continuously adding value to our assets through pro-active asset management, active leasing strategies and innovative asset enhancement initiatives. Strong renewals and tenant take-up rates, coupled with the organic growth built into our portfolio through step-up rent, provide a good foundation for sustainable growth.

<sup>1</sup> Source: Ministry of Trade and Industry.

<sup>2</sup> Based on total actual DPU of 9.48 cents from 1 January 2004 to 31 December 2004, the closing unit price of S\$1.43 on 31 December 2003 and the closing price of S\$1.76 as at 31 December 2004.

<sup>3</sup> Based on total actual DPU of 20.9 cents since the listing of CMT on 17 July 2002 and the IPO price of CMT units of S\$0.96.

## KEY DEVELOPMENTS

### **Yield-Accretive Acquisition of Plaza Singapura**

In August 2004, CMT made a S\$710.0 million acquisition of Plaza Singapura. This acquisition was an important step in allowing CMT to continue to deliver improved returns and growth for investors, as it offered yield accretion, competitive strengths, diversification benefits, growth potential and improved liquidity in CMT units.

With the addition of Plaza Singapura, CMT has reduced the total net property income derived from any one property to no more than 30.2 percent, down from 34.7 percent for the same period (from 2 August to 31 December 2004) if Plaza Singapura had not been acquired. In addition, with its well-balanced tenant mix, Plaza Singapura has increased the diversification of CMT's portfolio of properties and its ability to cater to different tenancy demands in different parts of Singapore.

### **Increased Liquidity and Market Capitalisation**

With 294.0 million new units issued in August 2004 to partly finance the acquisition of Plaza Singapura, CMT enjoyed improved liquidity and an increase in market capitalisation. As at 31 December 2004, CMT's market capitalisation stood at over S\$2.1 billion<sup>1</sup>. Inclusion in European Public Real Estate (EPRA) / National Association of Real Estate Investment Trusts (NAREIT) Global Real Estate Index and its sub-indices and Morgan Stanley Capital International Inc. (MSCI) Standard Index Series also increased liquidity as these prestigious investment indices are widely referred to by international fund managers as performance benchmarks in the selection and monitoring of investments.

### **Asset Enhancement Initiatives at the Malls**

We are constantly reviewing the concepts, tenant mix and layouts of our shopping malls. Our ongoing pro-active approach to managing our malls provided the foundation for CMT's performance in 2004. CMT achieved close to 100 percent retail occupancy and an improvement of 45.7 percent in total net property income over 2003.

At Tampines Mall, installation of new escalators at Lobby A and travellators at Lobby B from Basement 1 to 3 has improved shoppers' traffic. All new tenants which have been introduced throughout the year have since commenced business. They currently occupy areas created from both new and reconfigured spaces. Construction of a rooftop landscape plaza on Level 4 was completed in end October. This plaza is built with family activities in mind, as it comes complete with a playground and stage facilities, which allows it to be the venue for various outdoor community events.

We have converted relatively lower yielding office space in Junction 8 into higher yielding retail space. A new zone, which focuses on sports, electronics and young fashion labels, was also completed in 2004 and all units are fully leased as at 31 December 2004.

Asset enhancements undertaken during the year have given Funan The IT Mall a totally new and refreshing façade with escalators providing direct access from the street level to the upper levels. To increase the 'Digital flavour' of the mall, a free wireless internet access service (Wi-Fi) was launched on 25 September 2004, thus providing greater convenience to the IT-savvy shoppers who frequent the mall.

There is now an increased variety of food choices at IMM with the opening of two new foodcourts occupying a combined area of approximately 17,500 sq ft. Installation of travellators was completed in November 2004. Phase 2 enhancement works is targeted to commence in 2005.

In 2005, apart from the organic growth built into the portfolio through step-up rent, Unitholders can expect to enjoy the full impact of the increased revenue stream from the newly completed retail space created through decantation at Junction 8. Further revenue growth can also be expected from the asset enhancement initiatives planned at IMM. In addition, ongoing rental renewals and the pro-active management of tenancy mix will be further growth drivers for each mall.

### **Increased Value of Property Portfolio**

Following the acquisition of Plaza Singapura, the portfolio size increased by 80.2% from S\$1.2 billion (as at 31 December 2003) to S\$2.2 billion (as at 31 December 2004). This increase is also partly attributable to the value created by the asset enhancement initiatives at the malls.

## INVESTOR RELATIONS AND CORPORATE GOVERNANCE

CMT was honoured to win the 'Most Transparent Company' Award, under the new REITs category, at the Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards held in September 2004. This prestigious award, for which we were nominated by analysts, fund managers and the media, recognises the timeliness, clarity and comprehensiveness of the information we disclose. Additionally, in a poll conducted

<sup>1</sup> Based on CMT's closing unit price of S\$1.76 on 31 December 2004.

by Finance Asia, CMT was voted amongst the top ten best companies in the categories of 'Best Managed Companies (Singapore)', 'Best Corporate Governance (Singapore)' and 'Most Committed to Strong Dividends Policy (Singapore)'. Maintaining open and timely communication with our investors is very important. We are very encouraged by this recognition of our efforts and remain committed to upholding a high level of corporate governance and transparency for CMT.

## LOOKING FORWARD

### Vision to Grow Asset Size to S\$4-S\$5 Billion

CMT is well-positioned to secure yield-accretive acquisitions and we will actively pursue opportunities to grow our property portfolio to an asset size of S\$4-5 billion within the next three years.

**Quarterly Distributions** Currently, CMT issues distributions to Unitholders twice a year. On 28 February 2005, Unitholders received the distributable income for the period 2 August 2004 to 31 December 2004 at a DPU of 4.07 cents. Following this distribution, CMT will be making quarterly distributions. The increased distribution frequency will benefit all Unitholders who will enjoy a more regular income stream from their investments in CMT, thus providing them with enhanced unitholder value. Unitholders can expect to receive the first distribution for the period from 1 January 2005 to 31 March 2005 in May 2005.

<sup>1</sup> The forecast is based on the forecast, with the accompanying assumptions, in the CMT Circular dated 20 July 2004.

### Budget Changes Set to Enhance Real Estate Investment Trust (REIT)

In the Government's Budget announcement on 18 February 2005, a compelling package of incentives was unveiled. These incentives will, among other things, encourage the further expansion of the REIT market in Singapore and attract more foreign investment capital for REITs here. These measures include:

1. Waiving stamp duty (typically around 3 percent of property value) for the purchase of properties by REITs, for a five-year period; and
2. Halving the withholding tax on REIT distributions received by foreign institutional/corporate investors to 10 percent from 20 percent, for a five-year period.

These measures augur well for the future of Singapore's real estate markets as a whole and the further development of REIT markets in Singapore. CMT is well-positioned to benefit from this. The official Government GDP growth forecast for 2005 is 3-5 percent and this provides an encouraging base for the continued improvement in the retail property market.

### Inclusion in the Straits Times Index (STI)

With effect from 18 March 2005, CMT will be included as one of the 50 component stocks of the STI, the primary

Singapore equity market barometer. This will enhance CMT's profile and increase its trading liquidity, as the STI and its component stocks are widely tracked by the investment community.

## 2005 OBJECTIVES

We will continue to focus on maintaining the high occupancy rates at each mall and executing planned asset enhancement initiatives. In addition, we will further strengthen tenancy mix, actively manage operational costs, and explore yield-accretive acquisitions with long-term growth potential. The Manager is confident of delivering the 2005 forecast annualised DPU of 9.34<sup>1</sup> cents per unit, barring any unforeseen circumstances.

## ACKNOWLEDGEMENTS

We would like to thank our Unitholders, business partners, customers, including tenants and shoppers, and all employees for their contributions to our performance. With the continued support of all stakeholders, CMT aims to sustain our growth momentum and deliver our forecast DPU for 2005.



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11 March 2005