



CAPITALAND RETAIL CHINA TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 23 October 2006 (as amended))

ANNOUNCEMENT

Annual General Meeting to be held on 24 June 2020 Responses to Substantial and Relevant Questions

The Manager of CapitaLand Retail China Trust (“**CRCT**”) would like to thank all unitholders who submitted their questions in advance of our Annual General Meeting (“**AGM**”) to be held virtually via “live audio-visual webcast and live audio-only stream” at 2.30 pm on Wednesday, 24 June 2020.

We have grouped the most asked questions into a few key topics. Questions from Securities Investors Association (Singapore) are also included.

Key topics include:

1. COVID-19 Updates
2. Financials
3. Strategy and outlook

Please refer to our responses to these substantial and relevant questions in the following pages.

The CEO of CRCT’s Manager, Mr Tan Tze Wooi will deliver a presentation to unitholders at the AGM. Please refer to the 2020 AGM Presentation and all AGM-related documents at: <https://investor.crct.com.sg/agm-egm.html>.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on SGXNet and made available on CRCT’s website. The minutes of the AGM will be published on CRCT’s website on or before the 23 July 2020.

BY ORDER OF THE BOARD
CapitaLand Retail China Trust Management Limited
(Registration Number: 200611176D)
As manager of CapitaLand Retail China Trust

Chuo Cher Shing
Company Secretary
24 June 2020

Important Notice

The past performance of CapitaLand Retail China Trust (“**CRCT**”) is not indicative of future performance. The listing of the units in CRCT (“**Units**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) does not guarantee a liquid market for the Units. The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, CapitaLand Retail China Trust Management Limited, as manager of CRCT (the “**Manager**”) or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units.

A. COVID-19 Updates	
1.	Please give an update of COVID-19 developments in China and the general business sentiments today.
	<p>Decisive actions by the Chinese government to contain the spread of COVID-19 has allowed its economy to be amongst the first to reopen. The government has launched a series of monetary and fiscal policies to support businesses, improve liquidity and boost domestic consumption. These supportive policies have facilitated the recovery phase.</p> <p>The Chinese government remains alert to the potential for a second wave of infections and continues to monitor the resumption of business and livelihood activities closely. For cities that report a heightened risk of COVID-19, the Chinese government will adopt location-specific measures to contain the transmission, which might result in varying recovery pace for different cities, depending on ground developments.</p>
2.	What is the impact of COVID-19 to business?
	<p>Since the peak of the COVID-19 outbreak in China that occurred around late January to February 2020, we have seen month-on-month (m-o-m) recovery in our traffic and sales volume.</p> <p>With ground sentiments improving and shoppers heading back to the malls gradually, our enlarged portfolio footfall reached close to 80%¹ of pre-pandemic footfall levels for the month of May 2020 vs May 2019.</p> <p>Similarly, from the trough, our enlarged portfolio sales have seen progressive m-o-m recovery with sales reaching around 80%² for May 2020 vs May 2019.</p> <p>While mall operations and business normality has largely resumed, certain trades continue to be restricted and impacted by safe distancing measures. The trade categories that were most affected are Leisure and Entertainment as well as Education. The Food & Beverage trade category have been affected to varying degrees. Formats that relied more on dine in businesses were most impacted while take-aways, and food kiosks, fast food have shown faster recovery. The other more resilient trade categories are Supermarket, IT and Jewellery.</p>
3.	What are the mitigating steps undertaken by CRCT to reduce the impact of COVID-19 as more consumers shifted their shopping habits online?
	<p>China's online and offline retail have each grown and will continue to co-exist to satisfy the wide range of changing consumer preferences and needs. In May 2020, online and offline share of total retail sales of consumer goods are 25% and 75% respectively.</p> <p>E-commerce players have also started to explore and embrace offline solutions to create a more encompassing customer engagement that focus on newer and more comprehensive retail experiences.</p> <p>To capture changing consumer habits and preferences, we are continuously reviewing the trade mix and offerings at our malls to stay relevant and appealing. In addition, we responded</p>

¹ On same mall basis (excluding CapitaMall Xuefu, CapitaMall Aidemengdun, CapitaMall Yuhuating), traffic recovered to around 65% for May 2020 vs May 2019.

² On same mall basis (excluding CapitaMall Xuefu, CapitaMall Aidemengdun, CapitaMall Yuhuating), tenants' sales recovered to around 70% for May 2020 vs May 2019.

	<p>swiftly to the stay-home economy trend by fast-tracking our digitalisation journey to improve engagement with consumers and worked with our retailers to get them onboard our ecommerce platform.</p> <p>We adopt trending marketing approach by working alongside retail partners and leveraging on social media accounts to organise livestream sales as well as run promotions.</p> <p>With over 10 million CapitaStar members in China and more than 1 million in Singapore, we are early movers to leverage our retail ecosystem to integrate both the physical and digital realm, creating a competitive advantage for CapitaLand malls and stickiness with our retailers and shoppers.</p>
4.	How much rental relief has been granted to tenants?
	<p>We introduced our tenant relief packages in two phases.</p> <p>In phase one, we offered:</p> <ul style="list-style-type: none"> • 100% rental rebate for CapitaMall Minzhongleyuan for the period from 25 January –13 February 2020 • 50% rental rebate for all other China malls from 25 January – 9 February 2020 <p>In phase two, we focused on tailored solutions for our tenants based on individual circumstances, as well as evaluating other business considerations holistically. Some of the support include extending further rental rebates to tenants that are most affected by COVID-19, offering marketing subsidy, staggering rental payments by instalments to alleviate cash flows and relooking into lease renewal terms.</p> <p>Broadly, we have set aside one to two months of rent support to eligible tenants to tide through the challenging period.</p>
5.	Have tenants requested for rent deferment? What is the latest status of rent default?
	<p>As part of our tenant relief package, we have considered on a case by case basis, rental instalment scheme for qualifying tenants.</p> <p>During tenancy work-out period, slower rent payment by some tenants were observed. These were mitigated by the security deposits held (typically three-month rental amount). If and when arrears exceed security deposit and net exposures are deemed at risk, specific provisions will be provided in line with accounting policy, while an active tenant replacement strategy will be concurrently executed. As at March 2020, exposure exceeding security deposit represented around 4% of the gross monthly revenue.</p> <p>Proactive lease management oversight, coupled with business activities pick-up will enable tenant default risk to be managed at an acceptable level.</p>
6.	Please provide an update on lease renewals that are expiring in 2020?
	<p>About 34.9% of our leases by GRI will expire in 2020, with 60% weighting in 2H 2020. This is partly contributed by upcoming lease expiry of an anchor tenant at CapitaMall Yuhuating. We are currently exploring options for space recovery. This will enable us to extract value and inject more vibrancy and engaging retail experiences for our shoppers.</p> <p>We will focus on proactive lease management, balancing tenant retention with signing new ones, and adopt a more flexible lease approach in securing optimal tenant mix in the short</p>

	<p>term.</p> <p>Leasing activity is expected to be slower in 2020 as retailers go through business reviews. Frictional vacancy could be expected in the short term as a result.</p>
<p>7.</p>	<p>How is CRCT managing the risk that the COVID-19 pandemic could be prolonged and could potentially lead to second and third waves?</p> <p>With recent new cases of COVID-19 in Beijing, have CRCT's malls in Beijing been affected?</p>
	<p>To manage COVID-19, the Chinese government has introduced a system of classifying cities by risk levels, which allows for varying extent of travel and movement restrictions within the city. The Chinese government has also leveraged on advanced tracing and digital means by using QR codes. These proactive measures have helped to restore confidence as daily activities resume.</p> <p>Nonetheless, new COVID-19 cases have been reported in Beijing recently. Two confirmed COVID-19 cases visited CapitaMall Grand Canyon. As mandated by local authorities, we are cleaning and disinfecting the mall intensively and putting in additional on-site measures before welcoming back customers.</p> <p>The well-being of customers and employees is of paramount importance to us. Since the onset of COVID-19 in Beijing, we have immediately stepped up our measures to enhance cleaning and disinfection routines, conduct temperature screening at all entrances, limit the number of diners at F&B outlets, maintain safe distance among tables in restaurants and prevent the gathering of crowds.</p> <p>The rest of our malls are operating at the usual hours.</p> <p>We will continually monitor the situation on the ground and provide updates on any material developments.</p>

B. Financials	
8.	How is CRCT's debt profile over the next 1 to 3 years and are there any refinancing implications from COVID-19?
	<p>2020 loans have been refinanced, lengthening our weighted average term to maturity to 3.16 years as at 31 March 2020. Aggregate leverage remained healthy at 35.8% and all-in interest rate was 2.89% per annum.</p> <p>Our debt maturity profile is well-distributed to manage refinancing requirements. Approximately 14.5% and 20.4% of borrowings are due in 2021 and 2022 respectively. We are currently working to refinance loans due in 2021.</p> <p>With MAS raising the leverage limit for S-REITs from 45% to 50%, our debt headroom has increased from S\$678 million to S\$1.2 billion, allowing more financial flexibility for stability and growth.</p> <p>In terms of credit facilities, as at 31 March 2020, we have approximately S\$237.1 million of undrawn credit facilities.</p>
9.	How are you managing your currency and interest rate risk?
	<p>We actively monitor the capital market, including liquidity and interest rate environment, as well as exchange rate to minimise financing cost and safeguard returns for our Unitholders.</p> <p>Our hedging policy is to hedge at least 50% of undistributed income into SGD and at least 80% of total debt to fixed interest rates.</p>
10.	Why does CRCT have a capital distribution component and where does it come from?
	<p>Our capital distribution component arose from the divestment of CapitaMall Anzhen. The divestment gain was utilised to supplement the income gap arising from portfolio reconstitution actions during the financial year, as contribution from new asset ramps up.</p> <p>We have been prudent in the way we utilise this divestment gain, as the main focus of the management is to grow the core DPU sustainably.</p>

C. Strategy and Outlook	
11.	What is the outlook for CRCT for 2H 2020?
	<p>Barring unforeseen circumstances, we expect an improved 2H 2020, premised on pro-business, pro-consumption policy stimulus, although short term volatility is to be expected amidst the challenging business environment. As retailers realign their business strategies and store expansion plans, leasing activities may slow. Frictional vacancy and softer rental rates are expected in the short term.</p> <p>Consumer spending is expected to be cautious in the near term.</p> <p>We will continue to focus on proactive lease management, collaborating with retailers to curate desired mix and offerings, injecting new content that appeals to our customers, positioning ourselves favourably to capture new opportunities as the recovery momentum takes off.</p>
12.	Does CRCT have plans to adjust the distribution policy this year?
	<p>We have been consistently applying our distribution policy since our listing in December 2006.</p> <p>We remain committed to distribute at least 90% of its distributable income to our Unitholders for FY 2020, barring any unforeseen circumstances.</p>
13.	Will CRCT consider expanding its mandate beyond retail and into other asset classes?
	<p>Through our portfolio reconstitution strategy, we have built up a more diversified and resilient portfolio today. This laid the foundation for CRCT to continuously strengthen and scale up by taking on more sizeable assets.</p> <p>CRCT is positioned as CapitaLand's long-term vehicle to hold China income producing assets when stabilised. In this regard, CRCT will actively review opportunities that add income diversity and resilience, creating a more diversified portfolio holding that is beyond pure retail.</p>
14.	Will CRCT look to acquire new assets moving forward?
	<p>We are committed to deliver sustainable growth to our Unitholders and will continue to engage in strategic and timely acquisitions as well as enhancement and divestments of our assets to optimise our portfolio.</p> <p>We will review opportunities for yield accretive acquisitions with a focus on tier 1 and 2 cities, particularly in the five core city clusters where our Sponsor has strong presence in.</p> <p>We will source for assets from our Sponsor's pipeline as well as third party vendors to take advantage of market opportunities, strengthen diversification and create complementary income streams.</p>
15.	What is CRCT's plan for CapitaMall Minzhongleyuan? Does CRCT have an annual target for divestment and capital recycling?

	<p>During FY 2019, CapitaMall Minzhongleyuan contributed less than 0.5% and 2.5% in terms of property income and property value respectively to CRCT portfolio. CapitaMall Minzhongleyuan is not part of our core asset holdings on a long-term basis and we will look for opportunistic exit.</p> <p>Operationally, we are working to secure a strong anchor tenant to help attract footfall to the mall.</p> <p>While CRCT does not have an annual target for divestment or capital recycling, we have actively executed our strategy to unlock value of our assets at the optimal stage of the lifecycle and recycle proceeds to deliver growth to our Unitholders. Since 2017, we have monetised four out of the seven seed assets from CRCT IPO.</p>
<p>16.</p>	<p>Can you explain more about the leasehold terms in China and how CRCT is mitigating this risk?</p>
	<p>The tenure of land use rights (LUR tenure) ranges from 40/50years for commercial use (including use for shopping malls) to 70 years for residential use in China. Valuers in China factor this lease tenure into their valuations of all assets.</p> <p>As this is part of the business landscape of China, to actively manage this risk, we have been continuously reconstituting and rejuvenating our portfolio by recycling aged assets for newer and quality assets. These can be seen from the divestment of our oldest assets CapitaMall Anzhen, CapitaMall Wuhu, CapitaMall Erqi as well as entering into the bundle deal to divest CapitaMall Saihan and acquire Yuquan Mall (which has a longer balance lease tenure).</p> <p>At this juncture, the regulatory framework to handle expiring leases for commercial properties is not clearly spelled out and there are not many precedent cases to take reference from. We do note that the government specified that the right to use residential land will be automatically renewed upon the expiration of the contract in the 2007 Property Rights Law. We will continue to monitor this space and respond accordingly when new developments arise.</p>