CAPITALAND RETAIL CHINA TRUST

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

ANNOUNCEMENT

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR THE EXTRAORDINARY GENERAL MEETING ON 22 DECEMBER 2020

The CRCT Manager would like to thank all CRCT Unitholders who have submitted their questions in advance of the Extraordinary General Meeting ("**EGM**") in relation to the proposed acquisition of five business park properties and balance 49% interest in Rock Square. The EGM is being convened, and will be held, by electronic means via **live audio-visual webcast or audio-only stream** at 2.30p.m. on Tuesday, 22 December 2020.

Please refer to the CRCT Presentation on the Proposed Acquisition and all EGM-related documents at: https://investor.crct.com.sg/agm-egm.html

Following the conclusion of the EGM, the voting results of the AGM will be uploaded on the SGXNET and CRCT's website. The minutes of the EGM will be published on the SGXNET and CRCT's website on or before 21 January 2021.

Please refer to Appendix A for the list of substantial and relevant questions, and the Manager's responses to these questions.

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
22 December 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.

Appendix A: RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

1.	**What is the management's rationale for moving into Tier 2 cities instead of focusing on Tier 1 cities and how does this align with the management strategy?**
	• Our investment strategy is to focus on expanding into Tier 1 and leading Tier 2 cities, where there are strong city and market growth opportunities. We would like to focus our presence within CapitaLand's five core city cluster strategy[1] to leverage on the Sponsor's established management platform and strong network. • Specific to this acquisition, we have decided to move into leading provincial tier 2 cities of Suzhou, Hangzhou and Xi'an as/with: o **Tier 2 provincial cities are set for rapid growth** on the back of the upgrading of regional industrial structures and continued urbanisation trends. o **Trend of decentralisation to Tier 2 cities** as transport infrastructure of Tier 2 cities improve, encouraging ongoing decentralisation of economic activities to Tier 2 cities. This is supported by trends of renowned global enterprises relocating their headquarters and manufacturing bases to Tier 2 cities. • Further, our acquisition of business parks in Tier 2 cities is in line with our strategy of investing in a long-term balanced and diversified portfolio as: o **Business parks are resilient assets** which are thematically supported by China's economic growth initiatives. o **Business parks strategically located in Tier 2 cities exhibit higher occupancy rates and stronger rental growth relative to Tier 1 cities**, due to their increasingly attractive industrial environment as well as strong regional government support. The positive trend is set to continue further. o **Acquisition enhances CRCT's geographic diversification into leading Tier 2 provincial cities.** The five business parks assets will give a sizeable yet balanced portfolio with attractive entry yield for CRCT's maiden acquisition following the expansion of our mandate. CRCT's exposure to Beijing will reduce from 48% to 36% in terms of GRI, while gaining exposure to Suzhou, Hangzhou and Xi'an, with these higher growth cities accounting for 20% of GRI in the Enlarged Portfolio[2]. • Moving forward, we intend to continue to have our portfolio orientated towards Tier 1 and Tier 2 cities.
2.	**Who are the direct competitors for our business parks and what advantages does CRCT have vis-à-vis the other business parks?**
	• Due to the diverse nature of the cities and location of the properties, key competitors are unique to each property. **Ascendas Xinsu Portfolio** • Key competitors to the Ascendas Xinsu Portfolio is the Suzhou International Science Parks I, II, III and IV. • Across the years, the Ascendas Xinsu portfolio has developed a strong reputation for its quality specifications and premium location. Relative to the other four properties, the Ascendas Xinsu Portfolio is closer to the city centre and is more accessible via public

[1] The five core city clusters under CapitaLand's China strategy are Beijing/Tianjin, Shanghai/Hangzhou/Suzhou/Ningbo, Guangzhou/Shenzhen, Chengdu/Chongqing/Xi'an, and Wuhan.
[2] Comprises the Existing Portfolio and the Properties.

	transportation. The Ascendas Xinsu Portfolio is located 1km from Suzhou's city centre and 1km from Station Metro Line 3 and Line 6, which is currently under construction.
	• In terms of product offerings, we offer a range of quality products from single-storey to multi-storey workshops that are ideal for industrial, R&D and modern services purposes, thereby attracting multinational companies and leading domestic enterprises.
	• Our single-storey workshops are also highly sought after given the lack of similar products in the market.
	
	Ascendas Innovation Towers
	• Key competitors include GLP I-Park and Xi'an National Digital Publishing Base.
	• Ascendas Innovation Towers is a relatively new property as compared to key competitors. Ascendas Innovation Towers opened in April 2017.
	• In terms of positioning, Ascendas Innovation Towers is positioned as a landmark asset providing quality focal point for the development of Xi'an's new economy, including hi-tech, innovation, software and R&D sectors.
	
	Ascendas Innovation Hub
	• Key competitors include Xi'an Software Parks and Xi'an Electronics & Tech University Park.
	• AIH, which opened in 2014, is the newest business park among the abovementioned key competitors. AIH has high quality specifications and is better maintained as compared to its surrounding projects.
	• In terms of positioning, Ascendas Innovation Hub is positioned as a high-tech incubator and R&D space for manufacturing and semiconductor enterprises, attracting leading MNCs and domestic companies to the business park.
	
	Singapore-Hangzhou Science & Technology Park ("SHSTP Phase I and Phase II")
	• Key competitors include HEDA Medicine Valley Accelerator and Overseas Hi-tech Center.
	• SHSTP Phase I and Phase II is located only 500 metres away from the Hangzhou Bay Ring Expressway and 1 km away from Yunshui Station on Metro Line 1. The project is adjacent to Zhejiang's largest university zone and provides ideal office space for many companies in E-commerce, biomedical sciences, information and communication technology and R&D functions.
	• SHSTP Phase I and Phase II has high quality building specifications and is generally larger than its competitors in terms of total building size and tenant scale.
	• It is positioned to attract information technology ("IT"), innovative, and high technology industries, providing alternative office space for start-ups, which is in line with the Hangzhou city's proposition as one of the most important high-tech industrial hubs in China.
	
	In terms of advantage, our business parks have:
	• **Campus-style workplace designed for high-growth, innovation-based industries**
	  o Equipped with a comprehensive suite of recreational facilities and lifestyle amenities with vast green communal landscape, bringing out the Work-Live-Play concept that is attractive for typical tenants in high-growth and innovation-based industries.
	  o Offer various size and space choices with desired building specifications at attractive rents, supporting tenants and park growth.

	◦ Industry clusters are built up across the value chain, reducing proximity of upstream and downstream tenants, thereby encouraging a collaborative environment. • **Professional and efficient property management is highly attractive to corporate tenants** ◦ Data visualisation and real-time monitoring of business parks through cutting-edge technology. ◦ Convenient “one-stop” toll free number that enhances customer and tenant experiences. ◦ Intelligent property management system that supports remote metering, online feedback and service application, visitor/vehicle management system via facial recognition and QR code scanning etc. ◦ Tenant stickiness is further enhanced via community-building events and programmes.
3.	**Does CRCT have the experience of managing Business Parks?**
	• With the acquisition of the Ascendas-Singbridge group in 2019, the expanded CapitaLand group now includes business parks, logistics and data centres in its portfolio, allowing us access to an expanded depth of talent pool within these new economy asset classes. • CapitaLand now provides a full spectrum of real estate capabilities and resources managed by local ground team with in-depth market knowledge in China. • CapitaLand’s property management teams and leasing teams has established a professional and efficient property management capability which has helped to create tenant stickiness across asset class. • Similar to our retail assets, CRCT will leverage on CapitaLand’s strong support, network and operational expertise to manage the business parks and enter into new economy assets. • The five business parks are currently managed by CapitaLand. Post-acquisition, the same ground team will continue to manage and grow the assets effectively and efficiently as they are most familiar with the ground operations and have developed strong relationships with the tenants.
4.	**In view that office rental rates trail behind retail rental rates, would the acquisition of business parks be better than acquiring shopping malls or even mixed office/retail developments.**
	• REITs are often seen as an attractive investment for their distribution yield. High rental does not necessarily translate to higher net distribution yield. • Generally in China, office and business parks are not directly comparable as they appeal to different sub-markets as well as tenant groups. With business parks mostly located in non-CBD areas and traditional offices concentrated in CBD areas, the supply of office spaces in China is unlikely to have a direct impact on business parks. • Business parks are becoming a very attractive asset class due to benefits from the new economy sectors and have proven to be very resilient, therefore offering high diversification value to CRCT’s current retail centric portfolio. • Business parks in China stand to benefit from preferential policy supported by key economic policies and regional government subsidies and are in line with the Chinese government’s upcoming 14th Five-Year Plan to increase R&D expenditure and development of major high-tech hubs.

	• Secular shift in office user requirements, with companies looking to consolidate multiple functions into a single location, supports the increased demand for tenancy in business park assets by companies operating in the high-growth innovation-based industries. • Furthermore, the proposed business parks assets have an attractive NPI yield of 6.8%[3], which is accretive to the existing portfolio's NPI yield, and is expected to be DPU accretive for Unitholders. • Therefore, we believe that the move into Business Parks will enhance CRCT's portfolio income resilience so as to deliver sustainable income growth to our Unitholders.
5.	**Does Ascendas REIT or CapitaLand Retail China Trust have rights of first refusal over CapitaLand's China assets?**
	• CapitaLand has in recent years streamlined the investment focus of each REIT, which has contributed to the success of the fund management strategy. CapitaLand demonstrated this commitment by seeing through the combination of Ascott Residence Trust and Ascendas Hospitality Trust, followed by the merger of CapitaLand Mall Trust and CapitaLand Commercial Trust. • Today, CapitaLand REITs have developed specific geographic regions and/or sector focus, with CRCT earmarked to be the dedicated Singapore-listed REIT for CapitaLand Group's non-lodging China business. This will allow us to leverage on the economies of scale that we are able to develop by operating in a single market. We will also be able to leverage on the business parks property management team of the Sponsor, which has vast experience in developing, managing and operating these assets effectively. • Moving forward, CRCT will continue to focus on China, reviewing opportunities from the Sponsor's pipeline as well as from third party assets that can enhance our ability to grow and provide long-term and sustainable returns for Unitholders.
6.	**Is the property management fee of 3% in line with market average?**
	• Property management ("PM") fee is related to property management services and lease management services. • The property management fees are set by considering specific property and market practices. • As set out in the Independent Financial Adviser's ("IFA") Letter, the IFA is of the view that the terms of the Property Management Agreements are on normal commercial terms and are not prejudicial to the interests of CRCT and its minority Unitholders. • With reference to B-29, while the terminologies for the various PM Fee may be used differently, pure-play logistics/industrial REIT used in IFA's examples charged at least 3% of Revenue for their overall PM Fee. Please refer to IFA's conclusion on B-30 Point 2: ○ *While the terminologies used may be different, the bases for the calculation and the applicable rates of the fees payable to the Property Managers in respect of the Properties (other than Rock Square) are in line with the bases used by the comparable REITs, including the reimbursement arrangement;* • Generally, barring terminology term differences, SGX-listed pure-play logistics/industrial REIT charge at least 3% of revenue for their overall Property Manager (plus leasing commission). In that regard, CRCT's PM fee arrangement basis is on normal commercial

[3] NPI yield for Business Park Properties is computed based on the annualised 1H 2020 NPI and the Agreed Value on an effective stake basis.

	terms and in line with market practice. The PM Fee arrangement has been reviewed by both CRCT's Board (comprising majority of independent directors) and the IFA. Please refer to IFA's conclusion in 4.6 (B-30) with regards to their assessment of the Property Management Agreements.
7.	**(i) Is the upcoming lease renewal for the Business Parks in 2020 and 2021 an area of concern for the management? In particular, Ascendas Innovation Hub has the largest lease expiry upcoming. Is management concerned about a potential decline in occupancy or income from these Properties?** **(ii) The independent report mentioned that Ascendas Innovation Towers is relatively weaker than other districts as the market is still not sufficiently mature. As such, does management see any challenges in maintaining the properties' performance in 2020 and 2021?**
	• The average lease term for business parks in China is around 3 years, which is in-line with our current business park portfolio. This provides us with a good opportunity to extract value by renewing or leasing expiring leases at a higher rent. • Ascendas Innovation Hub's large lease expiry in 2021 is mainly attributed to one major tenant. We are currently in negotiations with the tenant to renew the lease. This tenant has been with us for more than 15 years and we do not foresee concerns renewing this lease. • Tenants of Business Parks generally have to incur high initial capital expenditure when they move into a new outfit. This mitigates the risk of tenants switching between business parks. • As part of our proactive asset management strategy, our property management team will actively approach tenants to negotiate leases that are expiring 6 months to 1 year in advance. This will give us sufficient time to source for new tenants in the event of non-renewal. • To-date, we do not foresee any significant decline in occupancy rate or income due to expiring tenants. • For Ascendas Innovation Towers, the project has gradually matured since 2017. The current (2020 Q3) occupancy and rent have increased to similar levels of Xi'an Hi-Tech Industries Development Zone ("XHTIDZ") and have surpassed the average of the Xi'an Market. While the average rent of XHTIDZ has declined slightly in 2020 Q3, AIT's average rent has remained stable and rising. We also have a fully equipped intelligent management system to serve the needs of our tenants and supporting facilities such as shared office and multi-functional conference hall for a conducive work environment, which bolsters AIT's attractiveness to potential tenants. There are also various amenities that support the work-live-play concept that are being planned and are in progress that will boost the attractiveness of the project. Additionally, our current tenant base in AIT is anchored by high quality tenants with a focus on high-tech and R&D enterprises such as Ping An Insurance, DHC Software, Dahua Technologies etc. Given AIT's high quality offerings, the management is confident of the property's appeal.
8.	**What is the ease of extension of land lease expiry in China?**
	• There are currently no clear guidelines from the Chinese government regarding the extension of land use rights ("LUR tenure") upon expiry. 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. • 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 CapitaMall Nuohemule (which has a longer balance lease tenure). • In addition, the LUR tenure for commercial land lease (includes business park) in China is 50 years, longer than retail at 40 years. The range of land tenure expiry for the existing portfolio is from 2041 to 2054 while the land tenure expiry range for the proposed assets is from 2045 to 2064. Hence, these continuous portfolio reconstitution efforts will allow us to continue to improve the portfolio's land lease expiry.
9.	**What is the impact of e-commerce on CRCT's malls? Any need to repurpose the mall space for other uses?**
	• While onset of COVID-19 has accelerated the move towards e-Commerce, 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. From January to November 2020, China online sales constitutes approximately 25% [4] of the total retail sales, demonstrating that offline sales are still important and a key feature of consumer lifestyles. • Omni-channel marketing is the way forward and tenants would like to partner landlords that can offer them exposure both online and offline. To value add to tenants, landlords need to harness technology and wide-ranging platforms to capture consumers and be the enabler and conduit to direct business to tenants. • Responding swiftly to this, we fast-tracked our digitalisation journey to improve engagement with consumers and worked with our retailers to get them onboard our ecommerce platform. We adopted trending marketing approach by working alongside retail partners and leveraging on social media accounts to organise livestream sales as well as run promotions. With over 11 million CapitaStar members in China[5], we were the 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. • As pro-active managers, we have to continuously adjust our trade mix to ensure that it remains synergistic with the lifestyle of our consumers post-COVID-19. Beyond retail, retail dining concepts that offer convenient take away options and a menu that caters to meals at different hours (breakfast, lunch, tea, dinner) are also more competitive. • With the data that we collect from CapitaStar, we are better prepared to adapt and change our tenant mix in accordance to the catchment and the preferences of our captive market. • We will continue to stay close to the market to respond swiftly to changes, if and when they arise.

[4] China Bureau of Statistics, November 2020
[5] CapitaLand, Ascott inks new partnerships with CapitaStar and credit cards to offer more perks to Ascott Star Rewards members, 7 September 2020.

10.	**Post-acquisition, CRCT's aggregate leverage is estimated to be around 37.4%. What is the ideal gearing ratio for CRCT going forward?**
	• Post-acquisition, CRCT's aggregate leverage stands at a healthy 37.4%, well below the regulatory 50% limit. This provides CRCT with sufficient debt headroom to acquire accretive assets as well as engage in asset enhancement initiatives to drive organic growth. • In the long-run, we are comfortable with a gearing level of up to 40%.
11.	**How will CRCT utilise the funds raised?**
	• The gross proceeds of approximately S$326.1 million raised from the equity fund raising forms part of CRCT's funding structure for the acquisition of five business parks and balance 49% interest in Rock Square. • A portion of the funds, approximately S$6.8 million, will be used to pay the estimated fees and expenses, including professional fees and expenses, incurred or to be incurred by CRCT in connection with the acquisition and the equity fund raising. • We will make periodic announcements on the utilisation of the net proceeds of the Equity Fund Raising via SGXNET as and when the funds are materially disbursed.
12.	**(i) CRCT completed the fund-raising exercise before obtaining Unitholders' approval for the acquisition at the EGM on 22 December 2020. How does the Board intend to utilise the funds raised in this fund-raising exercise if the proposed acquisition is not approved by Unitholders at the EGM?** **(ii) Moving forward, will CRCT consider holding the EGM to seek Unitholder's approval on the proposed acquisition before launching the equity fund raising?**
	• If the resolution is not approved, the funds raised will be used to pare down existing loans and/or any required asset enhancement works and working capital. Assuming the entire net proceeds from the equity fund raise ("EFR") is used to pare down the loans, the gearing would be reduced from 34.7% (as at September 2020) to 26.3%. • We have considered various launch timing options in relation to the transaction, including the potential launch of any EFR post-EGM. • We took into consideration the uncertainty brought about by the COVID-19 pandemic as well as the outcome of the US presidential elections, and its potential effect on markets. Delaying the launch of the equity fund raising to late December is not ideal and could affect the success of the fund raising. In addition, there is no certainty that the market will be more favourable in 2021. • As such, when we saw a viable market window, in consultation with professional advisers, we decided to launch the fund raising in the interest of Unitholders.
13.	**How frequent will CRCT conduct fund raising projects?**
	• We do not have a targeted number of fund raising projects a year. We will tap on the equity and debt market as and when we assessed an investment opportunity that we believe will present a quality value proposition to Unitholders while concurrently strengthen and optimise our portfolio. As part of our portfolio reconstitution strategy, we will also seek to unlock value of assets that have reached the optimal stage of their

	lifecycle and recycle the capital back to grow the business or improve our financial flexibility.
14.	**How is CRCT positioning itself to capture the opportunities arising from China's upcoming 14th Five-Year Plan?**
	• The fifth plenary session of the 19th Central Committee of the Communist Party of China was held in October 2020, in which the outline of the upcoming 14th Five-Year Plan (2021-2025) was reviewed. • China's upcoming 14th Five-Year Plan is expected to prioritise domestic consumption as a core strategy to transform China into a self-sufficient economy. • China's continual effort to boost investments in R&D to make breakthroughs in key technologies would encourage the development of major city clusters to serve as the main hubs for high-tech industries and innovation. • Hence, our entry into Business Parks in Suzhou, Hangzhou and Xi'an that are primarily occupied by tenants in high-growth industries such as high-end manufacturing, information and communication technology and biomedical sciences, is likely to receive strong boost and support, providing sustained demand for our business park assets. • We will continue to position CRCT's portfolio to be in line with China's economic transformation to diversify and strengthen our portfolio to ride on China's economic growth.
15.	**How will the opening of the China REIT (CREIT) market impact CRCT?**
	• We welcome the development of the CREIT market as we believe that we will stand to benefit from it. More competitive valuation and yields can be expected as the market develops, generating a positive impact on CRCT. • The increased interest and understanding of REITs in China will enable us to gain more visibility among Chinese investors looking to invest in an established REIT with track record in China that is backed by a strong Sponsor.
16.	**Would CRCT consider making DPU-dilutive acquisitions to further diversify out of non-retail assets?**
	• We will exercise investment discipline to ensure that the acquisitions we make are beneficial to the Unitholder and one that will allow us to strengthen our overall portfolio, before considering it. • In line with our strategy, our acquisition criteria will include, amongst others, property yield and DPU accretion, asset quality and growth enhancement potential as well as improving income diversification and resilience. • Target accretion could be worked on by planning ahead a deal structure and an optimum funding structure.
17.	**What is the management's medium and long-term plans for CRCT? What other growth areas is CRCT looking at to position itself for future growth?**
	• In the medium-term, we aim to build up a multi-asset class diversified portfolio.

	• Over the longer-term, we intend to achieve an asset class mix of around 40% integrated development, 30% retail and 30% new-economy (including business parks, logistics facilities, data centres).
18.	**(i) CRCT's sponsor has limited new economy assets as pipeline for CRCT. How does CRCT intend to grow in these asset classes that will benefit from the structural trends?** **(ii) Will CRCT expand into data centres?**
	• With the expansion of our investment mandate on 30 September 2020, we are now able to invest in retail, office and industrial assets (including business parks, logistics facilities, data centres and integrated developments). • On 16 November 2020, CapitaLand has announced its aim to redeploy part of the capital from asset recycling to new economy assets, growing its China exposure in this sector to S$5 billion over the next few years. Investments will include business parks, logistics and data centres. • This will give us the option to evaluate opportunities both from the Sponsor as well as third party assets. • If a data centre investment opportunity is available, we will be keen to consider it as part of our overall expanded investment strategy.
19.	**How does the management plan to provide long term value to Unitholders?**
	• Our plan is to strengthen and solidify CRCT as the largest China-focused S-REIT and as a proxy for China's growing consumption-driven, higher-valued and service-led economy. • The proposed acquisition of five business parks and balance 49% interest in Rock Square will help CRCT scale up in asset under management and market capitalisation, bring about DPU accretion while moving towards a long-term balanced and diversified portfolio to deliver sustainable returns to Unitholders. • Moving forward, we will continue to exercise disciplined portfolio reconstitution by proactively rejuvenating our asset base by focusing on our Create, Unlock and Extract strategy: o **Create** value through yield accretive acquisitions. o **Unlock** value by engaging in capital recycling of mature assets at the optimal stage of the asset's lifecycle. o **Extract** value by driving organic growth through operational excellence and asset enhancements.