CAPITALAND 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 19 April 2022
Responses to Substantial and Relevant Questions

CapitaLand China Trust Management Limited, as manager of CapitaLand China Trust (the "**Manager**" and "**CLCT**", respectively) 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 p.m. on Tuesday, 19 April 2022.

We have grouped the frequently asked questions received from unitholders into a few key topics. These topics include:

1. Operations

2. Financials

3. Strategy and Outlook

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

The CEO of the Manager, Mr Tan Tze Wooi, will deliver a presentation to unitholders at the AGM. Please refer to the 2022 AGM Presentation and all AGM-related documents at: https://investor.clct.com.sg/agm-egm.html.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded onto SGXNet and made available on CLCT's website. The minutes of the AGM will be published on CLCT's website on or before 18 May 2022.

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

Chuo Cher Shing
Company Secretary
19 April 2022

Important Notice

The past performance of CapitaLand China Trust ("**CLCT**") is not indicative of future performance. The listing of the units in CLCT ("**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 China Trust Management Limited, as manager of CLCT (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. Operations	
1.	**FY 2021 marks the year in which CLCT has successfully and completely expanded its mandate to include five Business Parks and four Logistics Parks, on top of its existing 11 retail assets. As a result of the rebound from the pandemic-lows and the full year contributions from its acquisitions, financials improved across the board – gross revenue and net property income increased 79.5% and 85.2%, respectively. What are some of the learning points which may be helpful for CLCT's future corporate actions? Also, how sustainable are the increases to CLCT's financials?**
	Over the last two years, our strategy of diversifying across asset classes, geography and tenant base to strengthen portfolio resiliency has borne fruits in the following ways: 1. Increased Asset Class Diversification • With the acquisition of the five Business Parks and four Logistics Parks, we expanded our revenue stream into asset classes that are able to benefit from China's structural upgrading of the economy towards innovation-driven growth. 2. Enhanced Geographical Diversification • We have been able to mitigate the impact and cushion earnings volatility from sporadic lockdowns that occurred across different cities in China. 3. Reduced Tenant Risk Concentration • Percentage contribution[1] of total rental income from our top tenant declined from 4.1% in FY 2020 to 2.5% in FY 2021. • 50% of our top 10 tenants are from the Business Park and Logistics Park sectors. As a result of our diversification strategy, we reported the highest net property income ("**NPI**") since listing, led by the consolidation of Rock Square and maiden contribution from our five Business Parks and four Logistics Parks. The strong performance of our new economy segment further reaffirms our position as a resilient, multi-asset S-REIT. This forward-looking portfolio reconstitution strategy is closely aligned with China's dual circulation strategy, which will position us to withstand market cycles and be less susceptible to any adverse changes caused by unforeseeable external events. Staying focused on executing our strategy is the key to our improved performance. Barring unforeseen circumstances, the assets are expected to continue performing and contributing to CLCT's growth. We are committed to delivering sustainable growth to our unitholders and will continue to engage in strategic and timely acquisitions and divestments as well as enhancement of our assets to optimise portfolio returns.

[1] By Total Rental Income, includes both gross rental income and the gross turnover rental income ("**GTO**") components to account for pure GTO leases.

2.	**The impact of COVID-19 differs from one segment to the other – hospitality and retail are the most badly affected by movement restrictions, while logistics may be supported by the tailwinds of working- and shopping-from-home. Such is evidenced in the -3.4% average rental reversion recorded by the retail segment, versus the 7.0% and 2.7% for the Business Parks and Logistics Parks segments, respectively. What is the impact of the current resurgence in COVID-19 to CLCT's operations and/or strategies?** **How has the current COVID-19 situation in China affected the performance of the asset class, in particular the shopping mall assets?**
	For our retail sector, from January to February 2022, we saw a healthy return of traffic and sales to 70-90% and 80-90% of pre-COVID-19 levels, respectively. However, with the increase in COVID-19 cases this year, CapitaMall Qibao and CapitaMall Aidemengdun were mandated to close on government directives in the middle of March, while CapitaMall Xuefu was mandated to close at the end of March. Both CapitaMall Xuefu and CapitaMall Aidemengdun reopened on 11 April 2022, but were asked to close from 17 April 2022 and 18 April 2022 respectively to cooperate with local directives. While the other malls are operational, some tenants in trade categories such as Education and Leisure & Entertainment have been asked to close in view of the rising cases. As the situation is still developing and is fluid, we are working closely with local authorities on the reopening of the malls. We will look to provide reasonable support for some of our tenants whose businesses are affected by COVID-19 on a case-by-case basis. Concurrently, when the insurance criteria are met, we will also look to file insurance claims to offset the cost of the closure. For our new economy segment, due to the recent COVID-19 situation in Shanghai and surrounding cities, activities at Shanghai Fengxian and Kunshan Logistics Parks are restricted. The rest of our Business Parks and Logistics Parks properties are currently business as usual. We expect minimal impact of the recent COVID-19 wave on our Business Parks and Logistics Parks properties. In terms of leasing demand, sentiments for the retail sector particularly in cities with more stringent movement controls have been impacted. Due to our proactive leasing management, we are seeing healthy performance coming through from the Food & Beverage, Beauty & Health and Jewellery trade categories. For the new economy asset classes, leasing demand remains strong with the portfolio Business Park and Logistics Parks properties' rental reversion coming at positive mid-single digits. We are seeing positive business confidence and steady leasing demand coming through from the Electronics, Engineering, Biomedical Sciences and E-Commerce sectors. At the operating level, we will remain adaptable and flexible to capture and stay ahead of new consumer trends. We will continue to proactively build tenant stickiness and seek competitive advantage in the assets that we operate in.
3.	**How has the recent COVID-19 related lockdown in Shanghai impacted CLCT's business?**

	Including Kunshan Bacheng Logistics Park that lies within the greater Shanghai region, our total Shanghai region exposure by Asset Under Management ("**AUM**") contributes only 4.1% of our total valuation. Hence, the lockdown is expected to have minimal impact to CLCT's portfolio. We will monitor the situation on the ground and provide updates on any material developments.
4.	**What are the proactive initiatives undertaken by the Manager to ensure the competitiveness as well as relevance of the malls in CLCT's portfolio?**
	China's online and offline retail sales have continued to grow and will co-exist to cater to the diverse consumer preferences and needs. From January to March 2022, China's online and offline share of total retail sales of consumer goods are 27.7% and 72.3% respectively. To capture changing consumer habits and preferences, we actively review our mall trade mix and offerings to stay relevant and appealing. In addition, we responded swiftly to the stay-home economy trend through CapitaStar, our ecommerce platform. We adopt trending marketing approaches by working alongside retail partners and leveraging on social media accounts to organise livestream sales as well as run promotions. CapitaLand has over 12 million CapitaStar members in China and more than 1.2 million in Singapore and will continue leveraging our retail ecosystem to integrate both the physical and digital realm, creating a competitive advantage for CapitaLand malls and increasing stickiness of our retailers and shoppers to our malls.
5.	**What is the impact of rising utilities costs on CLCT's operating expenses?**
	Utilities costs account for around 8% of CLCT's operating expenses or approximately 3% of CLCT's revenue. Utilities rates year-to-date 2022 have increased in the range of around 10% depending on the region in China. While a large part of utilities costs is borne by the tenant for their own usage, our team in China is actively reviewing ways to optimise the dollar costs borne by CLCT (i.e., in common area spaces). Various measures that we have taken include: • Active utilities saving and conservation: For projects that have been connected to our Internet of Things system, the system is able to detect and monitor data, such as temperature and water consumption of the building. The data guides the management in the energy and water conservation meetings, providing early warning and guidance for projects with abnormal energy consumption. • Centralised procurement and energy saving: Through the centralised procurement of electricity, the unit price is locked in in advance to reduce the price volatility.
6.	**Has the Manager observed an increase in the prices of construction raw materials in China? How will that impact your Asset Enhancement Initiatives ("AEI") and its hurdle rates?**

	Across the globe, the cost of raw material for construction has been rising due to various factors such as the geo-political conflict and the ongoing COVID-19 pandemic. The rising cost of raw materials generally do not have significant impact for AEI as the typical construction period (at six to nine months) for AEI is much shorter compared to development projects (at least three years). Generally, during the selection of a main contractor, the contractor would have factored in fluctuation in costs within a certain range. To mitigate any increase in raw material prices, we work closely with our CapitaLand Development ("**CLD**") team to reduce the downtime due to AEI, balance the incoming rental rates, and minimise other expenditures to meet the AEI return expectations. In addition, we also tap on CLD's established group procurement strategy. We hedge the increase in cost by entering into advanced contracts with contractors. Due to our good credit and strong relationship with contractors and raw materials suppliers, we are able to manage the risk of rising material cost.
7.	**Portfolio weighted average lease expiry ("WALE") has decreased to less than three years. What are the reasons for this decrease?**
	CLCT's WALE is reflective of its portfolio mix, with the addition of new economy asset classes as well as divestment of master-lease retail assets and restructuring of anchor spaces. Consistent with the market practice in China, the leases for Business Parks and Logistics Parks properties in China range around 2-3 years. This is slightly shorter compared to retail assets, which have some anchor and mini-anchor tenants with leases ranging from 15-20 years for anchor tenants, and 5-7 years for mini-anchor tenants. A relatively shorter WALE will allow us to mark-to-market in a favourable market, while allowing flexibility to adjust tenancies to capture new trends.

B. Financials	
8.	**Interest rates are expected to rise. How will that affect CLCT's distribution per unit ("DPU")?**
	CLCT adopts an active capital management approach to mitigate financial impacts from externalities. In anticipation of the rising interest rate environment, we have locked in a high proportion of fixed rate debt of more than 70%, safeguarding distributions against interest rate volatility. 66% of our loans are offshore while 20% of our loans are onshore and 14% are Medium Term Notes. This combination of onshore and offshore funding mix will allow us to capitalise on China's easing monetary policy amidst the rising interest rate environment globally. A 10-basis point increase in Singapore Swap Offer Rate ("**SOR**") interest rate is expected to have a pro forma impact of 0.02 cents in DPU on a per annum basis. In terms of refinancing requirements, CLCT has already successfully secured debt facilities to refinance the S$180.0 million due in 2022, which will extend its maturity to 2027. We will manage the rising interest rates by actively engaging banks, selecting the best financial instruments to hedge against volatility and adjusting our hedging levels.

9.	**How is the Manager managing CLCT's currency risk?**
	The Manager actively monitors the capital market and exchange rate to minimise foreign exchange volatilities and safeguard the returns for CLCT's unitholders. Our hedging policy is to hedge at least 50% of undistributed income into SGD.
10.	**Why has DPU decreased from 10.22 cents in FY 2018 to 8.73 cents in FY 2021 despite the increase in the number of assets from 11 to 20?**
	In FY 2018, total DPU included one-off capital distribution that arose from the divestment of CapitaMall Anzhen. Excluding the capital distribution, the organic DPU in FY 2019 grew 2.1% over FY 2018. In FY 2020 and FY 2021, similar to industry peers, our business environment and resultant earnings were impacted by the COVID-19 pandemic and related landlord support extended to our retail partners. Given our pro-active management and portfolio reconstitution, FY 2021 DPU increased 37.5% as compared to FY 2020. The decline in DPU relative to FY 2019 is largely attributable to the impact of COVID-19 on our retail malls, as well as the enlarged unit base effect from new acquisitions that have yet to contribute on a full year basis. While our retail operating metrics reflect improvements with higher resumption in social activities, gatherings, and F&B dine-in, the business environment remains one of cautious undertone with competitive asking rents. Given the uncertain operating environment, tenants are generally more cautious and risk averse while taking longer to deliberate on new concepts and commitments. As a proactive landlord, we continue to be flexible and will adopt a long-term approach in conducting business with our retail partners through the evolving COVID-19 situation. We will continue to curate relevant tenant mix and recalibrate our malls' positioning to tap into the latest trends and preferences. With regards to our new acquisitions, the Business Park and Logistics Park properties now accounts for 21.9% of our AUM and contributed 26.3% and 28.2% of our FY 2021 gross revenue and NPI, respectively. The Business Park and Logistics Park properties were minimally impacted by the COVID-19 situation, which further attests to their resilience and our diversification strategy. We will actively monitor and augment our portfolio in a disciplined approach to drive earnings stability and grow DPU in a sustainable manner.
11.	**Were the recent deals announced by the Manager DPU accretive?**
	Acquisitions by CLCT in the new economy assets, including Business Parks and Logistics Parks were expected to achieve approximately 3% - 4% DPU accretion on a pro forma basis (refer to the relevant announcements dated 6 November 2020 and 12 October 2021). The strong DPU improvement of 37.5% delivered (FY 2021 vs FY 2020) was predicated on the DPU accretive new acquisitions, especially in the midst of China's zero-COVID policy. Moving forward, we expect organic growth and improvement in DPU contribution from recent acquisitions arising from embedded income escalation in underlying lease contracts as well as strong market demand in new economy asset classes, which are evident in the strong metrics such as property occupancy and positive rental reversion since acquisition. The Manager will continue exercising investment discipline and is committed to seeking value-added DPU accretive acquisitions that are beneficial to unitholders.

C. Strategy and Outlook	
12.	**What is your outlook for 2H 2022?**
	Barring unforeseen circumstances, we expect an improved 2H 2022, premised on the China's 'Two Sessions' policy announcements that calls for supportive pro-business, pro-consumption stimulus to steer economic and employment growth while addressing concerns over the real estate sector, platform economy and capital markets[2]. Although short term volatility is to be expected as China overcomes the current wave of COVID-19 infections, China has expressed intention to soften and balance the economic impact of COVID-19 fighting measures. For the retail segment, retailers may realign their business strategies and store expansion plans for cities affected by COVID-19 but this will be offset by our presence in other cities that are not facing similar constraints. Particularly for CapitaMall Wangjing, we have started on an extensive Asset Enhancement Initiative ("**AEI**") to rejuvenate approximately 14,000 sq m of recovered anchor department store space. This translates to approximately 20% of prime lettable area across Level 1 to 3. As of February 2022, there has been positive leasing responses. Approximately 50% of the AEI Net Lettable Area ("**NLA**") have been secured with an additional 15% of the NLA in advanced negotiation stage. 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 while positioning ourselves favourably to capture new opportunities and trends that have emerged from this pandemic. For the Business Park sector, it is poised to benefit from the structural upgrading of economy towards innovation-growth while the logistics parks will be supported by the strong boost in logistics demand as a result of the pandemic.
13.	**What will be the estimated DPU for FY 2022?** **What will be the DPU payment frequency for the next 2 years?**
	We do not provide DPU forecast. There are currently no plans to change our current semi-annual distribution.
14.	**Looking forward, CLCT seeks to focus on the new economy assets in the near-term and expand into commercial and integrated developments over the longer-term – with a portfolio's target composition of 30% retail, 30% new economy and 40% in the commercial and integrated developments space. Can the Manager briefly explain how it looks to achieve this, when it comes to paring down its current exposure of 78.1% to retail assets? Would CLCT be considering third-party, non-sponsor assets and/or other parts of China as well?**
	Our aim is to position our vehicle as the proxy for growth in China's future economy across multiple sectors. We intend to continue building our exposure in the new economy sectors that would include Business Parks, Logistics Parks, Data Centres and Industrial assets as well as Commercial and Integrated Developments.

[2] Xinhua Economic Watch, China sends clear-cut signals to bolster economic growth, 18 March 2022.

	To reach our aim of having a more balanced portfolio mix, we will focus on the reconstitution strategy, evaluating new acquisitions that fit our strategy while divesting non-core matured assets to enhance returns. While CLCT 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 five retail assets, of which four were part of the seven seed assets from our IPO, and recycled proceeds to buy in our newly acquired five Business Parks and four Logistics Park properties. 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, CapitaLand Investment Limited ("**CLI**"), has strong presence in. 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.
15.	**Will you look into expanding into alternative, non-traditional assets such as cold storage facilities, data centres instead of traditional asset classes like retail and offices?**
	Our expanded mandate allows us to invest in these alternative, non-traditional asset classes in mainland China. When assessing new alternative assets, a key consideration would be the ability to leverage on the synergies with our Sponsor and the overall CapitaLand eco-system to manage these assets. By tapping on CapitaLand's network, we will be able to create synergy by providing a wide range of real estate solutions to different tenants to drive our business. In evaluating investment opportunities in these asset classes, we will remain prudent and exercise investment discipline and assess each deal based on its merits to ensure that it will strengthen CLCT's portfolio and benefit CLCT's unitholders.
16.	**How will the "Common Prosperity" drive affect CLCT?** **China is increasing its scrutiny of technology platform companies and wants to safeguard their data for national security. Will this dent the prospects for foreign companies looking at "new economy" assets such as Data Centres? How is CLCT adjusting its business strategy in response to this dynamic?**
	Central to the "Common Prosperity" drive is the concept of raising the incomes of low-income groups, promoting fairness, making regional development more balanced, and emphasising people-centred growth. At CLCT, we actively monitor policies to ensure that our strategic growth pillars are in line with the China's economic direction and policies.

	Our retail segment is well-positioned to benefit from the "Common Prosperity" theme as our malls are positioned as a destination lifestyle mall for the middle-income group. Last year, the education sector crackdown in China disrupted the industry heavily in which the restriction prohibited private education services. However, our education tenants provide mainly enrichment services in extra-curricular activities like dancing, music and other cultural interests and these activities are not part of the crackdown. In terms of tenant exposure, our Education sector stood at 2.3% of our portfolio Gross Rental Income ("**GRI**")[3]. As for our Business Parks and Logistics Properties, the regulatory crackdowns and overhauls to-date are with regards to issues surrounding tech companies' exploitation of platform workers and its exploitative use of algorithms, rather than foreign ownership of Data Centres/new economy assets in China[4]. In relation to our tenant exposure to the E-commerce sector, E-commerce tenants constitute around 2.4% of our portfolio GRI, hence we have seen minimal impact on our portfolio consequent to the attention on this sector. Electronics, Engineering and Information Communications Technology are the key sectors within our portfolio and we are still seeing strong leasing demand from these sectors across our Business Parks assets.
17.	**Do you see a lot of distressed sales in the market and how are you capitalising on it?**
	We are seeing more deal flows in the recent months as Chinese property players adhere to the three red lines debt restrictions to build up their cash position. As our priority is to build a strong and resilient portfolio for the long term, our assessment of acquisitions takes into consideration: • Value and yield accretion • Quality of the asset; and • Growth prospects Other factors to consider include the prevailing market conditions, timing of the acquisition and available funding options. With our healthy gearing (37.7% as at 31 December 2021) and good financial position, CLCT is well-positioned to take advantage of opportunities when they emerge.

D. Others	
18.	**There have been many mergers and acquisitions occurring over the past year within the REITs space. Will CLCT merge with other REITs of the Sponsor to unlock value?**
	There are no existing plans for CLCT to be merged with other REITs of the Sponsor. Each REIT in CLI has a clear position and mandate that investors can choose from, to obtain the risk-adjusted returns that they are seeking.

[3] As at 31 December 2021.
[4] China Briefing from Dezan Shira & Associates, How to Understand China's Commo Prosperity Policy, 21 March 2022.

	CLCT is positioned as the dedicated Singapore-listed REIT for CapitaLand's non-lodging China business with acquisition pipeline access to its China's assets. As a country-focused play REIT with an expanded mandate, we have been able to capture the emerging growth pillars in China, which will further strengthen CLCT as a strategic vehicle to capture China's long-term growth.
19.	**What are the steps taken by CLCT to improve its unit price performance?**
	CLCT's unit price has been affected by the general cautious sentiments towards China in the last two years due to various factors including the zero-COVID strategy as well as the regulatory crackdowns. While there may be short-term fluctuations in unit price based on overall macro environment and sentiments, we are focused on our strategy of building portfolio resilience and diversification, which will enhance earnings visibility and decrease income volatility. By remaining steadfast in executing our portfolio reconstitution strategy as well as effectively extracting value from our assets, we are confident that the improved performance and financials will lead to an improved valuation.
20.	**Has the introduction of listed REITs in China ("C-REITs") impacted CLCT in any way?**
	We view the introduction of C-REITs positively, as it has enabled Chinese domestic investors to understand the benefits of a REIT model. This has enabled CLCT to gain investment awareness and stand out relative to the C-REITs, given our wider investment mandate across asset classes, strong growth track record and trading liquidity. With our diversified portfolio of Retail, Business Park and Logistics assets and established presence in 12 prominent tier one and two cities, CLCT is well-placed to attract new pools of capital. Leveraging on more than 15 years of track record and backed by a strong Sponsor and an experienced ground team with extensive domain knowledge, we are strategically positioned to be the proxy for China's future growth. Together with our committed Sponsor, a leading real estate player in China with an established presence of more than 25 years, we will strengthen and increase the frequency of our engagement with the Chinese investment community, as we work to expand our investor base.