Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

REIT: CapitaLand China Trust
(**Manager:** CapitaLand China Trust Management Limited)

Stock code: AU8U

Meeting details:
Date: 18 April 2023
Time: 3.00 p.m.
Venue: Canning Ballroom, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560

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Q1. For the financial year ended 31 December 2022, the REIT's gross revenue rose by 1.4% year-on-year to reach $383.2 million.

Prior to China lifting its COVID-19 restrictions at the end of 2022, China's stringent pandemic restrictions impacted the REIT's retail operations for long periods, particularly during the extended lockdowns in 2H 2022.

Since then, the manager has observed a recovery in shopper traffic, which grew 57.9% week-on-week in the final week of December 2022. For the full year, retail traffic decreased 20% to 81.7 million while tenant sales declined 12.7% against the previous year.

(i) **What is the current sentiment on the ground in China three months after the easing of pandemic restrictions? What is the manager's assessment of consumer confidence?**

(ii) **Can the manager help unitholders better understand the attractiveness of the REIT's mall when compared to competitors' malls? What is the manager doing differently from the other mall operators?**

(iii) **Has the manager conducted a benchmarking exercise on the REIT's mall portfolio, particularly in terms of tenant sales and shopper traffic?**

(iv) **Has the prolonged lockdown led to a permanent shift in consumers' behaviour towards online shopping? Additionally, what is the manager's plan for restoring shopper traffic and returning tenant sales to pre-COVID levels?**

(v) Several malls in the portfolio have experienced a decline in occupancy rates of 3% or more, with some experiencing a significant decrease.

RETAIL OCCUPANCY[1]

As at 31 December 2022, the retail portfolio registered a committed occupancy rate of 95.4%.

	As at 31 December 2022 (%)	As at 31 December 2021 (%)
CapitaMall Xizhimen	98.7	99.9
Rock Square	93.9	97.0
CapitaMall Wangjing	93.4	96.7[2]
CapitaMall Grand Canyon	93.4	94.0
CapitaMall Xuefu	98.2	99.5
CapitaMall Xinnan	86.2	95.0
CapitaMall Nuohemule	98.6	99.1
CapitaMall Yuhuating	95.0[2]	98.6
CapitaMall Shuangjing	100.0	100.0
CapitaMall Aidemengdun	91.6	97.8
CLCT Retail Portfolio	**95.4**	**97.9**

1. Excludes CapitaMall Qibao.
2. Excludes area undergoing AEI.

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Can the manager help unitholders understand the challenges associated with CapitaMall Xinnan and CapitaMall Aidemengdun? The malls have 39.0% and 52.1% of leases (by gross rental income (GRI)) expiring in 2023 respectively. **What is the leasing strategy?**

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Q2. In the annual report, the REIT highlighted its transformational pivot towards the "resilient business park and logistics park asset classes" which provided income diversification and strengthened portfolio resilience by allowing the REIT to benefit across market cycles.

While the rental reversion of the business park was 6.4% in 2022, the portfolio occupancy for business park has fallen from 96.2% as at 31 December 2021 to 91.4%.

BUSINESS PARK OCCUPANCY

As at 31 December 2022, the business park portfolio registered a committed occupancy rate of 91.4%, backed by demand for quality space from high-growth sectors of electronics, engineering, information and communications technology, professional services and biomedical sciences.

	As at 31 December 2022 (%)	As at 31 December 2021 (%)
Ascendas Xinsu Portfolio	96.6	97.4
Ascendas Innovation Towers	87.8	98.9
Ascendas Innovation Hub	95.1	98.1
Singapore-Hangzhou Science Technology Park Phase I	78.5	89.3
Singapore-Hangzhou Science Technology Park Phase II	89.1	95.7
CLCT Business Park Portfolio	**91.4**	**96.2**

(Source: annual report)

(i) **What are the reasons for the significant decrease in committed occupancy at Ascendas Innovation Towers (from 98.9% to 87.8%) and Singapore-Hangzhou Science Technology Park Phase I (from 95.7% to 89.1%)?**

(ii) **With its retail beginning, does the REIT manager have the expertise to manage business park assets?**

The business park portfolio has a weighted average lease expiry (WALE) by GRI and net lettable area (NLA) of 1.7 years and 1.7 years respectively as at 31 December 2022. In contrast, as at 31 December 2022, the WALE of CLCT's retail leases are 2.2 years by GRI and 3.3 years by NLA.

(iii) **Can the manager help unitholders understand the reasons for the relatively short tenures of the business park leases? What strategies are in place to sign tenants in the business parks to longer leases?**

(iv) **What are the major opportunities in the business park segment? Is there a risk that the REIT acquired the assets at the top of the market cycle, and the market is normalising now?**

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Q3. Resolution 6 at the annual general meeting calls on unitholders to approve the waiving of their rights to receive a mandatory offer from the manager for CLCT, in the event that the manager incurs an obligation to make a mandatory offer pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers as a result of the acquisition of the management fee units by the manager.

It is anticipated that the aggregate unitholding of the concert party group will increase from approximately 29.94% to approximately 30.50% immediately following the issue of the management fee units.

This will result in the concert party group holding more than 30% of the voting rights of the REIT and thereby triggering the requirement for the manager to make a mandatory offer.

(i) **Would the manager be paid in cash (instead of units) if the resolution is not approved?**

If, after the issuance of the management fee units, the concert party group's percentage unitholding falls below 30.0%, and there is another issuance of units to the manager as payment of management fees that would result in the concert party group's percentage unitholding exceeding 30%, the mandatory offer will be triggered
once again, unless another whitewash waiver is obtained.

(ii) **Would this lead to a situation where the REIT regularly has to seek unitholders' approval?**

(iii) **Are there plans for any equity fund raising in the near term?**

(iv) **Is the sponsor/concert party group re-imbursing the REIT for the extra professional fees incurred in getting the unitholders' approval for the whitewash?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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