Securities Investors Association (Singapore) (SIAS)' Questions to CapitaLand Commercial Trust and CapitaLand Mall Trust During Dialogue Sessions with the Respective Groups of Unitholders

1. On pages 26 and 27 of the joint presentation (Proposed Merger of CapitaLand Mall Trust (CMT) and CapitaLand Commercial Trust (CCT), dated 4 September 2020), the *pro forma* distribution per unit (DPU) accretion to CMT and CCT unitholders are shown to be +4.1% and +7.6% respectively. It can be argued that these increases are simply an arithmetic outcome of a larger, combined net profit income divided by the smaller number of units of the Merged Entity. Can CMT/CCT management provide specific business plans to explain how it intends to improve DPU apart from the arithmetic effect?

   Response from CMT Manager and CCT Manager:

   - The *pro forma* DPU accretion is not merely the sum of combined distributable income from the two entities. The enlarged unit base arising from the new CMT units to be issued as part of the Scheme Consideration has also been taken into consideration.
   - More importantly, the *pro forma* DPU accretion for LTM June 2020 demonstrates that the Merger is DPU accretive for the unitholders of CMT and CCT based on the terms of the Merger and assuming that the Merger was completed on 1 July 2019.
   - The consolidation of CMT's retail and CCT's office portfolios as well as their platform capabilities are expected to unlock synergies and create value for the Merged Entity over time. Such synergies will include (a) cross-selling opportunities; (b) enhanced digital platform and data analytics; and (c) cost optimisation.
   - Moreover, with an enlarged asset base, the Merged Entity will enjoy a significantly higher development headroom and an enhanced ability and flexibility to undertake larger redevelopments to capitalise on evolving real estate trends and reposition its portfolio. With this added flexibility, the Merged Entity will be able to deliver more meaningful organic growth, stable distributions and sustainable total return to its unitholders.

2. The independent market report by CBRE on pages L-12 and L-19 of the Scheme Document states that "Islandwide retail rents are expected to experience further corrections in 2H 2020, with the widening of the two-tier market" and "Vacancy levels are expected to rise from relocations of major occupiers, downsizing of requirements and natural expiry of leases in 2020/2021. This will result in a further market correction and a downward pressure on office rents for the rest of 2020", respectively. In addition, page 11 of the joint slides states that shopper traffic is 58% of pre-COVID-19 levels and page 12 states that only 24% of the office community has returned for the week ended 28th August 2020. Given the significant proportion (33%+38% = 71%) that retail and office take up in the merged entity, does CMT/CCT management believe that it can even achieve the DPU accretion stated in pages 26 and 27 of the joint slides which are dated June 2020? In the interest of all unitholders, would CMT/CCT management like to provide more realistic, estimated DPU accretion numbers rather than the *pro forma* accretion numbers?

Response from CMT Manager and CCT Manager:

- Please note that the DPU accretion is calculated on a historical *pro forma* basis assuming the Merger was completed on 1 January 2019 and 1 July 2019 for FY2019 and LTM June 2020 respectively. In both cases, the Merger is DPU accretive for both CMT Unitholders and CCT Unitholders on a *pro forma* basis.
- The *pro forma* financial effects of the Merger were presented on a historical basis (i.e. FY2019 actual) pursuant to requirements under the SGX Listing Manual. While not required under the SGX Listing Manual, the *pro forma* financial effects of the Merger on a LTM basis were also voluntarily presented to provide unitholders with the most up-to-date analysis of the proposed Merger. CMT and CCT do not provide DPU forecasts.
- The resulting Merged Entity will be underpinned by three key attributes – leadership, resilience and growth – and be in a better position to drive long-term value creation. The *pro forma* financial effects do not take into consideration the synergies and opportunities that may be derived from the leadership, resilience and growth potential of the merged platform. As such, it is important that we look at the transaction in its entirety.
    - The combined platform is expected to unlock synergies and enhance the Merged Entity's ability to deliver sustainable total returns to its unitholders. Such synergies will include (i) cross-selling opportunities; (ii) enhanced digital platform and data analytics; and (iii) cost optimization.
    - In addition, with an enlarged asset base, the Merged Entity will enjoy a significantly higher development headroom and an enhanced ability and flexibility to undertake larger redevelopments to capitalise on evolving real estate trends, and reposition its portfolio. With this added flexibility, the Merged Entity will be able to deliver more meaningful organic growth, stable distributions and sustainable total return to its unitholders.
- In light of the evolving real estate landscape, CMT and CCT are coming together and combining their respective best-in-class attributes to form a stronger and more resilient platform.
- Retail recovery: CMT has a best-in-class retail portfolio, and its portfolio occupancy rates remain strong. CMT's portfolio is largely defensive, with excellent connectivity to public transport and strong population catchments.
    - It should be noted that larger malls such as IMM Building and Plaza Singapura / The Atrium@Orchard have achieved 82% and 73% recovery in footfall, respectively, as of the week ended 30 August 2020 versus the first week of January 2020.
    - Further, the CMT Manager has witnessed encouraging continued improvements from an operational perspective. Tenants' sales in July in the surburban malls outperformed the downtown malls but the gap is narrowing as people start to return to the office and more visitors go to the downtown malls over the weekends. The tenants' sales of suburban malls have recovered to more than 90% of the level a year ago with the smaller ones performing better compared

to the same period last year.

  - There is limited new retail supply for the remaining 2020 to 2024, averaging approximately 0.3 million sq ft, which is significantly lower than the last 5-year historical average supply of 1.4 million sq ft.

- Office recovery:
  - The returning tenants' count must be considered in light of telecommuting remaining the default mode of work for companies under Phase Two as advised by the Government of Singapore. Based on CCT's 2Q 2020 financial results, rent collection for CCT remains healthy and occupancy rates similarly remain strong.
  - CCT, with its dominant portfolio of Grade A office assets in CBD, is well positioned to capture any upswing in growth from the post-COVID-19 recovery. The Singapore CBD is expected to remain the primary office location given its concentration of quality office stock and its well-established business ecosystem that provides a critical mass of business networks required for companies to thrive.
  - There is limited new office stock completing in the next five years and no known Government Land Sale sites for tender for commercial office development in the CBD. The expected redevelopment of older CBD properties will further reduce office stock in the medium-term.

3. Page 2 of the Scheme Document states that the proposed current term is 0.720 new CMT shares and S$0.2590 per CCT share. The unit price of CMT has dropped from S$2.59 (closing price on SGX on 21 January 2020 the last trading day immediately prior to the joint announcement date) to S$1.97 as of 11 September 2020. This is a significant reduction for CCT unitholders. Will CMT management consider improving its proposed terms?

4. Given point 3 above, does CCT management still consider this Merger proposal to be in the interest of its unitholders? If so, can CCT management provide specific reasons as to why it still supports the Merger despite the significant erosion of value to its own CCT unitholders?

<u>Response from CMT Manager and CCT Manager</u>:

- The Scheme Consideration was arrived at with a balanced view for all stakeholders taking into account:
  - the merits of the transaction and longer term strategic rationale and goals of the Merged Entity;
  - commercial negotiations between the CMT Manager and the CCT Manager, based on an agreed understanding that the Merger would:
    - be a merger of equals;
    - achieve a balanced and attractive outcome for both the CMT Unitholders and the CCT Unitholders; and
    - result in the creation of the Merged Entity that will be well positioned to capitalise on the objectives and rationale of the transaction to benefit the unitholders of the Merged Entity; and
  - a Scheme Consideration which fundamentally reflects a "market-to-market" valuation of CMT and CCT.
- However, despite the movements in CMT and CCT unit prices, since 22 January 2020 (i.e. the Joint Announcement Date), CMT and CCT unit prices have largely traded in tandem at the net exchange ratio range of 0.72x – 0.74x. The Scheme Consideration fundamentally reflects a "market-to-market" valuation.
- Pursuant to Rule 1309(2) of the Listing Manual of the SGX-ST and The Singapore Code on Take-overs and Mergers, Deloitte & Touche Corporate Finance Pte Ltd (the "IFA")

has been appointed as the independent financial adviser to advise the CCT Independent Directors and the CCT Trustee in relation to the Trust Scheme. After conducting its assessment of the financial terms of the Trust Scheme, the IFA is of the opinion that the financial terms of the Trust Scheme are fair and reasonable. The CCT Manager encourages all CCT Unitholders to read the CCT IFA Letter as set out in Appendix A to the Scheme Document.

- Both the CMT Manager and CCT Manager strongly believe the proposed Merger provides both sets of unitholders an opportunity to participate in additional value creation over time. The Merger rationale remains valid and has in fact been reinforced by the impact of COVID-19 – the trend towards mixed-use precincts and integrated developments is expected to accelerate post-COVID-19.

5. Slide 18 of the joint presentation states that pre-Merger CMT has 64% of its property value in retail while pre-Merger CCT has 78% of its property value in office. This distinction in strategy has, arguably, served Singapore investors well as they can choose to invest in the REIT that is exposed to the sector that they like. However, unitholders of the Merged Entity may now be forced to accept exposure to a sector which they do not understand nor want to invest in. Perhaps it will be better for Singapore investors to decide on their own diversification strategy by maintaining a diverse variety of REITs in the Singapore stock market for them to invest in rather than force them to accept a diversification strategy decided by corporate managers. Will CMT and CCT management consider specific business plans to improve their respective REITs rather than to proceed with the merger given the concerns outlined in above questions?

   Response from CMT Manager and CCT Manager:

   - The CMT Manager and CCT Manager believe that investors ultimately look for sustainable returns despite their differing strategies and approaches. As REIT managers, this is what both managers have to think about and think ahead to leverage on its strengths and capitalise on opportunities.
     - Directionally, before the Merger was announced, CCT has already been trending towards more white sites and integrated developments, as a response to the evolving real estate landscape, catering to greater demand for integrated living and bringing together work-live-play elements in land-scarce Singapore. In fact, CCT's two latest additions – CapitaSpring and CapitaGreen – are both integrated developments.
     - CMT has also capitalised on current and future real estate trends to create opportunities for growth with the redevelopment of Funan from a pure retail mall into an integrated development comprising an ecosystem of retail, office and coliving components.
   - The CMT Manager and CCT Manager believe that the rationale that was presented when the Merger was announced in January 2020 remains valid, and the case for a larger and more diversified REIT has become even more compelling in the post-COVID-19 environment.
   - While Singapore retail and office remain relevant, the onset of COVID-19 is likely to accelerate the trend towards more mixed-use precincts and integrated developments across Singapore:
     - The Merged Entity would be better positioned to capitalise on these trends with an enlarged scale and widened mandate.
     - The combined domain expertise and potential redevelopment pipeline will allow the Merged Entity to capitalize on current and future real estate trends to create opportunities for growth.
   - The Merged Entity will also have a greater capacity to unlock synergies, and emerge stronger to capitalise on post-COVID-19 recovery growth:
     - The Merged Entity will benefit from cross-selling opportunities across retail and office platforms.
     - Additionally, the Merged Entity will have a greater capacity to enhance its digital platform and data analytics, such as through the integration of CapitaStar@Work and CapitaStar Programme.
     - Furthermore, there may be opportunities for cost savings from bulk procurements, further optimisation of the supply chain and elimination of frictional costs.

IMPORTANT NOTICE

The information in this document is qualified by, and should be read in conjunction with, the full information contained in the Scheme Document. If there should be any inconsistency or conflict between this document and the Scheme Document, the terms set out in the Scheme Document shall prevail. Nothing in this document is intended to be, or shall be taken as, advice, a recommendation or a solicitation to CMT Unitholders, CCT Unitholders or any other party. CMT Unitholders and CCT Unitholders are advised to exercise caution when dealing in their CMT Units or CCT Units (as the case may be) and refrain from taking any action in relation to their CMT Units or CCT Units (as the case may be) which may be prejudicial to their interests.

All capitalised terms shall, if not otherwise defined, have the same meanings as ascribed to them in CCT's Scheme Document dated 4 September 2020.

RESPONSIBILITY STATEMENTS

The directors of the CMT Manager[1] (including those who may have delegated detailed supervision of this document) have taken all reasonable care to ensure that the facts stated and opinions expressed in this press release which relate to CMT and/or the CMT Manager (excluding those relating to CapitaLand Commercial Trust ("**CCT**") and/or CapitaLand Commercial Trust Management Limited, the manager of CCT (the "**CCT Manager**")) are fair and accurate and that there are no other material facts not contained in this press release the omission of which would make any statement in this press release misleading. The directors of the CMT Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from CCT and/or the CCT Manager, the sole responsibility of the directors of the CMT Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this press release. The directors of the CMT Manager do not accept any responsibility for any information relating to CCT and/or the CCT Manager or any opinion expressed by CCT and/or the CCT Manager.

The directors of the CCT Manager (including those who may have delegated detailed supervision of this document) have taken all reasonable care to ensure that the facts stated and opinions expressed in this document which relate to CCT and/or the CCT Manager (excluding those relating to CapitaLand Mall Trust ("**CMT**") and/or CapitaLand Mall Trust Management Limited, the manager of CMT (the "**CMT Manager**")) are fair and accurate and that there are no other material facts not contained in this document the omission of which would make any statement in this document misleading. The directors of the CCT Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from CMT and/or the CMT Manager, the sole responsibility of the directors of the CCT Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this document. The directors of the CCT Manager do not accept any responsibility for any information relating to CMT and/or the CMT Manager or any opinion expressed by CMT and/or the CMT Manager.

[1] For the purposes of this responsibility statement, all references to the directors of the CMT Manager shall exclude Mr Gay Chee Cheong, who is currently on a leave of absence.