

# CapitaLand

Retail China Trust

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

## CIRCULAR DATED 8 JULY 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

MANAGED BY

**CAPITALAND RETAIL CHINA TRUST  
MANAGEMENT LIMITED**

A member of

# CapitaLand

**Independent Financial Adviser to the Independent Directors,  
the Audit Committee of CapitaLand Retail China Trust  
Management Limited and the Trustee (as defined herein)**



**Ernst & Young Corporate Finance Pte Ltd**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. Singapore Exchange Securities Trading Limited (the "SGX-ST") takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this Circular.

If you have sold or transferred all your units in CapitaLand Retail China Trust ("CRCT", and the units in CRCT, "Units"), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States. It is not an offer of securities for sale into the United States. The Units may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act of 1922, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

### IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Event	Date and Time
Last date and time for lodgement of Proxy Forms	Tuesday, 30 July 2019 at 10.00 a.m.
Date and time of EGM	Thursday, 1 August 2019 at 10.00 a.m.
Place of EGM	The Star Gallery, Level 3 The Star Performing Arts Centre 1 Vista Exchange Green Singapore 138617

Meanings of capitalised terms may be found in the Glossary of this Circular.



### CIRCULAR TO UNITHOLDERS IN RELATION TO: THE PROPOSED ACQUISITION OF THE COMPANIES WHICH HOLD CAPITAMALL XUEFU, CAPITAMALL AIDEMENGDUN AND CAPITAMALL YUHUATING FROM INTERESTED PERSONS

CapitaMall Aidemengdun, Harbin



CapitaMall Yuhuating, Changsha



# OVERVIEW OF PROPERTIES<sup>(1)</sup>

## CAPITAMALL XUEFU • NO. 1 XUEFU ROAD, HARBIN



Year of Opening	2012
Gross Rentable Area ("GRA")	104,294 sq m
Committed Occupancy Rate	99.8%
No. of Leases	419
Independent Valuation	C&W: RMB1,760.0 million JLL: RMB1,748.0 million
Agreed Value	RMB1,745.0 million
Agreed Value per sq m GRA	RMB16,732
NPI Yield on Agreed Value <sup>(2)</sup>	6.1%

- Multi-tenanted mall comprising 5 above ground levels, 1 basement level of retail space and 1 basement level for car park use
- Located in the Nangang District of Harbin, the capital and largest city of the Heilongjiang Province
- Positioned as a regional shopping mall targeting youths from nearby university cluster and residents from surrounding mature residential communities

## CAPITAMALL AIDEMENGDUN • NO. 38 AIDEMENGDUN ROAD, HARBIN



Year of Opening	2010
Gross Rentable Area	43,394 sq m
Committed Occupancy Rate	98.6%
No. of Leases	189
Independent Valuation	C&W: RMB480.0 million JLL: RMB470.0 million
Agreed Value	RMB469.0 million
Agreed Value per sq m GRA	RMB10,808
NPI Yield on Agreed Value <sup>(2)</sup>	5.6%

- Multi-tenanted mall comprising 4 above ground levels of retail space and 1 basement level for retail and car park use
- Located in Harbin's Daoli District, part of the city's central region and close to Central Street
- Positioned as a community mall to mainly serve the needs of residents from neighbouring high-density residential communities

## CAPITAMALL YUHUATING • NO. 421 SHAOSHAN MIDDLE ROAD, CHANGSHA



Year of Opening	2005
Gross Rentable Area	62,080 sq m
Committed Occupancy Rate	98.1%
No. of Leases	221
Independent Valuation	C&W: RMB760.0 million JLL: RMB749.0 million
Agreed Value	RMB746.0 million
Agreed Value per sq m GRA	RMB12,017
NPI Yield on Agreed Value <sup>(2)</sup>	6.2%

- Multi-tenanted mall comprising 4 above ground levels of retail space and 1 basement level for ancillary and car park use
- Located in the Yuhua District of Changsha, the capital of the Hunan Province
- Positioned as a one-stop community mall surrounded by high concentration of populated residential communities and office buildings

### Notes:

(1) As at 31 March 2019.

(2) Based on FY 2018 NPI.

# PROPOSED ACQUISITION IS IN LINE WITH CRCT'S INVESTMENT AND ACQUISITION GROWTH STRATEGY

## RATIONALE FOR AND BENEFITS OF THE ACQUISITION

### 1 Addition of Strategically Located and High Quality Assets

#### (i) Entry into growing cities supported by strong economic fundamentals

- Located in two major provincial capital cities with strong economic fundamentals and long-term growth potential



#### HARBIN CapitaMall Xuefu and CapitaMall Aidemengdun

- Major hub in Northeast China
- Gateway to Russia and close to Beijing
- Healthy GDP per capita growth of 8.4%<sup>(1)</sup>
- Strong retail sales growth of 11.2%<sup>(1)</sup>

#### CHANGSHA CapitaMall Yuhuating

- Heart of Hunan Province and major national transport and logistics hub
- Core city along the Belt and Road Initiative's trade routes and in the Yangtze River Economic Zone
- Robust GDP per capita growth of 9.3%<sup>(1)</sup>
- Strong retail sales growth of 12.7%<sup>(1)</sup>

#### (ii) Strategic locations with excellent connectivity

- Properties are situated in well-established hubs with attractive micro-location characteristics
- Enjoy excellent connectivity, in close proximity to transportation hubs and easily accessible via various transportation modes

#### (iii) Well-established quality assets with strong population catchment

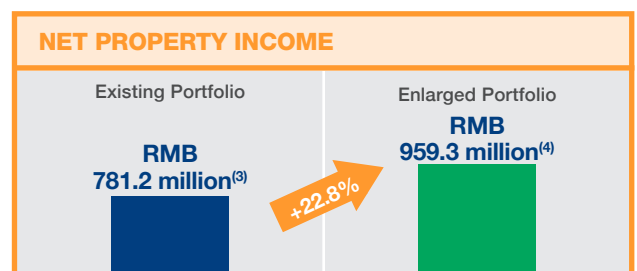
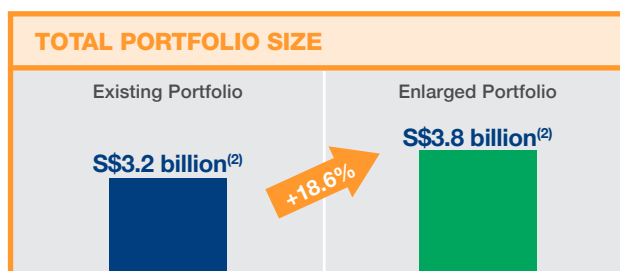
- Established status within surrounding catchment providing stable traffic flow
- One-stop shopping destination for the community with a wide range of trade offerings

#### (iv) Acquisition of customer centric malls targeting local demographics, and offering "experiential" customer shopping experiences

- Properties primarily cater to the daily and necessity shopping needs of the local population within the surrounding catchment
- Properties are anchored by established retailers including Walmart and Beijing Hualian Group, as well as a wide range of specialty tenants including Sisyph Books, Haidilao, VIP.com, Starbucks and H&M
- "Experiential" retail concepts introduced at malls help to continuously attract footfall

### 2 Significantly Increases CRCT's Portfolio Size and NPI

- Number of shopping malls to increase from 11 to 14
- Acquisition will enhance portfolio to provide greater scale and a larger platform to grow



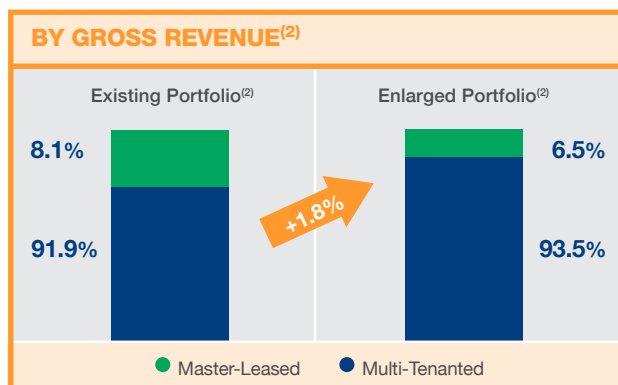
**Notes:**  
 (1) CAGR growth from 2010 to 2018.  
 (2) Based on 100% interest in all of CRCT's properties.  
 (3) Based on CRCT's audited financial statements for the period 1 January 2018 to 31 December 2018, including CRCT's 51.0% interest in Rock Square's NPI for the period from 1 February 2018 to 31 December 2018 which is accounted for as part of "Share of results (net of tax) of joint venture".  
 (4) Includes FY 2018 NPI of the Properties, assuming CRCT had held and operated the Properties from 1 January 2018 to 31 December 2018.

### 3 Further Enhances CRCT's Portfolio Diversification

#### (i) Increases geographical diversification in China

- CRCT's footprint in China will increase from 8 to 10 cities and presence in provincial capital cities will increase from 7 to 9 cities<sup>(1)</sup>

#### (ii) Increases exposure to multi-tenanted malls



#### (iii) Increases diversification of revenue stream

- Improves revenue diversification and reduce the reliance of CRCT's gross revenue on any single property
- Maximum gross revenue contribution by the top two properties within CRCT's portfolio will decrease from 44.9%<sup>(2)</sup> to 36.0%<sup>(2)</sup>

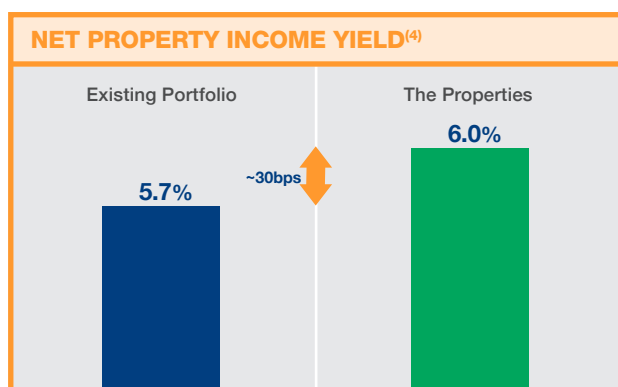
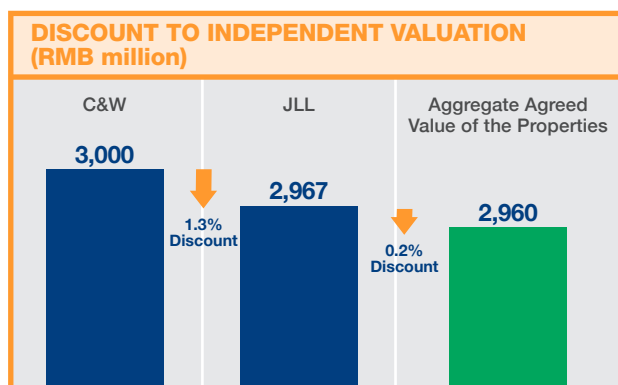
#### (iv) Reduces tenant concentration risk

- Number of leases in CRCT's portfolio to increase by approximately 52%
- Aggregate exposure to the top 10 tenants of CRCT by total rental income<sup>(3)</sup> for the month of March 2019 will decrease from 23.1% to 20.7%
- Contribution to the total rental income<sup>(3)</sup> for the month of March 2019 by the largest tenant will be reduced from 8.3% to 7.5%

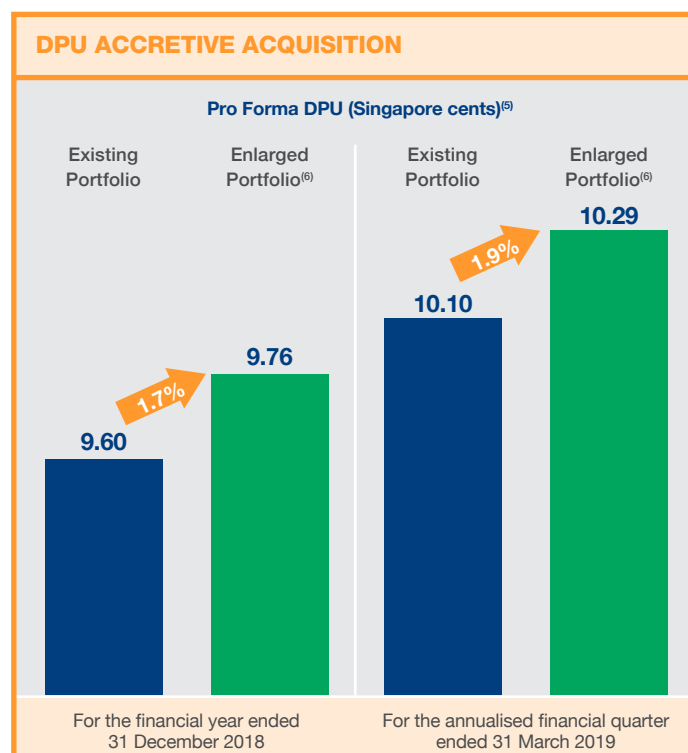
#### (v) Enhances trade mix

- Exposure to high growth trades such as Leisure & Entertainment, Fashion & Accessories, F&B, Beauty & Healthcare, Sporting Goods & Apparel, Education and Information & Technology will increase from 45.5% to 49.9% of the total committed NLA

### 4 Attractive Transaction Price that Delivers Accretion



The chart below illustrates the pro forma impact on CRCT's distribution per Unit ("DPU"), assuming that the Equity Fund Raising comprises the Private Placement and the Preferential Offering.



### 5 Leverage on Strong Track Record of Management Team

- Upon completion, the Properties will continue to be managed by the same cluster management teams
- Allows CRCT to tap on CapitaLand's experience and local network, which provides a smooth continuation of operations for the Properties
- Continue the management teams' track record of active asset management with demonstrable results

#### Notes:

(1) Includes municipalities and capital of autonomous regions.

(2) Based on gross revenue for FY 2018 and includes CRCT's 51.0% interest in Rock Square.

(3) Includes both gross rental income and gross turnover rental income components based on CRCT's effective interest in each property.

(4) Please refer to Paragraph 3.4 of the Letter to Unitholders Attractive Transaction Price that Delivers Accretion for more details.

(5) Please refer to Paragraph 5.1 of the Letter to Unitholders Pro Forma Financial Effects of the Acquisition for more details (including the assumptions on which the pro forma financials have been prepared).

(6) Assuming a Private Placement and Preferential Offering to raise gross proceeds of approximately S\$250 million.

# LOCATION

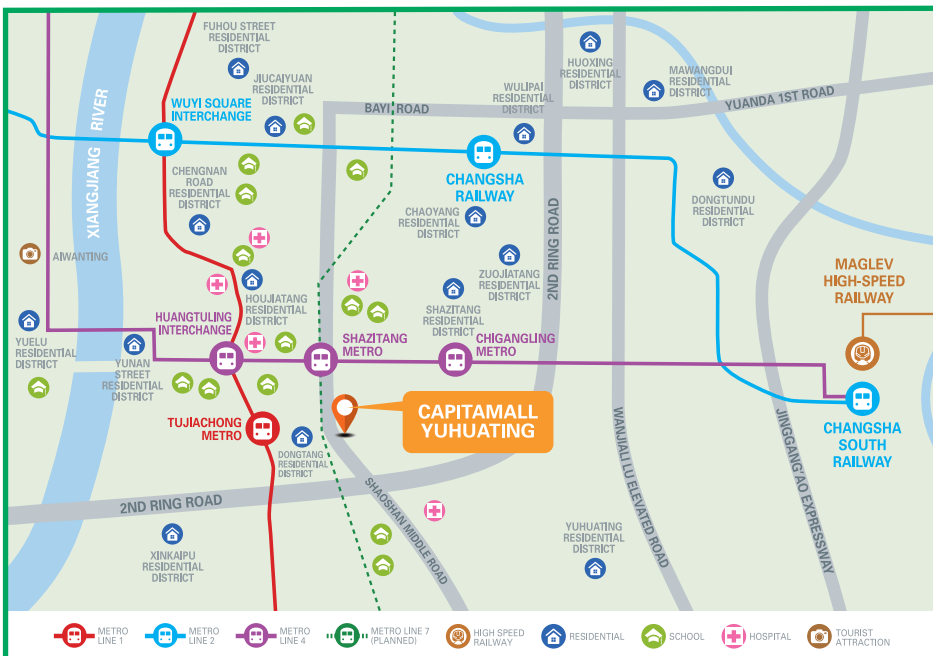


## CAPITAMALL AIDEMENGDUN

- Captive consumer base formed by the established population catchment of c.400,000 within a 3-km radius
- Well located along Aidemengdun Road which connects the airport to the city centre
- Close proximity to two metro stations and well-served by more than 8 bus lines

## CAPITAMALL XUEFU

- Strategically located next to cluster of universities with a sizeable catchment of c.750,000 within a 3-km radius
- Enjoys direct frontage to Xuefu Road which connects directly to the Second Ring Road
- Directly connected to Xuefu Road Station of Metro Line 1 and well-served by more than 9 bus lines



## CAPITAMALL YUHUATING

- Nestled within a core retail hub with a dense catchment of c.700,000 within a 3-km radius
- Enjoys premium frontage along one of the city's main arterial roads connecting directly to the Second Ring Road
- Within walking distance from two metro stations and easily accessible by more than 15 bus lines

# ACQUISITION OVERVIEW

## Total Acquisition Cost

The total cost of the Acquisition is approximately S\$505.4 million, comprising:

- the Consideration and the Yuhuating Shareholder Loan, in the aggregate amount of approximately S\$489.0 million;
- an acquisition fee payable in Units to the Manager pursuant to the Trust Deed for the Acquisition of approximately S\$5.9 million; and
- the estimated professional and other fees and expenses incurred or to be incurred by CRCT in connection with the Acquisition (inclusive of the equity financing-related expenses and debt financing-related expenses) of approximately S\$10.5 million

## Method of Financing

- Combination of equity fund raising and debt financing including but not limited to issuances of capital markets instruments under CRCT's S\$1.0 billion multicurrency debt issuance programme
- Final decision on the proportion of the debt and equity will be made at the appropriate time with an objective to achieve accretion, taking into account the prevailing market conditions, interest rate environment, while maintaining an optimal level of aggregate leverage
- Irrevocable undertaking by each of (i) CapitaLand's wholly owned subsidiaries, Retail Crown Pte. Ltd. and CapitaLand Retail China Trust Management Limited and (ii) CapitaLand Mall Trust to accept, subscribe and pay in full for, its total provisional allotment of the Preferential Offering Units or the Rights Issue Units

# ABOUT CAPITALAND RETAIL CHINA TRUST

CRCT is the first and largest China shopping mall real estate investment trust in Singapore, with a portfolio of 11 shopping malls. Listed on SGX-ST in 2006, it is established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau. CRCT has a market capitalisation of approximately S\$1.57 billion as at 1 July 2019, being the latest practicable date prior to the printing of this Circular.

### Enlarged Portfolio Details<sup>(1)</sup>:

	Existing Portfolio	New Properties	Enlarged Portfolio
<b>Gross Floor Area (sq m)</b>	808,940	248,282	1,057,222
<b>Gross Rentable Area (sq m)</b>	697,854	209,768	907,622
<b>Net Lettable Area (sq m)</b>	521,833	141,157	662,990
<b>Number of Leases</b>	1,593	829	2,422
<b>Valuation (RMB million)</b>	15,771.0 <sup>(2)</sup>	2,960.0 <sup>(3)</sup>	18,731.0
<b>Occupancy</b>	97.4%	99.0%	97.8%



### Notes:

(1) As at 31 March 2019.

(2) Based on valuation as at 31 December 2018 on 100% basis, except for CapitaMall Wuhu which is based on the latest divestment price announced on 29 March 2019.

(3) Based on Agreed Value.

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## CORPORATE INFORMATION

<b>Directors of CapitaLand Retail China Trust Management Limited (the manager of CRCT)</b>	:	Mr Soh Kim Soon (Chairman & Non-Executive Independent Director) Mr Tan Tze Wooi (Chief Executive Officer & Executive Non-Independent Director) Mr Fong Heng Boo (Non-Executive Independent Director) Mr Christopher Gee Kok Aun (Non-Executive Independent Director) Professor Tan Kong Yam (Non-Executive Independent Director) Mr Neo Poh Kiat (Non-Executive Independent Director) Ms Kuan Li Li (Non-Executive Independent Director) Mr Lee Chee Koon (Non-Executive Non-Independent Director) Mr Lim Cho Pin Andrew Geoffrey (Non-Executive Non-Independent Director)
<b>Registered Office of the Manager</b>	:	168 Robinson Road #30-01 Capital Tower Singapore 068912
<b>Trustee of CRCT</b>	:	HSBC Institutional Trust Services (Singapore) Limited 21 Collyer Quay #13-02 HSBC Building Singapore 049320
<b>Legal Adviser to the Manager for the Acquisition as to Singapore Law</b>	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
<b>Legal Adviser to the Manager for the Acquisition as to Chinese Law</b>	:	Jun He Law Firm 26/F HKRI Centre One, HKRI Taikoo Hui 288 Shimen Road (No. 1) Jing'an District Shanghai, PRC
<b>Legal Adviser to the Trustee for the Acquisition as to Singapore Law</b>	:	Dentons Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
<b>Unit Registrar and Unit Transfer Office</b>	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623



- Independent Financial Adviser to the Independent Directors, the Audit Committee of the Manager and the Trustee (the “IFA”)** : Ernst & Young Corporate Finance Pte Ltd  
1 Raffles Quay  
Level 18 North Tower  
Singapore 048583
- Independent Valuers** : Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.  
(appointed by the Manager)  
42-43/F, Tower 2, Plaza 66, 1366 Nanjing West Road, Jing’an District  
Shanghai, PRC
- Jones Lang LaSalle Property Consultants Pte Ltd  
(appointed by the Trustee)  
9 Raffles Place  
#39-00 Republic Plaza  
Singapore 048619
- Independent Market Research Consultant** : Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.  
42-43/F, Tower 2, Plaza 66, 1366 Nanjing West Road, Jing’an District  
Shanghai, PRC

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## OVERVIEW

*The following overview is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 42 to 48 of this Circular.*

*Any discrepancies in the tables, graphs and charts included herein between the listed amounts and totals thereof are due to rounding.*

### OVERVIEW

CRCT is the first and largest China shopping mall real estate investment trust in Singapore, with a portfolio of 11 shopping malls. Listed on Singapore Exchange Securities Trading Limited on 8 December 2006, it is established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau. As at 1 July 2019, being the latest practicable date prior to the printing of this Circular (the “**Latest Practicable Date**”), CRCT has a market capitalisation of approximately S\$1.57 billion<sup>1</sup>.

CRCT’s existing portfolio comprises (i) CapitaMall Xizhimen, (ii) CapitaMall Wangjing, (iii) CapitaMall Grand Canyon, (iv) CapitaMall Xinnan, (v) CapitaMall Shuangjing, (vi) CapitaMall Minzhongleyuan, (vii) CapitaMall Qibao, (viii) CapitaMall Saihan, (ix) CapitaMall Wuhu, (x) CapitaMall Erqi and (xi) Rock Square (collectively, the “**Existing Portfolio**”)<sup>2</sup>.

On 11 June 2019, CRCT through its wholly owned subsidiaries, CRCT China Investment (Harbin I) Pte. Ltd., CRCT China Investment (Harbin II) Pte. Ltd. and CRCT China Investment (Changsha) Pte. Ltd. (collectively, the “**Purchasers**”) entered into a conditional agreement (the “**Agreement**”) with Ever Outstand Limited, CapitaRetail China Developments D5 (HK) Limited, Upper Great Limited and CapitaRetail China Investments Pte. Ltd. (“**CRCI**”) (collectively, the “**Vendors**”) to acquire:

- (i) 100.0% of the shares of CapitaRetail Harbin Shangdu Real Estate Co., Ltd. which holds CapitaMall Xuefu located at No. 1 Xuefu Road, Nangang District, Harbin, China (“**CapitaMall Xuefu**”);
- (ii) 100.0% of the shares of Beijing Hualian Harbin Real Estate Development Co., Ltd. which holds CapitaMall Aidemengdun located at No. 38 Aidemengdun Road, Daoli District, Harbin, China (“**CapitaMall Aidemengdun**”); and
- (iii) 100.0% of the shares of CapitaMalls Hunan Commercial Property Co., Ltd. which holds CapitaMall Yuhuating located at No. 421 Shaoshan Middle Road, Yuhua District, Changsha, China (“**CapitaMall Yuhuating**”, together with CapitaMall Xuefu and CapitaMall Aidemengdun, the “**Properties**”).

<sup>1</sup> Based on the closing Unit price of S\$1.57 as at 1 July 2019.

<sup>2</sup> CRCT had on 1 February 2019 announced (i) the divestment of the equity interest of the company which holds CapitaMall Saihan (“**Saihan Divestment**”) and is expected to be completed in 2H 2020 and (ii) the acquisition of a mall in Yuquan District, Hohhot, Inner Mongolia, China. The Manager expects CRCT to take over this mall in Yuquan District in 2H 2019 and open the mall in 2H 2020. As mentioned in the announcement on 1 February 2019, the Saihan Divestment and the acquisition of a mall in Yuquan District are part of one entire transaction. CRCT had on 29 March 2019 announced the divestment of the equity interest of the company which holds CapitaMall Wuhu (“**Wuhu Divestment**”) and is expected to be completed in 2H 2019.

The “**Target Companies**” comprises CapitaRetail Harbin Shangdu Real Estate Co., Ltd., Beijing Hualian Harbin Real Estate Development Co., Ltd. and CapitaMalls Hunan Commercial Property Co., Ltd..

For the purposes of this Circular, “**Enlarged Portfolio**” comprises the Existing Portfolio and the Properties.

The property information contained in this Circular on the Existing Portfolio and Enlarged Portfolio is as at 31 March 2019 unless otherwise stated.

## **SUMMARY OF APPROVAL SOUGHT**

The Manager seeks approval from Unitholders for the proposed acquisition of 100.0% of the shares in the Target Companies (the “**Shares**”) which hold the Properties (the “**Acquisition**”).

### **Description of the Properties**

#### **CapitaMall Xuefu**

CapitaMall Xuefu, which commenced operations in 2012, is a multi-tenanted mall with a gross rentable area of 104,294 sq m comprising five above ground levels and one basement level of retail space and one basement level for car park use. It is located in the Nangang District of Harbin, the capital and largest city of the Heilongjiang Province. The Nangang District is part of the city’s central region and is home to many tertiary education institutions. CapitaMall Xuefu is strategically situated at the intersection of multiple arterial roads serving the city. The mall is well-served by public transportation and enjoys direct connectivity via the first floor of its basement to the Xuefu Road Station on Line 1 of the Harbin Metro. It houses a diverse mix of international and domestic brands such as BHG Supermarket, CGV Cinema, Haidilao, H&M, Adidas, Swarovski, Sisyph Books, Green Tea Restaurant, Starbucks Reserve, Urban Revivo, BreadTalk and Watsons.

#### **CapitaMall Aidemengdun**

CapitaMall Aidemengdun, which commenced operations in 2010, is a multi-tenanted mall with a gross rentable area of 43,394 sq m comprising four above ground levels of retail space and one basement level for retail and car park use. It is located in the Daoli District of Harbin, the capital and largest city of the Heilongjiang Province. The Daoli District is part of the city’s central region and is close to Central Street, the main pedestrian street popular for shopping and dining and other key tourist attractions where the Harbin International Ice & Snow Festival is held. The mall is in close proximity to Second Ring Road, and enjoys direct frontage to Aidemengdun Road that connects the Harbin Taiping International Airport to Central Street in the city centre. The mall can be easily accessed via public transportation and is within 1.5 km from two metro stations on Line 1 of the Harbin Metro. The mall features a wide tenant base consisting of popular tenants such as BHG Supermarket, Qi Cai International Cineplex, KFC, Pizza Hut, Nike, Adidas, Watsons and VIP.com.

#### **CapitaMall Yuhuating**

CapitaMall Yuhuating, which commenced operations in 2005, is a multi-tenanted mall with a gross rentable area of 62,080 sq m comprising four above ground levels of retail space and one basement level for ancillary and car park use. It is located in Changsha, the capital of the Hunan Province and a key logistics hub in China. As an established mall within the Dongtang retail hub of Yuhua District, it is conveniently accessible via numerous bus routes and the Tujiachong and Shazitang metro stations that are approximately 1 km away. As a one-stop shopping destination surrounded by large residential communities, CapitaMall Yuhuating offers a broad spectrum of tenants such as Walmart, China Film Cinema, Haidilao, Li-Ning, Starbucks, Uniqlo, KFC, Adidas and Nike.

The table below sets out some details of the Properties as at 31 March 2019 (unless otherwise indicated).

	<b>CapitaMall Xuefu</b>	<b>CapitaMall Aidemengdun</b>	<b>CapitaMall Yuhuating</b>
Location	No. 1 Xuefu Road, Nangang District, Harbin	No. 38 Aidemengdun Road, Daoli District, Harbin	No. 421 Shaoshan Middle Road, Yuhua District, Changsha
Year of Opening	2012	2010	2005
Gross Floor Area	123,811 sq m	49,040 sq m	75,431 sq m
Gross Rentable Area (“ <b>GRA</b> ”)	104,294 sq m	43,394 sq m	62,080 sq m
Net Lettable Area	64,384 sq m	28,417 sq m	48,356 sq m
Committed Occupancy Rate	99.8%	98.6%	98.1%
No. of Leases	419	189	221
Agreed Value	RMB1,745.0 million	RMB469.0 million	RMB746.0 million
Agreed Value per sq m GRA	RMB16,732	RMB10,808	RMB12,017
Net Property Income (“ <b>NPI</b> ”) Yield on Agreed Value <sup>(1)</sup>	6.1%	5.6%	6.2%

**Note:**

(1) Based on FY 2018 NPI.

(See **Appendix A** of this Circular for further details.)

**Consideration and Valuation**

The estimated consideration (the “**Consideration**”) payable to the Vendors in connection with the Acquisition takes into account the assumed adjusted net asset value (“**NAV**”) <sup>1</sup> of RMB2,432.0 million (approximately S\$484.1 million<sup>2,3</sup>) computed based on the audited accounts as of 31 December 2018 of each of the Target Companies, taking into account, among other things, the agreed market value (the “**Agreed Value**”) of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating of RMB1,745.0 million (S\$347.3 million), RMB469.0 million (S\$93.4 million) and RMB746.0 million (S\$148.5 million) respectively. The Agreed Value was negotiated on a willing-buyer and willing-seller basis and takes into account the independent valuations of the Properties.

- 1 The NAV of the Target Companies takes into account the assets and the liabilities of the Target Companies, while the Agreed Value reflects the agreed value for the Properties. Accordingly, the NAV and Agreed Value would differ as the Agreed Value is one component in the computation of the NAV of the Target Companies. The NAV of the Target Companies before reflecting the agreed value for the Properties was RMB2,175.4 million (S\$433.0 million).
- 2 Except where the exchange rate between the Chinese RMB and the Singapore dollar is expressly stated otherwise, certain Chinese RMB amounts in this Circular have been translated into Singapore dollars based on the fixed exchange rate of RMB5.024 = S\$1.000 pursuant to the Agreement.
- 3 Comprises the assumed adjusted NAV of RMB1,431.9 million (S\$285.0 million), RMB354.1 million (S\$70.5 million) and RMB646.0 million (S\$128.6 million) for CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating, respectively which takes into account existing Target Companies’ indebtedness.

In addition, CRCI will transfer the outstanding principal of the shareholder loan in respect of CapitaMall Yuhuating and accrued interest thereon up to the date of transfer of the Yuhuating Shareholder Loan (the “**Yuhuating Shareholder Loan**”) to CRCT. As of 31 December 2018, the total principal and accrued interest of the Yuhuating Shareholder Loan is US\$3.6 million (approximately S\$4.9 million<sup>1</sup>).

The final Consideration payable to the Vendors (the “**Actual Consideration**”) will be subject to completion adjustments.

The Manager has commissioned an independent property valuer, Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. (“**C&W**”), and the Trustee has commissioned another independent property valuer, Jones Lang LaSalle Property Consultants Pte Ltd (“**JLL**”, and together with C&W, the “**Independent Valuers**”), to value the Properties. The valuations of the Properties as at 31 March 2019 are set out below.

	<b>C&amp;W</b>	<b>JLL</b>	<b>Agreed Value</b>	
	<b>RMB million</b>	<b>RMB million</b>	<b>RMB million</b>	<b>S\$ million</b>
<b>CapitaMall Xuefu</b>	1,760.0	1,748.0	1,745.0	347.3
<b>CapitaMall Aidemengdun</b>	480.0	470.0	469.0	93.4
<b>CapitaMall Yuhuating</b>	760.0	749.0	746.0	148.5
<b>Total</b>	<b>3,000.0</b>	<b>2,967.0</b>	<b>2,960.0</b>	<b>589.2</b>
<b>Discount of aggregated Agreed Value from aggregate independent valuations</b>	<b>1.3%</b>	<b>0.2%</b>	–	–

The methods used by the Independent Valuers were the capitalisation method and the discounted cash flow method.

(See **Appendix C** for the valuation certificates by the Independent Valuers for further details.)

### **Total Acquisition Cost**

The total cost of the Acquisition (the “**Total Acquisition Cost**”) is approximately S\$505.4 million<sup>2</sup>, comprising:

- (i) the Consideration and the Yuhuating Shareholder Loan, in the aggregate amount of approximately S\$489.0 million;
- (ii) an acquisition fee (the “**Acquisition Fee**”) payable in Units to the Manager pursuant to the Trust Deed for the Acquisition (the “**Acquisition Fee Units**”) of approximately S\$5.9 million<sup>3</sup>; and

1 The exchange rate for the Yuhuating Shareholder Loan has been fixed at S\$1.373 = US\$1.000 pursuant to the Agreement.

2 This amount includes the net liabilities of S\$100.2 million of the Target Companies. Accordingly, the Agreed Value of the Properties of S\$589.2 million less the net liabilities of S\$100.2 million, plus the acquisition fee of S\$5.9 million and the transaction costs of S\$10.5 million would equate to S\$505.4 million.

3 As the Acquisition will constitute an “**interested party transaction**” under Appendix 6 of the Code on Collective Investment Schemes (the “**Property Funds Appendix**”) issued by the Monetary Authority of Singapore (“**MAS**”), the Acquisition Fee shall be in the form of Acquisition Fee Units and shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

- (iii) the estimated professional and other fees and expenses incurred or to be incurred by CRCT in connection with the Acquisition (inclusive of the equity financing-related expenses and debt financing-related expenses) of approximately S\$10.5 million.

### **Method of Financing the Acquisition**

The Manager intends to finance the Acquisition with the proceeds from an equity fund raising (the “**Equity Fund Raising**”) and debt financing including but not limited to issuances of capital markets instruments under CRCT’s S\$1.0 billion multicurrency debt issuance programme.

The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the Manager at the appropriate time with an objective to achieve accretion, taking into account the prevailing market conditions, interest rate environment, while maintaining an optimal level of aggregate leverage.

### **Equity Fund Raising**

The structure and timing of the Equity Fund Raising have not been determined by the Manager. When the Manager decides to undertake the Equity Fund Raising, the Equity Fund Raising may, at the Manager’s absolute discretion and subject to the then prevailing market conditions and accretion levels, comprise:

- (i) both a private placement of new units of CRCT (“**New Units**”) to institutional and other investors (the “**Private Placement**”, and the New Units to be issued pursuant to the Private Placement, the “**Private Placement Units**”) and a non-renounceable preferential offering of New Units to the existing Unitholders on a pro rata basis (the “**Preferential Offering**”, and the New Units to be issued pursuant to the Preferential Offering, the “**Preferential Offering Units**”), in which the Private Placement will raise a portion of the proceeds, with the Preferential Offering raising the remaining amount; or
- (ii) a renounceable rights issue of New Units to the existing Unitholders on a pro rata basis (the “**Rights Issue**”, and the New Units to be issued pursuant to the Rights Issue, the “**Rights Issue Units**”).

It is anticipated that the New Units to be issued pursuant to any Equity Fund Raising that may be undertaken by the Manager (less the Preferential Offering Units, or as the case may be, the Rights Issue Units to be subscribed under the Undertakings (as defined herein)) will be underwritten by underwriter(s) subject to, among others, the then prevailing market conditions.

The Manager will announce the details of the Equity Fund Raising (including details pertaining to the use of proceeds and percentage allocation for each use) on the SGXNET at the appropriate time when it launches the Equity Fund Raising in such structure and at such time as may be agreed with the underwriter(s).

(See paragraph 4 of the Letter to Unitholders for further details.)

### **Use of Proceeds**

The Manager intends to utilise all the proceeds of the Equity Fund Raising to finance part of the Total Acquisition Cost.

Notwithstanding its current intention, in the event that the Equity Fund Raising is completed but the Acquisition does not proceed for whatever reason, the Manager may, subject to relevant laws

and regulations, utilise the net proceeds of the Equity Fund Raising at its absolute discretion for other purposes, including without limitation, the repayment of existing indebtedness and for funding capital expenditures.

### **Consequential Adjustment to Distribution Period and Status of New Units**

CRCT's policy is to distribute its distributable income on a semi-annual basis to Unitholders, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

However, pursuant to the Equity Fund Raising, the Manager may decide to make adjustments to the distribution period which may include, among others, a cumulative distribution, an advanced distribution or such other plans to ensure fairness to existing Unitholders holding Units on the day immediately prior to the date on which the New Units are issued under the Private Placement.

In the event that the Equity Fund Raising comprises the Preferential Offering or the Rights Issue, the Preferential Offering Units or the Rights Issue Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Preferential Offering Units or the Rights Issue Units are issued, including the right to any distributions which may accrue prior to the issuance of such Units.

Further details pertaining to any adjustments to the distribution period, if any, and the status of the New Units issued pursuant to the Equity Fund Raising will be announced at the appropriate time.

### **Undertakings by CapitaLand and CapitaLand Mall Trust**

To demonstrate its support for CRCT and the Equity Fund Raising, (i) Retail Crown Pte. Ltd. ("**RCPL**") and CapitaLand Retail China Trust Management Limited ("**CRCTML**"), being wholly owned subsidiaries of CapitaLand, which collectively own an aggregate interest of approximately 25.76% of the total number of Units in issue as at the Latest Practicable Date and (ii) CapitaLand Mall Trust ("**CMT**") (through HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CMT) which owns an interest of approximately 12.28% of the total number of Units in issue as at the Latest Practicable Date, have each irrevocably undertaken to the Manager on 8 July 2019 that, among other things, in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will accept, subscribe and pay in full for, its total provisional allotment of the Preferential Offering Units or the Rights Issue Units (the "**Undertakings**").

### **Interested Person Transaction and Interested Party Transaction**

As at the Latest Practicable Date, CapitaLand, through (i) its wholly owned subsidiaries, RCPL and the Manager and (ii) CMT, has a deemed interest in 379,839,424 Units, which comprises approximately 38.04% of the total number of Units in issue, and is therefore regarded as a "controlling unitholder" of CRCT under both the Listing Manual of the SGX-ST (the "**Listing Manual**") and the Property Funds Appendix. In addition, as the Manager is a wholly owned subsidiary of CapitaLand, CapitaLand is therefore regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

CRCI is a wholly owned subsidiary of CapitaLand, while the remaining Vendors are associated companies of CapitaLand in which CapitaLand has an interest of 45.0%.

For the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the Vendors (being associates of a "controlling unitholder" of CRCT and a "controlling



shareholder” of the Manager) are (for the purpose of the Listing Manual) “interested persons” and (for the purpose of the Property Funds Appendix) “interested parties” of CRCT.

Therefore, the Acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual as well as an “interested party transaction” under the Property Funds Appendix, in respect of which the approval of Unitholders is required.

Accordingly, the Manager is seeking the approval of Unitholders by way of an Ordinary Resolution of the Unitholders for the Acquisition.

(See paragraph 5 of the Letter to Unitholders for further details.)

#### **RATIONALE FOR AND BENEFITS OF THE ACQUISITION**

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

- Addition of Strategically Located and High Quality Assets
- Significantly Increases CRCT’s Portfolio Size and NPI
- Further Enhances CRCT’s Portfolio Diversification
- Attractive Transaction Price that Delivers Accretion
- Leverage on Strong Track Record of Management Team

(See paragraph 3 of the Letter to Unitholders for further details.)

## INDICATIVE TIMETABLE

The timetable for the events which are scheduled to take place after the EGM is indicative only and is subject to change at the Manager's absolute discretion. Any changes (including any determination of the relevant dates) to the timetable below will be announced.

<b>Event</b>	<b>Date and Time</b>
Last date and time for lodgement of Proxy Forms	: Tuesday, 30 July 2019 at 10.00 a.m.
Date and time of the EGM	: Thursday, 1 August 2019 at 10.00 a.m.
<b>If approval for the Acquisition is obtained at the EGM:</b>	
Target date for completion of the Acquisition	: Completion is expected to take place by end of 3Q 2019

# CapitaLand Retail China Trust

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

## Directors of the Manager

Mr Soh Kim Soon (Chairman & Non-Executive Independent Director)  
Mr Tan Tze Wooi (Chief Executive Officer & Executive Non-Independent Director)  
Mr Fong Heng Boo (Non-Executive Independent Director)  
Mr Christopher Gee Kok Aun (Non-Executive Independent Director)  
Professor Tan Kong Yam (Non-Executive Independent Director)  
Mr Neo Poh Kiat (Non-Executive Independent Director)  
Ms Kuan Li Li (Non-Executive Independent Director)  
Mr Lee Chee Koon (Non-Executive Non-Independent Director)  
Mr Lim Cho Pin Andrew Geoffrey (Non-Executive Non-Independent Director)

## Registered Office

168 Robinson Road  
#30-01 Capital Tower  
Singapore 068912

8 July 2019

To: Unitholders of CRCT

Dear Sir/Madam

## 1 SUMMARY OF APPROVAL SOUGHT

The Manager is convening the EGM to seek the approval from Unitholders by way of Ordinary Resolution<sup>1</sup> for the Acquisition.

## 2 THE PROPOSED ACQUISITION

### 2.1 Description of the Properties

#### CapitaMall Xuefu

CapitaMall Xuefu, which commenced operations in 2012, is a multi-tenanted mall with a gross rentable area of 104,294 sq m comprising five above ground levels and one basement level of retail space and one basement level for car park use. It is located in the Nangang District of Harbin, the capital and largest city of the Heilongjiang Province. The Nangang District is part of the city's central region and is home to many tertiary education institutions. CapitaMall Xuefu is strategically situated at the intersection of multiple arterial roads serving the city. The mall is well-served by public transportation and enjoys direct connectivity via the first floor of its basement to the Xuefu Road Station on Line 1 of the Harbin Metro. It houses a diverse mix of international and domestic brands such as BHG Supermarket, CGV Cinema, Haidilao, H&M, Adidas, Swarovski, Sisyphe Books, Green Tea Restaurant, Starbucks Reserve, Urban Revivo, BreadTalk and Watsons.

#### CapitaMall Aidemengdun

CapitaMall Aidemengdun, which commenced operations in 2010, is a multi-tenanted mall with a gross rentable area of 43,394 sq m comprising four above ground levels of retail space and one basement level for retail and car park use. It is located in the Daoli District of Harbin, the capital and largest city of the Heilongjiang Province. The Daoli District is part of the city's central region and is close to Central Street, the main pedestrian street popular for shopping

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1 "Ordinary Resolution" means a resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed (as defined herein).

and dining and other key tourist attractions where the Harbin International Ice & Snow Festival is held. The mall is in close proximity to Second Ring Road, and enjoys direct frontage to Aidemengdun Road that connects the Harbin Taiping International Airport to Central Street in the city centre. The mall can be easily accessed via public transportation and is within 1.5 km from two metro stations on Line 1 of the Harbin Metro. The mall features a wide tenant base consisting of popular tenants such as BHG Supermarket, Qi Cai International Cineplex, KFC, Pizza Hut, Nike, Adidas, Watsons and VIP.com.

### **CapitaMall Yuhuating**

CapitaMall Yuhuating, which commenced operations in 2005, is a multi-tenanted mall with a gross rentable area of 62,080 sq m comprising four above ground levels of retail space and one basement level for ancillary and car park use. It is located in Changsha, the capital of the Hunan Province and a key logistics hub in China. As an established mall within the Dongtang retail hub of Yuhua District, it is conveniently accessible via numerous bus routes and the Tujiachong and Shazitang metro stations that are approximately 1 km away. As a one-stop shopping destination surrounded by large residential communities, CapitaMall Yuhuating offers a broad spectrum of tenants such as Walmart, China Film Cinema, Haidilao, Li-Ning, Starbucks, Uniqlo, KFC, Adidas and Nike.

(See **Appendix A** of this Circular for further details.)

## **2.2 Details of the Acquisition**

On 11 June 2019, the Purchasers entered into the Agreement with the Vendors to acquire the Properties by way of acquiring 100.0% of the Shares. Upon satisfaction or waiver (as the case may be) of the conditions in the Agreement (as described in paragraph 2.3 below), the equity transfer agreement in relation to the transfer of Shares to the Purchasers in the form as set out in the Agreement (the **"Equity Transfer Agreement"**) shall be entered into within the requisite time frame as set out in the Agreement.

The estimated consideration of approximately S\$489.0 million for the Acquisition comprises (i) the consideration payable to the Vendors of approximately S\$484.1 million and (ii) the Yuhuating Shareholder Loan of approximately S\$4.9 million.

The estimated Consideration payable to the Vendors in connection with the Acquisition takes into account the assumed NAV of RMB2,432.0 million (approximately S\$484.1 million<sup>1,2</sup>) computed based on the audited accounts as of 31 December 2018 of each of the Target Companies, taking into account, among other things, the Agreed Value of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating of RMB1,745.0 million (S\$347.3 million), RMB469.0 million (S\$93.4 million) and RMB746.0 million (S\$148.5 million) respectively. The Agreed Value was negotiated on a willing-buyer and willing-seller basis; and takes into account the independent valuations of the Properties.

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1 Except where the exchange rate between the Chinese RMB and the Singapore dollar is expressly stated otherwise, certain Chinese RMB amounts in this Circular have been translated into Singapore dollars based on the fixed exchange rate of RMB5.024 = S\$1.000 pursuant to the Agreement.

2 Comprises the assumed adjusted NAV of RMB1,431.9 million (S\$285.0 million), RMB354.1 million (S\$70.5 million) and RMB646.0 million (S\$128.6 million) for CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating, respectively which takes into account existing Target Companies' indebtedness.

In addition, CRCI will transfer the Yuhuating Shareholder Loan to CRCT. As of 31 December 2018, the total principal and accrued interest of the Yuhuating Shareholder Loan is US\$3.6 million (approximately S\$4.9 million<sup>1</sup>).

The Actual Consideration will be subject to completion adjustments. A deposit of 5.0% of the Agreed Value of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating has been paid by CRCT on signing of the Agreement. Upon entry into the Equity Transfer Agreements, the deposit shall be returned and CRCT shall pay another deposit equal to 15.0% of the interim purchase price.

The Manager has commissioned an independent property valuer, C&W, and the Trustee has commissioned another independent property valuer, JLL, to value the Properties. The valuations of the Properties as at 31 March 2019 are set out below.

	C&W	JLL	Agreed Value	
	RMB million	RMB million	RMB million	S\$ million
<b>CapitaMall Xuefu</b>	1,760.0	1,748.0	1,745.0	347.3
<b>CapitaMall Aidemengdun</b>	480.0	470.0	469.0	93.4
<b>CapitaMall Yuhuating</b>	760.0	749.0	746.0	148.5
<b>Total</b>	<b>3,000.0</b>	<b>2,967.0</b>	<b>2,960.0</b>	<b>589.2</b>

The methods used by the Independent Valuers were the capitalisation method and the discounted cash flow method.

### 2.3 Certain Terms and Conditions of the Agreement

The entry into the Equity Transfer Agreements and completion of the Acquisition (the “**Completion**”) will be subject to the satisfaction of a number of conditions, including:

- 2.3.1** the Vendors having procured full repayment of all outstanding entrustment loans owing to the Target Companies<sup>2</sup>;
- 2.3.2** the Purchasers having obtained the approval of the Unitholders for the Acquisition;
- 2.3.3** CRCT having secured funds to its account to undertake the Acquisition;
- 2.3.4** there having occurred no material adverse change; and
- 2.3.5** there having been no breach of any of the fundamental warranties contained in the Agreement as at the entry into of the Equity Transfer Agreements and Completion (as if repeated at the entry into of the Equity Transfer Agreements and Completion).

Following the entry into the relevant Equity Transfer Agreements, the necessary filings with the relevant AIC and Ministry of Commerce of the PRC (if applicable) shall be undertaken.

1 The exchange rate for the Yuhuating Shareholder Loan has been fixed at S\$1.373 = US\$1.000 pursuant to the Agreement.

2 There is only one entrustment loan owing to CapitaRetail Harbin Shangdu Real Estate Co., Ltd. which holds CapitaMall Xuefu by an affiliate of the Vendor. As at 31 December 2018, the outstanding entrustment loan and accrued interest owing to CapitaRetail Harbin Shangdu Real Estate Co., Ltd. is RMB70.2 million.

## 2.4 Completion

Completion is expected to take place by end of 3Q 2019. The completion of the acquisition of each Property may take place on different dates. Accordingly, it is possible that CRCT may complete the acquisition of one or more of the Properties but not complete the acquisition of the other Properties if the conditions (as described in paragraph 2.3 above) are not satisfied.

## 2.5 Property Management Agreements

Under the terms of the property management agreements to be entered into between the respective Target Companies and CapitaLand Retail (Shanghai) Management & Consulting Co., Ltd. and its branches (the “**Property Manager**”, and the property management agreements, the “**Property Management Agreements**”), the Property Manager will provide property management services for the Properties.

The services provided by the Property Manager for the relevant Property under its management include the following:

- property management services for the relevant Property, subject to the overall management of the relevant Target Company’s property management services, including (i) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the relevant Property, (ii) operating and maintaining the relevant Property in accordance with such operating budgets and annual plans (and revisions thereof), (iii) co-ordinating, reviewing and maintaining at all times certain insurance coverage with the assistance of insurance advisers, and (iv) maintaining books of accounts and records in respect of the operation of the relevant Property; and
- lease management services, including (i) recommending leasing strategy and negotiating leases, licenses and concessions, (ii) supervising and controlling all collections and receipts, payments and expenditure relating to the relevant Property, and (iii) lease administration.

Additionally, the Property Manager will have dedicated personnel for each relevant Property and also a centralised team of personnel that provides expertise on leasing, technical services, tenancy co-ordination, marketing and communications, etc. at a group level. This is to provide strategic support to the Properties, for example, in establishing strategic relationships with key tenants and tenancy co-ordination work.

The fees payable pursuant to the Property Management Agreements, will be as follows:

- (i) 2.0% per annum of the gross revenue of each of the Properties; and
- (ii) 2.5% per annum of the NPI of each of the Properties.

Under the Property Management Agreements, the Property Manager will be fully reimbursed for (i) the employment costs and remuneration relating to any personnel engaged solely for the provision of services for the relevant Property, and (ii) the allocated employment costs and remuneration relating to the centralised team of personnel engaged to provide group services for the relevant Property, as approved in each annual budget by the project company.

The Property Manager is authorised to utilise funds deposited in operating accounts (which are separate from the collection accounts into which all rental income is paid) of CRCT to

make payment for all costs and expenses incurred in the operation and management of each Property, within an annual budget approved by the relevant project company.

The term of each of the Property Management Agreements is from the day subsequent to the actual completion date of the Acquisition to 30 June 2021.

The relevant Target Company may terminate the appointment of the relevant Property Manager by giving written notice.

The terms of the proposed Property Management Agreements are based on and substantially similar to the terms of the existing property management agreements entered into in respect of the Existing Portfolio. Please refer to the IFA Letter (as defined herein) set out in **Appendix B** of this Circular for the IFA's evaluation which explains how 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.

As the Property Manager is a wholly owned subsidiary of CapitaLand (being a "controlling Unitholder" and a "controlling shareholder" of the Manager), for the purposes of Chapter 9 of the Listing Manual, the Property Manager (being a subsidiary of a "controlling Unitholder" and a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" of CRCT.

**In approving the Acquisition, Unitholders are deemed to have approved the Property Management Agreements upon the completion of the Acquisition.**

## **2.6 Total Acquisition Cost**

The Total Acquisition Cost is approximately S\$505.4 million<sup>1</sup>, comprising:

- (i) the Consideration and the Yuhuating Shareholder Loan, in the aggregate amount of approximately S\$489.0 million;
- (ii) the Acquisition Fee payable in Units to the Manager of approximately S\$5.9 million<sup>2</sup>; and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by CRCT in connection with the Acquisition (inclusive of the equity financing-related expenses and debt financing-related expenses) of approximately S\$10.5 million.

## **2.7 Method of Financing**

The Manager intends to finance the Acquisition with the proceeds from the Equity Fund Raising and debt financing including but not limited to issuances of capital markets instruments under CRCT's S\$1.0 billion multicurrency debt issuance programme. The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the Manager at the appropriate time with an objective to achieve accretion, taking into account the prevailing market conditions, interest rate environment, while maintaining an optimal level of aggregate leverage.

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1 This amount includes the net liabilities of S\$100.2 million of the Target Companies. Accordingly, the Agreed Value of the Properties of S\$589.2 million less the net liabilities of S\$100.2 million, plus the acquisition fee of S\$5.9 million and the transaction costs of S\$10.5 million would equate to S\$505.4 million.

2 As the Acquisition will constitute an interested party transaction under the Property Funds Appendix, the Acquisition Fee shall be in the form of Acquisition Fee Units and shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

**3 RATIONALE FOR AND BENEFITS OF THE ACQUISITION**

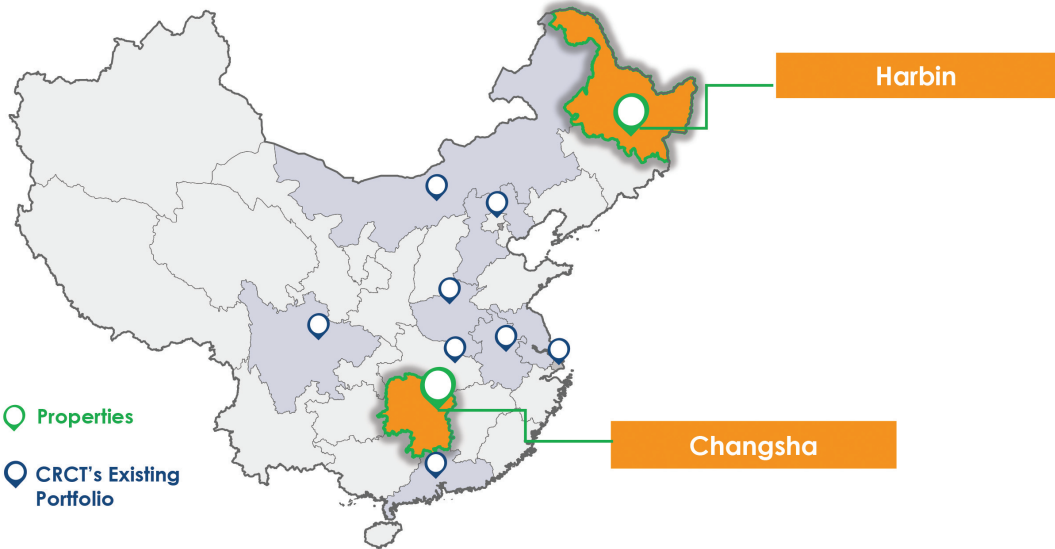
The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

**3.1 Addition of Strategically Located and High Quality Assets**

**(i) Entry into growing cities supported by strong economic fundamentals**

The Properties are located in two provincial capital cities with strong economic fundamentals and long-term growth potential. The Properties are situated in populous residential districts, retail and commercial hubs. They are also strategically located within close proximity to key attractions and have access to key transportation networks. CapitaMall Xuefu and CapitaMall Aidemengdun are located in Harbin, the capital city of Heilongjiang Province in North China. CapitaMall Yuhuating is located in Changsha, the capital city of Hunan Province in Central China. This Acquisition allows CRCT to gain exposure to two rising provincial capital cities which CRCT currently does not have a presence in.

**Map of China**



**Harbin**

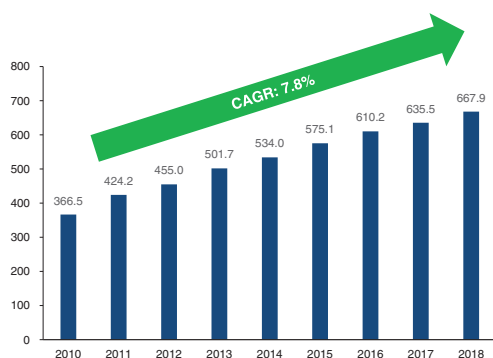
Harbin is a key political, economic, cultural and transportation hub in Northeast China and is a two-hour flight from Beijing, the capital of China. Due to its favourable geographical location, it serves as China's gateway city to Russia and is a trade and logistics hub for the two countries. According to the Independent Market Research Consultant, Harbin has a population of close to 9.5 million as at 2018, making it the eighth most populous city in China and the most populous in Northeast China. Harbin is one of China's most important industrial bases and houses key industries such as pharmaceutical, equipment manufacturing, petrochemical and automobile production. In addition to being an industrial base, Harbin is a hub for other service industries such as finance and information and technology. It is home to many key universities and research institutions with a strong focus on science and technology, including the Harbin Institute of Technology, one of the best universities in China.



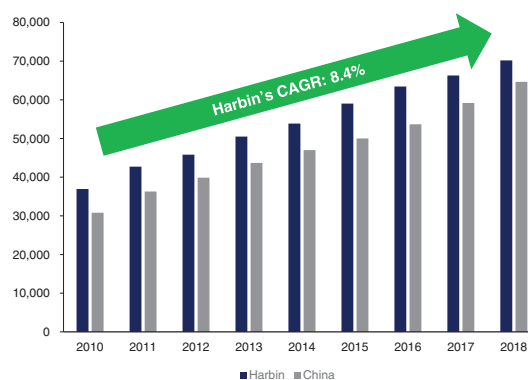
Tourism is also an important contributor to Harbin's economy. The cold snowy winter of China's northern provinces has made Harbin one of the most popular winter destinations in Asia. Dubbed as the "Ice City", Harbin is known for its annual ice and snow festivals, which in 2017 attracted approximately 18 million visitors and raked in RMB28.7 billion in tourism revenue.<sup>1</sup> The town of Yabuli, which is approximately 180 km away from Harbin, is home to China's largest ski resort and hosted the 1996 Winter Asian Games and the 2008 National Winter Games. China's hosting of the 2022 Winter Olympics will further boost the country's winter tourism.

During the last nine years, Harbin has enjoyed good economic growth. According to the Independent Market Research Consultant, GDP grew at a compound annual growth rate ("CAGR") of 7.8% while GDP per capita grew at a CAGR of 8.4% to reach RMB70,196 in 2018, higher than the national average for China of RMB64,644.

**Harbin's GDP (RMB billion)  
(2010 – 2018)**



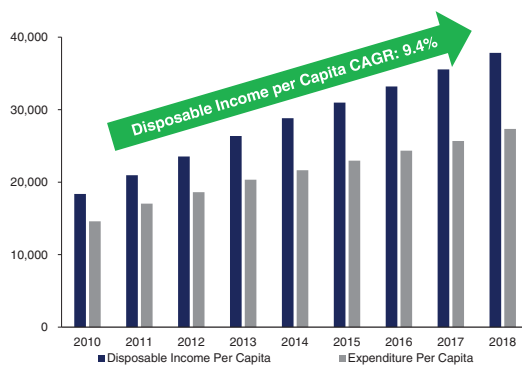
**Harbin's GDP per Capita (RMB)  
(2010 – 2018)**



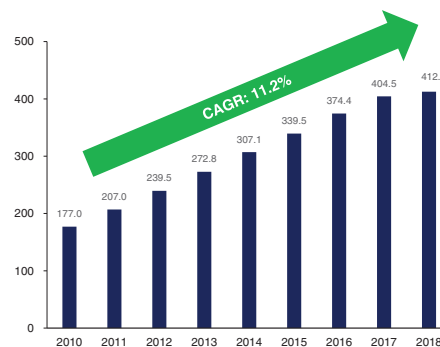
Source: Independent Market Research Consultant

The increasing GDP per capita contributed to improving disposable income per capita. Between 2010 to 2018, Harbin's urban residents experienced healthy growth in their disposable income, recording a CAGR of 9.4%. Underpinning the positive economic performance, retail sales of consumer goods more than doubled from RMB177.0 billion in 2010 to RMB412.5 billion in 2018, representing a strong CAGR of 11.2%.

**Harbin's Disposable Income and  
Expenditure Per Capita of  
Urban Residents (RMB)  
(2010 – 2018)**



**Harbin's Retail Sales of  
Consumer Goods (RMB billion)  
(2010 – 2018)**



Source: Independent Market Research Consultant

1 Source: China Daily.

According to the Chinese government’s 13<sup>th</sup> Five-Year Plan for Economic and Social Development, Harbin will continue to grow as a key commercial centre in Northeast Asia, as well as an international tourist and cultural destination. Harbin’s economy is expected to continue strengthening and the rising disposable income will continue to increase demand for consumer goods and services.

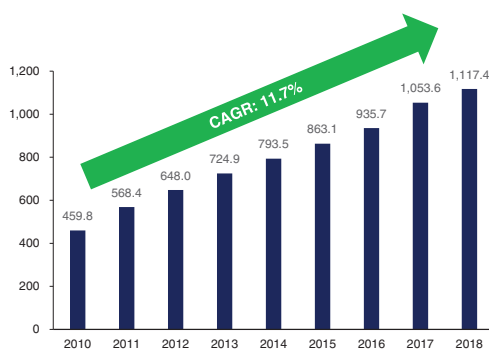
The Acquisition provides CRCT with an entry into a leading city in Northeast China, allowing CRCT to capitalise on opportunities from the large market size of Harbin.

## Changsha

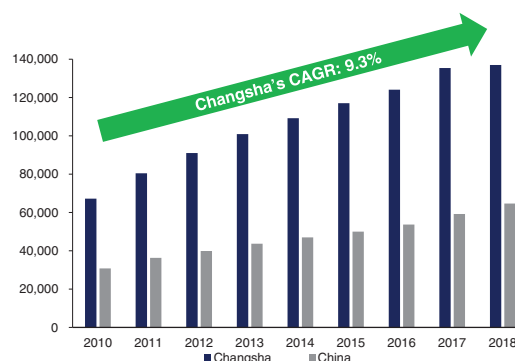
Changsha is the political, economic, financial, educational and innovation centre of Hunan Province and has benefitted from the implementation of the Rise of Central China strategy. As a major logistics hub in China, Changsha has a comprehensive transportation network spanning air, water and land and is connected to 21 major cities in China via various arterial roads and high-speed railways. Changsha is a core city, both along the Belt and Road Initiative’s trade routes and in the Yangtze River Economic Zone. According to the local government, Changsha aims to become a national transportation and logistics hub by 2020. Changsha is also the first city in Hunan Province to achieve integration of urban and rural public transportation, with bus lines reaching each town and street in the region<sup>1</sup>. In addition, according to the Independent Market Research Consultant, the Hunan government is promoting greater integration of the Changsha-Zhuzhou-Xiangtan city cluster to create new economic growth engine and drive urbanisation within the region. Its highly conducive business environment has attracted Fortune 500 companies such as Continental Group and Flex to establish presence there. With a population of close to 8.2 million as at 2018, Changsha is the most populous city in Hunan Province according to the Independent Market Research Consultant.

Over the last nine years, Changsha has experienced strong economic growth with GDP crossing the RMB1 trillion mark in 2017. According to the Independent Market Research Consultant, Changsha’s GDP grew from RMB459.8 billion in 2010 to reach RMB1,117.4 billion in 2018, achieving CAGR of 11.7% and outpacing China’s GDP growth of 10.3% over the same period. Accompanying the growth in GDP, GDP per capita grew at a CAGR of 9.3% to reach RMB137,026 in 2018, significantly higher than the China average of RMB64,644.

**Changsha’s GDP (RMB billion)  
(2010 – 2018)**



**Changsha’s GDP per Capita (RMB)  
(2010 – 2018)**

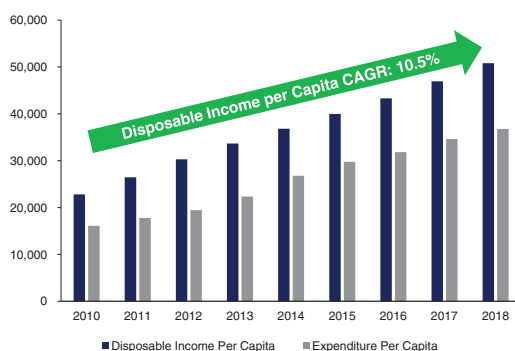


Source: Independent Market Research Consultant

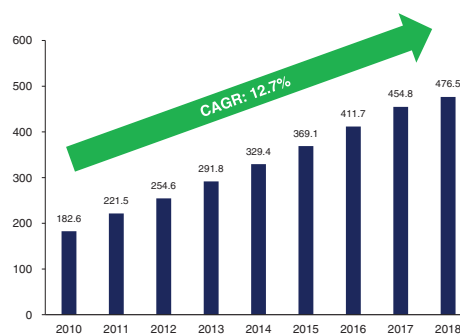
<sup>1</sup> Source: China Daily.

From 2010 to 2018, Changsha's disposable income per capita grew at a strong CAGR of 10.5% to reach RMB50,792 in 2018, higher than China's CAGR of 9.4%. Retail sales of consumer goods grew at a robust rate of 12.7% to reach RMB476.5 billion in 2018, more than double the retail sales recorded in 2010.

**Changsha's Disposable Income and Expenditure Per Capita of Urban Residents (RMB) (2010 – 2018)**



**Changsha's Retail Sales of Consumer Goods (RMB billion) (2010 – 2018)**



Source: Independent Market Research Consultant

The Acquisition will allow CRCT to enhance its footprint in Central China by riding on the momentum of a fast-growing Changsha.

**(ii) Strategic locations with excellent connectivity**

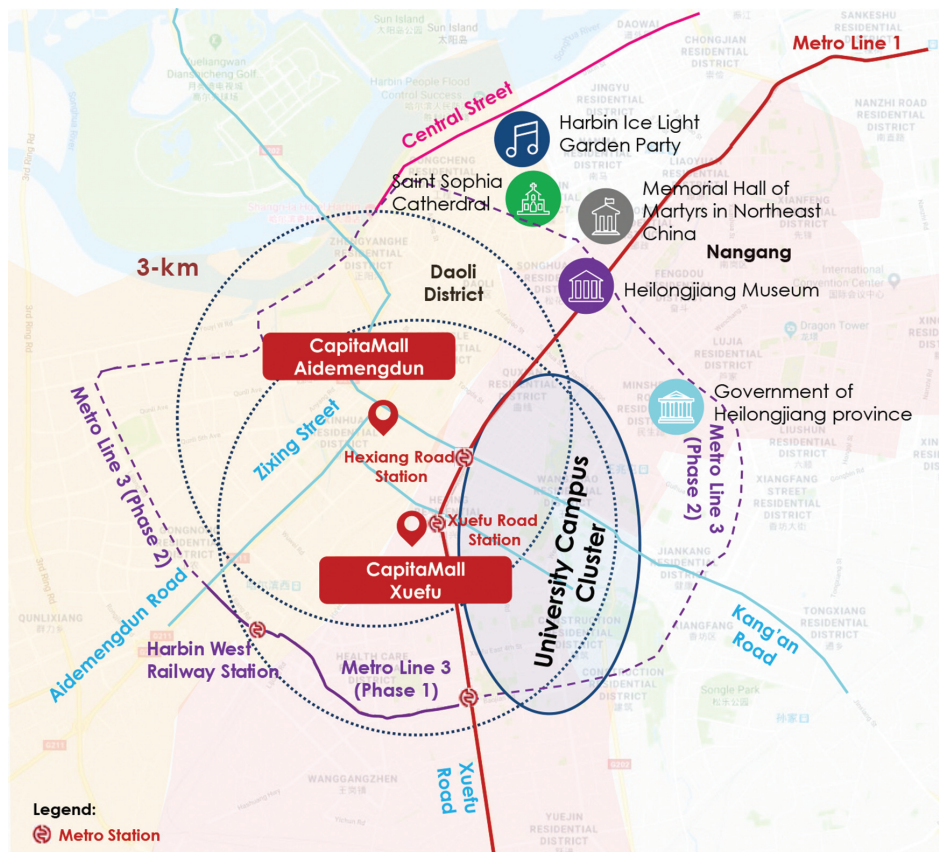
The Properties are situated in well-established hubs with attractive micro-location characteristics. They enjoy excellent connectivity by being in close proximity to transportation hubs and are easily accessible via various transportation modes.

Property	City	Connectivity
CapitaMall Xuefu	Harbin	<ul style="list-style-type: none"> <li>• Directly connected to Xuefu Road Station on Metro Line 1</li> <li>• Well-served by more than nine bus lines</li> <li>• Enjoys direct frontage to Xuefu Road which connects directly to the Second Ring Road</li> </ul>
CapitaMall Aidemengdun	Harbin	<ul style="list-style-type: none"> <li>• Approximately 1.5 km from Xuefu Road Station and Hexing Road Station on Metro Line 1</li> <li>• Well-served by more than eight bus lines</li> <li>• Close proximity to the Second Ring Road and enjoys direct frontage to Aidemengdun Road that connects the Harbin Taiping International Airport to Central Street in the city centre</li> </ul>
CapitaMall Yuhuating	Changsha	<ul style="list-style-type: none"> <li>• Approximately 1 km from Tujiachong Station on Metro Line 1 and Shazitang Station on Metro Line 4</li> <li>• Easily accessible by more than 15 bus lines</li> <li>• Enjoys excellent frontage being at the intersection of Xinjian East Road and Shaoshan Middle Road, which is one of the city's main arterial roads connecting directly to the Second Ring Road</li> </ul>

(iii) Well-established quality assets with strong population catchment

**CapitaMall Xuefu**

CapitaMall Xuefu, which commenced operations in 2012, is positioned as a modern and experiential regional shopping mall mainly targeting the students and staff from the nearby cluster of eight universities as well as residents from the surrounding high-density, affluent and mature residential communities and financial facilities. CapitaMall Xuefu is strategically located next to a cluster of tertiary education institutions where the student population form a large proportion of the sizeable catchment of approximately 750,000 within a 3-km radius. Harbin Institute of Technology, one of the best universities in China, is located approximately 3.5 km away.



CapitaMall Xuefu differentiates itself by providing unique shopping experiences through incorporating lifestyle elements to cater to the growing demand for experiential concepts. For example, in 2018, CapitaMall Xuefu launched a family-friendly zone on level 3 which offers a wide variety of children-related brands, interactive programmes and play areas for parents and their children to spend quality time together. Basement 1 was renovated in 2017 to create a thematic food & beverage (“F&B”) experience with the first artistic food and retail street in Harbin that is well-liked by the youths.

On level 5, CapitaMall Xuefu created Harbin’s first Amazon-style “Dream Park”, which is an indoor garden attraction designed with Baroque-style architecture providing all year-round summer experience in a city which is famously known as the Ice City due to its long winters. This attraction is a key highlight among the locals, including students and staff from nearby tertiary education institutions. The Independent Market Research Consultant is of the view that CapitaMall Xuefu has become a retail landmark in Harbin and traffic will increase going forward, resulting in steady rental growth.

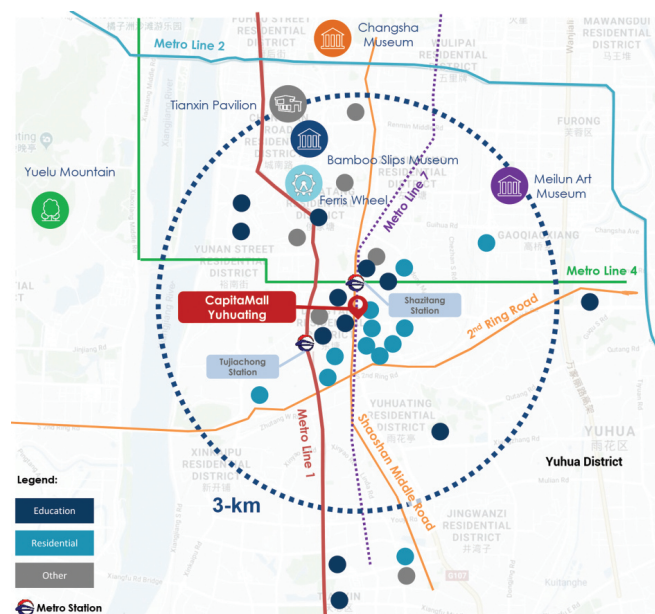
## CapitaMall Aidemengdun

CapitaMall Aidemengdun, which commenced operations in 2010, is located in Downtown Harbin and positioned as a community mall to mainly serve the needs of residents from the neighbouring high-density residential communities and students and staff from nearby tertiary education institutions. It has an established population catchment of approximately 400,000 within a 3-km radius. As one of the earliest community malls in the area, it has a captive consumer base formed by the surrounding residents, with strong focus on young families with children, sports and education offerings. CapitaMall Aidemengdun is able to draw a stable footfall and repeat visitation due to its established status within its trade area after being in operation for over eight years. The mall provides a complete range of trade offerings including anchor stores such as a supermarket and a cinema as well as popular F&B, fashion and children-related brands. As part of its active mall management strategy, the mall also constantly reviews its trade mix to meet the demands of its shoppers and in the past two years, it successfully refreshed approximately 50% of its stores to introduce more popular brands as well as innovative and experiential concepts. On the asset enhancement front, CapitaMall Aidemengdun created a communal plaza in front of the mall in 2018 which serves as an event space for marketing events. The mall regularly organises popular lifestyle and family events there to draw crowds.

In addition, it is located approximately 2 km away from CapitaMall Xuefu. Given the close proximity and differentiated market positioning, the two malls are able to create synergy through complementary retail offerings, leasing, marketing and operational synergies. This allows both malls to capture a wider consumer base and benefit from potential collaboration and cost savings. The Independent Market Research Consultant is of the view that going forward, rental growth at CapitaMall Aidemengdun will be steady and occupancy will continue to be healthy.

## CapitaMall Yuhuating

CapitaMall Yuhuating, which commenced operations in 2005, is positioned as a community mall located within a core retail hub where there is a high concentration of populated residential communities and office buildings, providing the mall with a dense catchment of approximately 700,000 within a 3-km radius. It is also nestled within a large number of facilities including hospitals, education and financial facilities. According to the Independent Market Research Consultant, the average income level of the residents in this catchment area exceeds the city's average. CapitaMall Yuhuating is likely to benefit from the higher purchasing power of its catchment residents.



The mall is a unique one-stop necessity shopping mall in the locality, and offers a comprehensive and integrated shopping experience with a diverse offering including supermarket, cinema, fashion, F&B and leisure. Having operated in the local market for over 10 years and with no direct competitors in the area within a 3-km radius, CapitaMall Yuhuating has firmly established itself within its main trade area and has built strong brand awareness among the locals in the catchment area. Over the years, CapitaMall Yuhuating has successfully introduced new retail concepts to its shoppers by attracting leading international and local brands as well as bringing in exciting brands made popular by “internet celebrities”. In the next two years, almost 64% of the mall’s leases by NLA will expire. This favourable lease expiry profile creates good scope for potential asset enhancement initiatives and provides further upside. The Independent Market Research Consultant is of the view that CapitaMall Yuhuating has differentiated itself from the other malls in the retail hub which it is located in and that rental growth will be healthy going forward.

**(iv) Acquisition of customer centric malls targeting local demographics, and offering “experiential” customer shopping experiences**

The Properties primarily cater to the daily and necessity shopping needs of the local population within the surrounding catchment. The Properties are anchored by established brand retailers such as Walmart and Beijing Hualian Group, as well as a wide range of specialty tenants.

CapitaMall Aidemengdun and CapitaMall Yuhuating are positioned as community malls with a focus on a wide range of “needs-based” and affordable shopping options such as fresh foods and groceries, making them daily destination stops for the residents in the catchment communities. The malls also offer various F&B options, including cafes and leisure facilities such as cinemas which provide a regular following of weekend shoppers in addition to their weekday traffic.

In addition to providing the daily necessities for the catchment population, there are also “experiential” aspects which help the malls to continuously attract footfall. For example, CapitaMall Xuefu contains Dream Park, which is the first and only Amazon-style indoor garden in Harbin providing all year-round summer experience in a city which is famously known as the Ice City due to its long winters. The family-friendly zones and children play areas are regularly frequented by young families seeking shopping, dining and “lifestyle” conveniences outside of their homes. The themed artistic F&B street also incorporates aesthetically pleasing design elements and is popular among the younger urban demography and was also the first of its kind in Harbin. The new fashion concept stores also appeal to the young and fashionable.

### **3.2 Significantly Increases CRCT’s Portfolio Size and NPI**

Following the Acquisition, CRCT’s Enlarged Portfolio will consist of 14 shopping malls, an increase from 11 shopping malls in the Existing Portfolio. The Acquisition is expected to increase CRCT’s portfolio size by approximately 18.6% from S\$3.2 billion<sup>1</sup> as at 31 March 2019 to S\$3.8 billion. The Acquisition augments CRCT’s portfolio and enlarges the asset base, providing CRCT with greater scale and a larger platform to grow.

CRCT’s NPI is also expected to increase by 22.8% from RMB781.2 million<sup>2</sup> to RMB959.3 million<sup>3</sup> on a pro forma FY 2018 basis after the Acquisition.

---

1 Based on 100.0% interest in all of CRCT’s properties.

2 Based on CRCT’s audited financial statements for the period 1 January 2018 to 31 December 2018, including CRCT’s 51.0% interest in Rock Square’s NPI for the period from 1 February 2018 to 31 December 2018 which is accounted for as part of “Share of results (net of tax) of joint venture”.

3 Includes FY 2018 NPI of the Properties, assuming CRCT had held and operated the Properties from 1 January 2018 to 31 December 2018.

**3.3 Further Enhances CRCT’s Portfolio Diversification**

**(i) Increases geographical diversification across major China markets**

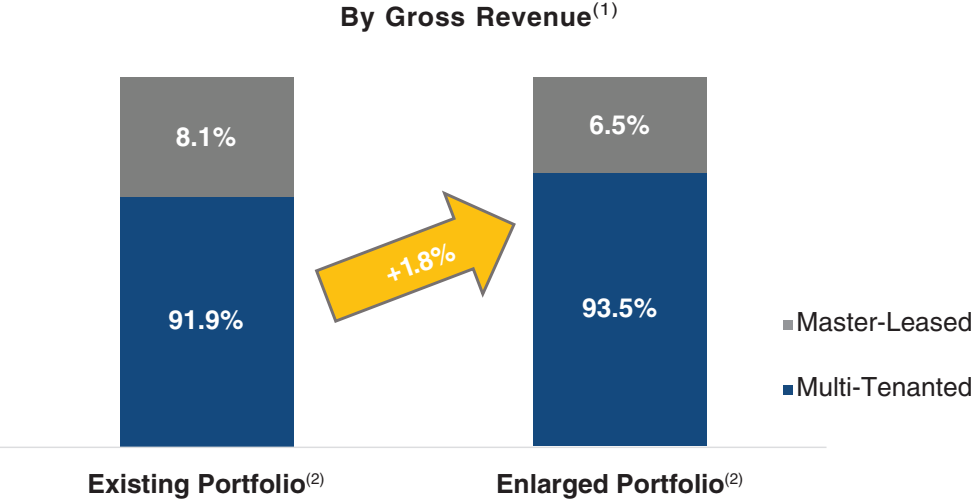
CRCT currently owns 11 shopping malls located in eight cities, across five regions in China with:

- (a) CapitaMall Xizhimen, CapitaMall Wangjing, CapitaMall Grand Canyon, CapitaMall Shuangjing and CapitaMall Saihan located in North China;
- (b) CapitaMall Qibao and CapitaMall Wuhu located in East China;
- (c) CapitaMall Xinnan located in West China;
- (d) Rock Square located in South China; and
- (e) CapitaMall Erqi and CapitaMall Minzhongleyuan located in Central China.

The Acquisition will deepen CRCT’s presence in China and expand the portfolio into two new cities namely Harbin, the capital city of Heilongjiang Province in North China and Changsha, the capital city of Hunan Province in Central China. As a result, CRCT’s footprint in China will increase from eight cities to 10 cities and presence in provincial capital cities will increase from seven cities to nine cities<sup>1</sup>.

**(ii) Increases exposure to multi-tenanted malls**

Following the Acquisition, the contribution of gross revenue<sup>2</sup> by multi-tenanted malls in CRCT’s portfolio is expected to increase by 1.8% from 91.9% to 93.5% on a pro forma basis, thus providing the Manager with greater opportunities to drive growth.



**Notes:**

- (1) Based on gross revenue for FY 2018.
- (2) Includes CRCT’s 51.0% interest in Rock Square.

1 Includes municipalities and capital of autonomous regions.  
 2 Includes CRCT’s 51.0% interest in Rock Square.

### (iii) Increases diversification of revenue stream

The Acquisition is expected to improve revenue diversification and reduce the reliance of CRCT's gross revenue on any single property. Following the Acquisition, the Manager expects that the maximum gross revenue contribution by the top two properties within CRCT's portfolio will decrease from 44.9% to 36.0% on a pro forma basis.

	Percentage Contribution by Existing Portfolio to CRCT Group's Gross Revenue <sup>(1)</sup>	Percentage Contribution by Enlarged Portfolio to CRCT Group's Gross Revenue <sup>(1)</sup>
CapitaMall Xizhimen	25.0%	20.1%
CapitaMall Wangjing	19.9%	15.9%
CapitaMall Xuefu	–	11.1%
CapitaMall Xinnan	11.5%	9.2%
CapitaMall Grand Canyon	11.2%	9.0%
CapitaMall Qibao	8.6%	6.9%
Rock Square <sup>(2)</sup>	7.2%	5.8%
CapitaMall Yuhuating	–	5.3%
CapitaMall Saihan <sup>(3)</sup>	5.7%	4.5%
CapitaMall Aidemengdun	–	3.5%
CapitaMall Erqi	4.3%	3.4%
CapitaMall Shuangjing	3.9%	3.1%
CapitaMall Minzhongleyuan	2.0%	1.6%
CapitaMall Wuhu <sup>(3)</sup>	0.7%	0.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Notes:**

(1) Based on gross revenue for FY 2018.

(2) Based on CRCT's 51.0% interest in Rock Square.

(3) CRCT had on 1 February 2019 announced the divestment of the equity interest which holds CapitaMall Saihan which is expected to be completed in 2H 2020 and on 29 March 2019 announced the divestment of the equity interest which holds CapitaMall Wuhu which is expected to be completed in 2H 2019.

### (iv) Reduces tenant concentration risk

Following the Acquisition, the number of leases in CRCT's portfolio is expected to increase by approximately 52%. As a result, the Acquisition will reduce tenant concentration risk, and the aggregate exposure to the top 10 tenants of CRCT by total rental income<sup>1</sup> for the month of March 2019 on a pro forma basis will decrease from 23.1% to 20.7%. In addition, the contribution to the total rental income for the month of March 2019 by the largest tenant will be reduced from 8.3% to 7.5% on a pro forma basis after the Acquisition.

<sup>1</sup> Includes both gross rental income and gross turnover rental income ("GTO") components.



**Top 10 Tenants by Total Rental Income<sup>(1)</sup>**  
**(For the month of March 2019)**

Existing Portfolio <sup>(2)</sup>		Enlarged Portfolio <sup>(2)</sup>	
Top 10 Tenants	% of Total Rental Income	Top 10 Tenants	% of Total Rental Income
BHG Group of Companies	8.3	BHG Group of Companies	7.5
Carrefour Group of Companies	3.8	Carrefour Group of Companies	3.0
绫致时装（天津）有限公司	3.0	绫致时装（天津）有限公司	3.0
UNIQLO Group of Companies	1.8	UNIQLO Group of Companies	1.6
北京为之味餐饮有限公司富迪康（北京）餐饮管理有限公司	1.3	北京为之味餐饮有限公司富迪康（北京）餐饮管理有限公司	1.0
北京百安居装饰建材有限公司	1.2	北京百安居装饰建材有限公司	1.0
Ucommune Group of Companies	1.1	Yum! Brands Group of Companies	0.9
HOTWIND Group of Companies	0.9	HOTWIND Group of Companies	0.9
Inditex Group of Companies	0.9	Watsons Group of Companies	0.9
Watsons Group of Companies	0.8	Ucommune Group of Companies	0.9
<b>Total</b>	<b>23.1</b>	<b>Total</b>	<b>20.7</b>

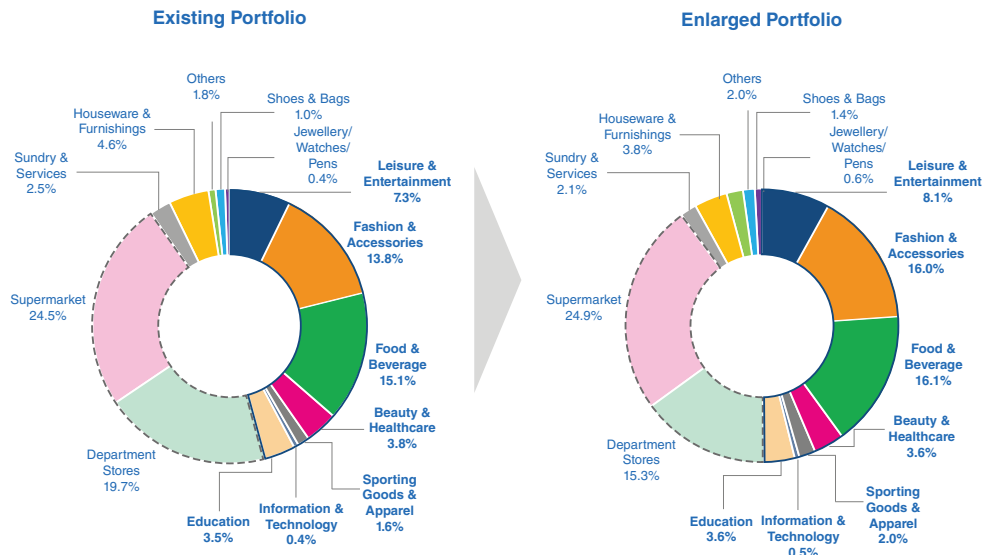
**Notes:**

(1) Includes both gross rental income and GTO components.

(2) Based on CRCT's effective interest in each property, including CRCT's 51.0% interest in Rock Square.

**(v) Enhances trade mix**

Following the Acquisition, CRCT's trade mix would also become more diverse and exposure to high growth trades such as Leisure & Entertainment, Fashion & Accessories, F&B, Beauty & Healthcare, Sporting Goods & Apparel, Education and Information & Technology will increase post-Acquisition from 45.5% to 49.9% of the total committed NLA.

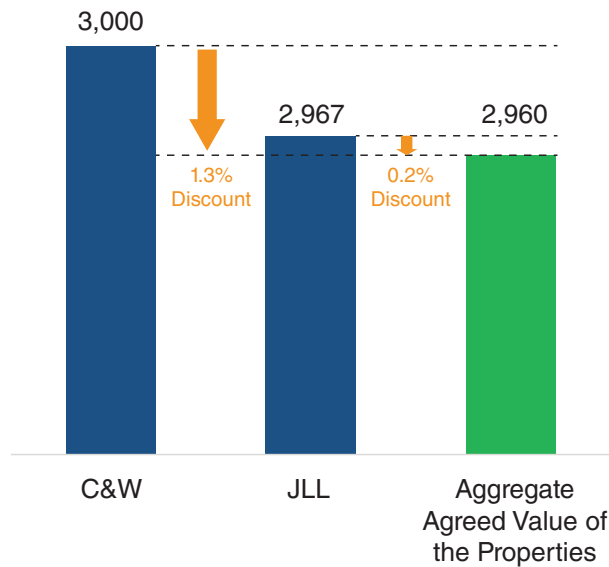


### 3.4 Attractive Transaction Price that Delivers Accretion

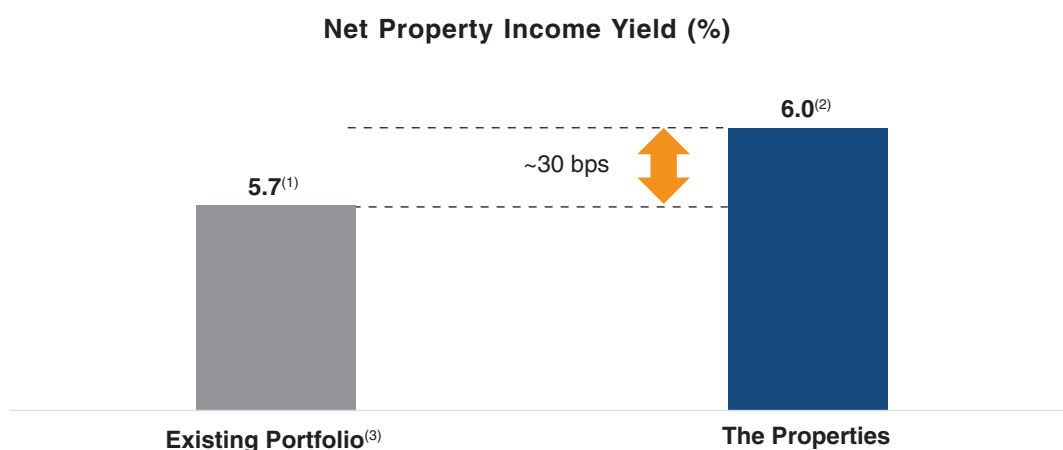
The Manager believes that the Acquisition provides an attractive value proposition for Unitholders given that it is expected to be an accretive Acquisition with the aggregate agreed value at a discount to independent valuations.

The Properties' aggregate Agreed Value of RMB2,960 million represents a discount of 1.3% to C&W's aggregate independent valuation of RMB3,000 million and a discount of 0.2% to JLL's aggregate independent valuation of RMB2,967 million.

#### Discount to Independent Valuation (RMB million)



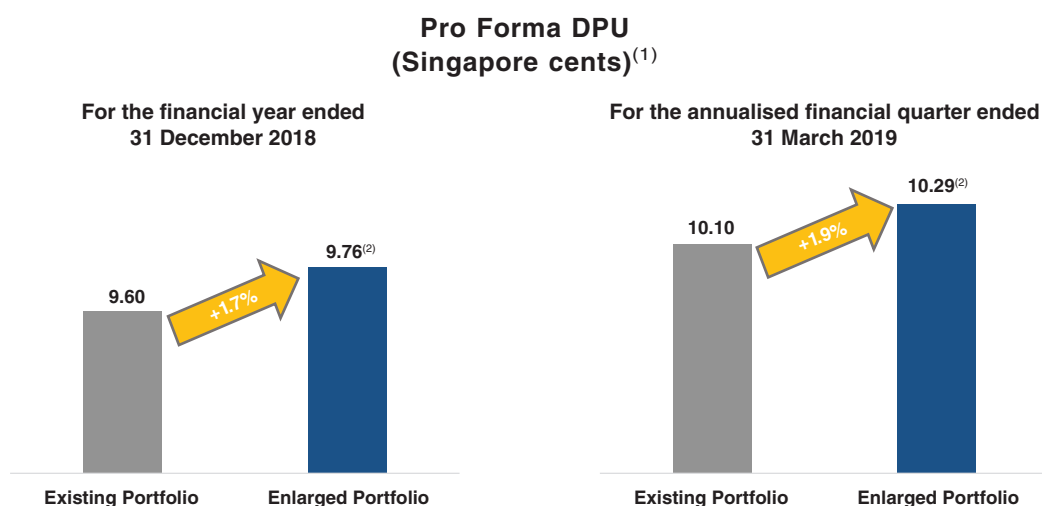
The aggregate Agreed Value of the Properties implies an NPI yield of approximately 6.0% which is higher than the Existing Portfolio NPI yield of approximately 5.7%.



**Notes:**

- (1) Computed using FY 2018 NPI of the Existing Portfolio divided by its valuation as at 31 December 2018, including CRCT's 51.0% interest in Rock Square whose NPI yield is computed based on the annualised NPI for the period 1 February 2018 to 31 December 2018.
- (2) Computed using the aggregate FY 2018 NPI of the Properties divided by the aggregate Agreed Value of the Properties.
- (3) Excludes CapitaMall Wuhu as the mall is fully closed.

For illustrative purposes, based on the proposed method of financing shown below, the Acquisition is expected to be distribution per Unit ("DPU") accretive on a pro forma basis. The charts below illustrate the pro forma impact on CRCT's DPU, assuming that the Equity Fund Raising comprises the Private Placement and the Preferential Offering, for the financial year ended 31 December 2018 and the annualised financial quarter ended 31 March 2019 in relation to the Existing Portfolio and the Enlarged Portfolio respectively.

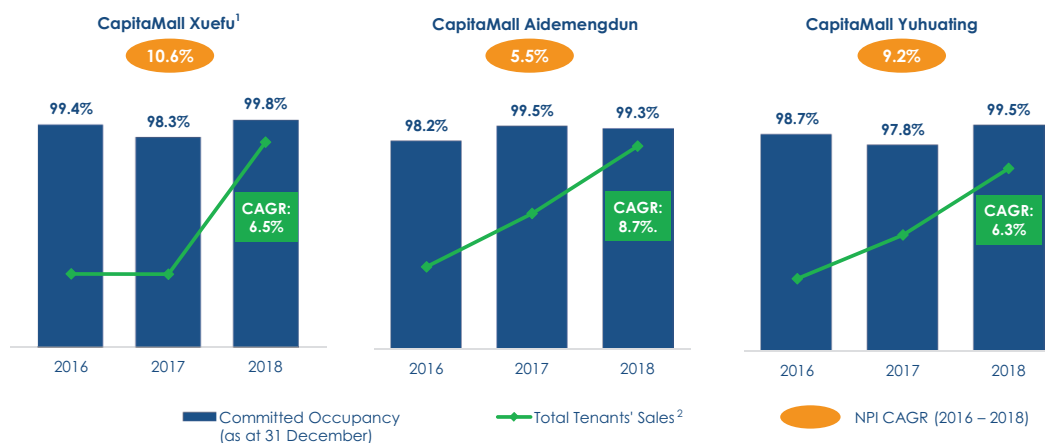


**Notes:**

- (1) Please refer to Section 5.1 Pro Forma Financial Effects of the Acquisition for more details (including the assumptions on which the pro forma financials have been prepared).
- (2) Assuming that the Private Placement and Preferential Offering Scenario (as defined herein) to raise gross proceeds of approximately S\$250 million.

### 3.5 Leverage on Strong Track Record of Management Team

The Properties are managed by CapitaLand who is one of the leading retail mall operators in China. CapitaLand has an established track record in retail mall management in China and has successfully built up a strong reputation known for its well-managed malls. CapitaLand currently manages over 50 malls across more than 20 cities in China with an extensive leasing network. Over the last three years, the Properties have demonstrated healthy operating performances with committed occupancy consistently above 97% and total tenants' sales<sup>1</sup> growing steadily with a CAGR of 6.5%, 8.7% and 6.3% for CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating respectively.



#### Notes:

- (1) Total tenants' sales between 2016 and 2017 remained approximately flat due to ongoing asset enhancement initiatives. Post completion of the asset enhancement initiatives, total tenants' sales recorded an improvement in 2018.
- (2) Excludes tenants' sales from supermarkets.

Upon Completion, the Properties will continue to be managed by the same cluster management teams managing CapitaMall Xizhimen, CapitaMall Wangjing and CapitaMall Grand Canyon in the North Region, and Rock Square in the Central/South Regions. The cluster management teams have developed deep knowledge and established strong relationships in the respective local markets over the years. They have a track record of active asset management with demonstrable results and their management of the Properties will create significant design, planning and operating efficiencies.

<b>CapitaMall Xuefu</b>	✓ Active asset enhancement initiatives by introducing innovative experiential concepts to strengthen market leadership
<b>CapitaMall Aidemengdun</b>	✓ Recent upgrading and brand refresh to position the mall for further growth
<b>CapitaMall Yuhuating</b>	<ul style="list-style-type: none"> <li>✓ Future plans to expand tenant mix, primarily in F&amp;B and Fashion &amp; Accessories</li> <li>✓ Past asset enhancement initiatives included store reconfiguration, introduction of international fashion brands, and widening of the F&amp;B offerings</li> </ul>

This allows CRCT to tap on CapitaLand's experience and local network, which provides a smooth continuation of operations for the Properties.

<sup>1</sup> Excludes tenants' sales from supermarkets.

## **4 EQUITY FUND RAISING**

### **4.1 Structure of the Equity Fund Raising**

The structure and timing of the Equity Fund Raising have not been determined by the Manager.

When the Manager decides to undertake the Equity Fund Raising, the Equity Fund Raising may, at the Manager's absolute discretion and subject to the then prevailing market conditions and accretion levels, comprise:

- (i) the Private Placement and the Preferential Offering, in which the Private Placement will raise a portion of the proceeds, with the Preferential Offering raising the remaining amount; or
- (ii) the Rights Issue.

Should the Equity Fund Raising comprise the Private Placement and the Preferential Offering, the issue price for the New Units to be issued under the Equity Fund Raising will comply with Rules 816(2) and as the case may be 811(1) and 811(5) of the Listing Manual (as defined herein), and will not be at more than a 10.0% discount to the volume-weighted average price for trades done on the SGX-ST for the full market day on which an underwriting agreement between the Manager and the underwriter(s) (the "**Underwriting Agreement**") is signed, or (if trading in the Units is not available for a full market day) for the preceding market day up to the time the Underwriting Agreement is signed, excluding (where applicable) accrued distributions provided that the holders of the New Units are not entitled to the accrued distributions.

It is anticipated that the New Units to be issued pursuant to any Equity Fund Raising that may be undertaken by the Manager (less the Preferential Offering Units, or as the case may be, the Rights Issue Units to be subscribed under the Undertakings) will be underwritten by underwriter(s) subject to, among others, the then prevailing market conditions.

The Underwriting Agreement is anticipated to be signed upon the terms of the Equity Fund Raising being agreed upon, which will be after the approval of the resolution for the Acquisition by the Unitholders at the EGM having been received.

### **4.2 Use of Proceeds of the Equity Fund Raising**

The Manager intends to utilise all of the proceeds of the Equity Fund Raising to finance part of the Total Acquisition Cost.

Notwithstanding its current intention, in the event that the Equity Fund Raising is completed but the Acquisition does not proceed for whatever reason, the Manager may, subject to relevant laws and regulations, utilise the net proceeds of the Equity Fund Raising at its absolute discretion for other purposes, including without limitation, the repayment of existing indebtedness and for funding capital expenditures.

The Manager will make periodic announcements on the utilisation of the net proceeds of the Equity Fund Raising via SGXNET as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated.

Where proceeds are to be used for working capital purposes, the Manager will disclose a breakdown with specific details on the use of proceeds for working capital in CRCT's announcements and in CRCT's annual report, and where there is any material deviation from the stated use of proceeds, the Manager will announce the reasons for such deviation.

Pending the deployment of the net proceeds of the Equity Fund Raising, the net proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, or to be used to repay outstanding borrowings or for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit.

#### **4.3 Undertakings by CapitaLand and CapitaLand Mall Trust**

To demonstrate its support for CRCT and the Equity Fund Raising, (i) RCPL and CRCTML, being wholly owned subsidiaries of CapitaLand, which collectively own an aggregate interest of approximately 25.76% of the total number of Units in issue as at the Latest Practicable Date and (ii) CMT (through HSBC Institutional Trust Services (Singapore) Limited), in its capacity as trustee of CMT) which owns an interest of approximately 12.28% of the total number of Units in issue as at the Latest Practicable Date, have each irrevocably undertaken to the Manager on 8 July 2019 that, among other things, in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue, subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will accept, subscribe and pay in full for, its total provisional allotment of the Preferential Offering Units or the Rights Issue Units. As each of RCPL, CRCTML and CMT would only take up its pro rata entitlement, and not subscribe for excess, each of their interest in CRCT would not increase post completion of the Equity Fund Raising.

#### **4.4 Consequential Adjustment to Distribution Period and Status of the New Units**

CRCT's policy is to distribute its distributable income on a semi-annual basis to Unitholders, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

However, pursuant to the Equity Fund Raising, the Manager may decide to make adjustments to the distribution period which may include, among others, a cumulative distribution, an advanced distribution or such other plans to ensure fairness to existing Unitholders holding Units on the day immediately prior to the date on which the New Units are issued under the Private Placement.

In the event that the Equity Fund Raising comprises the Preferential Offering or the Rights Issue, the Preferential Offering Units or the Rights Issue Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Preferential Offering Units or the Rights Issue Units are issued, including the right to any distributions which may accrue prior to the issuance of such Units.

Further details pertaining to any adjustments to the distribution period, if any, and the status of the New Units issued pursuant to the Equity Fund Raising will be announced at the appropriate time.

## 5 DETAILS AND FINANCIAL INFORMATION OF THE ACQUISITION

### 5.1 Pro Forma Financial Effects of the Acquisition

The pro forma financial effects of the Acquisition on the DPU and NAV per Unit presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of the CRCT Group for the financial year ended 31 December 2018 (the “**CRCT Group 2018 Audited Financial Statements**”) as well as the audited financial statements of the Target Companies for the financial year ended 31 December 2018, taking into account the Agreed Value of the Properties, and assuming that:

- the Manager’s management fees, including the base management fee and the performance management fee will be paid in the form of Units; and
- bank borrowings are used to finance the balance funding requirement, including paying the estimated professional and other fees and expenses incurred or to be incurred by CRCT in connection with the Acquisition.

#### 5.1.1 Pro Forma DPU

##### FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Acquisition on CRCT’s DPU for the financial year ended 31 December 2018, as if the Acquisition was completed on 1 January 2018 and CRCT held and operated the Properties through to 31 December 2018 are as follows:

***Assuming Private Placement and Preferential Offering with gross proceeds of S\$250 million (the “Private Placement and Preferential Offering Scenario”)***

	Before the Acquisition	After the Acquisition <sup>(5),(6)</sup>
Distributable Income <sup>(1)</sup> (S\$’000)	93,741	112,226
Issued Units (’000)	980,549 <sup>(2)</sup>	1,155,030 <sup>(3)</sup>
DPU <sup>(1),(4)</sup> (S\$ cents)	9.60	9.76
DPU Yield <sup>(1)</sup>	6.15%	6.26%

##### Notes:

- (1) The calculation of Distributable Income and DPU exclude capital distribution arising from the gain from the divestment of the equity interest in the company which held CapitaMall Anzhen (“**Capital Distribution**”) and DPU yield is calculated based on closing price of S\$1.560 per Unit on 2 July 2019. If including the Capital Distribution:
  - The DPU before acquisition was 10.22 S\$ cents, with corresponding DPU yield of 6.55%.
  - The DPU after acquisition will be 10.28 S\$ cents, with corresponding DPU yield of 6.59%.
- (2) Number of Units issued as at 31 December 2018.
- (3) Includes the number of new Units issued to raise S\$250 million gross proceeds at an illustrative price of S\$1.463 to partly finance the Acquisition and approximately 3.9 million new Units issuable as payment for the Acquisition Fee payable to the Manager at illustrative price of S\$1.560 per new Unit (purely for illustrative purpose only).
- (4) DPU after acquisition is calculated based on the weighted average Units in FY 2018 with the additional Units assumed in the different scenarios.
- (5) If assuming an Equity Fund Raising is upsized to S\$275 million at an illustrative price of S\$1.464, the DPU after acquisition will be 9.68 S\$ cents and DPU with Capital Distribution will be 10.19 S\$ cents.

- (6) For illustrative purposes only, if the Equity Fund Raising comprises the Rights Issue (“**Rights Issue Scenario**”) at an illustrative issue price of S\$1.224 per Rights Issue Unit;
- (a) with gross proceeds of S\$250 million,
- the DPU and DPU yield after the acquisition will be 9.48 S\$ cents and 6.31% based on the theoretical ex-rights price (“**TERP**”) of S\$1.503 respectively.
  - if including the Capital Distribution, DPU and DPU yield after acquisition will be 9.99 S\$ cents and 6.65% based on TERP of S\$1.503 respectively.
- (b) with gross proceeds of S\$275 million,
- the DPU and DPU yield after acquisition will be 9.38 S\$ cents and 6.26% based on TERP of S\$1.498.
  - if including the Capital Distribution, DPU and DPU yield after acquisition will be 9.88 S\$ cents and 6.60% based on TERP of S\$1.498 respectively.

The pro forma financial effects of the Acquisition on CRCT’s DPU for the financial quarter ended 31 March 2019, as if the Acquisition was completed on 1 January 2019 and CRCT held and operated the Properties through to 31 March 2019 are as follows:

**Private Placement and Preferential Offering Scenario**

	<b>Before the Acquisition</b>	<b>After the Acquisition<sup>(4),(5)</sup></b>
Annualised Distributable Income <sup>(1)</sup> (S\$’000)	100,845	120,690
Issued Units (’000)	998,517 <sup>(2)</sup>	1,172,998 <sup>(3)</sup>
Annualised DPU <sup>(1)</sup> (S\$ cents)	10.10	10.29
DPU Yield <sup>(1)</sup>	6.47%	6.60%

**Notes:**

- (1) Annualised Distributable Income and DPU were based on the 3-month period ended 31 March 2019 and exclude the Capital Distribution, DPU yield is calculated based on closing price of S\$1.560 per Unit on 2 July 2019.
- If including the capital distribution:
- The annualised DPU before acquisition was 10.50 S\$ cents, with corresponding DPU yield of 6.73%.
  - The annualised DPU after acquisition will be 10.63 S\$ cents, with corresponding DPU yield of 6.81%.
- (2) Number of Units issued as at 31 March 2019.
- (3) Includes the number of new Units issued to raise S\$250 million gross proceeds at an illustrative price of S\$1.463 to partly finance the Acquisition and approximately 3.9 million new Units issuable as payment for the Acquisition Fee payable to the Manager at illustrative price of S\$1.560 per new Unit (purely for illustrative purpose only).
- (4) If assuming an Equity Fund Raising is upsized to S\$275 million at an illustrative price of S\$1.464, the DPU after acquisition will be 10.20 S\$ cents and DPU with Capital Distribution will be 10.55 S\$ cents.
- (5) For illustrative purposes only, if the Equity Fund Raising comprises the Rights Issue Scenario at an illustrative issue price of S\$1.224 per Rights Issue Unit;
- (a) with gross proceeds of S\$250 million,
- the DPU and DPU yield after the acquisition will be 10.00 S\$ cents and 6.65% based on TERP of S\$1.503 respectively.
  - if including the Capital Distribution, DPU and DPU yield after acquisition will be 10.34 S\$ cents and 6.88% based on TERP of S\$1.503 respectively.
- (b) with gross proceeds of S\$275 million,
- the DPU and DPU yield after acquisition will be 9.90 S\$ cents and 6.61% on TERP of S\$1.498.
  - if including the Capital Distribution, the DPU and DPU yield after acquisition will be 10.23 S\$ cents and 6.83% based on TERP of S\$1.498 respectively.



### 5.1.2 Pro Forma NAV

#### FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Acquisition on CRCT Group's NAV per Unit as at 31 December 2018, as if the Acquisition was completed on 31 December 2018 are as follows:

#### *Private Placement and Preferential Offering Scenario*

	Before the Acquisition	After the Acquisition
NAV represented by Unitholders' funds <sup>(1)</sup> (S\$'000)	1,505,839	1,755,051
Issued Units ('000)	980,549	1,155,030
NAV represented by Unitholders' funds per Unit <sup>(1)</sup> (S\$)	1.54	1.52 <sup>(2)</sup>

#### Notes:

- (1) Excludes CRCT's distributable income for the period from 1 July 2018 to 31 December 2018, which was paid on 28 March 2019.
- (2) Under the following scenarios:
  - the Private Placement and Preferential Offering Scenario, for an upsize scenario with gross proceeds of S\$275 million, the NAV represented by Unitholders' funds per Unit will be S\$1.52.
  - the Rights Issue Scenario, with gross proceeds of S\$250 million, the NAV represented by Unitholders' funds per Unit will be S\$1.48.
  - the Rights Issue Scenario, for an upsize scenario with gross proceeds of S\$275 million, the NAV represented by Unitholders' funds per Unit will be S\$1.47.

### 5.1.3 Aggregate Leverage

#### FOR ILLUSTRATIVE PURPOSES ONLY:

The table below sets out the aggregate leverage of CRCT Group:

	Before the Acquisition	After the Acquisition
Aggregate Leverage	34.4% <sup>(1)</sup>	37.7% <sup>(2)</sup>

#### Notes:

- (1) Aggregate leverage as at 31 March 2019 adjusted for the partial repayment of the unsecured money market line from the repayment of the shareholder's loan arising from Saihan Divestment and Wuhu Divestment.
- (2) Includes the incremental deposited properties and gross borrowings as a result of the Acquisition, assuming existing bank loans in relation to CapitaMall Aidemengdun and CapitaMall Yuhuating are fully repaid using Target Companies' internal cash and/or CRCT's internal resources. If assuming an upsize of S\$275 million for Equity Fund Raising, the Aggregate Leverage will be 37.0%.

### 5.1.4 Pro Forma Capitalisation

#### FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma capitalisation of CRCT Group as at 31 December 2018, as if the Acquisition was completed on 31 December 2018, is as follows:

	Actual (S\$ million)	After the Acquisition (S\$ million)
<b>Debt</b>		
Unsecured debt	1,038	1,288
Secured debt <sup>(1)</sup>	–	84
<b>Total debt</b>	1,038	1,372 <sup>(3)</sup>
<b>Unitholders' funds</b>	1,506 <sup>(2)</sup>	1,755 <sup>(3)</sup>
<b>Total capitalisation</b>	2,544	3,127 <sup>(3)</sup>

#### Notes:

- (1) Relates to the onshore bank loan from the Target Companies, assuming existing onshore bank loans in relation to CapitaMall Aidemengdun and CapitaMall Yuhuating are fully repaid using Target Companies' internal cash and/or CRCT's internal resources.
- (2) Excludes CRCT's distributable income for the period from 1 July 2018 to 31 December 2018, which was paid on 28 March 2019.
- (3) Under the following scenarios:
  - the Private Placement and Preferential Offering Scenario, for an upside scenario with gross proceeds of S\$275 million, total debt will be S\$1,347 million, Unitholders' funds will be S\$1,780 million and total capitalisation will be S\$3,127 million.
  - the Rights Issue Scenario, with gross proceeds of S\$250 million, total debt will be S\$1,372 million, Unitholders' funds will be S\$1,755 million and total capitalisation will be S\$3,127 million.
  - the Rights Issue Scenario, for an upside scenario with gross proceeds of S\$275 million, total debt will be S\$1,347 million, Unitholders' funds will be S\$1,780 million and total capitalisation will be S\$3,127 million.

## 5.2 Requirement for Unitholders' Approval

### 5.2.1 Major Transaction

Chapter 10 of the Listing Manual governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by CRCT. Such transactions are classified into the following categories:

- (a) non-discloseable transactions;
- (b) discloseable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers.

A transaction by CRCT may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison:

- (i) the NAV of the assets to be disposed of, compared with the CRCT Group's NAV;
- (ii) the net profits attributable to the assets acquired, compared with the CRCT Group's net profits;

- (iii) the aggregate value of the consideration given, compared with the CRCT Group's market capitalisation; and
- (iv) the number of Units issued by CRCT as consideration for an acquisition, compared with the number of Units previously in issue.

Where any of the relative figures computed on the bases set out above exceeds 20.0%, the transaction is classified as a major transaction. The Listing Manual requires that a major transaction involving CRCT be made conditional upon approval by Unitholders in a general meeting. However, the approval of Unitholders is not required in the case of an acquisition of profitable assets if only sub-paragraph 5.2.1(ii) exceeds the relevant 20.0% threshold.

### 5.2.2 Relative Figures Computed on the Bases set out in Rule 1006

The relative figures for the Acquisition using the applicable bases of comparison described in sub-paragraph 5.2.1 above are set out in the table below.

Comparison of	Acquisition	CRCT Group	Relative figure (%)
Profits (S\$ million)	7.7 <sup>(1)</sup>	36.6 <sup>(2)</sup>	21.0%
Consideration against market capitalisation (S\$ million)	489.0 <sup>(3)</sup>	1,562.2 <sup>(4)</sup>	31.3%

**Notes:**

- (1) The figure is based on the unaudited management accounts of the Target Companies for the 3-month period ended 31 March 2019.
- (2) The figure is based on the unaudited results of the CRCT Group for the 3-month period ended 31 March 2019.
- (3) Aggregate of the Consideration and the Yuhuating Shareholder Loan.
- (4) The figure is based on the weighted average traded price of S\$1.5645 per Unit on the SGX-ST as at 10 June 2019, being the market day immediately preceding the date of the Agreement.

The Manager is of the view that the Acquisition is in the ordinary course of CRCT's business as the Acquisition is within the investment policy of CRCT and does not change the risk profile of CRCT. As such, the Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, as the Acquisition constitutes an "interested person transaction" under Chapter 9 of the Listing Manual and an "interested party transaction" under the Property Funds Appendix which value crosses the relevant thresholds under the Listing Manual and the Property Funds Appendix, the Acquisition will still be subject to the approval of Unitholders.

### 5.2.3 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where CRCT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of the CRCT Group's latest audited net tangible assets ("NTA"), Unitholders' approval is required in respect of the transaction. Based on the CRCT Group 2018 Audited Financial Statements, the NTA of the CRCT Group was S\$1,553.2 million as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by CRCT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the

same interested person during the current financial year, equal to or in excess of S\$77.7 million, such a transaction would be subject to Unitholders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders' approval for an interested party transaction by CRCT whose value exceeds 5.0% of CRCT Group's latest audited NAV. Based on the CRCT Group 2018 Audited Financial Statements, the NAV of the CRCT Group was S\$1,553.2 million as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into by CRCT with an interested party is equal to or greater than S\$77.7 million, such a transaction would be subject to Unitholders' approval.

Based on the CRCT Group 2018 Audited Financial Statements, the aggregate value of the Acquisition and the estimated value of the Property Management Agreements<sup>1</sup> is S\$495.4 million or 31.9% of the NTA/NAV of the CRCT Group as at 31 December 2018<sup>2</sup>. Accordingly, the value of the Acquisition exceeds the said thresholds.

As at the Latest Practicable Date, CapitaLand, through (i) its wholly owned subsidiaries, RCPL and the Manager and (ii) CMT, has a deemed interest in 379,839,424 Units, which comprises approximately 38.04% of the total number of Units in issue, and is therefore regarded as a "controlling unitholder" of CRCT under both the Listing Manual and the Property Funds Appendix. In addition, as the Manager is a wholly owned subsidiary of CapitaLand, CapitaLand is therefore regarded as a "controlling shareholder" of the Manager under both the Listing Manual and the Property Funds Appendix.

CRCI is a wholly owned subsidiary of CapitaLand, while the remaining Vendors are associated companies of CapitaLand in which CapitaLand has an interest of 45.0%.

For the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the Vendors (being associates of a "controlling unitholder" of CRCT and a "controlling shareholder" of the Manager) are (for the purpose of the Listing Manual) "interested persons" and (for the purpose of the Property Funds Appendix) "interested parties" of CRCT.

Therefore, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Appendix, in respect of which the approval of Unitholders is required.

As at the date of this Circular there are no interested person transactions entered into between CRCT and entities within CapitaLand and its subsidiaries and associates, during the course of the current financial year, which are the subject of aggregation pursuant to Rule 906 of the Listing Manual.

See Appendix E for a diagram setting out the relationship between the various interested persons and CRCT.

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1 Assumed provision of property management service to the Target Companies for period from 1 October 2019 to 30 June 2021.

2 The aggregate value of the Acquisition and the Property Management Agreements is an estimate and is for illustrative purposes only. The actual value of the Acquisition and the Property Management Agreements may be higher or lower depending on (in the case of the Acquisition) the completion adjustments and (in the case of the Property Management Agreements) the gross revenue and NPI for each financial year. For the avoidance of doubt, the above-mentioned aggregate value is for illustrative purposes only, and notwithstanding that the actual value may exceed the estimated amount, no further approval from Unitholders is required.

### 5.3 Advice of the Independent Financial Adviser

The Manager has appointed Ernst & Young Corporate Finance Pte Ltd as the IFA pursuant to Rule 921(4)(a) of the Listing Manual as well as to advise the independent directors of the Manager (the “**Independent Directors**”), the audit committee of the Manager (the “**Audit Committee**”) and the Trustee in relation to the Acquisition. A copy of the letter from the IFA to the Independent Directors, the Audit Committee and the Trustee (the “**IFA Letter**”), containing its advice in full, is set out in **Appendix B** of this Circular and Unitholders are advised to read the IFA Letter carefully. Having considered the factors and the assumptions set out in the IFA Letter, and subject to the qualifications set out therein, the IFA is of the opinion that the Acquisition is on normal commercial terms and is not prejudicial to the interests of CRCT and its minority Unitholders.

The IFA is of the opinion that the Independent Directors and the Audit Committee can recommend that Unitholders vote in favour of the resolution in connection with the Acquisition to be proposed at the EGM.

### 5.4 Interests of Directors and Substantial Unitholders

As at the Latest Practicable Date, certain directors of the Manager collectively hold an aggregate direct and indirect interest in 476,209 Units. Further details of the interests in Units of Directors and Substantial Unitholders<sup>1</sup> are set out below.

Mr Soh Kim Soon is the Chairman and a Non-Executive Independent Director of the Manager. Mr Tan Tze Wooi is the Chief Executive Officer and an Executive Non-Independent Director of the Manager. Mr Fong Heng Boo, Mr Christopher Gee Kok Aun, Professor Tan Kong Yam, Mr Neo Poh Kiat and Ms Kuan Li Li are Non-Executive Independent Directors of the Manager. Mr Lee Chee Koon and Mr Lim Cho Pin Andrew Geoffrey are Non-Executive Non-Independent Directors of the Manager.

Based on the Register of Directors’ Unitholdings maintained by the Manager and save as disclosed in the table below, none of the Directors currently holds a direct or deemed interest in the Units as at the Latest Practicable Date.

Name of Directors	Direct Interest		Deemed Interest		Total No. of Units Held	%( <sup>1</sup> )	Contingent Awards of Units <sup>(3)</sup> under the Manager’s	
	No. of Units	%( <sup>1</sup> )	No. of Units	%( <sup>1</sup> )			Performance Unit Plan	Restricted Unit Plan
Mr Soh Kim Soon	28,642	NM <sup>(2)</sup>	–	–	28,642	NM <sup>(2)</sup>	–	–
Mr Tan Tze Wooi	138,076	NM <sup>(2)</sup>	3,000	NM <sup>(2)</sup>	141,076	NM <sup>(2)</sup>	0 to 112,016 <sup>(4)</sup>	98,603 <sup>(5),(6)</sup>
Mr Fong Heng Boo	73,452	NM <sup>(2)</sup>	–	–	73,452	NM <sup>(2)</sup>	–	–
Mr Christopher Gee Kok Aun	53,511	NM <sup>(2)</sup>	–	–	53,511	NM <sup>(2)</sup>	–	–
Professor Tan Kong Yam	39,425	NM <sup>(2)</sup>	–	–	39,425	NM <sup>(2)</sup>	–	–
Mr Neo Poh Kiat	62,948	NM <sup>(2)</sup>	–	–	62,948	NM <sup>(2)</sup>	–	–
Ms Kuan Li Li	38,833	NM <sup>(2)</sup>	–	–	38,833	NM <sup>(2)</sup>	–	–
Mr Lee Chee Koon	–	–	21,200	NM <sup>(2)</sup>	21,200	NM <sup>(2)</sup>	–	–
Mr Lim Cho Pin Andrew Geoffrey	17,122	NM <sup>(2)</sup>	–	–	17,122	NM <sup>(2)</sup>	–	–

1 “**Substantial Unitholders**” refers to a person with an interest in Units constituting not less than 5.0% of all Units in issue.

**Notes:**

- (1) The percentage is based on 998,517,317 Units in issue as at the Latest Practicable Date.
- (2) Not meaningful.
- (3) This refers to the number of Units which are the subject of contingent awards granted but not released under the Manager's Performance Unit Plan ("PUP") and Restricted Unit Plan ("RUP"). The final number of Units that will be released could range from 0% to a maximum of 200% of the baseline award under the PUP and from 0% to a maximum of 150% of the baseline award under the RUP.
- (4) The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for the PUP and RUP.
- (5) The remaining unvested Units will vest in 2020 and 2021.
- (6) On the final vesting, an additional number of Units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of RUP, will also be released.

The table below sets out the interest in CapitaLand shares which are held by the Directors based on the information available to the Manager as at the Latest Practicable Date.

Name of Directors	Direct Interest		Deemed Interest		Total No. of Shares Held	%(1)	Contingent Awards of Shares <sup>(3)</sup> under the CapitaLand's	
	No. of CapitaLand Shares	%(1)	No. of CapitaLand Shares	%(1)			Performance Share Plan	Restricted Share Plan
Mr Soh Kim Soon	–	–	–	–	–	–	–	–
Mr Tan Tze Wooi	137,948	NM <sup>(2)</sup>	–	–	137,948	NM <sup>(2)</sup>	–	–
Mr Fong Heng Boo	–	–	–	–	–	–	–	–
Mr Christopher Gee Kok Aun	–	–	–	–	–	–	–	–
Professor Tan Kong Yam	–	–	–	–	–	–	–	–
Mr Neo Poh Kiat	20,000	NM <sup>(2)</sup>	–	–	20,000	NM <sup>(2)</sup>	–	–
Ms Kuan Li Li	–	–	–	–	–	–	–	–
Mr Lee Chee Koon	714,371	NM <sup>(2)</sup>	–	–	714,371	NM <sup>(2)</sup>	0 to 680,180 <sup>(4)</sup>	190,363 <sup>(5),(6)</sup>
Mr Lim Cho Pin Andrew Geoffrey	133,145	NM <sup>(2)</sup>	–	–	133,145	NM <sup>(2)</sup>	0 to 541,834 <sup>(4)</sup>	141,352 <sup>(5),(6)</sup>

**Notes:**

- (1) The percentage is based on 5,037,494,396 issued shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Not meaningful.
- (3) This refers to the number of CapitaLand shares which are the subject of contingent awards granted but not released under CapitaLand's Performance Share Plan ("PSP") and Restricted Share Plan ("RSP"). In respect of the PSP, the final number of CapitaLand shares that will be released could range from 0% to a maximum of 200% of the baseline awards.
- (4) The final number of CapitaLand shares that will be released will depend on the achievement of the pre-determined targets at the end of the respective performance periods for the PSP and the RSP.
- (5) The remaining unvested CapitaLand shares will vest in 2020 and 2021.
- (6) On the final vesting, an additional number of CapitaLand shares of a total value equal to the value of the accumulated dividends which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of the RSP, will also be released.

Based on the number of issued Units held by Substantial Unitholders set out in the Register of Substantial Unitholders of CRCT as at the Latest Practicable Date, the interests of the Substantial Unitholders are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total No. of Units Held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Temasek Holdings (Private) Limited (“THPL”)	–	–	374,277,522 <sup>(2)</sup>	37.48	374,277,522 <sup>(2)</sup>	37.48
CapitaLand Limited	–	–	379,839,424 <sup>(3)</sup>	38.04	379,839,424 <sup>(3)</sup>	38.04
CapitaLand Business Services Pte. Ltd. (“CLBS”)	–	–	198,612,847 <sup>(4)</sup>	19.89	198,612,847 <sup>(4)</sup>	19.89
CapitaLand Mall Asia Limited (“CMA”)	–	–	198,612,847 <sup>(5)</sup>	19.89	198,612,847 <sup>(5)</sup>	19.89
CapitaLand Retail China Pte. Ltd. (“CLRC”)	–	–	198,612,847 <sup>(6)</sup>	19.89	198,612,847 <sup>(6)</sup>	19.89
RCPL	198,612,847	19.89	–	–	198,612,847	19.89
CapitaLand Singapore Limited (“CLS”)	–	–	122,705,000 <sup>(7)</sup>	12.29	122,705,000 <sup>(7)</sup>	12.29
CL Retail Singapore Pte. Ltd. (“CRSPL”)	–	–	122,705,000 <sup>(7)</sup>	12.29	122,705,000 <sup>(7)</sup>	12.29
HSBC Institutional Trust Services (Singapore) Limited, as trustee of CMT	122,705,000	12.29	–	–	122,705,000	12.29
CapitaLand Financial Limited (“CFL”)	–	–	58,521,577 <sup>(8)</sup>	5.86	58,521,577 <sup>(8)</sup>	5.86
CRCTML	58,521,577	5.86	–	–	58,521,577	5.86
Matthews International Capital Management, LLC (“MICM”)	–	–	63,447,160 <sup>(9)</sup>	6.35	63,447,160 <sup>(9)</sup>	6.35
Matthews International Funds (“MIF”)	–	–	56,102,400 <sup>(10)</sup>	5.61	56,102,400 <sup>(10)</sup>	5.61
Prudential plc (“PRU”)	–	–	60,922,714 <sup>(11)</sup>	6.10	60,922,714 <sup>(11)</sup>	6.10
Prudential Corporation Asia Limited	–	–	61,008,173 <sup>(11)</sup>	6.11	61,008,173 <sup>(11)</sup>	6.11

**Notes:**

- (1) The percentage is based on 998,517,317 Units in issue as at the Latest Practicable Date.
- (2) THPL is deemed to have an interest in the unitholdings in which its associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister of Finance.
- (3) CapitaLand is deemed to have an interest in the unitholdings held by HSBC Institutional Trust Services (Singapore) Limited, as trustee of CMT, and its wholly owned subsidiaries, RCPL and the Manager.
- (4) CLBS is deemed to have an interest in the unitholdings held by RCPL through its interest in CMA.
- (5) CMA is deemed to have an interest in the unitholdings held by its indirect wholly owned subsidiary namely, RCPL.
- (6) CLRC is deemed to have an interest in the unitholdings held by its direct wholly owned subsidiary namely, RCPL.
- (7) CLS and CRSPL are deemed to have an interest in the unitholdings held by HSBC Institutional Trust Services (Singapore) Limited, as trustee of CMT.
- (8) CFL is deemed to have an interest in the unitholdings held by its direct wholly owned subsidiary namely, CRCTML.
- (9) MICM is a U.S. registered investment advisor who has a discretionary authority over its clients’ investment.
- (10) MIF is deemed to have an interest in the unitholdings held by its custodian, Brown Brothers Harriman & Co.
- (11) PRU is deemed to have an interest in the unitholdings managed by its subsidiaries as fund managers.

Save as disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the Directors or the Substantial Unitholders has an interest, direct or indirect, in the Acquisition.

## **5.5 Directors' Service Contracts**

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition. It should be noted that separate from the Acquisition, directors of the Manager may be appointed or replaced in line with the normal board renewal process.

## **6 RECOMMENDATION**

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix B** of this Circular) and the rationale for the Acquisition as set out in paragraph 3 above, the Independent Directors (comprising Mr Soh Kim Soon, Mr Fong Heng Boo, Mr Christopher Gee Kok Aun, Professor Tan Kong Yam, Mr Neo Poh Kiat and Ms Kuan Li Li) and the Audit Committee (excluding Mr Lim Cho Pin Andrew Geoffrey who has abstained as he is concurrently an officer of CapitaLand) believe that the Acquisition is on normal commercial terms and would not be prejudicial to the interests of CRCT and its minority Unitholders.

Accordingly, the Independent Directors and the Audit Committee (excluding Mr Lim Cho Pin Andrew Geoffrey) recommend that Unitholders vote at the EGM in favour of the resolution to approve the Acquisition.

## **7 EXTRAORDINARY GENERAL MEETING**

The EGM will be held on Thursday, 1 August 2019 at 10.00 a.m. at The Star Gallery, Level 3, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617, for the purpose of considering and, if thought fit, passing with or without modification, the resolution set out in the Notice of EGM, which is set out on pages F-1 to F-2 of this Circular. The purpose of this Circular is to provide Unitholders with relevant information about the resolution. Approval by way of an Ordinary Resolution is required in respect of the Acquisition.

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited ("**CDP**") as at 48 hours before the time fixed for the EGM.

## **8 ABSTENTIONS FROM VOTING**

As at the Latest Practicable Date, CapitaLand, through (i) its wholly owned subsidiaries, RCPL and the Manager and (ii) CMT, has a deemed interest in 379,839,424 Units, which comprises approximately 38.04% of the total number of Units in issue. Given that the Properties will be acquired from a wholly owned subsidiary of CapitaLand and associates of CapitaLand, CapitaLand and their associates will abstain from voting on the resolution relating to the Acquisition.

In the interest of good corporate governance, Mr Lee Chee Koon and Mr Lim Cho Pin Andrew Geoffrey will also abstain from voting at the EGM.



## **9 ACTION TO BE TAKEN BY UNITHOLDERS**

Unitholders will find enclosed in this Circular the Notice of EGM and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of CRCT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than Tuesday, 30 July 2019 at 10.00 a.m., being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person at the EGM if he so wishes.

Persons who have an interest in the approval of the resolution must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution. If a Unitholder (being an independent Unitholder) wishes to appoint Mr Tan Tze Wooi, Mr Lee Chee Koon, or Mr Lim Cho Pin Andrew Geoffrey as his proxy/proxies for the EGM, he should give specific instructions in his Proxy Form as to the manner in which his vote is to be cast in respect of the resolution.

## **10 DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Acquisition, CRCT and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

## **11 CONSENTS**

Each of the IFA (being Ernst & Young Corporate Finance Pte Ltd) and the Independent Valuers (being C&W and JLL) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the IFA Letter and the valuation certificates and all references thereto, in the form and context in which they are included in this Circular.

## **12 DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager<sup>1</sup> at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Agreement;
- (ii) the IFA Letter;

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<sup>1</sup> Prior appointment with the Manager is required. Please contact Ms Nicole Chen, Investor Relations (telephone: +65 6713 2888).

- (iii) the independent valuation report on the Properties issued by C&W;
- (iv) the independent valuation report on the Properties issued by JLL;
- (v) the CRCT Group 2018 Audited Financial Statements;
- (vi) the forms of the Property Management Agreements; and
- (vii) the written consents of each of the IFA and the Independent Valuers.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as CRCT is in existence.

Yours faithfully

CapitaLand Retail China Trust Management Limited  
(Registration Number: 200611176D)  
as manager of CapitaLand Retail China Trust

**SOH KIM SOON**  
Chairman and Non-Executive Independent Director

## IMPORTANT NOTICE

This Circular does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of CRCT in Singapore or any other jurisdictions. The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Unitholders have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of CRCT is not indicative of the future performance of CRCT. Similarly, the past performance of the Manager is not indicative of the future performance of the Manager.

This Circular may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

## GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

<b>%</b>	:	Per centum or percentage
<b>Acquisition</b>	:	Means the acquisition of the Shares
<b>Acquisition Fee</b>	:	The acquisition fee for the Acquisition which the Manager will be entitled to receive from CRCT upon Completion
<b>Acquisition Fee Units</b>	:	The Units payable to the Manager as the Acquisition Fee
<b>Actual Consideration</b>	:	Means the final Consideration payable to the Vendors after Completion
<b>Agreement</b>	:	The conditional agreement entered into between CRCT China Investment (Harbin I) Pte. Ltd., CRCT China Investment (Harbin II) Pte. Ltd., CRCT China Investment (Changsha) Pte. Ltd. and Ever Outstand Limited, CapitaRetail China Developments D5 (HK) Limited, Upper Great Limited and CapitaRetail China Investments Pte. Ltd. dated 11 June 2019
<b>AIC</b>	:	Means the Administration for Industry and Commerce of the PRC and/or its local counterparts, or with respect to any filing or registration to be effected by or with the State Administration for Industry and Commerce, any Governmental Authority which is similarly competent to accept such filing or registration under the laws of the PRC
<b>Agreed Value</b>	:	The agreed market value of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating of RMB1,745.0 million (S\$347.3 million), RMB469.0 million (S\$93.4 million) and RMB746.0 million (S\$148.5 million) respectively
<b>Audit Committee</b>	:	The audit committee of the Manager
<b>CAGR</b>	:	Compound annual growth rate
<b>Capital Distribution</b>	:	Capital distribution arising from the gain from the divestment of the equity interest in the company which held CapitaMall Anzhen
<b>CDP</b>	:	The Central Depository (Pte) Limited
<b>CFL</b>	:	CapitaLand Financial Limited
<b>Circular</b>	:	This circular to Unitholders dated 8 July 2019
<b>CapitaLand</b>	:	CapitaLand Limited

<b>CLBS</b>	:	CapitaLand Business Services Pte. Ltd.
<b>CLRC</b>	:	CapitaLand Retail China Pte. Ltd.
<b>CLS</b>	:	CapitaLand Singapore Limited
<b>CMA</b>	:	CapitaLand Mall Asia Limited
<b>Completion</b>	:	The completion of the Acquisition
<b>Consideration</b>	:	The estimated consideration of approximately S\$489.0 million for the Acquisition comprising (i) the consideration payable to the Vendors of approximately S\$484.1 million and (ii) the Yuhuating Shareholder Loan of approximately S\$4.9 million
<b>Controlling Unitholder</b>	:	A person who holds directly or indirectly 15.0% or more of the nominal amount of all voting units in CRCT
<b>CMT</b>	:	CapitaLand Mall Trust
<b>CRCI</b>	:	CapitaRetail China Investments Pte. Ltd.
<b>CRCT</b>	:	CapitaLand Retail China Trust
<b>CRCT Group</b>	:	CRCT and its subsidiaries
<b>CRCT Group 2018 Audited Financial Statements</b>	:	The audited financial statements of the CRCT Group for the financial year ended 31 December 2018
<b>CRCTML</b>	:	CapitaLand Retail China Trust Management Limited, in its own capacity
<b>CRSPL</b>	:	CL Retail Singapore Pte. Ltd.
<b>C&amp;W</b>	:	Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.
<b>DPU</b>	:	Distribution per Unit
<b>EGM</b>	:	The extraordinary general meeting of Unitholders to be held on 1 August 2019 at 10.00 a.m. at The Star Gallery, Level 3, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617, to approve the matters set out in the Notice of Extraordinary General Meeting on pages F-1 to F-2 of this Circular
<b>Enlarged Portfolio</b>	:	The Enlarged Portfolio of properties held by CRCT, consisting of the Existing Portfolio and CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating

<b>Equity Fund Raising</b>	:	Means the equity fund raising to finance part of the Total Acquisition Cost
<b>Equity Transfer Agreement</b>	:	Means the equity transfer agreement in relation to the transfer of Shares to the Purchasers in the form as set out in the Agreement
<b>Existing Portfolio</b>	:	The portfolio of properties currently held by CRCT, comprising (i) CapitaMall Xizhimen, (ii) CapitaMall Wangjing, (iii) CapitaMall Grand Canyon, (iv) CapitaMall Xinnan, (v) CapitaMall Shuangjing, (vi) CapitaMall Minzhongleyuan, (vii) CapitaMall Qibao, (viii) CapitaMall Saihan, (ix) CapitaMall Wuhu, (x) CapitaMall Erqi and (xi) Rock Square
<b>F&amp;B</b>	:	Food & beverage
<b>FY 2018</b>	:	The financial year ended 31 December 2018
<b>GFA</b>	:	Gross floor area
<b>GRA</b>	:	Gross rentable area
<b>Governmental Authority</b>	:	Means any supranational, national, federal, state, municipal or local court, administrative body or other governmental or quasi-governmental entity or authority (including any body or agency exercising any judicial, arbitral, dispute resolution, regulatory, licensing or other administrative powers), or any securities exchange, wherever located
<b>GTO</b>	:	Gross turnover rental income
<b>IFA</b>	:	Ernst & Young Corporate Finance Pte Ltd
<b>IFA Letter</b>	:	The letter from the IFA to the Independent Directors, the Audit Committee of the Manager, and the Trustee containing its advice as set out in <b>Appendix B</b> of this Circular
<b>Independent Directors</b>	:	The independent directors of the Manager comprising Mr Soh Kim Soon, Mr Fong Heng Boo, Mr Christopher Gee Kok Aun, Professor Tan Kong Yam, Mr Neo Poh Kiat and Ms Kuan Li Li
<b>Independent Market Research Consultant</b>	:	Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.
<b>Independent Valuers</b>	:	C&W and JLL
<b>JLL</b>	:	Jones Lang LaSalle Property Consultants Pte Ltd

<b>km</b>	:	Kilometre
<b>Latest Practicable Date</b>	:	1 July 2019, being the latest practicable date prior to the printing of this Circular
<b>Listing Manual</b>	:	The Listing Manual of the SGX-ST
<b>Manager</b>	:	CapitaLand Retail China Trust Management Limited, in its capacity as manager of CRCT
<b>MAS</b>	:	Monetary Authority of Singapore
<b>MICM</b>	:	Matthews International Capital Management, LLC
<b>MIF</b>	:	Matthews International Funds
<b>NAV</b>	:	Net asset value
<b>New Units</b>	:	The new Units to be issued under the Equity Fund Raising
<b>NLA</b>	:	Net lettable area
<b>NPI</b>	:	Net property income
<b>NTA</b>	:	Net tangible assets
<b>Ordinary Resolution</b>	:	A resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
<b>PRC</b>	:	Means the People's Republic of China
<b>Preferential Offering</b>	:	The non-renounceable preferential offering of New Units to the existing Unitholders on a pro rata basis
<b>Private Placement</b>	:	The private placement of New Units to institutional and other investors
<b>Private Placement and Preferential Offering Scenario</b>	:	The scenario where the Equity Fund Raising comprises a combination of Private Placement and Preferential Offering at an average illustrative issue price of S\$1.463
<b>Private Placement Units</b>	:	The New Units to be issued pursuant to the Private Placement

<b>Properties</b>	:	(1) CapitaMall Xuefu located at No. 1 Xuefu Road, Nangang District, Harbin, China; (2) CapitaMall Aidemengdun located at No. 38 Aidemengdun Road, Daoli District, Harbin, China; and (3) CapitaMall Yuhuating located at No. 421 Shaoshan Middle Road, Yuhua District, Changsha, China
<b>Property Funds Appendix</b>	:	Appendix 6 of the Code on Collective Investment Schemes issued by the MAS
<b>Property Manager</b>	:	CapitaLand Retail (Shanghai) Management & Consulting Co., Ltd. and its branches
<b>Property Management Agreements</b>	:	The property management agreements entered into between the respective Target Companies and the Property Manager
<b>PRU</b>	:	Prudential plc
<b>PSP</b>	:	Performance Share Plan
<b>PUP</b>	:	Performance Unit Plan
<b>Purchasers</b>	:	CRCT China Investment (Harbin I) Pte. Ltd., CRCT China Investment (Harbin II) Pte. Ltd. and CRCT China Investment (Changsha) Pte. Ltd.
<b>RCPL</b>	:	Retail Crown Pte. Ltd.
<b>Rights Issue Scenario</b>	:	The scenario where the Equity Fund Raising comprises the Rights Issue at an illustrative issue price of S\$1.224
<b>Rights Issue</b>	:	The renounceable rights issue of New Units to the existing Unitholders on a pro rata basis
<b>Rights Issue Units</b>	:	The New Units to be issued pursuant to the Rights Issue
<b>RMB</b>	:	Means the Chinese yuan, the official currency of China
<b>RSP</b>	:	Restricted Share Plan
<b>RUP</b>	:	Restricted Unit Plan
<b>S\$</b>	:	Singapore dollars
<b>S\$ cents</b>	:	Singapore cents
<b>Saihan Divestment</b>	:	Means the divestment of the equity interest of the company which holds CapitaMall Saihan which is expected to be completed in 2H 2020
<b>SGX-ST</b>	:	Singapore Exchange Securities Trading Limited



<b>Shares</b>	:	Means the shares in the Target Companies which hold the Properties
<b>sq m</b>	:	Square metre
<b>Target Companies</b>	:	CapitaRetail Harbin Shangdu Real Estate Co., Ltd., Beijing Hualian Harbin Real Estate Development Co., Ltd. and CapitaMalls Hunan Commercial Property Co., Ltd.
<b>TERP</b>	:	Theoretical ex-rights price
<b>THPL</b>	:	Temasek Holdings (Private) Limited
<b>Total Acquisition Cost</b>	:	The total cost of the Acquisition to CRCT as set out in paragraph 2.6 of the Letter to Unitholders
<b>Trust Deed</b>	:	The trust deed dated 23 October 2006 constituting CRCT, as supplemented, amended and restated from time to time
<b>Trustee</b>	:	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CRCT
<b>Undertakings</b>	:	The undertakings as described in paragraph 4.3 of the Letter to Unitholders
<b>Underwriting Agreement</b>	:	The underwriting agreement to be entered between the Manager and the underwriter(s) in relation to the Equity Fund Raising
<b>Unit</b>	:	A unit representing an undivided interest in CRCT
<b>Unitholder</b>	:	The registered holder for the time being of a Unit, including person(s) so registered as joint holders, except where the registered holder is CDP, the term “ <b>Unitholder</b> ” shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units
<b>US\$</b>	:	United States dollars
<b>Vendors</b>	:	Ever Outstand Limited, CapitaRetail China Developments D5 (HK) Limited, Upper Great Limited and CapitaRetail China Investments Pte. Ltd.
<b>Wuhu Divestment</b>	:	Means the divestment of the equity interest of the company which holds CapitaMall Wuhu which is expected to be completed in 2H 2019

**Yuhuating Shareholder Loan** : Means the outstanding principal of the shareholder loan granted by CRCI pursuant to a loan agreement entered into by CapitaMalls Hunan Commercial Property Co., Ltd. with CRCI dated 12 September 2005, as supplemented, in respect of CapitaMall Yuhuating and accrued interest thereon up to the date of transfer of the Yuhuating Shareholder Loan to CRCT

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

## DETAILS OF THE PROPERTIES, THE EXISTING PORTFOLIO AND THE ENLARGED PORTFOLIO

### 1. CapitaMall Xuefu 凯德广场•学府

#### 1.1 Description of CapitaMall Xuefu

CapitaMall Xuefu, which commenced operations in 2012, is a multi-tenanted mall with a gross rentable area of 104,294 sq m comprising five above ground levels and one basement level of retail space and one basement level for car park use. It is located in the Nangang District of Harbin, the capital and largest city of the Heilongjiang Province, and strategically situated at the intersection of multiple arterial roads serving the city. The Nangang District is part of the city's central region and is home to many tertiary education institutions. CapitaMall Xuefu is well-served by public transportation and enjoys direct connectivity via the first floor of its basement to the Xuefu Road Station on Line 1 of the Harbin Metro. It houses a diverse mix of international and domestic brands such as BHG Supermarket, CGV Cinema, Haidilao, H&M, Adidas, Swarovski, Sisyphus Books, Green Tea Restaurant, Starbucks Reserve, Urban Revivo, BreadTalk and Watsons.

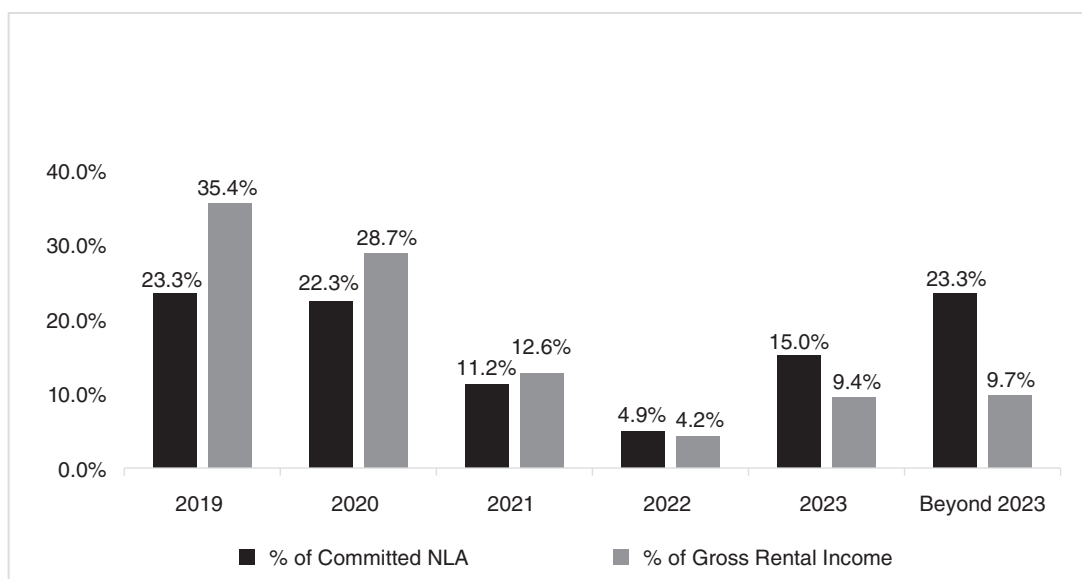
<b>Site Area</b>	32,255 sq m
<b>GFA</b>	123,811 sq m
<b>GRA</b>	104,294 sq m
<b>NLA</b>	64,384 sq m
<b>Committed Occupancy</b>	99.8% (as at 31 March 2019) 99.8% (as at 31 December 2018)
<b>Number of Leases</b>	419
<b>Car Park Lots</b>	440
<b>Land Tenure</b>	December 2045
<b>Valuation</b> as at 31 March 2019	C&W (commissioned by the Manager): RMB1,760.0 million JLL (commissioned by the Trustee): RMB1,748.0 million
<b>Agreed Value</b>	RMB1,745.0 million
<b>NPI Yield on Agreed Value<sup>(1)</sup></b>	6.1%

**Note:**

(1) Based on FY 2018 NPI.

## 1.2 Lease Expiry Profile for CapitaMall Xuefu

The chart below illustrates the committed lease expiry profile for CapitaMall Xuefu by percentage of committed NLA and monthly gross rental income as at 31 March 2019.



## 1.3 Trade Sector Analysis for CapitaMall Xuefu

The table below provides a breakdown by the different trade sectors represented in CapitaMall Xuefu as a percentage of committed NLA and monthly gross rental income as at 31 March 2019.

	% of Gross Rental Income	% of Committed NLA
Fashion & Accessories	38.1	31.4
Food & Beverage	27.1	23.9
Education	5.1	6.4
Beauty & Healthcare	4.8	3.5
Supermarket	4.2	13.7
Shoes & Bags	4.2	3.1
Others	3.6	3.7
Jewellery/Watches/Pens	3.3	1.7
Leisure & Entertainment	2.8	8.3
Sporting Goods & Apparel	2.2	1.7
Houseware & Furnishings	1.8	1.1
Information & Technology	1.5	0.7
Sundry & Services	1.3	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### 1.4 Top Ten Tenants of CapitaMall Xuefu

The table below sets out the top ten tenants of CapitaMall Xuefu by monthly total rental income for the month of March 2019.

No.	Tenant <sup>(1)</sup>	Trade Sector	% of Total Rental Income <sup>(2)</sup>
1	BHG Group of Companies	Supermarket Food & Beverage	4.5
2	杨杨	Education Food & Beverage	3.3
3	哈尔滨宝胜体育用品有限公司学府分公司	Sporting Goods & Apparel Shoes & Bags Fashion & Accessories	2.9
4	绫致时装(天津)有限公司	Fashion & Accessories	2.8
5	Yum! Brands Group of Companies	Food & Beverage	2.1
6	田宇	Leisure & Entertainment Food & Beverage Education	1.8
7	希杰希界维(哈尔滨)国际影城有限公司	Leisure & Entertainment	1.7
8	西雅衣家(中国)商业有限公司	Fashion & Accessories	1.6
9	拉夏贝尔服饰(天津)有限公司	Fashion & Accessories	1.4
10	刘昌轶	Food & Beverage	1.4
<b>Top Ten Tenants</b>			<b>23.5</b>
<b>Other Tenants</b>			<b>76.5</b>
<b>Total</b>			<b>100.0</b>

**Notes:**

- (1) Tenants that are under the same group of companies are listed together.
- (2) Includes both gross rental income and the GTO components to account for pure GTO leases.

## 2. CapitaMall Aidemengdun 凯德广场•埃德蒙顿

### 2.1 Description of CapitaMall Aidemengdun

CapitaMall Aidemengdun, which commenced operations in 2010, is a multi-tenanted mall with a gross rentable area of 43,394 sq m comprising four above ground levels of retail space and one basement level for retail and car park use. It is located in the Daoli District of Harbin, the capital and largest city of the Heilongjiang Province. The Daoli District is part of the city's central region and is close to Central Street, the main pedestrian street popular for shopping and dining and other key tourist attractions where the Harbin International Ice & Snow Festival is held. The mall is in close proximity to Second Ring Road, and enjoys direct frontage to Aidemengdun Road that connects the Harbin Taiping International Airport to Central Street in the city centre. The mall can be easily accessed via public transportation and is within 1.5 km from two metro stations on Line 1 of the Harbin Metro. The mall features a wide tenant base consisting of popular tenants such as BHG Supermarket, Qi Cai International Cineplex, KFC, Pizza Hut, Nike, Adidas, Watsons and VIP.com.

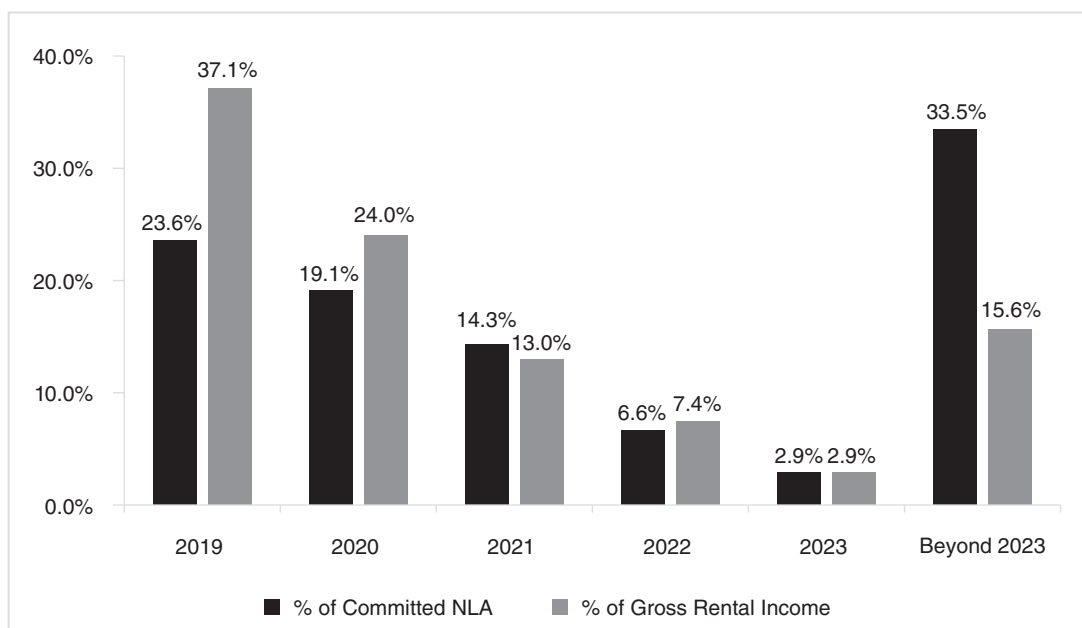
<b>Site Area</b>	23,217 sq m
<b>GFA</b>	49,040 sq m
<b>GRA</b>	43,394 sq m
<b>NLA</b>	28,417 sq m
<b>Committed Occupancy</b>	98.6% (as at 31 March 2019) 99.3% (as at 31 December 2018)
<b>Number of Leases</b>	189
<b>Car Park Lots</b>	281
<b>Land Tenure</b>	September 2042
<b>Valuation</b> as at 31 March 2019	C&W (commissioned by the Manager): RMB480.0 million JLL (commissioned by the Trustee): RMB470.0 million
<b>Agreed Value</b>	RMB469.0 million
<b>NPI Yield on Agreed Value<sup>(1)</sup></b>	5.6%

**Note:**

(1) Based on FY 2018 NPI.

## 2.2 Lease Expiry Profile for CapitaMall Aidemengdun

The chart below illustrates the committed lease expiry profile for CapitaMall Aidemengdun by percentage of committed NLA and monthly gross rental income as at 31 March 2019.



## 2.3 Trade Sector Analysis for CapitaMall Aidemengdun

The table below provides a breakdown by the different trade sectors represented in CapitaMall Aidemengdun as a percentage of committed NLA and monthly gross rental income as at 31 March 2019.

	% of Gross Rental Income	% of Committed NLA
Fashion & Accessories	27.5	22.5
Food & Beverage	21.5	18.0
Supermarket	10.0	25.0
Sporting Goods & Apparel	10.0	7.6
Education	6.8	6.3
Leisure & Entertainment	5.0	8.1
Jewellery/Watches/Pens	4.6	1.8
Beauty & Healthcare	3.4	2.2
Others	3.3	2.2
Shoes & Bags	3.1	2.9
Information & Technology	2.4	1.5
Houseware & Furnishings	1.3	1.5
Sundry & Services	1.1	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 2.4 Top Ten Tenants of CapitaMall Aidemengdun

The table below sets out the top ten tenants of CapitaMall Aidemengdun by monthly total rental income for the month of March 2019.

No.	Tenant <sup>(1)</sup>	Trade Sector	% of Total Rental Income <sup>(2)</sup>
1	BHG Group of Companies	Supermarket	9.8
2	所宏林	Fashion & Accessories Shoes & Bags	2.7
3	Yum! Brands Group of Companies	Food & Beverage	2.7
4	哈尔滨宝胜体育用品有限公司埃德蒙顿路分店	Sporting Goods & Apparel Shoes & Bags Fashion & Accessories	2.6
5	绫致时装(天津)有限公司	Fashion & Accessories	2.4
6	哈尔滨七彩凯德影城有限公司	Leisure & Entertainment	2.4
7	朱金山	Jewellery/Watches/Pens	2.3
8	哈尔滨美特斯邦威服饰有限公司	Fashion & Accessories	2.2
9	黑龙江华滨航母通信设备销售有限公司	Information & Technology	2.2
10	耐克商业(中国)有限公司	Sporting Goods & Apparel	2.1
<b>Top Ten Tenants</b>			<b>31.4</b>
<b>Other Tenants</b>			<b>68.6</b>
<b>Total</b>			<b>100.0</b>

**Notes:**

(1) Tenants that are under the same group of companies are listed together.

(2) Includes both gross rental income and the GTO components to account for pure GTO leases.

## 3. CapitaMall Yuhuating 凯德广场•雨花亭

### 3.1 Description of CapitaMall Yuhuating

CapitaMall Yuhuating, which commenced operations in 2005, is a multi-tenanted mall with a gross rentable area of 62,080 sq m comprising four above ground levels of retail space and one basement level for ancillary and car park use. It is located in Changsha, the capital of the Hunan Province and a key logistics hub in China. As an established mall within the Dongtang retail hub of Yuhua District, it is conveniently accessible via numerous bus routes and the Tujiaochong and Shazitang metro stations that are approximately 1 km away. As a one-stop shopping destination surrounded by large residential communities, CapitaMall Yuhuating offers a broad spectrum of tenants such as Walmart, China Film Cinema, Haidilao, Li-Ning, Starbucks, Uniqlo, KFC, Adidas and Nike.



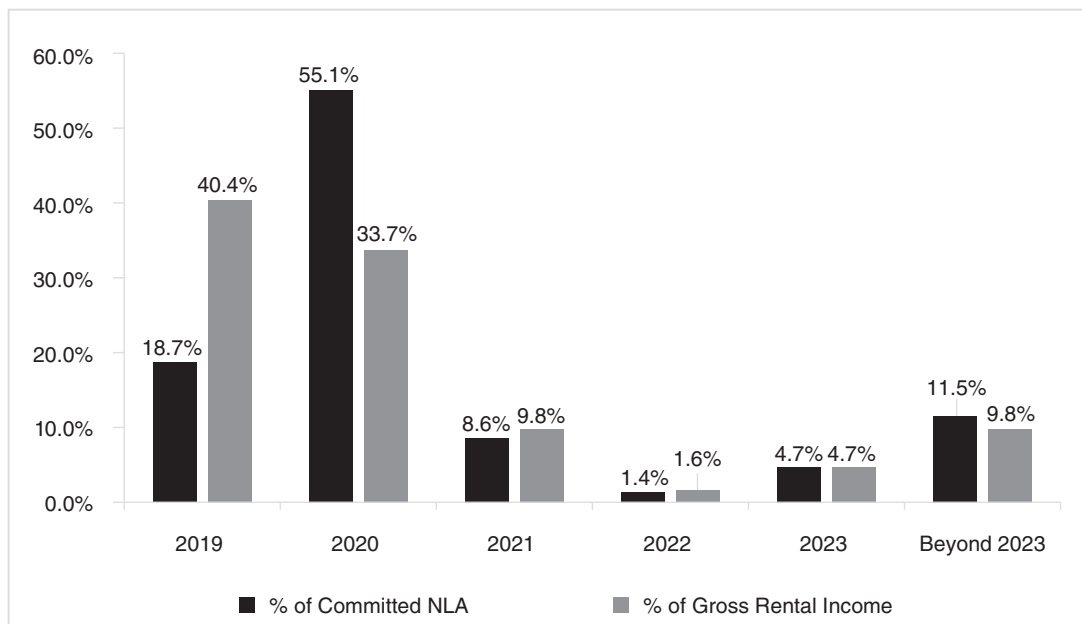
<b>Site Area</b>	26,522 sq m
<b>GFA</b>	75,431 sq m
<b>GRA</b>	62,080 sq m
<b>NLA</b>	48,356 sq m
<b>Committed Occupancy</b>	98.1% (as at 31 March 2019) 99.5% (as at 31 December 2018)
<b>Number of Leases</b>	221
<b>Car Park Lots</b>	336
<b>Land Tenure</b>	March 2044
<b>Valuation</b> as at 31 March 2019	C&W (commissioned by the Manager): RMB760.0 million JLL (commissioned by the Trustee): RMB749.0 million
<b>Agreed Value</b>	RMB746.0 million
<b>NPI Yield on Agreed Value<sup>(1)</sup></b>	6.2%

**Note:**

(1) Based on FY 2018 NPI.

### 3.2 Lease Expiry Profile for CapitaMall Yuhuating

The chart below illustrates the committed lease expiry profile for CapitaMall Yuhuating by percentage of committed NLA and monthly gross rental income as at 31 March 2019.



### 3.3 Trade Sector Analysis for CapitaMall Yuhuating

The table below provides a breakdown by the different trade sectors represented in CapitaMall Yuhuating as a percentage of committed NLA and monthly gross rental income as at 31 March 2019.

	% of Gross Rental Income	% of Committed NLA
Fashion & Accessories	26.4	13.3
Food & Beverage	23.8	14.5
Leisure & Entertainment	14.3	16.4
Supermarket	10.7	43.8
Beauty & Healthcare	6.0	3.2
Sporting Goods & Apparel	5.3	2.6
Shoes & Bags	4.4	1.7
Sundry & Services	3.5	1.9
Others	1.5	1.3
Information & Technology	1.5	0.5
Jewellery/Watches/Pens	1.4	0.3
Houseware & Furnishings	1.2	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 3.4 Top Ten Tenants of CapitaMall Yuhuating

The table below sets out the top ten tenants of CapitaMall Yuhuating by monthly total rental income for the month of March 2019.

No.	Tenant <sup>(1)</sup>	Trade Sector	% of Total Rental Income <sup>(2)</sup>
1	深圳沃尔玛百货零售有限公司长沙黄兴南路分店	Supermarket	10.5
2	长沙中影今典电影城有限公司	Leisure & Entertainment	9.5
3	绫致时装(天津)有限公司	Fashion & Accessories	4.1
4	新派(上海)餐饮管理有限公司长沙第三分公司	Food & Beverages	2.3
5	迅销(中国)商贸有限公司	Fashion & Accessories	2.1
6	长沙屈臣氏个人用品商店有限公司	Beauty & Healthcare	1.7
7	Yum! Brands Group of Companies	Food & Beverages	1.7
8	唐建政	Leisure & Entertainment	1.6
9	湖南滔搏商贸有限公司	Sporting Goods & Apparel	1.6
10	盛卫卫	Food & Beverages	1.5
<b>Top Ten Tenants</b>			<b>36.6</b>
<b>Other Tenants</b>			<b>63.4</b>
<b>Total</b>			<b>100.0</b>

**Notes:**

(1) Tenants that are under the same group of companies are listed together.

(2) Includes both gross rental income and the GTO components to account for pure GTO leases.

#### 4. Existing Portfolio

The table below sets out selected information about the Existing Portfolio as at 31 March 2019 unless otherwise indicated.

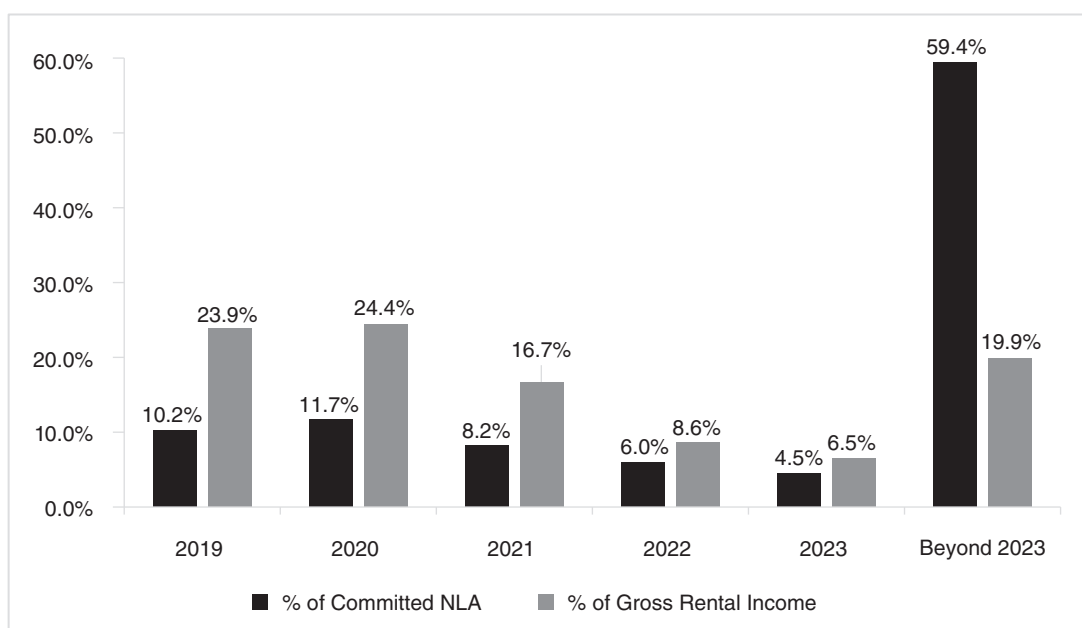
	CapitaMall Xizhimen	CapitaMall Wangjing	CapitaMall Grand Canyon	CapitaMall Xinnan	CapitaMall Erqi	CapitaMall Shuangjing	CapitaMall Minzhongleyuan	CapitaMall Qibao	CapitaMall Saihan	CapitaMall Wuhu <sup>(1)</sup>	Rock Square
<b>Gross Floor Area</b> <i>(sq m)</i>	83,075	83,768	92,918	91,816	92,356	49,463	41,717	83,986	41,938	59,624	88,279
<b>Gross Rentable Area</b> <i>(sq m)</i>	83,075	68,010	69,967	53,619	92,356	49,463	37,472	72,729	41,938	45,634	83,591
<b>Number of Leases</b>	275	256	171	245	2	10	62	176	197	N.M.	199
<b>Land Use Right(s) Expiry</b>	23 August 2044 23 August 2054	15 May 2043 15 May 2053	29 August 2044 29 August 2054	17 October 2047	31 May 2042	10 July 2042	30 June 2044 <sup>(2)</sup> 15 September 2045	10 March 2043 <sup>(3)</sup>	11 March 2041 20 March 2041	29 May 2044	17 October 2045
<b>Market Valuation</b> <i>(as at 31 December 2018)</i> <i>(RMB million)</i>	3,293.0	2,543.0	2,095.0	1,550.0	645.0	590.0	515.0	470.0	460.0	210.0 <sup>(4)</sup>	3,400.0 <sup>(5)</sup>
<b>Committed Occupancy</b>	99.9%	99.2%	99.3%	99.7%	100.0%	100.0%	62.7%	96.1%	99.9%	N.M.	98.5%

#### Notes:

- (1) CapitaMall Wuhu's number of leases and committed occupancy are not meaningful as the mall is fully closed following the exit of its anchor tenant.
- (2) The conserved building is under a lease from the Wuhan Cultural Bureau.
- (3) CapitaMall Qibao is indirectly held by CRCT under a master lease with Shanghai Jin Qiu (Group) Co., Ltd, the legal owner of Qibao Mall. The master lease expires in January 2024, with the right to renew for a further term of 19 years and two months. Accordingly, the land use right is owned by the legal owner.
- (4) Based on the latest divestment price announced on 29 March 2019.
- (5) Rock Square valuation stated at 100% basis.

#### 4.1 Lease Expiry Profile for the Existing Portfolio

The chart below illustrates the committed lease expiry profile of the Existing Portfolio by percentage of committed NLA and monthly gross rental income as at 31 March 2019.



#### 4.2 Trade Sector Analysis for the Existing Portfolio

The table below provides a breakdown by the different trade sectors represented in the Existing Portfolio as a percentage of committed NLA and monthly gross rental income as at 31 March 2019.

	% of Gross Rental Income	% of Committed NLA
Fashion & Accessories	27.4	13.8
Food & Beverage	27.4	15.1
Beauty & Healthcare	7.2	3.8
Supermarket	7.1	24.5
Department Stores	5.1	19.7
Sundry & Services	4.0	2.5
Education	3.7	3.5
Leisure & Entertainment	3.4	7.3
Houseware & Furnishings	3.3	4.6
Others	3.2	1.8
Sporting Goods & Apparel	2.6	1.6
Shoes & Bags	2.6	1.0
Jewellery/Watches/Pens	1.8	0.4
Information & Technology	1.2	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 4.3 Top Ten Tenants of the Existing Portfolio

The table below sets out the top ten tenants of the Existing Portfolio by monthly total rental income for the month of March 2019.

No.	Tenant <sup>(1)</sup>	Trade Sector	% of Total Rental Income <sup>(2)(3)</sup>
1	BHG Group of Companies	Department Stores Supermarket Food & Beverage Shoes & Bags	8.3
2	Carrefour Group of Companies	Supermarket	3.8
3	绫致时装(天津)有限公司	Fashion & Accessories	3.0
4	UNIQLO Group of Companies	Fashion & Accessories	1.8
5	北京为之味餐饮有限公司 富迪康(北京)餐饮管理有限公司	Food & Beverage	1.3
6	北京百安居装饰建材有限公司	Houseware & Furnishings	1.2
7	Ucommune Group of Companies	Sundry & Services	1.1
8	HOTWIND Group of Companies	Fashion & Accessories	0.9
9	Inditex Group of Companies	Fashion & Accessories	0.9
10	Watsons Group of Companies	Beauty & Healthcare	0.8
<b>Top Ten Tenants</b>			<b>23.1</b>
<b>Other Tenants</b>			<b>76.9</b>
<b>Total</b>			<b>100.0</b>

**Notes:**

- (1) Tenants that are under the same group of companies are listed together.
- (2) Includes both gross rental income and the GTO components to account for pure GTO leases.
- (3) Based on CRCT's effective interest in each property, including CRCT's 51.0% interest in Rock Square.

### 5. ENLARGED PORTFOLIO

The table below sets out the details of the Enlarged Portfolio as at 31 March 2019 (unless otherwise indicated).

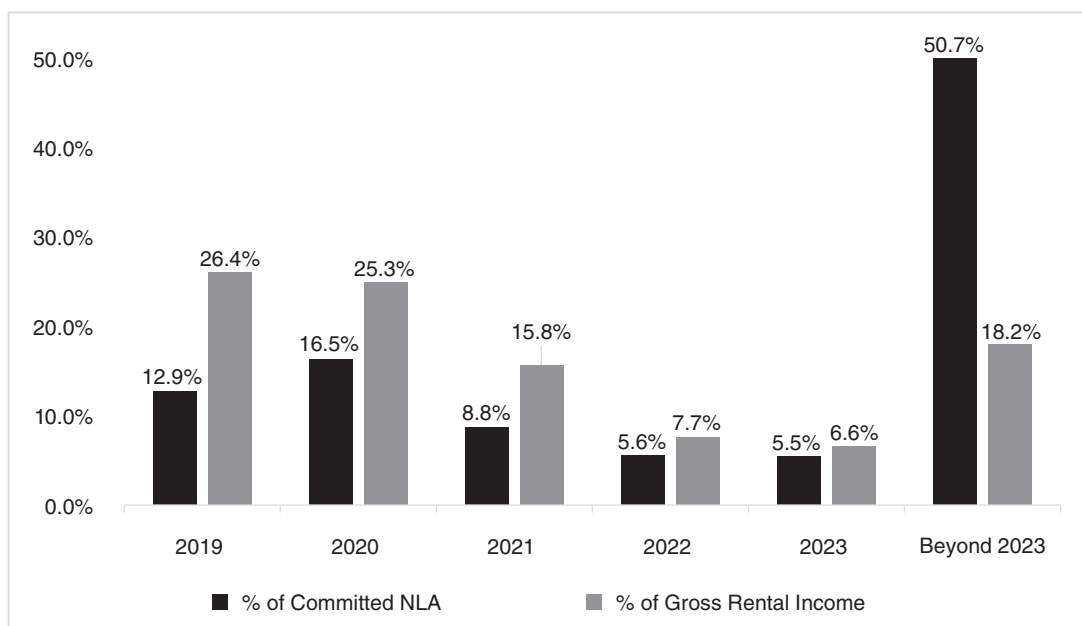
	Existing Portfolio	New Properties	Enlarged Portfolio
Gross Floor Area (sq m)	808,940	248,282	1,057,222
Gross Rentable Area (sq m)	697,854	209,768	907,622
Net Lettable Area (sq m)	521,833	141,157	662,990
Number of Leases	1,593	829	2,422
Valuation (RMB million)	15,771.0 <sup>(1)</sup>	2,960.0 <sup>(2)</sup>	18,731.0
Occupancy	97.4%	99.0%	97.8%

**Notes:**

- (1) Based on valuation as at 31 December 2018 on 100% basis, except for CapitaMall Wuhu which is based on the latest divestment price announced on 29 March 2019.
- (2) Based on Agreed Value.

## 5.1 Lease Expiry Profile for the Enlarged Portfolio

The chart below illustrates the committed lease expiry profile of the Enlarged Portfolio by percentage of committed NLA and monthly gross rental income as at 31 March 2019.



## 5.2 Trade Sector Analysis for the Enlarged Portfolio

The table below provides a breakdown by the different trade sectors represented in the Enlarged Portfolio as a percentage of committed NLA and monthly gross rental income as at 31 March 2019.

	% of Gross Rental Income	% of Committed NLA
Fashion & Accessories	28.5	16.0
Food & Beverage	27.0	16.1
Supermarket	7.1	24.9
Beauty & Healthcare	6.8	3.6
Department Stores	4.2	15.3
Leisure & Entertainment	3.9	8.1
Education	3.8	3.6
Sundry & Services	3.5	2.1
Others	3.1	2.0
Houseware & Furnishings	3.0	3.8
Sporting Goods & Apparel	2.9	2.0
Shoes & Bags	2.9	1.4
Jewellery/Watches/Pens	2.0	0.6
Information & Technology	1.3	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 5.3 Top Ten Tenants of the Enlarged Portfolio

The table below sets out the top ten tenants of the Enlarged Portfolio by monthly total rental income for the month of March 2019.

No.	Tenant <sup>(1)</sup>	Trade Sector	% of Gross Rental Income <sup>(2)(3)</sup>
1	BHG Group of Companies	Department Store Supermarket Food & Beverages Shoes & Bags	7.5
2	Carrefour Group of Companies	Supermarket	3.0
3	绫致时装(天津)有限公司	Fashion & Accessories	3.0
4	UNIQLO Group of Companies	Fashion & Accessories	1.6
5	北京为之味餐饮有限公司 富迪康(北京)餐饮管理有限公司	Food & Beverage	1.0
6	北京百安居装饰建材有限公司	Houseware & Furnishings	1.0
7	Yum! Brands Group of Companies	Food & Beverage	0.9
8	HOTWIND Group of Companies	Fashion & Accessories	0.9
9	Watsons Group of Companies	Beauty & Healthcare	0.9
10	Ucommune Group of Companies	Sundry & Services	0.9
<b>Top Ten Tenants</b>			<b>20.7</b>
<b>Other Tenants</b>			<b>79.3</b>
<b>Total</b>			<b>100.0</b>

**Notes:**

- (1) Tenants that are under the same group of companies are listed together.
- (2) Includes both gross rental income and the GTO components to account for pure GTO leases.
- (3) Based on CRCT's effective interest in each property, including CRCT's 51.0% interest in Rock Square.

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**INDEPENDENT FINANCIAL ADVISER'S LETTER  
TO THE INDEPENDENT DIRECTORS AND THE AUDIT COMMITTEE OF  
THE MANAGER AND THE TRUSTEE**

**ERNST & YOUNG CORPORATE FINANCE PTE LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199702967E)

One Raffles Quay  
North Tower, Level 18  
Singapore 048583

8 July 2019

**The Independent Directors and the Audit Committee of  
CapitaLand Retail China Trust Management Limited  
(As Manager of CapitaLand Retail China Trust)**

168 Robinson Road  
#30-01 Capital Tower  
Singapore 068912

**HSBC Institutional Trust Services (Singapore) Limited  
(As Trustee of CapitaLand Retail China Trust)**

21 Collyer Quay  
#13-02 HSBC Building  
Singapore 049320

Dear Sirs:

**THE PROPOSED ACQUISITION OF THE COMPANIES WHICH HOLD CAPITAMALL XUEFU,  
CAPITAMALL AIDEMENGDUN AND CAPITAMALL YUHUATING FROM INTERESTED  
PERSONS**

**1 INTRODUCTION**

On 11 June 2019, CapitaLand Retail China Trust ("**CRCT**"), through its wholly owned subsidiaries CRCT China Investment (Harbin I) Pte. Ltd., CRCT China Investment (Harbin II) Pte. Ltd., and CRCT China Investment (Changsha) Pte. Ltd. (collectively, the "**Purchasers**"), entered into a conditional agreement (the "**Agreement**") with Ever Outstand Limited, CapitaRetail China Developments D5 (HK) Limited, Upper Great Limited, and CapitaRetail China Investments Pte. Ltd. ("**CRCI**") (collectively, the "**Vendors**") to acquire:

- (i) 100.0% of the shares of CapitaRetail Harbin Shangdu Real Estate Co., Ltd., which holds CapitaMall Xuefu located at No. 1 Xuefu Road, Nangang District, Harbin, China ("**CapitaMall Xuefu**");
- (ii) 100.0% of the shares of Beijing Hualian Harbin Real Estate Development Co., Ltd., which holds CapitaMall Aidemengdun located at No. 38 Aidemengdun Road, Daoli District, Harbin, China ("**CapitaMall Aidemengdun**"); and
- (iii) 100.0% of the shares of CapitaMalls Hunan Commercial Property Co., Ltd., which holds CapitaMall Yuhuating located at No. 421 Shaoshan Middle Road, Yuhua District, Changsha, China ("**CapitaMall Yuhuating**", together with CapitaMall Xuefu and CapitaMall Aidemengdun, the "**Properties**"),

(collectively, the "**Acquisition**").

The “**Target Companies**” comprises CapitaRetail Harbin Shangdu Real Estate Co., Ltd., Beijing Hualian Harbin Real Estate Development Co., Ltd., and CapitaMalls Hunan Commercial Property Co., Ltd., and the “**Shares**” means the shares in the Target Companies which hold the Properties.

The estimated consideration (the “**Consideration**”) payable to the Vendors in connection with the Acquisition takes into account the assumed adjusted net asset value (“**NAV**”) <sup>1</sup> of RMB2,432.0 million (S\$484.1 million<sup>2,3</sup>) computed based on the audited accounts as at 31 December 2018 of each of the Target Companies, taking into account, among other things, the agreed value (the “**Agreed Value**”) of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating of RMB1,745.0 million (S\$347.3 million), RMB469.0 million (S\$93.4 million), and RMB746.0 million (S\$148.5 million) respectively. The Agreed Value was negotiated on a willing-buyer and willing-seller basis, and takes into account the independent valuations of the Properties.

In addition, CRCI will transfer the outstanding principal of the shareholder loan granted by CRCI pursuant to a loan agreement entered into by CapitaMalls Hunan Commercial Property Co., Ltd. with CRCI dated 12 September 2005 as supplemented, in respect of CapitaMall Yuhuating and accrued interest thereon up to the date of transfer of such loan to CRCT (the “**Yuhuating Shareholder Loan**”). As of 31 December 2018, the total principal and accrued interest of the Yuhuating Shareholder Loan is US\$3.6 million (S\$4.9 million<sup>4</sup>).

The final Consideration payable to the Vendors after the completion of the Acquisition (the “**Completion**”) (the “**Actual Consideration**”) will be subject to completion adjustments.

As at 1 July 2019, being the latest practicable date prior to the printing of the circular (the “**Circular**”) to the unitholders of CRCT (the “**Unitholders**” and each, the “**Unitholder**”) (the “**Latest Practicable Date**”), CapitaLand Limited (“**CapitaLand**”), through (i) its wholly owned subsidiaries, Retail Crown Pte. Ltd. and CapitaLand Retail China Trust Management Limited (as manager of CRCT) (the “**Manager**”), and (ii) CapitaLand Mall Trust, has a deemed interest in 379,839,424 units in CRCT (the “**Units**”), which comprises approximately 38.04% of the total number of Units in issue, and is therefore regarded as a “controlling unitholder” of CRCT under both the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (the “**Listing Manual**”) and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**MAS**” and Appendix 6, the “**Property Funds Appendix**”). In addition, as the Manager is a wholly owned subsidiary of CapitaLand, CapitaLand is therefore regarded as a “controlling shareholder” of the Manager under both the Listing Manual and the Property Funds Appendix.

CRCI is a wholly owned subsidiary of CapitaLand, while the remaining Vendors are associated companies of CapitaLand in which CapitaLand has an interest of 45.0%.

- 
- 1 The NAV of the Target Companies takes into account the assets and the liabilities of the Target Companies, while the Agreed Value reflects the agreed value for the Properties. Accordingly, the NAV and Agreed Value would differ as the Agreed Value is one component in the computation of the NAV of the Target Companies. The NAV of the Target Companies before reflecting the agreed value for the Properties was RMB2,175.4 million (S\$433.0 million).
  - 2 Except where the exchange rate between the Chinese Renminbi (“**RMB**”) and the Singapore Dollar (“**S\$**” or “**SGD**”) is expressly stated otherwise, certain RMB amounts in this letter and in the Circular have been translated into S\$ based on the fixed exchange rate of RMB5.024 = S\$1.000 pursuant to the Agreement.
  - 3 Comprises the assumed adjusted NAV of RMB1,431.9 million (S\$285.0 million), RMB354.1 million (S\$70.5 million), and RMB646.0 million (S\$128.6 million) for CapitaMall Xuefu, CapitaMall Aidemengdun, and CapitaMall Yuhuating, respectively which takes into account existing Target Companies’ indebtedness.
  - 4 The exchange rate for the Yuhuating Shareholder Loan has been fixed at S\$1.373 = US\$1.000 pursuant to the Agreement.

For the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, the Vendors (being associates of a “controlling unitholder” of CRCT and a “controlling shareholder” of the Manager) are (for the purpose of the Listing Manual) “interested persons” and (for the purpose of the Property Funds Appendix) “interested parties” of CRCT.

As such, the Acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual as well as an “interested party transaction” under Paragraph 5 of the Property Funds Appendix, in respect of which the approval of the Unitholders is required.

Accordingly, the Manager is convening an extraordinary general meeting to seek approval from the Unitholders by way of an Ordinary Resolution for the Acquisition.

To comply with the requirements of Chapter 9 of the Listing Manual, Ernst & Young Corporate Finance Pte Ltd (“**EYCF**”) has been appointed as the independent financial adviser (“**IFA**”) as required under Rule 921(4)(a) of the Listing Manual as well as to advise the board of directors of the Manager (the “**Directors**”) who are considered independent in relation to the Acquisition (the “**Independent Directors**”), the audit committee of the Manager (the “**Audit Committee**”), and the HSBC Institutional Trust Services (Singapore) Limited (as trustee of CRCT) (the “**Trustee**”) on whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of CRCT and its minority Unitholders.

This letter sets out, *inter alia*, our evaluation of the Acquisition and our advice thereon. It forms part of the Circular to be issued by the Manager which provides, *inter alia*, the details of the Acquisition and the recommendations of the Independent Directors and the Audit Committee in respect thereof. Unless otherwise defined or the context otherwise requires, all terms in the Circular shall have the same meaning in this letter. Chinese Renminbi amounts are converted to Singapore Dollars based on the fixed exchange rate of S\$1.00:RMB5.024 based on the Agreement, except where the exchange rate is expressly stated otherwise.

## 2 TERMS OF REFERENCE

EYCF has been appointed as required under Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors, the Audit Committee and the Trustee in respect of whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of CRCT and its minority Unitholders.

Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the Acquisition, as well as information provided to us by CRCT and the management of the Manager (the “**Management**”), as at the Latest Practicable Date. Accordingly, we assume no responsibility to update, revise or reaffirm our opinion as a result of any subsequent development after the Latest Practicable Date. Unitholders should take note of any announcement and/or event relevant to the Acquisition which may be released by CRCT and/or the Manager after the Latest Practicable Date.

We are not and were not involved in any aspect of the discussions and negotiations pertaining to the Acquisition, nor were we involved in the deliberations leading up to the decisions by the Directors in connection with the Acquisition. We have not conducted a comprehensive review of the business, operations or financial condition of CRCT and its subsidiaries and associates (the “**CRCT Group**”). It is not within our terms of reference to assess the rationale for, legal, strategic, commercial and financial merits and/or risks of the Acquisition, and to comment on such merits and/or risks of the Acquisition. We have only

expressed our opinion on whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of CRCT and its minority Unitholders. The assessment of the legal, strategic, commercial and financial merits and/or risks of the Acquisition remains the sole responsibility of the Directors, although we may draw upon their views in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at the opinion set out in this letter.

It is also not within our terms of reference to compare the relative merits of the Acquisition vis-à-vis any alternative transaction previously considered by CRCT and/or the Manager (if any) or that CRCT and/or the Manager may consider in the future, and as such, we do not express an opinion thereon.

In the course of our evaluation of the Acquisition, we have held discussions with the Directors and the Management. We have also examined and relied on information in respect of CRCT collated by us, as well as information provided and representations and assurances made to us, both written and verbal, by the Directors, the Management and/or professional advisers of CRCT and/or the Manager, including information contained in the Circular. We have not independently verified such information or any representation or assurance, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors (including those who may have delegated supervision of the Circular) and the Management have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to CRCT, the Properties, the Target Companies, and the Acquisition has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts about CRCT and the Properties in the context of the Acquisition and there is no material information the omission of which would make any of the information contained herein or in the Circular misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Acquisition have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of CRCT, the Properties and/or the Target Companies. We have also not made an independent evaluation or appraisal of the assets and liabilities of CRCT, the Properties, and/or the Target Companies. However, we have been furnished with the independent valuation reports of the independent property valuers, Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. (“**C&W**”) and Jones Lang LaSalle Property Consultants Pte Ltd (“**JLL**”, and together with C&W, the “**Independent Valuers**”), commissioned by the Manager and the Trustee respectively, and issued by the Independent Valuers in connection with the assessed market value (the “**Market Value**”) of the Properties as at 31 March 2019 (the “**Valuation Reports**”). We are not experts and do not regard ourselves to be experts in the valuation of the Properties, and we have taken into consideration the Valuation Reports prepared by the Independent Valuers.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any individual Unitholder or any specific group of Unitholders. As each Unitholder would have different investment objectives and profiles, we would advise the Independent Directors and the Audit Committee to recommend that any individual Unitholder or group of Unitholders who may require specific advice in relation to his or their Units should consult his or their stockbroker, bank manager, solicitor, accountant or other professional advisers.

We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of the Circular (other than in connection with this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than in connection with this letter).

This letter and our opinion, which is required under Rule 921(4)(a) of the Listing Manual as well as addressed for the use and benefit of the Independent Directors, the Audit Committee, and the Trustee in connection with and for the purpose of their consideration of the Acquisition, and the recommendations made by the Independent Directors and the Audit Committee to the minority Unitholders shall remain the sole responsibility of the Independent Directors and the Audit Committee.

Our opinion in relation to the Acquisition should be considered in the context of the entirety of this letter and the Circular.

### **3 DETAILS OF THE ACQUISITION**

The details of the Acquisition, including details of the Properties, are set out in Section 2 of the Letter to Unitholders and Appendix A of the Circular. We recommend that the Independent Directors and the Audit Committee advise the Unitholders to read carefully the details of the Properties and the Acquisition which are contained in the Circular.

We set out below the salient information on the Properties and the Acquisition.

#### **3.1 Description of the Properties**

Certain key information on the Properties are set out in the Overview section, Section 2.1 of the Letter to Unitholders, and Appendix A of the Circular. We present the following information in relation to the Properties.

##### **CapitaMall Xuefu**

CapitaMall Xuefu, which commenced operations in 2012, is a multi-tenanted mall with a gross rentable area of 104,294 square metres (“sq m”) comprising five above ground levels, one basement level of retail space, and one basement level for car park use. It is located in the Nangang District of Harbin, the capital and largest city of the Heilongjiang Province. The Nangang District is part of the city’s central region and is home to many tertiary education institutions. CapitaMall Xuefu is strategically situated at the intersection of multiple arterial roads serving the city. The mall is well-served by public transportation and enjoys direct connectivity via the first floor of its basement to Xuefu Road Station on Line 1 of the Harbin Metro. It houses a diverse mix of international and domestic brands such as BHG Supermarket, CGV Cinema, Haidilao, H&M, Adidas, Swarovski, Sisyph Books, Green Tea Restaurant, Starbucks Reserve, Urban Revivo, BreadTalk and Watsons.

##### **CapitaMall Aidemengdun**

CapitaMall Aidemengdun, which commenced operations in 2010, is a multi-tenanted mall with a gross rentable area of 43,394 sq m comprising four above ground levels of retail space and one basement level for retail space and car park use. It is located in the Daoli District of Harbin, the capital and largest city of the Heilongjiang Province. The Daoli District is part of the city’s central region and is close to Central Street, the main pedestrian street popular for shopping and dining, and other key tourist attractions where the Harbin International Ice & Snow Festival is held. The mall is in close proximity to Second Ring Road, and enjoys direct frontage to Aidemengdun Road that connects the Harbin Taiping International Airport to Central Street in the city centre. The mall can be easily accessed via

public transportation and is within 1.5 kilometres (“km”) from two metro stations on Line 1 of the Harbin Metro. The mall features a wide tenant base consisting of popular tenants such as BHG Supermarket, Qi Cai International Cineplex, KFC, Pizza Hut, Nike, Adidas, Watsons and VIP.com.

### CapitaMall Yuhuating

CapitaMall Yuhuating, which commenced operations in 2005, is a multi-tenanted mall with a gross rentable area of 62,080 sq m comprising four above ground levels of retail space and one basement level for ancillary and car park use. It is located in Changsha, the capital of the Hunan Province and a key logistics hub in China. As an established mall within the Dongtang retail hub of Yuhua District, it is conveniently accessible via numerous bus routes and the Tujiachong and Shazitang metro stations that are approximately 1 km away. As a one-stop shopping destination surrounded by large residential communities, CapitaMall Yuhuating offers a broad spectrum of tenants such as Walmart, China Film Cinema, Haidilao, Li-Ning, Starbucks, Uniqlo, KFC, Adidas and Nike.

The table below sets out some details of the Properties as at 31 March 2019 (unless otherwise indicated):

	CapitaMall Xuefu	CapitaMall Aidemengdun	CapitaMall Yuhuating
Location	No.1 Xuefu Road, Nangang District, Harbin	No. 38 Aidemengdun Road, Daoli District, Harbin	No. 421 Shaoshan Middle Road, Yuhua District, Changsha
Year of Opening	2012	2010	2005
Gross Floor Area	123,811 sq m	49,040 sq m	75,431 sq m
Gross Rentable Area (“GRA”)	104,294 sq m	43,394 sq m	62,080 sq m
Net Lettable Area	64,384 sq m	28,417 sq m	48,356 sq m
Committed Occupancy Rate	99.8%	98.6%	98.1%
No. of Leases	419	189	221
Agreed Value	RMB1,745.0 million	RMB469.0 million	RMB746.0 million
Agreed Value per sq m GRA	RMB16,732	RMB10,808	RMB12,017
Net property income (“NPI”) yield (“NPI Yield”) on Agreed Value <sup>(1)</sup>	6.1%	5.6%	6.2%

Source: Circular

Note:

(1) Based on NPI for the financial year ended 31 December 2018 (“FY2018”).

### 3.2 Details of the Acquisition

Certain key information on the Acquisition are set out in Section 2.2 of the Letter to Unitholders of the Circular. We present the following in relation to the details of the Acquisition.

On 11 June 2019, the Purchasers entered into the Agreement with the Vendors to acquire the Properties by way of acquiring 100.0% of the Shares. Upon satisfaction or waiver (as the case may be) of the conditions in the Agreement, the equity transfer agreement in relation to the transfer of Shares to the Purchasers in the form set out in the Agreement (the “**Equity Transfer Agreement**”) shall be entered into within the requisite time frame as set out in the Agreement.

The estimated consideration of approximately S\$489.0 million for the Acquisition comprises (i) the consideration payable to the Vendors of approximately S\$484.1 million and (ii) the Yuhuating Shareholder Loan of approximately S\$4.9 million.

The estimated Consideration payable to the Vendors in connection with the Acquisition takes into account the assumed NAV of RMB2,432.0 million (S\$484.1 million) computed based on the audited accounts as at 31 December 2018 of each of the Target Companies, taking into account, among other things, the Agreed Value of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating of RMB1,745.0 million (S\$347.3 million), RMB469.0 million (S\$93.4 million), and RMB746.0 million (S\$148.5 million) respectively. The Agreed Value was negotiated on a willing-buyer and willing-seller basis, and takes into account the independent valuations of the Properties.

In addition, CRCI will transfer the Yuhuating Shareholder Loan to CRCT. As of 31 December 2018, the total principal and accrued interest of the Yuhuating Shareholder Loan is US\$3.6 million (S\$4.9 million<sup>1</sup>).

The Actual Consideration will be subject to completion adjustments.

A deposit of 5.0% of the Agreed Value of CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating has been paid by CRCT on signing of the Agreement. Upon entry into the Equity Transfer Agreements, the deposit shall be returned and CRCT shall pay another deposit equal to 15.0% of the interim purchase price.

The Manager and the Trustee have commissioned the Independent Valuers, C&W and JLL respectively, to value the Properties. The valuations of the Properties as at 31 March 2019 are set out below:

	C&W	JLL	Agreed Value	
	RMB million	RMB million	RMB million	SGD million
<b>CapitaMall Xuefu</b>	1,760.0	1,748.0	1,745.0	347.3
<b>CapitaMall Aidemengdun</b>	480.0	470.0	469.0	93.4
<b>CapitaMall Yuhuating</b>	760.0	749.0	746.0	148.5
<b>Total</b>	<b>3,000.0</b>	<b>2,967.0</b>	<b>2,960.0</b>	<b>589.2</b>
<b>Discount of aggregated Agreed Value from aggregate independent valuations</b>	<b>1.3%</b>	<b>0.2%</b>	–	–

Source: Circular

The methods used by the Independent Valuers were the capitalisation method and the discounted cash flow method.

1 The exchange rate for the Yuhuating Shareholder Loan has been fixed at S\$1.373 = US\$1.000 pursuant to the Agreement.

### 3.3 Certain Terms and Conditions of the Agreement

Certain key information on the Agreement are set out in Section 2.3 of the Letter to Unitholders of the Circular, and have been extracted and set out in italics below.

#### **“2.3 Certain Terms and Conditions of the Agreement**

*The entry into the Equity Transfer Agreements and completion of the Acquisition (the “**Completion**”) will be subject to the satisfaction of a number of conditions, including:*

- 2.3.1 the Vendors having procured full repayment of all outstanding entrustment loans owing to the Target Companies<sup>1</sup>;*
- 2.3.2 the Purchasers having obtained the approval of the Unitholders for the Acquisition;*
- 2.3.3 CRCT having secured funds to its account to undertake the Acquisition;*
- 2.3.4 there having occurred no material adverse change; and*
- 2.3.5 there having been no breach of any of the fundamental warranties contained in the Agreement as at the entry into of the Equity Transfer Agreements and Completion (as if repeated at the entry into of the Equity Transfer Agreements and Completion).*

*Following the entry into the relevant Equity Transfer Agreements, the necessary filings with the relevant AIC and Ministry of Commerce of the PRC (if applicable) shall be undertaken.”*

### 3.4 Completion

Completion is expected to take place by end of the third quarter of 2019. The completion of the acquisition of each Property may take place on different dates. Accordingly, it is possible that CRCT may complete the acquisition of one or more of the Properties, but not complete the acquisition of the other Properties if the conditions (as described in Section 2.3 of the Letter to Unitholders of the Circular) are not satisfied.

### 3.5 Property Management Agreements

Certain key information on the agreements to be entered into between the respective Target Companies and CapitaLand Retail (Shanghai) Management & Consulting Co., Ltd. and its branches (the “**Property Manager**”, and the property management agreements, the “**Property Management Agreements**”) are set out in Section 2.5 of the Letter to Unitholders of the Circular. We present the following extract in relation to Property Management Agreements.

#### **“2.5 Property Management Agreements**

*Under the terms of the property management agreements to be entered into between the respective Target Companies and CapitaLand Retail (Shanghai)*

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<sup>1</sup> There is only one entrustment loan owing to CapitaRetail Harbin Shangdu Real Estate Co., Ltd. which holds CapitaMall Xuefu by an affiliate of the Vendor. As at 31 December 2018, the outstanding entrustment loan and accrued interest owing to CapitaRetail Harbin Shangdu Real Estate Co., Ltd. is RMB70.2 million.



Management & Consulting Co., Ltd. and its branches (the “**Property Manager**”, and the property management agreements, the “**Property Management Agreements**”), the Property Manager will provide property management services for the Properties.

The services provided by the Property Manager for the relevant Property under its management include the following:

- property management services for the relevant Property, subject to the overall management of the relevant Target Company’s property management services, including (i) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the relevant Property, (ii) operating and maintaining the relevant Property in accordance with such operating budgets and annual plans (and revisions thereof), (iii) co-ordinating, reviewing and maintaining at all times certain insurance coverage with the assistance of insurance advisers, and (iv) maintaining books of accounts and records in respect of the operation of the relevant Property; and
- lease management services, including (i) recommending leasing strategy and negotiating leases, licenses and concessions, (ii) supervising and controlling all collections and receipts, payments and expenditure relating to the relevant Property, and (iii) lease administration.

Additionally, the Property Manager will have dedicated personnel for each relevant Property and also a centralised team of personnel that provides expertise on leasing, technical services, tenancy co-ordination, marketing and communications, etc. at a group level. This is to provide strategic support to the Properties, for example, in establishing strategic relationships with key tenants and tenancy co-ordination work.

The fees payable pursuant to the Property Management Agreements, will be as follows:

- (i) 2.0% per annum of the gross revenue of each of the Properties; and
- (ii) 2.5% per annum of the NPI of each of the Properties.

Under the Property Management Agreements, the Property Manager will be fully reimbursed for (i) the employment costs and remuneration relating to any personnel engaged solely for the provision of services for the relevant Property, and (ii) the allocated employment costs and remuneration relating to the centralised team of personnel engaged to provide group services for the relevant Property, as approved in each annual budget by the project company.

The Property Manager is authorised to utilise funds deposited in operating accounts (which are separate from the collection accounts into which all rental income is paid) of CRCT to make payment for all costs and expenses incurred in the operation and management of each Property, within an annual budget approved by the relevant project company.

The term of each of the Property Management Agreements is from the day subsequent to the actual completion date of the Acquisition to 30 June 2021.

The relevant Target Company may terminate the appointment of the relevant Property Manager by giving written notice.

*The terms of the proposed Property Management Agreements are based on and substantially similar to the terms of the existing property management agreements entered into in respect of the Existing Portfolio. Please refer to the IFA letter (as defined herein) set out in **Appendix B** of this Circular for the IFA's evaluation which explains how 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.*

*As the Property Manager is a wholly owned subsidiary of CapitaLand (being a "controlling Unitholder" and a "controlling shareholder" of the Manager), for the purposes of Chapter 9 of the Listing Manual, the Property Manager (being a subsidiary of a "controlling Unitholder" and a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" of CRCT.*

***In approving the Acquisition, Unitholders are deemed to have approved the Property Management Agreements upon the completion of the Acquisition.***

### **3.6 Total Acquisition Cost**

The details of the total cost of the Acquisition to CRCT (the "**Total Acquisition Cost**") are set out in Section 2.6 of the Letter to Unitholders of the Circular, and we set out below the salient information on the Total Acquisition Cost.

The Total Acquisition Cost is approximately S\$505.4 million<sup>1</sup>, comprising:

- (i) the Consideration and the Yuhuating Shareholder Loan, in the aggregate amount of approximately S\$489.0 million;
- (ii) the acquisition fee for the Acquisition which the Manager will be entitled to receive from CRCT upon Completion (the "**Acquisition Fee**") payable in the form of Units to the Manager of approximately S\$5.9 million<sup>2</sup>; and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by CRCT in connection with the Acquisition (inclusive of the equity financing-related expenses and debt financing-related expenses) of approximately S\$10.5 million.

### **3.7 Method of Financing**

The details of the method of financing for the Acquisition are set out in Sections 2.7 and 4 of the Letter to Unitholders of the Circular, and we set out below the salient information.

The Manager intends to finance the Acquisition with the proceeds from the equity fund raising to partly finance the Acquisition (the "**Equity Fund Raising**") and debt financing including, but not limited to, issuances of capital markets instruments under CRCT's S\$1.0 billion multicurrency debt issuance programme. The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the

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1 This amount includes the net liabilities of S\$100.2 million of the Target Companies. Accordingly, the Agreed Value of the Properties of S\$589.2 million less the net liabilities of S\$100.2 million, plus the acquisition fee of S\$5.9 million and the transaction costs of S\$10.5 million would equate to S\$505.4 million.

2 As the Acquisition will constitute an interested party transaction under the Property Funds Appendix, the Acquisition Fee shall be in the form of units payable to the Manager (the "**Acquisition Fee Units**") and shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

Manager at the appropriate time with an objective to achieve accretion, taking into account the prevailing market conditions, interest rate environment, while maintaining an optimal level of aggregate leverage.

#### **4 EVALUATION OF THE ACQUISITION**

In our analysis and evaluation of the Acquisition, and our recommendation thereon, we have taken into consideration the following:

- (a) rationale for and the key benefits of the Acquisition;
- (b) assessment of the basis of the Agreed Value;
- (c) comparison of the NPI Yields of the Properties with CRCT's Existing Portfolio;
- (d) comparison of the Properties with selected retail mall transactions in the People's Republic of China ("PRC") and selected retail property portfolio valuation of listed real estate investment trusts ("REITs" and each, "REIT") on the SGX-ST;
- (e) assessment of the Property Management Agreements;
- (f) pro-forma financial effects of the Acquisition; and
- (g) other relevant factors.

The factors above are discussed in more details in the following sections.

##### **4.1 Rationale for and the key benefits of the Acquisition**

The detailed rationale for and the benefits of the Acquisition are set out in Section 3 of the Letter to Unitholders of the Circular. We set out below the summary of the rationale for and benefits of the Acquisition.

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

- (a) Addition of strategically located and high quality assets
  - (i) Entry into growing cities supported by strong economic fundamentals
  - (ii) Strategic locations with excellent connectivity
  - (iii) Well-established quality assets with strong potential catchment
  - (iv) Acquisition of customer centric malls targeting local demographics, and offering "experiential" customer shopping experiences
- (b) Significantly increases CRCT's portfolio size and NPI
- (c) Further enhances CRCT's portfolio diversification
  - (i) Increases geographical diversification across major China markets
  - (ii) Increases exposure to multi-tenanted malls

- (iii) Increases diversification of revenue stream
  - (iv) Reduces tenant concentration risk
  - (v) Enhances trade mix
- (d) Attractive transaction price that delivers accretion
- (e) Leverage on strong track record of management team

We note that the Acquisition is in line with CRCT's investment strategy of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau.

## 4.2 Assessment of the basis of the Agreed Value

### 4.2.1 The independent valuations of the Properties

The Manager and the Trustee have commissioned the Independent Valuers, namely C&W and JLL respectively, to perform the independent valuations of the Properties.

The aggregate Agreed Value of RMB2,960.0 million (S\$589.2 million) was arrived at on a willing-buyer and willing-seller basis, taking into account the independent valuations of the Properties conducted by the Independent Valuers.

The appraised values of the Independent Valuers for the Properties are as follows:

Property	Net Lettable Area (sq m)	Independent Valuation by C&W (in millions)	Independent Valuation by JLL (in millions)	Agreed Value (in millions)	Discount of the Agreed Value to the Independent Valuation
CapitaMall Xuefu	64,384	RMB1,760.0 (S\$350.3)	RMB1,748.0 (S\$347.9)	RMB1,745.0 (S\$347.3)	C&W: 0.85% JLL: 0.17%
CapitaMall Aidemengdun	28,417	RMB480.0 (S\$95.5)	RMB470.0 (S\$93.6)	RMB469.0 (S\$93.4)	C&W: 2.29% JLL: 0.21%
CapitaMall Yuhuating	48,356	RMB760.0 (S\$151.3)	RMB749.0 (S\$149.1)	RMB746.0 (S\$148.5)	C&W: 1.84% JLL: 0.40%
<b>Total</b>	<b>141,157</b>	<b>RMB3,000.0 (S\$597.1)</b>	<b>RMB2,967.0 (S\$590.6)</b>	<b>RMB2,960.0 (S\$589.2)</b>	<b>C&amp;W: 1.33% JLL: 0.24%</b>

Sources: Circular, Valuation Reports, EY

We have been provided the Valuation Reports of the Properties and we note the following in our review:

- (a) The basis of valuation, being Market Value, is defined as “*the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*” The definition is consistent between the Independent Valuers and in line with market definition;

- (b) The Independent Valuers, C&W and JLL, have both used 31 March 2019 as the valuation date for the Properties and have both carried out an inspection of the Properties;
- (c) In terms of the valuation approaches by the Independent Valuers, we note that both C&W and JLL have adopted the same two valuation approaches to assess the Market Values of the Properties, namely the discounted cash flow approach and the direct capitalisation approach; and
- (d) The methods used by the Independent Valuers are widely accepted methods for the purpose of valuing income producing properties, and the valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors (“RICS”) Global Standards 2017, incorporating the International Valuation Standards of the International Valuation Standards Council.

We note that the Agreed Value for the Properties is lower than the valuations of both Independent Valuers, with discounts of 1.33% to the independent valuation of C&W and 0.24% to the independent valuation of JLL. We also note that the Agreed Value is 0.79% lower than the average valuation of the Independent Valuers of RMB2,983.5 million (S\$593.8 million).

Please refer to Appendix C to the Circular for the details on the valuation certificates of the Independent Valuers.

#### 4.2.2 Comparison of capitalisation rates, discount rates and terminal yields

We have compared the capitalisation rates, discount rates and terminal yields used by the Independent Valuers with those used in the latest independent valuation of CRCT’s Existing Portfolio as set out below:

Property	Capitalisation Approach		DCF Approach			
	Capitalisation Rate		Discount Rate		Terminal Yield	
	C&W <sup>(1)</sup>	JLL <sup>(1)</sup>	C&W <sup>(1)</sup>	JLL <sup>(1)</sup>	C&W <sup>(1)</sup>	JLL <sup>(1)</sup>
CapitaMall Xuefu	4.50 – 5.50%	5.75%	8.75%	9.00%	5.75%	6.00%
CapitaMall Aidemengdun	5.00 – 6.00%	6.00%	9.00%	9.00%	6.00%	6.25%
CapitaMall Yuhuating	5.00 – 6.00%	6.00%	9.00%	9.00%	6.00%	6.25%
Existing Portfolio <sup>(2)</sup>	4.50% – 9.50%		7.00% – 10.75%		5.50% – 6.25%	

Sources: Valuation Reports, Annual Report

Notes:

(1) Rates used by C&W and JLL are disclosed in their respective Valuation Reports.

(2) As at 31 December 2018.

Based on the table above, we note the following:

- (a) The capitalisation rates used by the Independent Valuers in their valuations of the Properties are in line with one another and within the range used in the independent valuation of the CRCT’s Existing Portfolio.
- (b) The discount rates used by the Independent Valuers in their valuations of the Properties are consistent with one another and in line with the rate used in the latest independent valuation of the CRCT’s Existing Portfolio.

- (c) The terminal yields used by the Independent Valuers in their valuations of the Properties are in line with one another and within the range used in independent valuation of the CRCT's Existing Portfolio.

#### 4.3 Comparison of NPI Yields of the Properties with CRCT's Existing Portfolio

We have compared the weighted average lease expiry ("WALE") and NPI Yield of the Properties with those of CRCT's Existing Portfolio.

	Average WALE		NPI Yield (%)
	By Net Lettable Area (years)	By Gross Rental Income (years)	
Existing Portfolio <sup>(1)</sup>	5.3	2.9	5.7
<b>The Properties<sup>(2)</sup></b>	<b>3.2</b>	<b>2.1</b>	<b>6.0</b>
CapitaMall Xuefu <sup>(2)</sup>	3.2	2.0	6.1
CapitaMall Aidemengdun <sup>(2)</sup>	4.5	2.6	5.6
CapitaMall Yuhuating <sup>(2)</sup>	2.3	1.8	6.2

Sources: Circular, Annual Report, Management

Notes:

(1) The average WALE and NPI Yield for the Existing Portfolio are as at 31 December 2018.

(2) The average WALEs for the Properties are as at 31 March 2019; NPI Yields are derived by taking the respective FY2018 NPI of the Properties divided by the Agreed Value.

We note that the average NPI Yield of the Properties of 6.0% is higher than the NPI Yield of the Existing Portfolio as at 31 December 2018. We also note that the WALEs of the Properties of 3.2 years in terms of the net lettable area ("NLA") and 2.1 years in terms of the gross rental income are shorter than the average WALEs based on NLA and gross rental income of the Existing Portfolio as at 31 December 2018.

In evaluating the impact of the Acquisition on the WALE and NPI Yield of the CRCT portfolio, we have also taken into consideration that certain existing properties of CRCT has master leases and that there are no master lease arrangements for the Properties.

#### 4.4 Comparison of the Properties with Selected PRC Retail Property Portfolio Transactions and Selected Retails Property Portfolio Valuation of Listed REITs on the SGX-ST

Based on our discussions with the Management and a search for comparable retail property portfolio transactions and valuations on available databases and relevant stock exchanges, we recognise that there is no particular property portfolio that we may consider to be directly comparable to the Properties in the aspects of location, accessibility, gross floor area, NLA, profile and composition of tenants, usage of property, construction quality, age of property, outstanding lease tenure, market risks, track record and other relevant factors.

However, we have extracted publicly available information on certain comparable retail property portfolios and listed REITs for comparison with the metrics of the Properties. Our evaluation of the Acquisition included the following:

- a. Transaction details of PRC retail properties involving certain listed REITs (the "Selected PRC Retail Property Transactions"); and
- b. Valuation details of PRC retail property portfolios owned by certain SGX-ST listed REITs (the "Selected Retail Property Portfolio Valuations of Listed REITs").

The Independent Directors and the Audit Committee of the Manager and the Trustee should note that any comparison made with respect to the Selected PRC Retail Property Transactions and the Selected Retail Property Portfolio Valuations of Listed REITs are for illustrative purposes only. For the analysis, we have used the available data/information as at the Latest Practicable Date. The conclusions drawn from such comparisons may not necessarily reflect the perceived or implied valuation of the Properties as at the Latest Practicable Date. In addition, we wish to highlight that the Selected PRC Retail Property Transactions and the Selected Retail Property Portfolio Valuations of Listed REITs are by no means exhaustive.

#### 4.4.1 Selected PRC Retail Property Transactions

We have considered transactions announced from 1 January 2016 up to the Latest Practicable Date involving PRC retail properties of certain listed REITs in order to compare the NPI Yield implied by the Agreed Value of the Properties with that of the Selected PRC Retail Property Transactions.

The Independent Directors and the Audit Committee of the Manager and the Trustee should note that any comparison made with respect to the Selected PRC Retail Property Transactions is for illustrative purposes only. For the purposes of our evaluation, we have considered the PRC retail property transactions by BHG Retail REIT which is listed on the SGX-ST, Link Real Estate Investment Trust (“**Link REIT**”) which is listed on the Stock Exchange of Hong Kong Limited (“**SEHK**”), and Spring Real Estate Investment Trust (“**Spring REIT**”) which is listed on the SEHK.

Acquirer/ Location of Property	Announcement Date	Agreed Property Value (RMB'm)	Gross Floor Area (sq m)	Occupancy Rate (%)	NPI Yield (%)
Dasin Retail Trust (Located in Zhuhai, Guangdong Province)	30 Jun 19	1,585.0	168,269	99.7	4.6
BHG Retail REIT (Located in Hefei, Anhui Province)	6 Nov 18	334.0	48,003	99.4	6.0
Spring REIT (Located in Huizhou City, Guangdong Province)	19 Sep 18	1,654.0	144,925	97.2	7.5
Link REIT (Located in Liwan District, Guangzhou)	7 Apr 17	4,065.0	130,060	94.1	4.7 <sup>(1)</sup>
<b>Low</b>				<b>94.1</b>	<b>4.6</b>
<b>High</b>				<b>99.7</b>	<b>7.5</b>
<b>Median</b>				<b>98.3</b>	<b>5.4</b>
<b>Average</b>				<b>97.6</b>	<b>5.7</b>
<b>The Properties – Based on the Agreed Value</b>		<b>2,960.0</b>	<b>248,282</b>	<b>99.0</b>	<b>6.0</b>

Source: Announcements of listed REITs, Circular

Note:

(1) Represents gross rental yield, which is based on the annualised gross rental monthly income of the property divided by the purchase price of the property. The gross rental yield is generally estimated to be higher than the NPI Yield.

Based on the table above, we note that the NPI Yield of the Properties of 6.0% is within the range of the NPI Yields of the Selected PRC Retail Property Transactions, and is above the median and average NPI Yields of the Selected PRC Retail Property Transactions. We also note that the average occupancy rate of the Properties is higher than the average and median occupancy rates of the Selected PRC Retail Property Transactions.

#### 4.4.2 Selected Retail Property Portfolio Valuation of Listed REITs

We have considered the valuations of the Selected Retail Property Portfolio Valuations of Listed REITs in order to compare the yields implied by the Agreed Value of the Properties with those of the Selected Retail Property Portfolio Valuations of Listed REITs.

The Independent Directors, the Audit Committee, and the Trustee should note that any comparison made with respect to the Selected Retail Property Portfolio Valuations of Listed REITs is for illustrative purposes only. For the purposes of our evaluation, we have considered the following Selected Retail Property Portfolio Valuations of Listed REITs:

REIT	Valuation Date	Valuation (S\$'m)	Net Lettable Area (sq m)	WALE by Net Lettable Area as at the Valuation Date (years)	NPI Yield <sup>(1)</sup>
BHG Retail REIT	31 Dec 18	808.3	153,394	7.5	5.6%
Dasin Retail Trust	31 Dec 18	1,478.7	242,254	6.4	3.9%
Sasseur Real Estate Investment Trust	30 Sep 18	1,539.5	306,710	3.0	6.1%
<b>Low</b>					<b>3.9%</b>
<b>High</b>					<b>6.1%</b>
<b>Median</b>					<b>5.6%</b>
<b>Average</b>					<b>5.2%</b>
<b>The Properties – Based on the Agreed Value</b>		<b>589.2</b>	<b>141,157</b>	<b>3.2</b>	<b>6.0%</b>

Sources: Annual reports, Investor Presentations and Circular

Note:

(1) Estimated NPI Yield based on NPI and valuation as at the latest audited financial year-ends, based on various annual reports.

Based on the table above, we note that the NPI Yield of the Properties of 6.0% is within the range of observed NPI Yields for the Selected Retail Property Portfolio Valuations of Listed REITs and above the median and average NPI Yields observed. We also note that the average WALE based on NLA of the Properties is within the lower end of the range of WALEs of those of the Selected Retail Property Portfolio Valuations for Listed REITs.



#### 4.5 Assessment of the Property Management Agreements

The details of the Property Management Agreements are set out in Section 2.5 of the Letter to Unitholders of the Circular.

We understand that the Manager believes that the entry into the Property Management Agreements would benefit the Unitholders, as the Property Manager possesses a broad range of commercial experience, including expertise in property investment, development, and management.

We have compared the principal terms of the Property Management Agreements with the principal terms of the property management agreements for the Existing Portfolio.

We note that the terms of the Property Management Agreements, including the fees to be paid and the expenses to be reimbursed to the Property Manager, are in line with the principal terms and conditions and fee arrangements of the property management agreements entered into in respect of the Existing Portfolio.

We also note the following:

- (a) In terms of tenure, the term of the Property Management Agreements is from the day subsequent to the actual completion date of the Acquisition to 30 June 2021. We note that the expiry date of the Property Management Agreements is set to align with the expiry dates of the property management agreements for the Existing Portfolio.
- (b) Under the terms of the Property Management Agreements, the services to be provided by the relevant Property Manager in respect of the Properties are the same as the services provided by the respective property managers of the Existing Portfolio. The Property Manager will also deploy dedicated personnel at the respective Properties as well as a centralised team of personnel to provide strategic support to the Properties.
- (c) The fees payable pursuant to the Property Management Agreements, will be (i) 2.0% per annum of the gross revenue of each of the Properties; and (ii) 2.5% of the NPI of each of the Properties. In addition, the Property Manager will be fully reimbursed for (i) the employment costs and remuneration relating to any personnel engaged solely for the provision of services for the each of the Properties, and (ii) the allocated employment costs and remuneration relating to the centralised team of personnel engaged to provide group services for the relevant Property. We note that the expenses will be based on the annual budget for each of the Properties to be agreed between the relevant Target Company and the Property Manager.
- (d) The operating accounts of CRCT, for which the Property Manager will be authorised to utilise to make payments for all costs and expenses incurred in the operation and management of each of the Properties, will be separate from the collection accounts into which rental income will be paid.
- (e) The relevant Target Company may terminate the appointment of the relevant Property Manager by giving written notice. We note that while the termination provision under the Property Management Agreements is different from that of the property management agreements for the Existing Portfolio, it will be simpler for the relevant Target Company to effect the termination. Under the property management agreements for the Existing Portfolio, the Manager is required to submit a notice in writing to the Property Manager on the occurrence of certain specified events. The

relevant Property Manager will then be terminated if, after the receipt of written notice, the Property Manager fails to remedy any breach of its obligations in relation to such property.

We also note that in approving the Acquisition, Unitholders are deemed to have approved the Property Management Agreements upon the Completion.

Given the above, it is our 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.

#### 4.6 Pro Forma Financial Effects of the Acquisition

The details of the pro forma financial effects of the Acquisition, which are shown for illustrative purposes only, are set out in Section 5 of the Letter to Unitholders of the Circular, and were prepared based on the audited financial statements of the CRCT Group for the financial year ended 31 December 2018 (the “**CRCT Group 2018 Audited Financial Statements**”) as well as the audited financial statements of the Target Companies for the financial year ended 31 December 2018, taking into account the Agreed Value, and assuming that:

- (i) the Manager’s management fees, including the base management fee and the performance management fee will be paid in the form of Units; and
- (ii) bank borrowings are used to finance the balance funding requirement, including paying the estimated professional and other fees and expenses incurred or to be incurred by CRCT in connection with the Acquisition.

We note the following:

- (a) Assuming, *inter alia*, that the Acquisition was completed on 1 January 2018 and CRCT held and operated the Properties through to 31 December 2018:
  - (i) the distribution per Unit (“**DPU**”) increases from 9.60 Singapore cents to 9.76 Singapore cents, or by approximately 1.7%, based on the assumption that the Equity Fund Raising comprises a combination of private placement and preferential offering with gross proceeds of S\$250.0 million at an average illustrative issue price of S\$1.463 (the “**Private Placement and Preferential Offering Scenario**”). The DPU yield increases from 6.15% to 6.26% under the Private Placement and Preferential Offering Scenario;
  - (ii) if assuming the Equity Fund Raising is upsized to S\$275.0 million at an illustrative price of S\$1.464, the DPU increases from 9.60 Singapore cents to 9.68 Singapore cents, or by approximately 0.8%; or
  - (iii) if assuming the Equity Fund Raising comprises a rights issue (the “**Rights Issue Scenario**”) at an illustrative price of S\$1.224 per Rights Issue Unit, the DPU decreases from 9.60 Singapore cents to 9.48 Singapore cents and the DPU yield increases from 6.15% to 6.31% based on an assumed gross proceeds of S\$250.0 million and a theoretical ex-rights price of S\$1.503, or the DPU decreases to 9.38 Singapore cents and the DPU yield increases to 6.26% based on an assumed gross proceeds of S\$275.0 million and a theoretical ex-rights price of S\$1.498.

- (b) Assuming the Acquisition was completed on 31 December 2018, the pro forma NAV per Unit as at 31 December 2018:
- (i) the NAV per Unit decreases from S\$1.54 to S\$1.52 or by approximately 1.3% under the Private Placement and Preferential Offering Scenario. If assuming the Equity Fund Raising is upsized to S\$275.0 million, the NAV per Unit decreases to S\$1.52 also; or
  - (ii) assuming a Rights Issue Scenario, the NAV per Unit decreases from S\$1.54 to S\$1.48 with gross proceeds of S\$250.0 million or to S\$1.47 with gross proceeds of S\$275.0 million.
- (c) Assuming the Equity Fund Raising is based on the Private Placement and Preferential Offering Scenario or the Rights Issue Scenario for S\$250.0 million, the pro forma aggregate leverage is expected to increase from 34.4% as at 31 March 2019 (adjusted for the partial repayment of the unsecured money market line from the repayment of the shareholder's loan arising from the divestment of the equity interest of the company which holds CapitaMall Saihan which is expected to be completed in the second half of 2020 and the divestment of the equity interest of the company which holds CapitaMall Wuhu which is expected to be completed in the second half of 2019) to 37.7%, assuming the inclusion of incremental deposited properties and gross borrowings as a result of the Acquisition, and full repayment of existing bank loans in relation to CapitaMall Aidemengdun and CapitaMall Yuhuating using the Target Companies' internal cash and/or CRCT's internal resources. Assuming the Equity Fund Raising is based on a S\$275 million Private Placement and Preferential Offering Scenario or S\$275 million Rights Issue Scenario, the pro forma aggregate leverage is expected to increase from 34.4% as at 31 March 2019 to 37.0%. We note that upon completion of the Acquisition, the aggregate leverage of CRCT will remain within the maximum aggregate leverage limit of 45.0% under the Property Funds Appendix.

#### **4.7 Other relevant factors**

We have also considered the following in our evaluation on the Acquisition:

##### **4.7.1 Enhancement of CRCT's portfolio diversification**

CRCT currently owns 11 shopping malls located in eight cities and across five regions in China. The Acquisition will deepen CRCT's presence in China and expand the portfolio into two new cities namely Harbin, the capital of Heilongjiang Province in North China, and Changsha, the capital of Hunan Province in Central China. As a result of the Acquisition, CRCT's footprint in China will increase to 10 cities and its presence in provincial capital cities will increase from seven to nine cities (including municipalities and capital of autonomous regions). The Acquisition is also expected to improve revenue diversification and reduce the reliance of CRCT's gross revenue from any single property.

##### **4.7.2 Completion of the Acquisition**

We note that the Completion of the Acquisition is expected to take place by the end of the third quarter of 2019. We also note that the acquisition of each Property may take place at different dates. As such, it is possible that CRCT may complete the acquisition of one or more of the Properties but not complete the acquisition of the other Properties, if the conditions under the Agreements are not satisfied.

## 5 OUR OPINION ON THE ACQUISITION

In arriving at our advice to the Independent Directors and the Audit Committee of the Manager and the Trustee on the Acquisition, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Acquisition. The factors we have considered in our evaluation, which are based on, among others, representations made by CRCT, the Directors and the Management and discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) rationale for and the key benefits of the Acquisition;
- (b) assessment of the basis of the Agreed Value;
- (c) comparison of the NPI Yields of the Properties with CRCT's Existing Portfolio;
- (d) comparison of the Properties with selected PRC retail mall transactions and selected retail property portfolio valuation of listed REITs on the SGX-ST;
- (e) assessment of the Property Management Agreements;
- (f) pro-forma financial effects of the Acquisition;
- (g) the enhancement of CRCT's portfolio as a result of the Acquisition; and
- (h) the Completion of the Acquisition.

Having considered the factors and the assumptions set out in this letter, and subject to the qualifications set out herein, we are of the opinion that the Acquisition is on normal commercial terms and is not prejudicial to the interests of CRCT and its minority Unitholders.

Accordingly, we advise the Independent Directors and the Audit Committee of the Manager to recommend that Unitholders vote in favour of the Acquisition. We wish to highlight that by approving the Acquisition, Unitholders will be deemed to have also approved the Property Management Agreements.

The Independent Directors and the Audit Committee of the Manager and the Trustee should note that we have arrived at our opinion and recommendation based on information made available to us prior to, and including, the Latest Practicable Date. Our opinion on the Acquisition cannot and does not take into account any subsequent developments after the Latest Practicable Date as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Acquisition.

We have prepared this letter as required under Rule 921(4)(a) of the Listing Manual as well as for the use of the Independent Directors and the Audit Committee of the Manager and the Trustee in connection with and for the purposes of their consideration of the Acquisition, but any recommendations made by the Independent Directors and the Audit Committee of the Manager in respect of the Acquisition shall remain their responsibility.

While a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose other than the intended purpose in relation to the Acquisition at any time and in any manner without our prior written consent in each specific case. For the avoidance of doubt, nothing in this letter prevents CRCT, the Manager, the Directors, the Trustee or the Unitholders from reproducing, disseminating or quoting this letter without our prior consent for the purpose of any matter relating to the Acquisition. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**Ernst & Young Corporate Finance Pte Ltd**

Luke Pais  
Managing Director

Elisa Montano  
Associate Partner

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## VALUATION CERTIFICATES

VALUATION CERTIFICATE

<b>Property</b>	:	CapitaMall Xuefu, No.1 Xuefu Road, Nangang District, Harbin, Heilongjiang Province, the PRC																				
<b>Date of Valuation</b>	:	31 March 2019																				
<b>Report Date</b>	:	6 June 2019																				
<b>Instructing Party</b>	:	CapitaLand Retail China Trust Management Limited (as Manager of CapitaLand Retail China Trust)																				
<b>Purpose of Valuation</b>	:	For the purpose of acquisition reference and the inclusion of the valuation certificate/report in a circular to be issued by CapitaLand Retail China Trust Management Limited (as Manager of CapitaLand Retail China Trust) in connection with the acquisition.																				
<b>Basis of Valuation</b>	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”</i>																				
<b>Legal Description</b>	:	B2-L5, No.1 Xuefu Road, Nangang District																				
<b>Interest Valued</b>	:	Leasehold expiring on 15 December 2045																				
<b>Registered Lessee/Licensee</b>	:	哈尔滨嘉茂尚都商用置业有限公司																				
<b>Brief Description</b>	:	The Property is a retail complex named CapitaMall Xuefu, Harbin, located on a parcel of land with site area 32,254.60 sq m. The Property has 5-storey of retail space above ground with a 2-storey basement consisting 1-storey retail and 1-storey car park. It was completed in 2012.																				
<b>Town Planning</b>	:	Wholesale & Retail and Commercial Service Uses																				
<b>Land Area</b>	:	32,254.60 sq m																				
<b>Gross Floor Area (GFA)</b>	:	<table> <thead> <tr> <th>Level</th> <th>GFA (sq m)</th> </tr> </thead> <tbody> <tr> <td>5F</td> <td>16,924.66</td> </tr> <tr> <td>4F</td> <td>15,540.36</td> </tr> <tr> <td>3F</td> <td>15,610.21</td> </tr> <tr> <td>2F</td> <td>15,680.62</td> </tr> <tr> <td>1F</td> <td>17,940.12</td> </tr> <tr> <td>B1F</td> <td>20,007.46</td> </tr> <tr> <td>B2F</td> <td>19,516.96</td> </tr> <tr> <td>Others</td> <td>2,590.11</td> </tr> <tr> <td><b>Total</b></td> <td><b><u>123,810.50</u></b></td> </tr> </tbody> </table>	Level	GFA (sq m)	5F	16,924.66	4F	15,540.36	3F	15,610.21	2F	15,680.62	1F	17,940.12	B1F	20,007.46	B2F	19,516.96	Others	2,590.11	<b>Total</b>	<b><u>123,810.50</u></b>
Level	GFA (sq m)																					
5F	16,924.66																					
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1F	17,940.12																					
B1F	20,007.46																					
B2F	19,516.96																					
Others	2,590.11																					
<b>Total</b>	<b><u>123,810.50</u></b>																					
<b>Gross Rentable Area (GRA)</b>	:	Approximately 104,293.54 sq m																				
<b>Net Lettable Area (NLA)</b>	:	Approximately 64,383.86 sq m																				

<b>Tenancy Details</b>	: The Property is multi-tenanted and the occupancy as at 31 March 2019 was around 99.8% for retail portion according to the tenancy information provided to us.  The landlord is responsible for all property maintenance and outgoings including property taxes and capital expenditure. The tenanted areas are generally the responsibility of the individual tenants.
<b>Valuation Approaches</b>	: Discounted Cash Flow Approach / Direct Capitalization Approach
<b>Net Capitalization Rate</b>	: 5.50% for Non-Anchor Stores, 4.50% for Anchor Stores
<b>Discount Rate</b>	: 8.75%
<b>Terminal Cap Rate</b>	: 5.75%
<b>Market Value</b>	: RMB 1,760,000,000  (RENMINBI ONE BILLION SEVEN HUNDRED SIXTY MILLION ONLY)
<b>Value Per Sq m of GFA</b>	: RMB14,215
<b>Value Per Sq m of GRA</b>	: RMB16,875
<b>Value Per Sq m of NLA</b>	: RMB27,336
<b>Valuation Assumptions</b>	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:  (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of  
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.

*Yi Fan*

Yi Fan  
MRICS  
Director





## VALUATION CERTIFICATE

<b>Property</b>	:	CapitaMall Aidemengdun, No.38 Aidemengdun Road, Daoli District, Harbin, Heilongjiang Province, the PRC																
<b>Date of Valuation</b>	:	31 March 2019																
<b>Report Date</b>	:	6 June 2019																
<b>Instructing Party</b>	:	CapitaLand Retail China Trust Management Limited (as Manager of CapitaLand Retail China Trust)																
<b>Purpose of Valuation</b>	:	For the purpose of acquisition reference and the inclusion of the valuation certificate/report in a circular to be issued by CapitaLand Retail China Trust Management Limited (as Manager of CapitaLand Retail China Trust) in connection with the acquisition.																
<b>Basis of Valuation</b>	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.</i>																
<b>Legal Description</b>	:	B1-L4, No.38 Aidemengdun Road, Daoli District																
<b>Interest Valued</b>	:	Leasehold expiring on 7 September 2042																
<b>Registered Lessee/Licensee</b>	:	北京华联哈尔滨置业有限公司																
<b>Brief Description</b>	:	The Property is a retail complex named CapitaMall Aidemengdun comprising a 4-storey retail building above a single-storey basement, located on a parcel of land with site area of 23,217.10 sq m. It was completed in 2010 with a total gross floor area of 49,039.82 sq m.																
<b>Town Planning</b>	:	Commercial Use																
<b>Land Area</b>	:	23,217.10 sq m																
<b>Gross Floor Area (GFA)</b>	:	<table border="0"> <thead> <tr> <th>Level</th> <th>GFA (sq m)</th> </tr> </thead> <tbody> <tr> <td>4F</td> <td>6,470.32</td> </tr> <tr> <td>3F</td> <td>7,644.98</td> </tr> <tr> <td>2F</td> <td>9,245.78</td> </tr> <tr> <td>1F</td> <td>9,497.12</td> </tr> <tr> <td>B1F</td> <td>15,489.30</td> </tr> <tr> <td>Others</td> <td>692.32</td> </tr> <tr> <td><b>Total</b></td> <td><b><u>49,039.82</u></b></td> </tr> </tbody> </table>	Level	GFA (sq m)	4F	6,470.32	3F	7,644.98	2F	9,245.78	1F	9,497.12	B1F	15,489.30	Others	692.32	<b>Total</b>	<b><u>49,039.82</u></b>
Level	GFA (sq m)																	
4F	6,470.32																	
3F	7,644.98																	
2F	9,245.78																	
1F	9,497.12																	
B1F	15,489.30																	
Others	692.32																	
<b>Total</b>	<b><u>49,039.82</u></b>																	
<b>Gross Rentable Area (GRA)</b>	:	Approximately 43,393.82 sq m																
<b>Net Lettable Area (NLA)</b>	:	Approximately 28,416.93 sq m																

<b>Tenancy Details</b>	: The Property is multi-tenanted and the occupancy as at 31 March 2019 was around 98.6% for retail portion according to the tenancy information provided to us.  The landlord is responsible for all property maintenance and outgoings including property taxes and capital expenditure. The tenanted areas are generally the responsibility of the individual tenants.
<b>Valuation Approaches</b>	: Discounted Cash Flow Approach / Direct Capitalization Approach
<b>Net Capitalization Rate</b>	: 6.00% for Non-Anchor Stores, 5.00% for Anchor Stores
<b>Discount Rate</b>	: 9.00%
<b>Terminal Cap Rate</b>	: 6.00%
<b>Market Value</b>	: RMB 480,000,000  (RENMINBI FOUR HUNDRED EIGHTY MILLION ONLY)
<b>Value Per Sq m of GFA</b>	: RMB9,788
<b>Value Per Sq m of GRA</b>	: RMB11,061
<b>Value Per Sq m of NLA</b>	: RMB16,891
<b>Valuation Assumptions</b>	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:  (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of  
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.

Yi Fan  
MRICS  
Director



## VALUATION CERTIFICATE

<b>Property</b>	:	CapitaMall Yuhuating, No.421 Middle Shaoshan Road, Yuhua District, Changsha, Hunan Province, the PRC																
<b>Date of Valuation</b>	:	31 March 2019																
<b>Report Date</b>	:	6 June 2019																
<b>Instructing Party</b>	:	CapitaLand Retail China Trust Management Limited (as Manager of CapitaLand Retail China Trust)																
<b>Purpose of Valuation</b>	:	For the purpose of acquisition reference and the inclusion of the valuation certificate/report in a circular to be issued by CapitaLand Retail China Trust Management Limited (as Manager of CapitaLand Retail China Trust) in connection with the acquisition.																
<b>Basis of Valuation</b>	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as:  <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.</i>																
<b>Legal Description</b>	:	B1-Staircase Roof, No.421 Middle Shaoshan Road, Yuhua District																
<b>Interest Valued</b>	:	Leasehold expiring on 3 March 2044																
<b>Registered Lessee/Licensee</b>	:	湖南凯德商用置业有限公司																
<b>Brief Description</b>	:	The Property, named CapitaMall Yuhuating, was completed in 2005. It comprises 4-storey of retail space above ground with 1-storey basement for warehouse, ancillary and car parking uses. It provides 336 car parking lots.																
<b>Town Planning</b>	:	Commercial Use																
<b>Land Area</b>	:	26,522.03 sq m																
<b>Gross Floor Area (GFA)</b>	:	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Level</th> <th style="text-align: right;">GFA (sq m)</th> </tr> </thead> <tbody> <tr> <td>B1F</td> <td style="text-align: right;">16,855.63</td> </tr> <tr> <td>1F</td> <td style="text-align: right;">16,114.63</td> </tr> <tr> <td>2F</td> <td style="text-align: right;">16,209.99</td> </tr> <tr> <td>3F</td> <td style="text-align: right;">13,817.81</td> </tr> <tr> <td>4F</td> <td style="text-align: right;">12,188.82</td> </tr> <tr> <td>Staircase Roof</td> <td style="text-align: right;">243.72</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>75,430.60</u></b></td> </tr> </tbody> </table>	Level	GFA (sq m)	B1F	16,855.63	1F	16,114.63	2F	16,209.99	3F	13,817.81	4F	12,188.82	Staircase Roof	243.72	<b>Total</b>	<b><u>75,430.60</u></b>
Level	GFA (sq m)																	
B1F	16,855.63																	
1F	16,114.63																	
2F	16,209.99																	
3F	13,817.81																	
4F	12,188.82																	
Staircase Roof	243.72																	
<b>Total</b>	<b><u>75,430.60</u></b>																	
<b>Gross Rentable Area (GRA)</b>	:	Approximately 62,080.00 sq m																
<b>Net Lettable Area (NLA)</b>	:	Approximately 48,355.73 sq m																

<b>Tenancy Details</b>	: The Property is multi-tenanted, and the occupancy rate as at 31 March 2019 was around 98.1% according to the tenancy information provided to us.  The landlord is responsible for all property maintenance and outgoings including property taxes and capital expenditure. The tenanted areas are generally the responsibility of the individual tenants.
<b>Valuation Approaches</b>	: Discounted Cash Flow Approach / Direct Capitalization Approach
<b>Net Capitalization Rate</b>	: 6.00% for Non-Anchor Stores, 5.00% for Anchor Stores
<b>Discount Rate</b>	: 9.00%
<b>Terminal Cap Rate</b>	: 6.00%
<b>Market Value</b>	: RMB 760,000,000  (RENMINBI SEVEN HUNDRED SIXTY MILLION ONLY)
<b>Value Per Sq m of GFA</b>	: RMB10,075
<b>Value Per Sq m of GRA</b>	: RMB12,242
<b>Value Per Sq m of NLA</b>	: RMB15,717
<b>Valuation Assumptions</b>	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:  (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of  
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd.

Yi Fan  
MRICS  
Director





Jones Lang LaSalle Property Consultants Pte Ltd  
 9 Raffles Place, #39-00 Republic Plaza Singapore 048619  
 tel +65 6220 3888 fax +65 6438 3360  
 Company Reg No. 198004794D CEA Licence No. L3007326E

## Valuation Certificate

### CapitaMall Xuefu, Harbin



CapitaMall Xuefu, Harbin is a regional retail mall comprising five above ground levels and one basement level of retail space. Car parking facilities and storage are located on Basement Level 2. Construction of the Property was completed around 2012, and the mall commenced operations circa 3Q2012.

The Property currently comprises more than 400 tenants, with a supermarket and cinema as anchor tenants. The primary trade area of the Property consists predominantly of high density residential developments and tertiary educational institutions.

The Property is situated between Xuefu Road and Zixing Road in Nangang District. The Xuefu Road station on Metro Line 1 is located at this busy intersection and has a direct connection to the Property.

#### Valuation

Prepared For	<b>HSBC Institutional Trust Services (Singapore) Limited (as trustee of CapitaLand Retail China Trust)</b>
Valuation Purpose	Market Valuation for acquisition purposes only and the inclusion of the valuation certificate/report in a circular to be issued by CapitaLand Retail China Trust Management Limited (as manager of CapitaLand Retail China Trust) in connection with the acquisition
Date of Valuation	31 <sup>st</sup> March 2019
Report Date	6 <sup>th</sup> June 2019
Registered Proprietor	哈尔滨嘉茂尚都商业置业有限公司
Interest Valued	100% Interest on Leasehold Title
Leasehold Term	40 years with approximately 27 years remaining on the lease
Valuation Approach	Capitalisation Approach and Discounted Cash Flow Analysis
Adopted Value	<b>¥1,748,000,000 (One Billion Seven Hundred Forty Eight Million Chinese Yuan)</b>

#### Property Particulars

Address	No. 1-1 Xuefu Road, Nangang District, Harbin, Heilongjiang Province
Net Rentable Area	64,383.86 square metres
Gross Rentable Area	104,293.54 square metres
Gross Floor Area	123,810.50 square metres
Current Vacancy (% Total NRA)	0.2%
Car Parking Provision	440 lots

#### Cap Approach Assumptions

Adopted Cap Rate	5.75%
Value based on Capitalisation Approach	¥1,747,000,000

#### DCF Analysis Assumptions

Discount Rate	9.00%
Terminal Yield	6.00%
Value based on DCF Analysis	¥1,748,000,000

#### Valuation Summary

Adopted Value	<b>¥1,748,000,000</b>
Unit Rate (psm NRA)	¥27,150 psm
Unit Rate (psm GRA)	¥16,760 psm
Date of Valuation	<b>31<sup>st</sup> March 2019</b>

#### Valuer

Name	Lim Khee Boon
Qualifications	MSISV, MRICS, Registered Valuer (RICS)
Designation	Regional Director & Head of Institutional Valuations

Signed

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 tel +65 6220 3888 fax +65 6438 3360  
 Company Reg No. 198004794D CEA Licence No. L3007326E

## Valuation Certificate

### CapitaMall Aidemengdun, Harbin



CapitaMall Aidemengdun, Harbin is a regional retail mall comprising four above ground levels and one basement level of retail space. Car parking facilities are located on Basement Level 1. Construction of the Property was completed around 2010, and the mall commenced operations circa 2Q2010.

The Property currently comprises more than 200 tenants, with a supermarket and cinema as anchor tenants. The primary trade area of the Property consists predominantly of mid to high density residential developments and tertiary educational institutions.

The Property is situated along Aidemengdun Road in Daoli District. It has easy access to the Second Ring Road which leads onto the Airport Expressway. It is located at the south-western fringe of Harbin urban core, approximately 7 kilometres from the historical centre of Harbin at Zhongyang Street.

#### Valuation

<b>Prepared For</b>	<b>HSBC Institutional Trust Services (Singapore) Limited (as trustee of CapitaLand Retail China Trust)</b>
<b>Valuation Purpose</b>	Market Valuation for acquisition purposes only and the inclusion of the valuation certificate/report in a circular to be issued by CapitaLand Retail China Trust Management Limited (as manager of CapitaLand Retail China Trust) in connection with the acquisition
<b>Date of Valuation</b>	31 <sup>st</sup> March 2019
<b>Report Date</b>	6 <sup>th</sup> June 2019
<b>Registered Proprietor</b>	北京华联哈尔滨置业有限公司
<b>Interest Valued</b>	100% Interest on Leasehold Title
<b>Leasehold Term</b>	40 years with approximately 23 years remaining on the lease
<b>Valuation Approach</b>	Capitalisation Approach and Discounted Cash Flow Analysis
<b>Adopted Value</b>	<b>¥470,000,000 (Four Hundred Seventy Million Chinese Yuan)</b>

#### Property Particulars

<b>Address</b>	No. 38 Aidemengdun Road, Daoli District, Harbin, Heilongjiang Province
<b>Net Rentable Area</b>	28,416.93 square metres
<b>Gross Rentable Area</b>	43,393.82 square metres
<b>Gross Floor Area</b>	49,039.82 square metres
<b>Current Vacancy (% Total NRA)</b>	1.4%
<b>Car Parking Provision</b>	281 lots

#### Cap Approach Assumptions

<b>Adopted Cap Rate</b>	6.00%
<b>Value based on Capitalisation Approach</b>	¥470,000,000

#### DCF Analysis Assumptions

<b>Discount Rate</b>	9.00%
<b>Terminal Yield</b>	6.25%
<b>Value based on DCF Analysis</b>	¥470,000,000

#### Valuation Summary

<b>Adopted Value</b>	<b>¥470,000,000</b>
<b>Unit Rate (psm NRA)</b>	¥16,539 psm
<b>Unit Rate (psm GRA)</b>	¥10,831 psm
<b>Date of Valuation</b>	<b>31<sup>st</sup> March 2019</b>

#### Valuer

<b>Name</b>	Lim Khee Boon
<b>Qualifications</b>	MSISV, MRICS, Registered Valuer (RICS)
<b>Designation</b>	Regional Director & Head of Institutional Valuations

Signed

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## Valuation Certificate

### CapitaMall Yuhuating, Changsha



CapitaMall Yuhuating, Changsha is a regional retail mall comprising four above ground levels of retail space. Car parking facilities are located on Basement Level 1. Construction of the Property was completed circa mid-2000, and the mall commenced operations circa 2005/2006.

The Property currently comprises more than 200 tenants, with a hypermarket and cinema as anchor tenants. The primary trade area of the Property consists predominantly of mid to high density residential developments. It is conveniently accessible via Shaoshan Middle Road, the main north-south road in Changsha.

The Property is located along Shaoshan Middle Road in Yuhua District. It is approximately 4.5 km from Changsha Railway Station and approximately 5.0 km to downtown Changsha at Wuyi Square.

### Valuation

<b>Prepared For</b>	<b>HSBC Institutional Trust Services (Singapore) Limited (as trustee of CapitaLand Retail China Trust)</b>
<b>Valuation Purpose</b>	Market Valuation for acquisition purposes only and the inclusion of the valuation certificate/report in a circular to be issued by CapitaLand Retail China Trust Management Limited (as manager of CapitaLand Retail China Trust) in connection with the acquisition
<b>Date of Valuation</b>	31 <sup>st</sup> March 2019
<b>Report Date</b>	6 <sup>th</sup> June 2019
<b>Registered Proprietor</b>	湖南凯德商用置业有限公司
<b>Interest Valued</b>	100% Interest on Leasehold Title
<b>Leasehold Term</b>	40 years with approximately 25 years remaining on the lease
<b>Valuation Approach</b>	Capitalisation Approach and Discounted Cash Flow Analysis
<b>Adopted Value</b>	<b>¥749,000,000 (Seven Hundred Forty Nine Million Chinese Yuan)</b>

### Property Particulars

<b>Address</b>	No. 421 Shaoshan Middle Road, Yuhua District, Changsha, Hunan Province
<b>Net Rentable Area</b>	48,355.73 square metres
<b>Gross Rentable Area</b>	62,080.00 square metres
<b>Gross Floor Area</b>	75,430.60 square metres
<b>Current Vacancy (% Total NRA)</b>	1.9%
<b>Car Parking Provision</b>	336 lots

### Cap Approach Assumptions

<b>Adopted Cap Rate</b>	6.00%
<b>Value based on Capitalisation Approach</b>	¥747,000,000

### DCF Analysis Assumptions

<b>Discount Rate</b>	9.00%
<b>Terminal Yield</b>	6.25%
<b>Value based on DCF Analysis</b>	¥751,000,000

### Valuation Summary

<b>Adopted Value</b>	<b>¥749,000,000</b>
<b>Unit Rate (psm NRA)</b>	¥15,489 psm
<b>Unit Rate (psm GRA)</b>	¥12,065 psm
<b>Date of Valuation</b>	<b>31<sup>st</sup> March 2019</b>

### Valuer

<b>Name</b>	Lim Khee Boon
<b>Qualifications</b>	MSISV, MRICS, Registered Valuer (RICS)
<b>Designation</b>	Regional Director & Head of Institutional Valuations

Signed



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INDEPENDENT MARKET RESEARCH REPORT



# Independent Market Research Report

CapitaMall Aidemengdun, Harbin

CapitaMall Xuefu, Harbin

CapitaMall Yuhuating, Changsha

For

HSBC Institutional Trust Services (Singapore)  
Limited (As Trustee of CapitaLand Retail  
China Trust)

CapitaLand Retail China Trust  
Management Limited (As Manager of  
CapitaLand Retail China Trust)

6 June 2019



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## 1. Economic Overview

### 1.1 Major Economic Indicators

#### Overview

China's economy has experienced rapid growth in the past two decades. Despite the negativity caused by the volatile global economic environment, China's strong economic growth is evidenced by its nominal GDP growth rate with a significant CAGR of 10.3%.

In 2001, China was admitted as a member of the World Trade Organization (WTO) after undergoing reforms which included the reduction of tariffs, the dismantling of non-tariff barriers, and the agreement to comply with various stringent trade and economic conditions. After its admission, China's trading and investment activities experienced an expansion. China has grown to become one of the world's largest trading nations, as well as one of the world's most popular destinations for foreign direct investments.

China's economic growth can be attributed to the various macroeconomic policy adjustments undertaken by the Chinese government. The policies emphasize on sustainable growth, industrial upgrading and reforming the current export and investment-driven economy to a domestic consumption-driven economy.

**Table 1.1 - Major Economic Indicators of China**

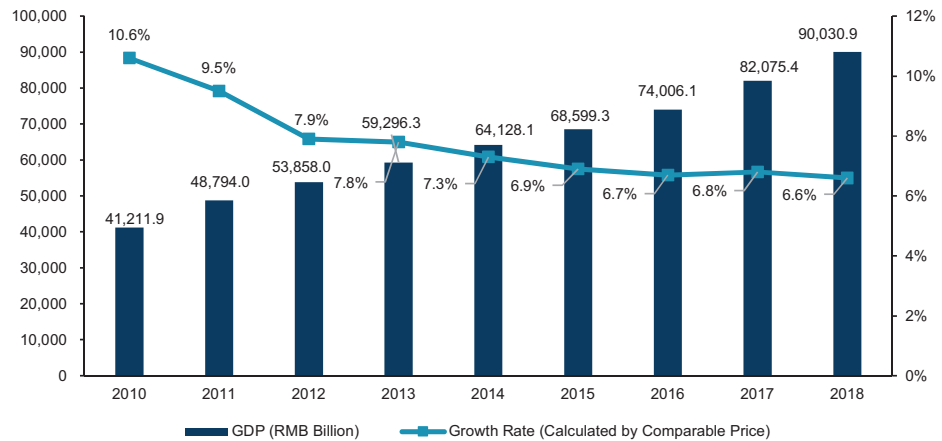
	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (2010- 2018)
GDP (RMB Billion)	41,211.9	48,794.0	53,858.0	59,296.3	64,128.1	68,699.3	74,006.1	82,075.4	90,030.9	10.3%
GDP per Capita (RMB)	30,808	36,302	39,874	43,684	47,005	50,028	53,680	59,201	64,644	9.7%
Population (Million)	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	1,390.2	1,395.4	0.5%
Urban Population (Million)	669.8	690.8	711.8	731.1	749.2	771.2	793.0	813.5	831.4	2.7%
Retail Sales (RMB Billion)	15,800.8	18,720.6	21,443.3	24,284.3	27,189.6	30,093.2	33,231.6	36,626.2	38,098.7	11.6%

Source: National Bureau of Statistics of China

Over the past nine years, China's GDP growth has remained healthy, with GDP value increasing from RMB 41,211.9 billion in 2010 to RMB 90,030.9 billion in 2018, representing a CAGR of approximately 10.3%, exceeding the world average level.

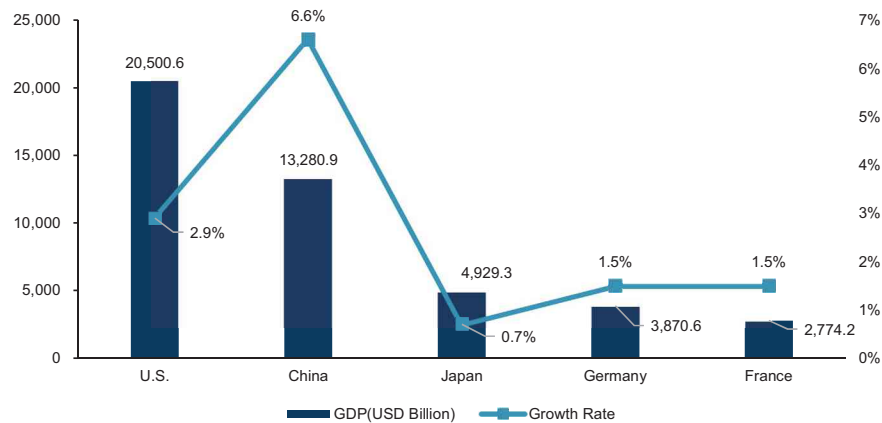
Since 2010, the GDP growth of China (calculated by comparable price) has witnessed a slowing trend due to ongoing economic structure changes. China's economy is shifting from a high-speed development phase to a high-quality development phase and imports have been growing at a faster rate than exports. The transformation will bring more stable and healthy development to the Chinese economy and the retail market. Despite so, China's GDP growth continues to be one of the highest among major economies in the world.

**Figure 1.1 - China's GDP and GDP Growth**



Source: National Bureau of Statistics of China

**Figure 1.2 - GDP of Top 5 Countries Worldwide (2018)**



Source: National Bureau of Statistics of China  
Source: International Monetary Fund

Driven by the success of the government's macro-economic policies, China's GDP per capita has grown in line with its overall GDP. GDP per capita has increased from RMB 30,808 in 2010 to RMB 54,644 in 2018, with a robust CAGR of 9.7%. According to the statistics of the International Monetary Fund (IMF), the ranking of China's GDP per capita has increased from No.95 in 2010 to No.72 in 2018. This gives a strong indication that the purchasing power of China's residents and their ability to consume goods and services are increasing steadily.

Sino-US trade frictions have a certain impact on economic development, but the impact is generally limited since the fundamentals of the Chinese economy remains sound.

### Outlook

Looking forward, the Central Government will continue to keep China's economy on a more sustainable growth trend. IMF just published its world economic outlook (April 2019), mentioning that it raised the 2019 growth outlook for China by 0.1 percentage point to 6.3%, thanks to incentives including tax and fee cuts. China's economic development now allows for "a focus on quality growth", rather than necessarily quantity growth. Furthermore, the Belt and Road Initiative promotes the internationalized development of traditional retailing.

Moreover, it is stated in the 13<sup>th</sup> Five Year Plan that a variety of measures and reform will be implemented which are beneficial for the China retail market.

- The government will accelerate the development of modern service industry and improve the quality of life service industry including education, health care, cultural entertainment, physical fitness.

- The government will continue the urbanization procession and optimize city layouts to accommodate more residents. Urban residents are closer to retail properties, which will stimulate their consumption enthusiasm and promote the development of the retail market.
- The reform of housing supply system, social security system and personal income tax will reduce people's life stress, increase purchasing power and benefit the retail market.

China's rapid economic growth will be fuelled by a combination of many factors including population and rapid urbanization, fixed asset investment, import/export, increasing domestic consumption, retail sales and etc.

## 1.2 Key Driver of China Retail Market

### 1.2.1 Income and Expenditure

Although China is currently a net exporter of goods, imports have been growing at a faster rate than exports during the past five years. This can be largely attributable to strong domestic demand. Domestic consumer spending is playing an increasing role in contributing to China's economic growth.

**Table 1.2 - Income and Expenditure Index**

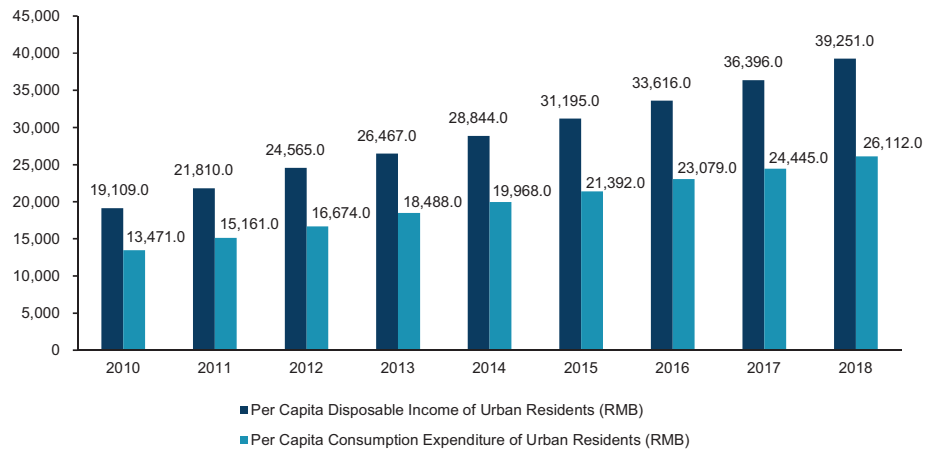
	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (2010- 2018)
Per Capita Disposable Income of Urban Households (RMB)	19,109.0	21,810.0	24,565.0	26,467.0	28,844.0	31,195.0	33,616.0	36,396.0	39,251.0	9.4%
Per Capita Consumption Expenditure of Urban Households (RMB)	13,471.0	15,161.0	16,674.0	18,488.0	19,968.0	21,392.0	23,079.0	24,445.0	26,112.0	8.6%

*Source: National Bureau of Statistics of China*

Consumer spending growth is supported by increasing disposable income per capita, which witnessed a CAGR of 9.4% during 2010-2018. Growing disposable income per capita generally indicates improvement of living standard and purchasing power. As a result, China's per capita consumption expenditure of urban households approximately doubled from RMB13,471 in 2010 to RMB 26,112 in 2018. This was largely attributed to the steady increase of urban residents' incomes, as well as the increasing proportion of consumption to income. When compared against the average consumer spending of rural households, it is evident that China's domestic consumption is dominantly driven by its urban population.



**Figure 1.3 - Per Capita Urban Disposable Income and Expenditure**



Source: National Bureau of Statistics of China

## 1.2.2 Population Growth and Urbanization

China has a population of over 1.39 billion as of the end of 2018. Between 2010 to 2018, China's total population grew at a CAGR of 0.5%. The growth rate between 2016 to 2017 was slightly higher due to the abolition of the one-child policy in Oct 2015. Stable population growth and the implementation of such new policies optimize China's demographic structure and promote the long-term development of the China retail market.

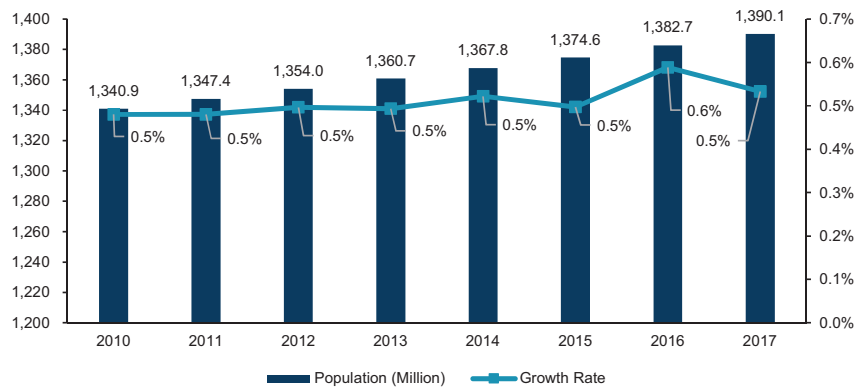
In Q1 2014, the State Council announced the "National New Urbanization Plan 2014-2020". Urbanization is a key priority for the Chinese government in an attempt to transit to a more consumption-based economy which is more sustainable in the long term. Key initiatives and guidelines of this Urbanization Plan include:

- Promote the reform of current household registration system and increase the equability of basic public services between urban residents, migrant workers presently living in cities, and rural residents.
- Foster the transfer of labor-intensive manufacturing work from higher-tiers cities to surrounding lower-tier cities, improve the inter-city transportation and public service sharing between higher-tier cities and lower-tier cities by creating a one-hour transport zone.
- Promote and develop specialized industries of small and medium-sized cities so that they are able to attract rural residents and avoid overcrowding of existing major city clusters. This will also involve the integration of small and medium-sized cities to existing transportation and information networks.

- Significant investment in infrastructure is also driving the emergence of China's city clusters. This includes the development of inter-city highways, bridges and tunnels, and the expansion of China's high-speed rail network.

At present, China is in the process of high-speed urbanization. The urbanization rate increased from 49.9% in 2010 to 59.6% in 2018, promoting the rural population to enter Tier 2 and Tier 3 cities. It is predicted by the United Nation that the urban population will increase by 255 million from 2018 to 2050. The urbanization process is critical to China's economic and social transformation, and the increasing urban population will be the important driving force of the future retail market.

**Figure 1.4 - Population of China**



Source: National Bureau of Statistics of China

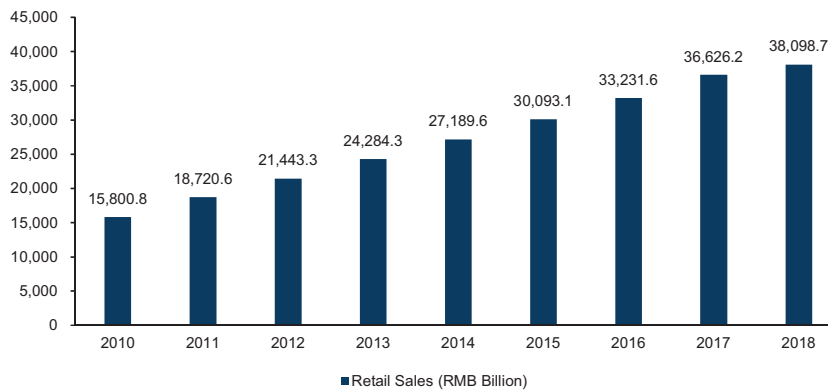
### 1.2.3 Retail Sales

Retail sales of China kept its rapid trend of growth from RMB 15,800.80 billion in 2010 to RMB 38,098.70 billion in 2018, with a CAGR of 11.6%, higher than that of GDP, GDP per capita, income and expenditure. The quality and service of domestic goods and retailers have been rapidly improving and more consumers are shifting to purchase domestic goods ie. Huawei, Lining, Mi.

Average retail sales as a share of GDP has increased from 40.0% in 2010-2014 to 43.9% in 2015-2018, reflecting the significant effect of various policies on stimulating domestic demand and changes in consumers' preference. It is still far lower than those of the U.S. (55.4%) and Japan (84.7%) in 2018, reflecting the huge potential of China's retail market.

According to eMarketer research, the retail sales of China is expected to increase to USD 5.6 trillion with a growth rate of 7.5% in 2019, surpassing that of the US.

**Figure 1.5 – Retail Sales of China**



Source: National Bureau of Statistics of China

## 2. Harbin

Harbin is the capital city of Heilongjiang Province and is located in the northeast part of China. It is also a political, economic, cultural and transportation hub in Northeast China. Harbin is about 1,050 kilometers away from Beijing, which can be reached about 2 hours by plane, and 8 hours by high-speed railway or automobiles.

Harbin is heralded as the Ice City for its well-known winter tourism and notable for its beautiful ice sculpture festival in the winter. Besides being well known for its historical Russian legacy (for example, Central Avenue, the Russian Orthodox church, Saint Sophia Cathedral, Gogel Street and so on), the city is also the vital node of the Eurasian Continental Bridge and a trade-center city with Russia.

After the founding of People's Republic of China, Harbin quickly restored and developed its national economy, and during the "First Five-Year Plan" period, Harbin was one of the key national construction cities. Some major construction projects were offered by the former Soviet Union settling down in Harbin, making it an important industrial base in China. Since the reform and opening-up, it has made outstanding achievements in terms of the national economy and social undertakings. In recent years, Harbin is increasingly improving its international reputation and influence, and going through a shift from an industry-dominated city to a modern comprehensive and multifunctional city. Harbin's key industries include equipment manufacturing, pharmaceutical, petrochemical, electronics, automobile production, etc.

It also has a sizable pool of universities and scientific research institutions mainly focused on science and technology, which include Harbin Institute of Technology (HIT), one of China's most well-known universities. With 51 higher educational institutions and 8 scientific research institutions, Harbin's comprehensive strength in science and technology ranks in at the forefront in China.

As a megalopolis city with the eighth largest population in China and the largest population in Northeast China as at the end of 2018, the total population of Harbin was 9.5 million, of which urban population was 5.5 million. Also, with abundant educational resources and a developing economy, Harbin will be more attractive for people to visit and live in.

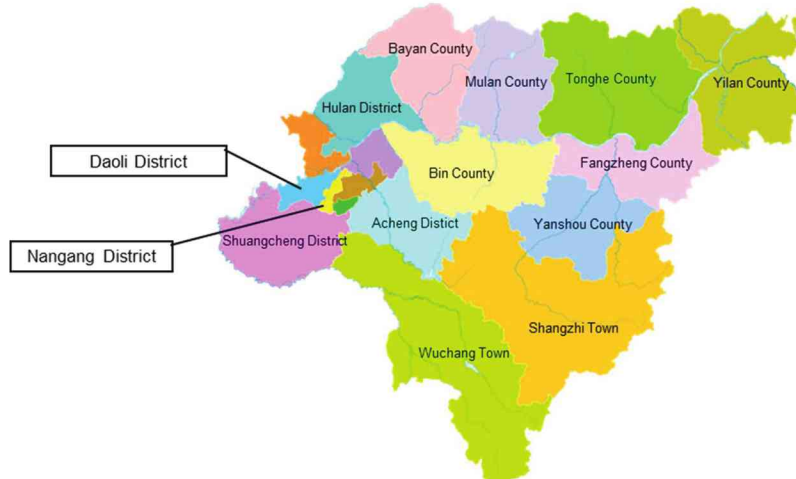
Harbin has jurisdiction over 9 administrative districts. Daoli District, Daowai District, Nangang District, and Xiangfang District are in the Harbin central business area. CapitaMall Aidemengdun and CapitaMall Xuefu are located in Daoli District and Nangang District respectively.

**Map of China**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Map of Harbin**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

## 2.1. Economic Overview of the City

### Overview of Local Economy

**Table 2.1 - Major Economic Indicators of Harbin**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (2010- 2018)
GDP (RMB Billion)	366.5	424.2	455.0	501.7	534.0	575.1	610.2	635.5	667.9	7.8%
GDP per Capita (RMB)	36,951.0	42,736.0	45,810.0	50,498.0	53,872.0	59,027.0	63,445.0	66,301.0	70,195.5	8.4%
Population ('000)	9,920.2	9,932.7	9,935.1	9,952.1	9,872.9	9,613.7	9,620.5	9,550.0	9,515.2	-0.5%
Urban Population ('000)	4,757.7	4,764.5	4,789.3	4,808.0	4,813.0	4,643.4	4,677.5	4,638.0	5,509.3	1.9%
Retail Sales of Consumer Goods (RMB Billion)	177.0	207.0	239.5	272.8	307.1	339.5	374.4	404.5	412.5	11.2%
Per Capita Disposable Income of Urban Residents (RMB)	18,370.0	20,961.0	23,539.0	26,363.0	28,816.0	30,978.0	33,190.0	35,546.0	37,828.0	9.4%
Per Capita Consumption Expenditure of Urban Residents (RMB)	14,590.0	17,033.0	18,615.0	20,332.0	21,639.0	22,962.0	24,340.0	25,679.0	27,347.0	8.2%

Source: Harbin Statistical Yearbook 2011-2018, Statistical Communiqué of National Economy and Social Development of Harbin 2018

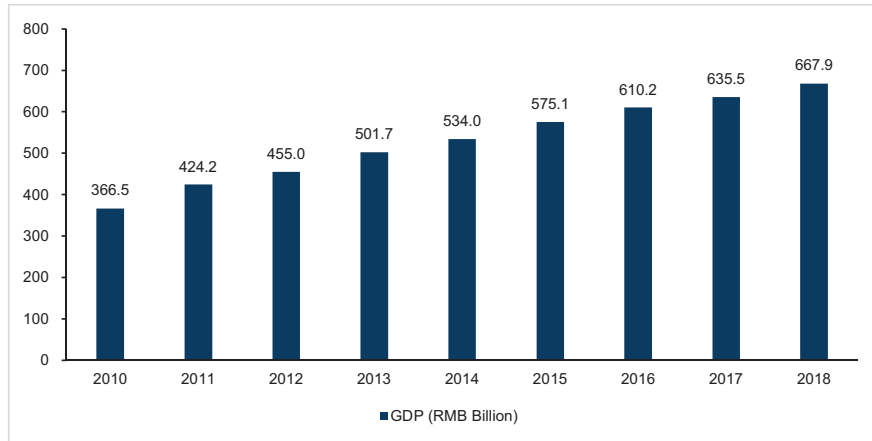
#### Gross Domestic Product (GDP)

As a central city in Northeast China, Harbin has experienced rapid growth in social and economic development. The city is projected to continue to strengthen its economy and is on track to a modernized metropolis city. During the period from 2010 to 2018, the GDP of Harbin grew from RMB 366.5 billion to RMB 667.9 billion with a CAGR of 7.8%.

Various factors contributed to the increase of Harbin's GDP. They include promoting the development of new industries such as Biopharmaceutical Industry, Energy Conservation and Environmental Protection Industry and High-end Equipment Manufacturing Industry, the rapid growth of trade with Russia and the enhanced efforts in urban construction.

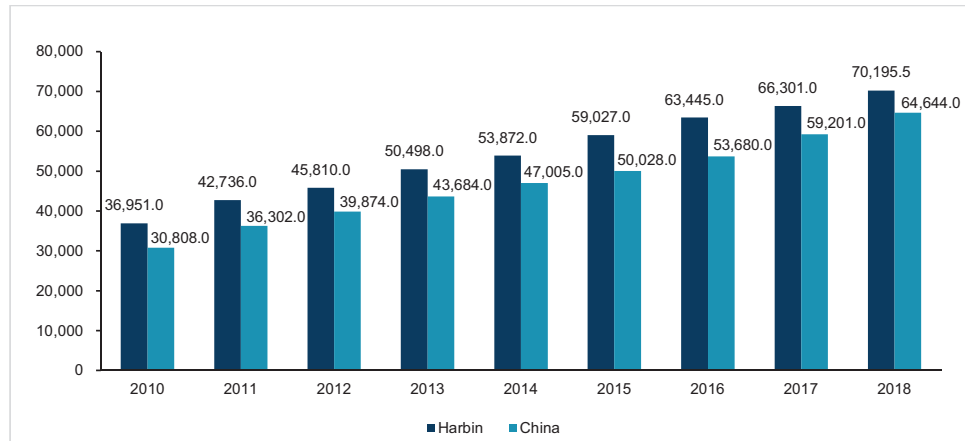
Between 2010 and 2018, the city's GDP per capita has been higher than the national average, with a CAGR of 8.4%. In 2018, the GDP per capita of Harbin reached RMB70,196, which is 1.1 times of the national average of RMB 64,644.

**Figure 2.1 – Harbin’s GDP**



Source: Harbin Statistical Yearbook 2011-2018, Statistical Communique of National Economy and Social Development of Harbin 2018

**Figure 2.2 – Harbin’s GDP per Capita**



Source: Harbin Statistical Yearbook 2011-2018, Statistical Communique of National Economy and Social development of Harbin 2018

In recent years, Harbin has issued local policies to promote economic development.

- Harbin continues to optimize industrial structure by promoting the development of major industries such as finance, logistics, science and technology, and information services.

- Harbin is vigorously focusing on industrial expansion and upgrade, as well as constantly developing new manufacturing industries, such as automobiles, robots, etc.
- Through trading with Russia, Harbin is comprehensively promoting the service industries in nine major fields, including tourism, transportation, medical services, financial services, etc.

According to the Three-year Development Plan of "the Belt and Road" (2019-2021), Harbin will strengthen the construction of "China-Mongolia-Russia Economic Corridor" and devote itself to keep the city's import and export growth rate higher than that of the whole province.

According to the "Harbin Triennial Plan of Action for Promoting Modern Logistics Innovation and Development of Cities (2016-2018)", Harbin will be built as a logistics hub base for Russia.

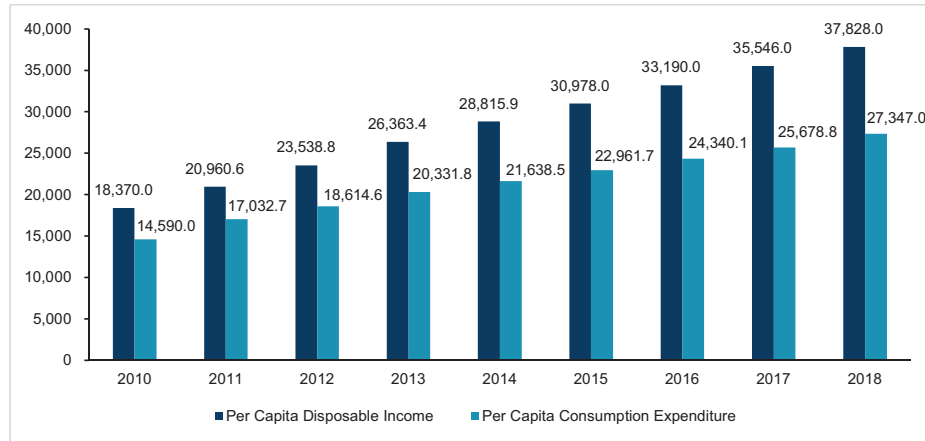
Based on the statistics issued by Harbin Customs, the cargo volume in 2018 of Harbin Taiping International Airport to Russia is nearly 2,000 tons, and the package volume exceeds 100,000 pieces. Total import and export value of Heilongjiang Province to Russia reached 12.26 billion yuan in 2018, up 64.7% year-on-year.

#### **Income and Expenditure**

Closely mirroring the growth in GDP, both disposable income and consumer expenditure in Harbin increased steadily since 2010. Specifically, the per capita disposable income reached RMB 37,828 in 2018, representing a CAGR of 9.4%. The consumer expenditure has also made remarkable progress. Per capita consumption expenditure of urban residents has increased from RMB 14,590 in 2010 to RMB 27,347 in 2018, with a CAGR of 8.2%. With increasing income levels, Harbin's residents are expected to possess higher purchasing power and interest in international brands.



**Figure 2.3 - Income and Expenditure of Urban Households**



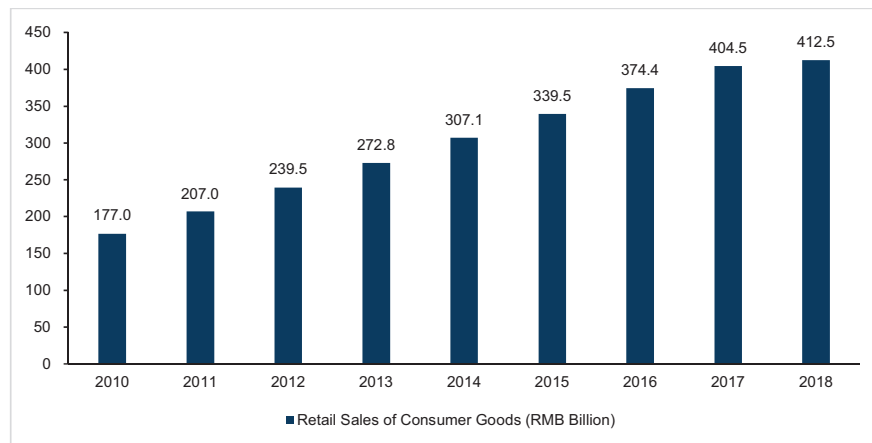
Source: Harbin Statistical Yearbook 2011-2018, Statistical Communique of National Economy and Social Development of Harbin 2018

## 2.2 Harbin Retail Property Market

### 2.2.1 Retail Market Overview

Since 2010, the total retail sales of consumer goods in Harbin has grown rapidly, more than doubled from RMB177 billion in 2010 to RMB413 billion in 2018, which represents a strong CAGR of 11.2%.

**Figure 2.4 - Retail Sales of Harbin**



Source: Harbin Statistical Yearbook 2011-2018, Statistical Communique of National Economy and Social Development of Harbin 2018

### 2.2.2. Supply of Malls

As shown in Figure 2.5, Harbin has 6 key retail hubs (3 traditional retail hubs and 3 emerging retail hubs) with a concentration of retail stores.

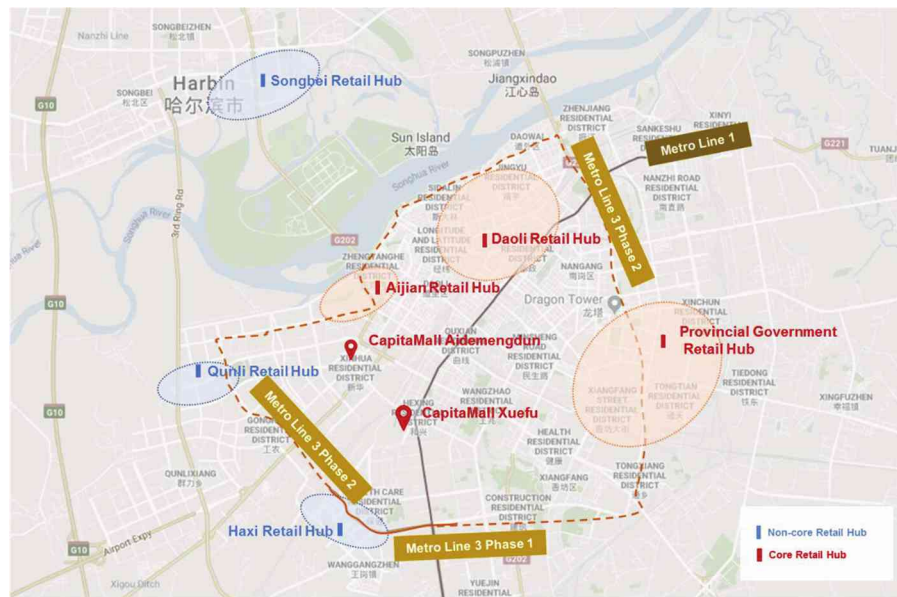
Harbin's traditional retail hubs, including Daoli, Aijian, and Provincial Government are concentrated in the downtown area. The retail markets in these regions are mature, with relatively intense competition.

Daoli Retail Hub is the earliest and most prosperous retail hub in Harbin, which integrates leisure, entertainment, shopping, and sightseeing functions. The highlights of Daoli Retail Hub include Central Avenue (currently the largest and longest pedestrian street in Asia), Gogol Street and Parkson Shopping Center, targeting both local residents and tourists.

Aijian Retail Hub has a high-income profile. Zhuozhan Shopping Center, the only high-end shopping mall in Harbin with luxury brands such as LVMH, Chanel and Prada, is located in this area. The target customers are mainly the high-income groups in Harbin.

Provincial Government Retail Hub is a mature retail hub with representative projects such as Xiangfang Wanda Plaza and Hongbo Shopping Center. The target customers are the mid-upper residential communities, white-collar workers, as well as government employees.

**Figure 2.5 - Retail Hubs in Harbin**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

The southward and northward extension of the city of Harbin has accelerated the emergence of retail hubs outside the city center area. Notably, these new retail hubs include Haxi, Qunli, and Songbei.

- Qunli Retail Hub is an emerging retail hub and is positioned as a central business district integrating financial service, commerce, culture, entertainment and hotels. This is the area where the high-end income earners shop in. The representative projects are Wangfujing Shopping Center and Yuanda Shopping Center, targeting local residents in the area.
- Haxi Retail Hub is near Harbin West Railway Station, surrounded by office clusters and residential developments. The retail format is characterized by leisure and experience consumption. At present, the representative projects are Haxi Wanda Plaza and Xicheng Hongchang Shopping Centre, targeting at local residents and white-collar workers in the area.

- Songbei Retail Hub has developed with the northward expansion of the city. The representative project is Wanda Plaza. The opening of MIXC ONE will enhance the profile of this retail hub. The target customers are the local residents.

CapitaMall Aidemengdun is located near Qunli Retail Hub, which is about 1.5 km away. While CapitaMall Xuefu is located close to Haxi Retail Hub, which is about 2.5 km away.

**Table 2.2 - Retail Hubs**

Retail Hub	Characteristics	Main Projects
Daoli	<ul style="list-style-type: none"> <li>◇ Core commercial district</li> <li>◇ Mature development</li> <li>◇ Middle and high-end customers</li> <li>◇ Integrating shopping, leisure, tourism, culture, and transportation</li> </ul>	<ul style="list-style-type: none"> <li>◇ Central Avenue</li> <li>◇ Gogol Street</li> <li>◇ Parkson Shopping Center</li> </ul>
Aijian	<ul style="list-style-type: none"> <li>◇ Core commercial district</li> <li>◇ Mature development</li> <li>◇ High-end customers</li> </ul>	<ul style="list-style-type: none"> <li>◇ Zhuozhan Shopping Center Phase I and Phase II</li> </ul>
Provincial Government	<ul style="list-style-type: none"> <li>◇ Core commercial district</li> <li>◇ Mature retail hub</li> <li>◇ Focus on shopping Malls</li> </ul>	<ul style="list-style-type: none"> <li>◇ Hongbo Shopping Center</li> <li>◇ Xiangfang Wanda Plaza</li> </ul>
Qunli	<ul style="list-style-type: none"> <li>◇ Emerging retail hub</li> <li>◇ High consumer consumption ability</li> <li>◇ Focus on shopping malls and characteristic commercial streets</li> </ul>	<ul style="list-style-type: none"> <li>◇ Yuanda Shopping Center</li> <li>◇ Wangfujing Shopping Center</li> <li>◇ Guandong Ancient Lane</li> </ul>
Haxi	<ul style="list-style-type: none"> <li>◇ Emerging retail hub</li> <li>◇ Convenient transportation</li> <li>◇ Focus on experiential consumption</li> </ul>	<ul style="list-style-type: none"> <li>◇ Haxi Wanda Plaza</li> <li>◇ Xicheng Hongchang Shopping Center</li> </ul>
Songbei	<ul style="list-style-type: none"> <li>◇ Emerging retail hub</li> <li>◇ A new urban area on the north bank of Songhua River</li> </ul>	<ul style="list-style-type: none"> <li>◇ Songbei Wanda Plaza</li> </ul>

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

By the end of 2018, the total commercial stock in Harbin reached 3.96 million sq m. About 1.6 million sq m of supply was added to total supply between 2015-2018, which was attributed to the large-scale shopping malls such as Hongbo Central Park, Xicheng Hongchang, Wangfujing Shopping Center.

**Table 2.3 - Future Supply**

Future Retail Space Supply	District	Estimated GFA (Sq m)	Year of Completion
China Resources MIXC ONE (华润万象汇)	Songbei	150,000	2019
Life Shopping Park (生活汇·购物公园)	Daowai	64,000	2019
Intime City (银泰城)	Daoli	106,000	2020
Huahong Shopping Center (华鸿国际购物中心)	Nangang	120,000	2020
Kaishengyuan Square (凯盛源广场)	Nangang	311,000	2020
<b>Total</b>		<b>751,000</b>	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Figure 2.6 - Future Supply in Harbin**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

MIXC ONE is a construction-in-progress development located in Songbei Retail Hub. The retail GFA of the project is estimated to be around 150,000 sq m. Its plan is to create a shopping center for families with many well-known brands, such as Dyson, CK JEANS, UGG, Sisyphus Bookstore, etc. This project is due for completion in 2019 and is expected to position itself in the middle to high-end range.

Life Shopping Park is located in the Daowai District. The retail GFA of the project is estimated to be around 64,000 sq m. Its positioning is in the middle-end and will be anchored by Korea Lotte Studio and Yonghui Supermarket. The project will be completed in 2019.

Intime City is located in the Qunli Retail Hub of the Daoli District. The GFA of the project is estimated to be around 106,000 sq m. Due to the high-income profile of the surrounding area, the mall is expected to position itself in the middle to high-end range. It will be anchored by Bona International Studio, MELAND, and other well-known brands. This project is due for completion in 2020.

Huahong Shopping Center is located in the Provincial Government Retail Hub of the Nangang District. The GFA of the project is to be around 120,000 sq m. It is positioned to target middle-income customers and is due for completion in 2020.

Kaishengyuan Square is a large-scale retail mall in Haxi Retail Hub, located in the South Square of Harbin West Station and directly connected to the Harbin West Station of Metro Line 3. Its GFA is estimated to be around 311,000 sq m. This project is positioned to target middle-income customers and is due for completion in 2020.

In the next two years, two new projects Intime City and Kaishengyuan Square, located within 5 km away from CapitaMall Aidemengdun and CapitaMall Xuefu will be completed in 2020. It will bring about 461,000 sq m of new retail spaces to the local market. These new supplies will help to improve the commercial environment with more comprehensive retail choices but also increase the competition.

### 2.2.3 Demand for Malls

The demand for retail services in Harbin is largely driven by the growth of urbanization and the increasing income of residents. In addition to daily necessities, there is an increasing demand for consumer services such as leisure, entertainment, F&B as well as kid-related services. In recent years, the popular mode of retail services in Harbin has switched from department stores to shopping malls. Plenty of shopping malls started to provide wide selections of goods and services, as well as a more comfortable shopping environment in order to extend the length of consumers' stay and encourage spending. Furthermore, shopping malls are strengthening the emphasis on experiential consumption.

The commercial sector in Harbin is currently in rapid development. The major shopping mall developers/retailers currently in Harbin are summarized below.

**Table 2.4 - Major Shopping Mall Developers & Major Retailers**

Developer/Retailer	Description	Project name	District	Opening Year
Wanda Group	It is one of the largest commercial real estate developers in China. The Wanda Group operates over hundreds of projects in China.	Wanda Plaza	Xiangfang	2007
		Wanda Plaza	Nangang	2012
		Wanda Plaza	Songbei	2017
Yuanda Group	Yuanda Group is a conglomerate investing in various industries including medical and health, commodity trading, financial services, and real estate. It has developed new commercial projects in five cities across China and has an aggressive expansion plan in second-tier cities, such as Chengdu, Shenyang, Taiyuan, Changchun, Guiyang.	Yuanda shopping center (Gogol Store)	Daoli	1999
		Yuanda shopping center (Qunli Store)	Daoli	2014
CapitaLand	Based in Singapore, it is one of the largest commercial real estate developers, owners and managers with a portfolio of business in more than 30 countries around the world	CapitaMall Aidemengdun	Daoli	2010
		CapitaMall Xuefu	Nangang	2012
Hongbo	A local developer in Harbin. By the end of 2018, it has four stores with a total GFA of around 818,000 sq m	Hongbo Square	Nangang	1997
		Hongbo Exhibition Shopping Mall	Nangang	2003
		Hongbo Central Park	Nangang	2015
		Xicheng Hongchang	Nangang	2017

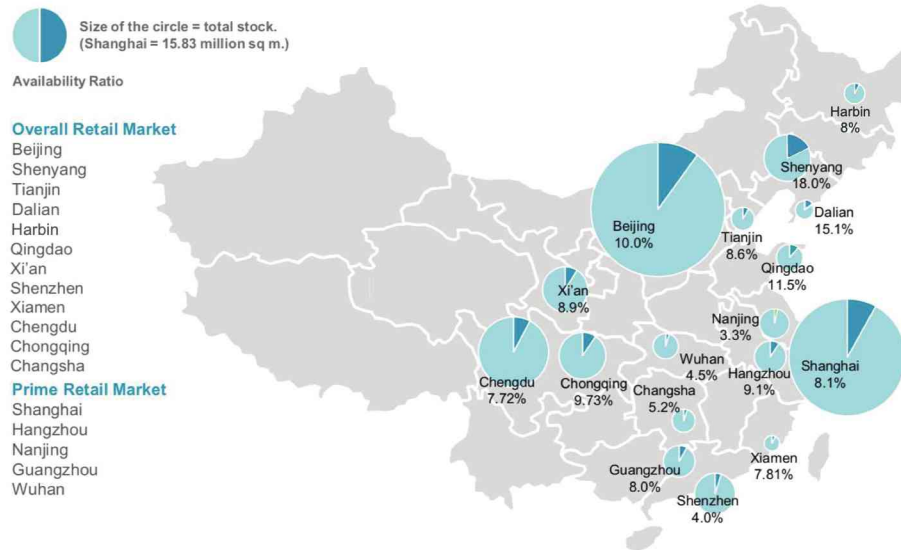
Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### 2.2.4 Vacancy Rate

The prosperous consumer market in Harbin leads to a lower vacancy rate. Since 2014, the vacancy rate has declined gradually. As shown in Figure 2.7, Harbin had a relatively low stock and availability ratio. Harbin's vacancy rate is lower compared to its peer cities in Northeast China, Shenyang and Dalian.

With increasing market demand for retail services, the overall vacancy rates of the city's shopping malls have declined gradually. Wangfujing Shopping Center was fully leased when it was opened in 2017. At the end of 2018, the vacancy rates of quality retail properties in Harbin was 8.0%.

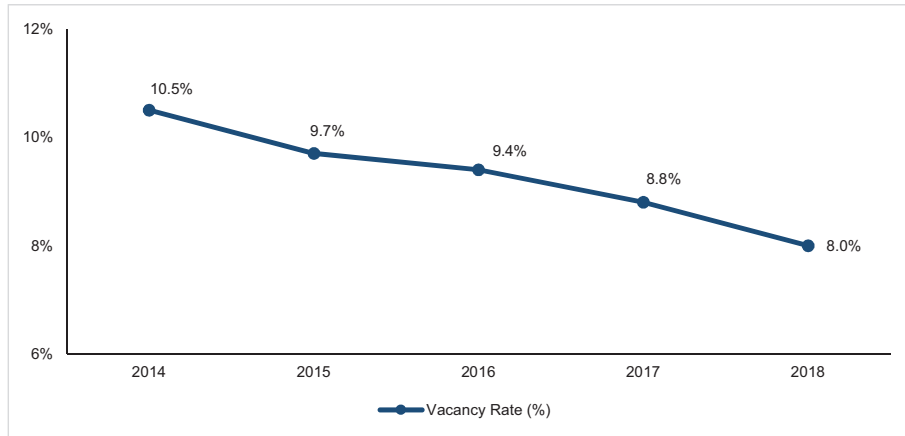
**Figure 2.7 –Retail Stock and Vacancy Rate (2018 Q4)**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)



**Figure 2.8 – Vacancy Rate of Harbin Retail Market**



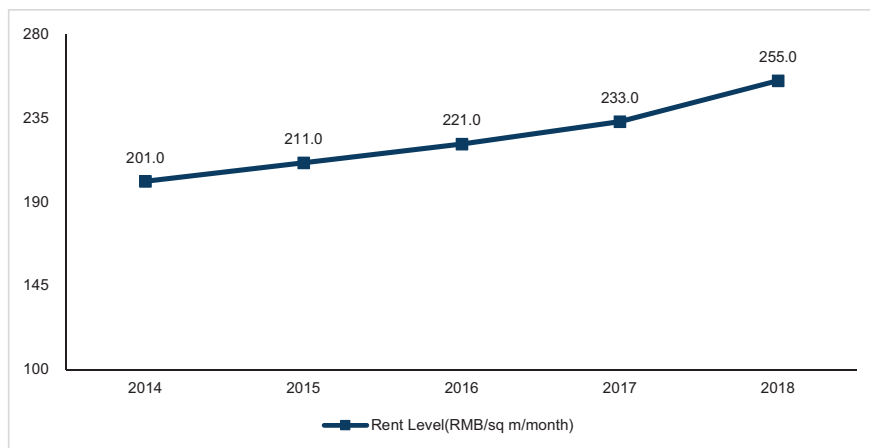
Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

## 2.2.5 Rent and Yield

### Rent Level

Due to the brand adjustments and upgrading of retail projects in the city center, by the end of 2018, the average rent in the retail market of Harbin increased to RMB255/sq m/month with 9.6% year-on-year growth rate.

**Figure 2.9 – Rent Level of Harbin Retail Market**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)  
Note: Retail Rent (RMB/sq m/mo) is based on the ground floor in prime locations major shopping centers (between 2014-2018), excluding management fee, promotional fee and other fee

Harbin's core commercial districts have higher rental performance due to its prime location, stronger commercial atmosphere, while newly-established retail hubs display relatively lower rent.

CapitaMall Aidemengdun is 1.5 kilometers away from Qunli Retail Hub. The rent of Qunli Retail Hub is RMB 105-225/sq m/month.

CapitaMall Xuefu is located in the Nangang District, about 2.5 kilometers away from the Haxi Retail Hub. The rent of Haxi Retail Hub is RMB210-300/sq m/month.

**Table 2.5 – Rental in Retail Hub**

Retail Hub	Rent (RMB/sqm/month)
Daoli	300-600
Aijian	180-480
Provincial Government	120-330
Qunli	105-225
Haxi	210-300
Songbei	111-225

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

Note: Retail Rent (RMB/sqm/mo) are based on the ground floor in prime locations major shopping centers (between 2014-2018), excluding management fee, promotional fee, and other fee

## Yield

Real estate investment is driven by returns or yields (especially institutional investors). In the past few years, due to the stable rental growth and the increasing interest in quality assets from investors, the yield in the retail sector has observed a downwards trend.

We have provided six en-bloc transactions for yield analysis. The average gross market yields in Harbin range from 7.00%-8.00%. This can be translated to net market yields between 5.25%-6.00%, after applying the NOI ratio of around 75%. Details are as follows.

**Table 2.6– Yield of Selected Comparable in Harbin**

Comparable	1	2	3	4	5	6
<b>District</b>	Xiangfang	Daoli	Daoli	Nangang	Nangang	Xiangfang
<b>Address</b>	Xiangfang St./Situ St.	Tongshun St./Edmonton Rd.	Zhengan St.	Xuanqing St./Ma Duan St.	Winter Olympic Village	10 Minsheng Rd.
<b>Usage</b>	Retail	Retail	Retail	Retail	Retail	Retail
<b>Level</b>	L1-L2	L1-L2	L1-L2	L1	L1	L1
<b>Transaction Date</b>	2019	2019	2019	2019	2019	2019
<b>GFA (sqm)</b>	221	320	362	140	150	187
<b>Unit Selling Price (RMB/sqm)</b>	18,914	11,875	14,314	29,617	20,583	22,759
<b>Unit Rent (RMB/sqm/month)</b>	126	75	96	177	117	126
<b>Gross Yield</b>	8.04%	7.58%	8.11%	7.24%	7.00%	6.77%
<b>Net Yield</b>	6.03%	5.69%	6.08%	5.43%	5.25%	5.25%

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

## 2.2.6 Outlook

According to the 13<sup>th</sup> Five-Year Plan, Harbin will continue to optimize its industrial structure, build a critical commercial center in Northeast Asia and develop into an international tourism and cultural city. With the city's economy strengthening and per capita disposable income increasing, the stronger demand for consumer goods and services will further promote Harbin's fast-growing commercial industries.

The Phase II of Metro Line 3 is expected to be completed in 2019. The improvement of urban infrastructure will bring more convenience to the development of retail properties. In terms of retail formats, the presence of pop-up shops and internet celebrity shops will add more popularity to Harbin's retail properties. At the same time, the new formats of children and F&B brands will inject new vitality into the retail market.

According to Harbin's latest commercial development plan, there is an increasing focus on improving commercial system and facilities. This will bring a better shopping experience and a more comprehensive shopping environment to the consumers.

In the next two years, the total new supply of about 751,000 sq m retail spaces is expected to enter the market, which will bring more one-stop shopping destinations to local residents. Within 5-kilometer catchment area, Intime City and Kaishengyuan Square with a total GFA of about 461,000 sq m are the potential competitors to CapitaMall Aidemengdun and CapitaMall Xuefu. In order to stay competitive, Capitaland needs to strengthen business operation and constantly adjust tenant mix to enhance the attractiveness to customers.

## 2.3 CapitaMall, Aidemengdun

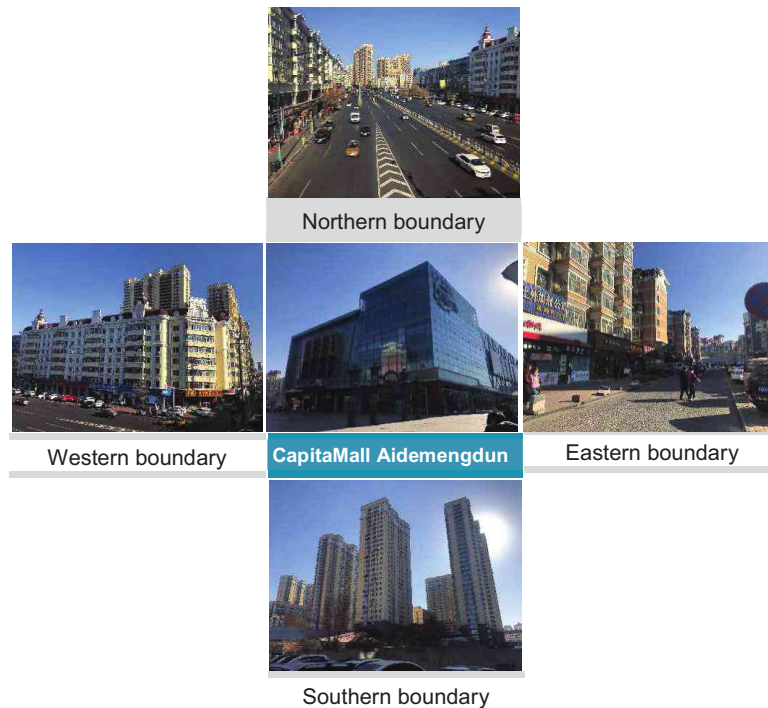
### 2.3.1. Location and its Surroundings

#### Location

CapitaMall Aidemengdun is located at the southeast side of Aidemengdun Road and the northeast of Xiangzheng Street, within the core urban area of Harbin. It is near Kang'an Road, which is the arterial roads connecting north-south in Harbin. In addition, the area comprises several mature residential communities, which has already formed an established consumer base.

CapitaMall Aidemengdun has its eastern boundary abutting onto the Nanfang Huayuan Community (南方花园小区), its southern boundary abutting onto the Tianhe Junjing Community (天河俊景小区), its western boundary abutting onto a residential district and northern boundary abutting onto the Aidemengdun Road (埃德蒙顿路).

The site appears to be generally level in contour.



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### Transportation

CapitaMall Aidemengdun is located along Aidemengdun Road, which can be easily accessed by car and buses. There are two bus stops next to the project, namely the Kang'an Road Station and the Station of Modern Orthopedic Hospital. Moreover, the Station of the Tenth People's Hospital is only 5-minute walking distance from the project. The mall can be conveniently accessed by more than eight bus lines. In addition, it is approximately 1.5 km away from the Xuefu Road station and the Hexing Road station of Metro Line 1.

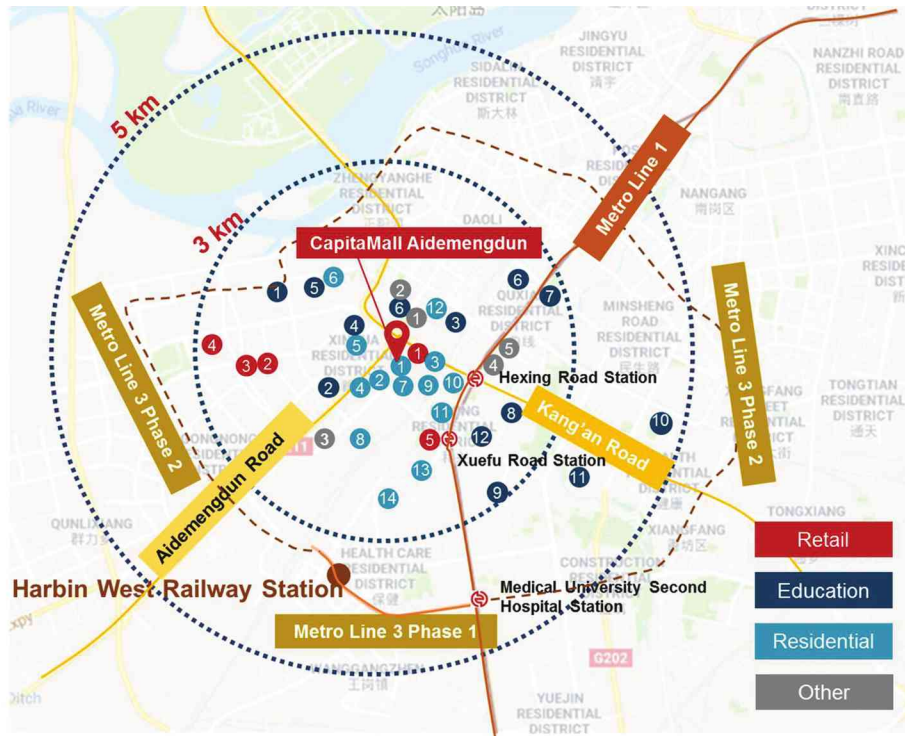
### Surroundings and Facilities

CapitaMall Aidemengdun is surrounded by plenty of mature residential communities, which ensures a stable customer flow. Most of the surrounding residential developments such as Evergrande Yufu and Europe New Town are positioned for mid-to-high income families.

Educational institutions in the vicinity include Harbin No.14 Middle School, Harbin University of Commerce, Harbin Vocational and Technical College. This region contains several retail developments including Dafa Shopping Center and Wangfujing Shopping Center. In addition, financial facilities, such as ICBC, CCB, and PSBC, are available in the area.

There are also some facilities and amenities nearby. For example, Harbin Chinese Medicine Hospital and Harbin Daoli District People's Hospital are about 1.0 km away. In addition, Harbin West Railway Station is about 3 km away. CapitaMall Aidemengdun has advantages in accessibility, facilities, and amenities, as well as customer flow.

Figure 2.10 – Surroundings and Facilities of CapitaMall Aidemengdun



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 2.7– Surroundings and Facilities of CapitaMall Aidemengdun**

No.	Residential	No.	Education
1	Nangfang Garden	1	Anyang Primary School
2	Hengxing Garden	2	Xinhua Primary School
3	Hengxiangcheng	3	Harbin University of Commerce
4	Xiangtai Home	4	Harbin No. 36 Middle School
5	Yujintai	5	Harbin No. 15 Middle School
6	Sea Fukang City	6	Harbin No. 19 Middle School
7	Evergrande Yufu	7	Harbin Institute of Technology
8	Evergrande Yuefu	8	Harbin Normal University
9	Kang'an Garden	9	Harbin University of Science and Technology
10	Hengxiang Metropolis	10	Harbin University of Traditional Chinese Medicine
11	Hongjingxing Yuan	11	Northeast Forestry University
12	Europe New Town	12	Harbin Normal University Affiliated High School
13	Poly Tsinghua Cheek Garden	13	Heilongjiang University
14	Poly Yihe Homeland	14	Harbin Medical University
No.	Retail	No.	Others
1	Dafa Shopping Center	1	Harbin Armed Police Hospital
2	Wangfujing Shopping Center	2	Harbin Chinese Medicine Hospital
3	Guandong Ancient Lane	3	Harbin Daoli District People's Hospital
4	Yuanda Shopping Center	4	Feilong Commercial Mansion
5	CapitaMall Xuefu	5	Xinhua Mansion

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### 2.3.2. Property Description & Tenant Mix

#### Property Description

CapitaMall Aidemengdun has a site area of approximately 23,217.10 sqm and was completed in 2010. It is a 4-storey retail building erected on a single-storey basement, with a total gross floor area of approximately 49,039.82 sq m with 281 car parking units.

The overall tenant mix is highly geared towards supermarket, F&B, and fashion, accounting for 24.9%, 22.7% and 18.6% of the total area respectively. The vacancy rate is less than 1%.

#### Level B1

More than half of B1 is occupied by BHG supermarket, with NLA of 7,000 sq m, while the remaining retail spaces are mainly occupied by sports stores.

#### Level 1

1F has a mixed tenancy composition with large anchor stores, which is dominantly occupied by F&B and fashion brands, such as Pizza Hut, Burger King, Starbucks, KFC, and UNIQLO.

#### **Level 2**

2F is dominantly occupied by fashion brands, such as HOTWIND, TEENIE WEENIE and NEWear, accounting for 93.1% of the total floor area of 2F.

#### **Level 3**

3F is largely occupied by education tenants, accounting for about 40% of the NLA. Other retail spaces on the 3F are occupied by F&B and fashion brands.

#### **Level 4**

The cinema as the anchor store is located on the fourth floor with an NLA of about 1,700 sq m. The remaining spaces of 4F are occupied by F&B tenants.

### **2.3.3. Target Market and Retail Hubs**

Positioned as a community mall, CapitaMall Aidemengdun has a very clear targeted customer group, which is the local residents nearby.

The surrounding residents are key drivers of demand for retail services. F&B and household (inclusive of children and educational related) services form the bulk of retail demands. CapitaMall Aidemengdun, as a quality community shopping center in the region, is able to satisfy a variety of retail and experiential needs of middle-end shoppers in its catchment area. In addition, with a strong focus on experiential sectors such as children education, leisure, and entertainment, CapitaMall Aidemengdun is well-positioned to meet the increasing demands of consumers in the region.

### **2.3.4. Population**

CapitaMall Aidemengdun is located on the Aidemengdun Road in the Daoli District. There are approximately 400,000 residents within the 3-kilometer primary catchment area. The catchment area comprises of many mature residential communities with high occupancy rates. Among them, residents aged 25-60 years old account for about 60%.



### 2.3.5. Overall Trend of Rents and Occupancy Rates

Quality shopping centers in Harbin are projected to experience continuous growth in rentals, even though new large shopping malls have entered the market during the past three years.

Because of the steady growth of the economy and operation conditions of retail properties, the rental growth of the project is forecasted to grow steadily at a rate of 3.0%. This is largely due to the scarcity of quality shopping malls in the area, as well as the residents' strong demand for retail services.

The current occupancy rate of CapitaMall Aidemengdun is 99%, which indicates a good operational status. Considering the high occupancy rate of similar local retail developments and the strong operational capability of CapitaLand, we expect the occupancy rate of CapitaMall Aidemengdun to experience slight fluctuations but will still remain healthy.

### 2.3.6. Competition Analysis

CapitaMall Aidemengdun is positioned as a community shopping center. Located in a mid-to-high-end neighbourhood, CapitaMall Aidemengdun is easily accessible. To offer relevant insights, we chose four competitors in terms of the GFA, location, target market, population catchment, developer and other operation conditions.

Haxi Wanda Plaza is opened in 2012 with a total GFA of around 210,000 sq m. As a one-stop shopping mall in Haxi, surrounded by growing office buildings and residential developments, its target customers are aimed at the young groups and residents nearby. Popular brands include Wanda IMAX, Superstar KTV, Gome Electronics, etc. In addition, it is directly connected to Kaishengyuan Square station (Metro Line 3).

Xicheng Hongchang, which has a similar location and positioning as Haxi Wanda Plaza, is highly competitive. It is opened in 2017 with a total GFA of about 200,000 sq m. Its entertainment tenants, such as Aimei international studio and Xuancai skating rink, appeals to residents in the south of Nangang District. The project is about 400 meters away from Kaishengyuan Square station of the Metro Line 3.

Wangfujing Shopping Center, as the largest one-stop shopping mall in Qunli Retail Hub, was opened in 2017 with a total GFA about 200,000 sq m. About 2 kilometers away from CapitaMall Aidemengdun, it is a strong competitor. The mall has 70 tenant brands entering Harbin for the first time.

Yuanda Shopping Center (Qunli Store) is about 500 meters away from Wangfujing Shopping Center. It is dominated by retail shops. Therefore, it is not as competitive.

For more information, please refer to pages 35-38.

**Comparable Properties**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 2.8 – List of Comparable Properties**

NO.	Comparable Properties
1	Haxi Wanda Plaza
2	Xicheng Hongchang
3	Wangfujing Shopping Center
4	Yuanda Shopping Center (Qunli Store)

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 1</b>	
<b>Name</b>	Haxi Wanda Plaza (哈西万达广场)
<b>Floors</b>	B1F-3F
<b>Location</b>	No.168 Zhongxing Avenue, Nangang District, Harbin
<b>Developer</b>	Wanda Group (万达集团)
<b>Year of Completion</b>	2012
<b>GFA</b>	210,000 sqm
<b>Type</b>	Shopping Mall
<b>Distance</b>	Approx. 3.5 KM from CapitaMall Aidemengdun
<b>Transportation</b>	Bus: No. 31, No. 64, No.83, No.120, No.366, etc. Metro Line: Kaishengyuan Square station of Line 3
<b>Rent</b>	1F: RMB255-300/sq m/month
<b>Occupancy Rate</b>	99%
<b>Main Tenants</b>	Wanda International Cinema, Wanda Department Store, Big singer KTV, and Video Game City, Gome, RT-Mart
<b>Facilities and Amenities</b>	Banks: PSBC, Industrial Bank, BC, BCM, etc. Educational institutions: Harbin Sixty-Nine Middle School, Jiaqi Primary School, etc. Hospitals: Harbin Medical University Second Hospital, the 211 Hospital of PLA, etc.
<b>Comparability</b>	More tenants than CapitaMall Aidemengdun Similar target consumer groups

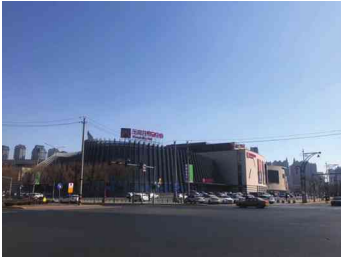


Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 2</b>	
<b>Name</b>	Xicheng Hongchang (西城红场)
<b>Floors</b>	B1F-7F
<b>Location</b>	No. 299, Haxi Street, Nangang District, Harbin
<b>Developer</b>	Harbin Gongda Group (哈尔滨工大集团)
<b>Year of Completion</b>	2017
<b>GFA</b>	200,000 sqm
<b>Type</b>	Shopping Mall
<b>Distance</b>	Approx. 3.0 KM from CapitaMall Aidemengdun
<b>Transportation</b>	Bus: No. 31, No. 64, No.83, No.120, No.366, etc. Metro Line: Kaishengyuan Square station of Line 3
<b>Rent</b>	Turnover rent
<b>Occupancy Rate</b>	98%
<b>Main Tenants</b>	MUJI, Skating rink, Aimei International Studio, etc.
<b>Facilities and Amenities</b>	Banks: PSBC, Industrial Bank, BC, BCM, etc. Educational institutions: Harbin Sixty-Nine Middle School, Jiaqi Primary School, etc. Hospitals: Harbin Medical University Second Hospital, the 211 Hospital of PLA, etc.
<b>Comparability</b>	More tenants than CapitaMall Aidemengdun Similar target consumer groups



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 3</b>		
<b>Name</b>	Wangfujing Shopping Center (王府井购物中心)	
<b>Floors</b>	B2F-4 F	
<b>Location</b>	No. 899 Jingjiang East Road, Daoli District	
<b>Developer</b>	Wangfujing Group (王府井集团)	
<b>Year of Completion</b>	2017	
<b>GFA</b>	200,000 sqm	
<b>Type</b>	Shopping Mall	
<b>Distance</b>	Approx. 2.0 KM from CapitaMall Aidemengdun	
<b>Transportation</b>	Bus: No. 61, No. 63, No. 117, No. 209, etc.	
<b>Rent</b>	1F: RMB90-130/sqm/month	
<b>Occupancy Rate</b>	99%	
<b>Main Tenants</b>	Huayi Brothers Studio, Feiyang skating rink, Fanpekka, Supermarket, ZARA, etc.	
<b>Facilities and Amenities</b>	Banks: CMSB, Citic Bank, CMB, etc. Educational institutions: Harbin No. 47 Middle School, Harbin No. 7 Middle School and Zhao Lin elementary school, etc. Hospitals: First Affiliated Hospital of Harbin Medical University (Qunli Hospital), etc.	
<b>Comparability</b>	Similar target consumer groups More tenants than CapitaMall Aidemengdun	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 4</b>	
<b>Name</b>	Yuanda Shopping Center (Qunli Store) (远大购物中心群力店)
<b>Floors</b>	B1F-6F
<b>Location</b>	NO.1176 Qunli Avenue, Daoli District
<b>Developer</b>	Yuanda Group
<b>Year of Completion</b>	2014
<b>GFA</b>	75,000 sqm
<b>Type</b>	Shopping Mall
<b>Distance</b>	Approx. 2.5 KM from CapitaMall Aidemengdun
<b>Transportation</b>	Bus: No. 61, No. 63, No. 117, No. 209, etc. Metro line 3 (Completed in 2023)
<b>Rent</b>	Turnover rent
<b>Occupancy Rate</b>	99%
<b>Main Tenants</b>	Tanle Children's Playground, Haobaike Supermarket, Starbucks, etc.
<b>Facilities and Amenities</b>	Banks: CMSB, Citic Bank, CMB, etc. Educational institutions: Harbin No. 47 Middle School, Harbin No. 7 Middle School and Zhao Lin elementary school, etc. Hospitals: First Affiliated Hospital of Harbin Medical University (Qunli Hospital), etc.
<b>Comparability</b>	Similar target consumer groups



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### 2.3.7 SWOT Analysis

#### STRENGTHS:

- CapitaMall Aidemengdun is located in the downtown area of Harbin and surrounded by well-developed mature residential properties. This helps increase visitors to the mall.
- Access to the mall is generally good, surrounded by several main roads including Aidemengdun Road, which is a key arterial road. It can also be easily accessed by car and buses, with more than 8 bus lines at the gate or nearby.
- It is well positioned and provide convenient home-based retail services to surrounding residents.
- The anchor tenants of the project, such as BHG supermarket, Uniqlo, KFC, children's theme park, cinemas, etc., can satisfy the needs of surrounding residents.
- It is managed by a reputable operator and can continuously meet the changing needs of surrounding residents through tenant adjustments.

#### WEAKNESSES:

- The GFA of the mall is only 49,039 square meters. Although CapitaLand has a relatively strong operational capability, as a community retail property, the number and categories of tenant brands in CapitaMall Aidemengdun are limited. Compared with the larger shopping malls, it may be less appealing to customers.

#### OPPORTUNITIES:

- There is a growing demand from the residents in the retail hub for retail goods and services such as fashion, F&B, and entertainment.
- The project will adjust its tenant mix every year by introducing new brands and retail formats, which will increase the attractiveness to surrounding residents.

#### THREATS:

- In the future, there are several new shopping malls entering the retail market of Harbin and some outdated retail projects are in the process of upgrading. The newly-launched projects and refurbished retail developments will easily accommodate most popular brands and restaurants as well as the most well-known anchor tenants. As CapitaMall Aidemengdun was built with older facilities, the newer higher-quality retail developments will be potential threats.

### 2.3.8. Outlook

CapitaMall Aidemengdun will certainly benefit from future growth in the retail market of Harbin. With the economic development and the increase in per capita disposable income, the demand from the surrounding residents for retail goods and services such as fashion, F&B, and entertainment are stronger. We expect that the rental growth will be steady, and the occupancy rate of the project will continue to maintain at a healthy level.

Looking forward, in order to cope with future competition, it will be necessary for CapitaMall Aidemengdun to make some improvements to the decoration, interior design, and tenant mix in order to make it more attractive and stay competitive.



## 2.4 CapitaMall, Xuefu

### 2.4.1. Location and its surroundings

#### Location

CapitaMall Xuefu is located at the south side of Xuefu Road, which is an arterial road connecting north-south in Harbin. In addition, the area comprises several mature residential communities and a campus cluster with many famous universities (such as Harbin Institute of Technology). There is substantial demand for goods and services, largely driven by the local residents and student groups.

CapitaMall Xuefu is located at the south side of Xuefu Road and the north side of Zixing Street, Nangang District, Harbin. CapitaMall Xuefu has its eastern boundary abutting onto Xuefu Road (学府路), its southern boundary abutting onto Fushun Shangdu community (福顺尚都), its western boundary abutting onto Zixing Street (自兴街) and northern boundary abutting onto Zixing community (自兴小区).

The site appears to be generally level in contour.



Northern boundary



Western boundary



CapitaMall Xuefu



Eastern boundary



Southern boundary

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### **Transportation**

CapitaMall Xuefu is located on Xuefu Road and has good accessibility to the local metro system. It is directly connected to Metro Line 1 (Xuefu Road Station) and can be transferred to Metro Line 3 at the Medical University Second Hospital Station. In addition, it can be easily accessed by car and buses via main roads in the vicinity. There are two bus stops next to the project, namely the Harbin Normal University Station and the Yanxing Road Station. The mall can be conveniently accessed by more than nine bus lines.

### **Surroundings and Facilities**

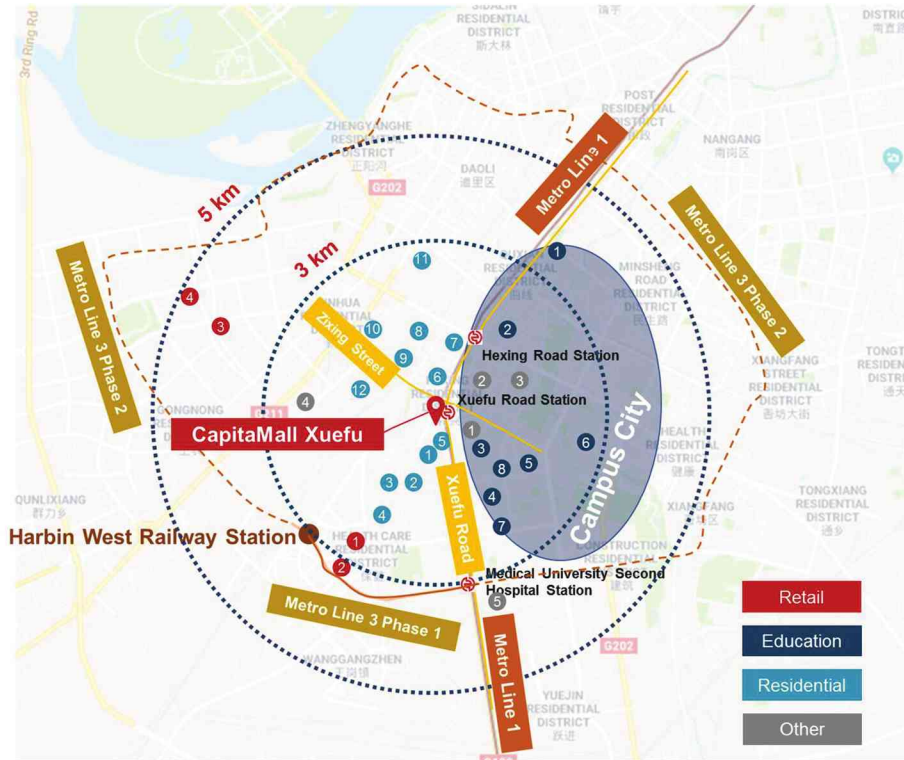
CapitaMall Xuefu is located in the city center of Harbin. The area has many mature residential communities with high density, such as Evergrande Yuefu, Poly Tsinghua Cheek Garden, and Poly Yihe Homeland, etc. The average housing price of this area exceeds the average level of Harbin. In addition, financial facilities, such as ICBC, CCB, and PSBC, are available in the region.

Also, the area includes several commercial projects, such as Haxi Wanda Plaza, Xicheng Hongchang Shopping Center, Harbin Clothing City and so on.

Many educational institutions are located in the vicinity, including Harbin Institute of Technology(HIT), Harbin University of Science and Technology, Harbin University of Traditional Chinese Medicine, Harbin University of Science and Technology, Heilongjiang University, as well as other language and arts training institutions. Based on the huge student population, there will be a strong demand for F&B and entertainment.

In addition, Harbin West Railway Station is about 3 km away. CapitaMall Xuefu has great advantages in accessibility, facilities, and amenities, as well as customer flow.

Figure 2.11 – Surroundings and Facilities of CapitaMall Xuefu



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 2.9 – Surroundings and Facilities of CapitaMall Xuefu**

No.	Residential	No.	Education
1	Poly Tsinghua Cheek Garden	1	Harbin Institute of Technology(HIT)
2	Poly Yihe Homeland	2	Harbin Normal University
3	Jinyulancheng	3	Harbin University of Science and Technology
4	Aidazunyu	4	Heilongjiang University
5	Fushunshangdu	5	Harbin Medical University
6	Hongjingxing Yuan	6	Northeast Forestry University
7	Hengxiang Metropolis	7	Harbin University of Traditional Chinese Medicine
8	Hengxiangcheng	8	The High School Affiliated to Harbin Normal University
9	Tianhejunjing	9	Harbin No. 163 Middle School
10	Evergrande Yufu	10	Harbin Jianwen Primary School
11	Europe New Town	11	Harbin No. 47 Middle School
12	Evergrande Yuefu	12	Harbin No. 32 Middle School
No.	Retail	No.	Others
1	Xicheng Hongchang	1	Langwei Mansion
2	Haxi Wanda Plaza	2	Zhenxing Mansion
3	Wangfujing Shopping Center	3	Feilong Commercial Mansion
4	Yuanda Shopping Center	4	Harbin Daoli District People's Hospital
5	CapitaMall Aidemengdun	5	The Second Affiliated Hospital of Harbin Medical University

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

## 2.4.2. Property Description & Tenant Mix

### Property Description

CapitaMall Xuefu is developed as a retail complex comprising 5-storey retail above ground, 1-storey retail underground, and 1-storey basement car parking. The total gross floor area is 123,810.50 sq m, erected on a site with an overall site area of approximately 32,254.60 sq m., with 440 car parking units provided in the basement. It was completed in 2012.

### Tenant Mix

The overall tenant mix is highly geared towards F&B and some new fashion, which attract the youths. The fashion tenants account for 31.8% of the NLA, whilst F&B accounts for 24.2%, including both domestic and international brands. The vacancy rate is less than 1%.

The entertainment portion includes a CGV cinema complex with 6 traditional screens plus the 4DX and SCREENX theatres on 5F.

### **Level B1**

B1 is largely occupied by BHG supermarket with a NLA of almost 9,000 sqm, whilst the remaining area is mainly occupied by an F&B street, including a variety of fast food and snack stores.

### **Level 1-2**

1-2F are dominated by fashion tenants, accounting for 60.5% and 86.8% of the total area on each floor. A major part of 1F is occupied by H&M with about 1,850 sqm area. 1F is dominantly foreign brands, while 2F focusing on domestic ones.

### **Level 3**

3F is focused on children-related brands. The middle part of 3F is occupied by a video game center with about 1,000 sqm area, which is the largest anchor tenant on the 3F. The remaining area is occupied by kids' entertainment, education, and retail shops.

### **Level 4**

The largest store located in 4F is a buffet barbecue restaurant with an NLA of about 1,300 sqm. The lettable area of F&B and fashion on the 4<sup>th</sup> floor account for 44.8% and 37.7% respectively.

### **Level 5**

The CGV cinema located on the 5F, one of the core anchor tenants of the project, has an NLA of about 4,300 sqm. The cinema provides customers with 6 traditional screens, one 4DX theatre, and one SCREENX theatre. The remaining area is occupied by F&B, accounting for 44.3% of the lettable spaces on the 5th floor. The atrium consists of an Amazon-style garden to enhance consumers' experience.

## **2.4.3. Target Market and Retail Hubs**

CapitaMall Xuefu is positioned as a regional shopping mall, targeted at serving the needs of the local residents. As it is located near a cluster of tertiary education institutions, including Harbin Institute of Technology(HIT), Harbin University of Science and Technology and other famous universities, the young students in this cluster also form an important target market for CapitaMall Xuefu.

Geared towards the middle to the high-end market, CapitaMall Xuefu offers a retail mall experience encompassing a wide array of basic as well as high-end goods and services including shopping, F&B, and entertainment options. With young fashion retail pattern, reasonable interior design and excellent property management, the project has become a retail landmark in Harbin, which constantly attracts the youth group and family-oriented groups in

Harbin. As B1 has direct access to Xuefu Road Station of Metro Line 1 which can also be transferred to Metro Line 3 via the Medical University Second Hospital Station, it can bring good traffic to the project.

Residents have greater demands for diversified retail services and the youth groups, including college students, are more inclined to fashion, literature and other experiential formats, which the project is capable of offering.

#### **2.4.4. Population**

As a shopping landmark in Harbin, CapitaMall Xuefu has a strong appeal to customers in the city. There are approximately 750,000 residents within the 3-kilometer primary catchment. The catchment area comprises many mature residential communities with high occupancy rates and well-known universities. Among them, young consumers aged 20-25 years old account for about 40%, and family consumers aged 30-60 years old account for about 30%, which creates strong demand for retail consumption and services such as fashion, F&B, children education, and entertainment.

#### **2.4.5. Overall Trend of Rents and Occupancy Rates**

The major retail hubs and quality shopping centers in Harbin are projected to experience continuing growth in rent, despite the increase of new large shopping malls in the past three years.

Because of the steady growth of the economy and operational conditions of retail properties, the rental growth of the project is forecasted to grow steadily at a rate of 3.0-5.0% in the coming 10 years.

The current occupancy rate of the CapitaMall Xuefu is 99%, which indicates a good operational status. Considering the high occupancy rate of similar retail developments and the strong operational capability of CapitaLand, we expect the occupancy rate of CapitaMall Xuefu to experience slight fluctuations and still remain healthy.

#### **2.4.6. Competition Analysis**

CapitaMall Xuefu is positioned as a mid-to-high-end shopping mall. Located in a mid-to-high-end residential neighborhood, CapitaMall Xuefu can be easily accessed via key arterial roads and convenient metro line system. To offer relevant insights, we chose four competitors in terms of GFA, location, target market, population catchment, developer and other operational conditions.

Wanda Plaza (Haxi Store) was opened in 2012 with a total GFA of around 210,000 sq m. As a one-stop shopping mall in Haxi, surrounded by growing office buildings and residential developments, its target customers are the youth group and local residents. Anchor tenants

consist of popular brands such as Wanda IMAX, Superstar KTV, Gome Electronics, etc. In addition, it is directly connected to Kaishengyuan Square Station of Metro Line 3.

Xicheng Hongchang, which has a similar location and position as Wanda Plaza (Haxi Store), is also highly competitive to CapitaMall Xuefu. It opened in 2017 with a total GFA of about 200,000 sq m. Its entertainment brands, such as Aimei international studio and Xuancai skating rink, appeals to residents in the south of Nangang District. The project is about 400 meters away from Kaishengyuan Square station of the Metro Line 3.

Wangfujing Shopping Center, as the largest one-stop shopping mall in Qunli Retail Hub, was opened in 2017 with a total GFA of about 200,000 sq m. About 3 kilometers away, it is also a competitor to CapitaMall Xuefu. The mall has 70 tenant brands entering Harbin for the first time.

Wanda Plaza (Xiangfang) opened in 2007 with a total GFA of around 260,000 sq m. As a one-stop shopping mall in Xiangfang, its tenant mix is aimed at the youth and residents nearby. The large size provides a wide variety of brands, which appeals to eastern residents of Nangang District.

For more information, please refer to pages 49-52.

### Comparable Properties



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 2.10 – List of Comparable Properties**

<b>NO.</b>	<b>Comparable Properties</b>
<b>1</b>	Haxi Wanda Plaza
<b>2</b>	Xicheng Hongchang
<b>3</b>	Wangfujing Shopping Center
<b>4</b>	Xiangfang Wanda Plaza


*Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)*



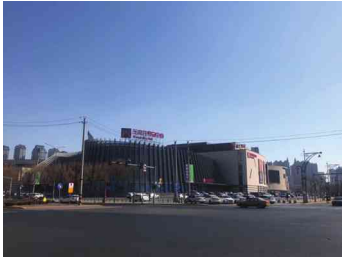
<b>Comparable 1</b>	
<b>Name</b>	Haxi Wanda Plaza (哈西万达广场)
<b>Floors</b>	B1F-3F
<b>Location</b>	No.168 Zhongxing Avenue, Nangang District, Harbin
<b>Developer</b>	Wanda Group (万达集团)
<b>Year of Completion</b>	2012
<b>GFA</b>	210,000 sqm
<b>Type</b>	Shopping Mall
<b>Distance</b>	Approx. 2.5 KM from CapitaMall Xuefu
<b>Transportation</b>	Bus: No. 31, No. 64, No.83, No.120, No.366, etc. Metro Line: Kaishengyuan Square station of Line 3
<b>Rent</b>	1F: RMB255-300/sqm/month
<b>Occupancy Rate</b>	99%
<b>Main Tenants</b>	Wanda International Cinema, Wanda Department Store, Big singer KTV, and Video Game City, Gome, RT-Mart
<b>Facilities and Amenities</b>	Banks: PSBC, Industrial Bank, BC, BCM, etc. Educational institutions: Harbin Sixty-Nine Middle School, Jiaqi Primary School, etc. Hospitals: Harbin Medical University Second Hospital, the 211 Hospital of PLA, etc.
<b>Comparability</b>	Similar target consumer groups




Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 2</b>		
<b>Name</b>	Xicheng Hongchang (西城红场)	
<b>Floors</b>	B1F-7F	
<b>Location</b>	No. 299, Haxi Street, Nangang District, Harbin	
<b>Developer</b>	Harbin Gongda Group (哈尔滨工大集团)	
<b>Year of Completion</b>	2017	
<b>GFA</b>	200,000 sqm	
<b>Type</b>	Shopping Mall	
<b>Distance</b>	Approx. 2.0 KM from CapitaMall Xuefu	
<b>Transportation</b>	Bus: No. 31, No. 64, No.83, No.120, No.366, etc. Metro Line: Kaishengyuan Square station of Line 3	
<b>Rent</b>	Turnover rent	
<b>Occupancy Rate</b>	98%	
<b>Main Tenants</b>	MUJI, Skating rink, Aimei International Studio, etc.	
<b>Facilities and Amenities</b>	Banks: PSBC, Industrial Bank, BC, BCM, etc. Educational institutions: Harbin Sixty-Nine Middle School, Jiaqi Primary School, etc. Hospitals: Harbin Medical University Second Hospital, the 211 Hospital of PLA, etc.	
<b>Comparability</b>	Similar retail products Similar target consumer groups Less accessible	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 3</b>		
<b>Name</b>	Wangfujing Shopping Center (王府井购物中心)	
<b>Floors</b>	B2F-4 F	
<b>Location</b>	No. 899 Jingjiang East Road, Daoli District	
<b>Developer</b>	Wangfujing Group (王府井集团)	
<b>Year of Completion</b>	2017	
<b>GFA</b>	200,000 sqm	
<b>Type</b>	Shopping Mall	
<b>Distance</b>	Approx. 3.0 KM from CapitaMall Xuefu	
<b>Transportation</b>	Bus: No. 61, No. 63, No. 117, No. 209, etc.	
<b>Rent</b>	1F: RMB90-130/sq m/month	
<b>Occupancy Rate</b>	99%	
<b>Main Tenants</b>	Huayi Brothers Studio, Feiyang skating rink, Fanpekka, Supermarket, ZARA, etc.	
<b>Facilities and Amenities</b>	Banks: CMSB, Citic Bank, CMB, etc. Educational institutions: Harbin No. 47 Middle School, Harbin No. 7 Middle School and Zhao Lin elementary school, etc. Hospitals: First Affiliated Hospital of Harbin Medical University (Qunli Hospital), etc.	
<b>Comparability</b>	Similar target consumer groups Less accessible	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 4</b>		
<b>Name</b>	Xiangfang Wanda Plaza (香坊万达广场)	
<b>Floors</b>	B1F-4F	
<b>Location</b>	No. 138, Tongda Street, Daoli District, Harbin	
<b>Developer</b>	Wanda Group (万达集团)	
<b>Year of Completion</b>	2007	
<b>GFA</b>	300,000 sqm	
<b>Type</b>	Shopping Mall	
<b>Distance</b>	Approx. 5.5 KM from CapitaMall Xuefu	
<b>Transportation</b>	Bus: No. 17, No. 72, No. 203, No. 366, etc. Metro Line: Planned Line 2 (Expected to commence by the end of 2020)	
<b>Rent</b>	1F: RMB270-330/sqm/month	
<b>Occupancy Rate</b>	99%	
<b>Main Tenants</b>	Wanda International Cinema, Wanda Department Store, Big singer KTV, and Video Game City, Gome, RT-Mart	
<b>Facilities and Amenities</b>	Banks: BC, ICBC, SPDB, etc. Educational institutions: Xiang'an Primary School, Nangang Middle School, Heilongjiang Agricultural Broadcasting and Television School, etc. Hospitals: Heilongjiang Provincial Hospital of traditional Chinese Medicine, Xiangfang District Second Hospital etc.	
<b>Comparability</b>	Better location Less accessible	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

## 2.4.7. SWOT Analysis

### STRENGTHS:

- CapitaMall Xuefu is located in the downtown area of Harbin and surrounded by well-developed mature residential properties and many famous universities. This helps increase visitors to the mall.
- It has a gross floor area of about 123,810 sq m with a wide product offering, which can satisfy the needs of consumers for one-stop shopping.
- The fashionable façade of the building is attractive
- It is well positioned as a shopping center for the young and fashionable. Benefiting from its reasonable floor plan and excellent operational management, the project has become a retail landmark in Harbin.
- It has direct access to Xuefu Road Station of Metro Line 1 and can be conveniently transferred to Metro Line 3 at the Medical University Second Hospital Station, which can bring huge foot traffic to the mall.
- The trade area is densely populated, with nearly 750,000 residents within 3 kilometers and there is a significant consumer group within walking distance of the mall.
- B1 has been upgraded and renovated in 2017. By creating new experiential concepts, B1 has created the first artistic food street in Harbin, which is visited by more than 20,000 people daily.
- The 3rd floor of the project comprises children's education, retail and entertainment tenants. Many interesting experiential concepts are set up in the public area, which attracts families with children.
- It blended natural landscapes into the mall by creating the largest Amazon-style Dream Park in Asia on the 5th floor, which is a significant highlight of the mall.
- In addition to the Dream Park, the 5th floor is designed to provide a thematic F&B experience, which has become a popular dining destination.

### WEAKNESSES:

- CapitaMall Xuefu has a gross floor area of about 123,810 sq m. with only 440 car parking lots. Therefore, the project is in short of car parking spaces.

**OPPORTUNITIES:**

- There is growing demand from the residents living in the district for retail goods and services such as fashion, F&B, and entertainment.
- The project will adjust its tenant mix every year, introducing new brands and more experiential concepts, which will potentially increase the appeal to the city residents.
- International brands are also planning to expand to tier-2 cities such as Harbin, and if CapitaMall Xuefu is able to attract some of these brands, it would certainly increase foot traffic to the project.
- With Metro Line 3 (Phase II) set to be completed by the end of 2019, the increased convenience will bring more customers to the project.

**THREATS:**

- Some high-quality shopping centers will be launched in Harbin in the next 2 years, such as Yintai City and China Resources MIXC ONE, which may draw some traffic away.
- As Kaishengyuan Square will enter the local market in 2020, the commercial atmosphere of the Haxi business district, which is 3 km away from the project, will grow stronger. This may draw away more southern residents and negatively impact the traffic of the property.

**2.4.8. Outlook**

CapitaMall Xuefu will certainly benefit from future growth in the retail market of Harbin. As the economy and per capita disposable income continues to grow, the demand from the surrounding residents for retail goods and services such as fashion, F&B, and entertainment are becoming stronger.

In addition, due to its strong position, reasonable commercial planning and design, and excellent operational management, CapitaMall Xuefu has become a retail landmark in Harbin. Its direct connection to Metro Line No.1 (Xuefu Road Station) and the upcoming metro line 3 Phase 2 will help to bring more traffic. Therefore, we expect that the project will have a steady rental growth rate in the next 5 years.

Looking forward, in order to cope with future competition, it will be necessary to make some improvements to be more attractive. The project will need to continuously strengthen operations and upgrade the hardware facilities, as well as introduce more international brands to improve the tenant mix.

### 3. Changsha

Changsha is the capital city of Central China's Hunan province. It is the political, economic, cultural, transportation, science and technology, finance and information center of Hunan Province. It is situated in the river valley along the lower reaches of the Xiang River.

As an important city in Central China, Changsha, together with Wuhan, Nanchang, Chongqing, Hefei, and Taiyuan, serves as a hub among eastern, western, southern, and northern regions of China. Meanwhile, Changsha has been benefiting from the rise of Central China Strategy, focusing on industrial transfer and innovative development. For example, the Changsha-Zhuzhou-Xiangtan City Cluster (CZT City Cluster) was built to create a new economic growth engine, promoting urbanization and helping to address the imbalanced regional development across China.

Benefiting from its location, Changsha acts as a transportation and aviation hub, especially after the completion of high-speed railways. Changsha is currently connected to 21 major cities in China via various arterial roads and high-speed railways. Completed in 2017, the CZT Intercity High-speed Railway reduced the commute time between Zhuzhou/Xiangtan to Changsha to approximately 1 hour. This has helped attract more customers from other prefecture-level cities into Changsha.

According to Forbes China, Changsha is ranked the 15<sup>th</sup> best city for business in 2018. Many international and domestic Top 500 enterprises established offices in Changsha, including Flextronics, Continental Group of Germany, Prudential Group of the UK, and China Zheshang Bank. As of January 2019, a total of 39 Top 500 enterprise projects and 183 major investment projects were introduced, setting a new record for the total investment volume and quality.

Changsha now governs six districts which include Furong, Tianxin, Yuelu, Kaifu, Yuhua, Wangcheng. Yuhua district is where CapitaMall Yuhuating is located. Yuhua District is ranked top in terms of comprehensive economic strength, industrial development and investment potential in Hunan Province in 2018.

As of the end of 2018, Changsha has the largest population and urban population among all cities of Hunan Province. Changsha has a long history and enjoys a pleasant climate, ranking the first among the "Top Ten Leisure and Livable Eco-Cities in China". Besides, it has a profound civilization with a rich cultural heritage. Tourism plays an important role in driving the economy of Changsha. Changsha is widely known as the "City of Media Arts", driven by its entertainment industry and TV production. Hunan TV, China's most-watched channel for years in a row, had been nominated in the "Top 500 China Brand" in 2009. Changsha has over 55 higher education institutions and 97 independent research institutions. Graduates from those institutions account for the majority of household registration applicants.

**Map of China**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Map of Changsha**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)



### 3.1. Economic Overview of the City

**Table 3.1 - Major Economic Indicators of Changsha**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (2010- 2018)
GDP (RMB Billion)	459.8	568.4	648.0	724.9	793.5	863.1	935.7	1,053.6	1,117.4	11.7%
GDP per Capita (RMB)	67,212	80,441	91,025	100,906	109,195	117,076	124,122	135,388	137,026	9.3%
Population ('000)	7,040.7	7,090.7	7,146.6	7,221.4	7,311.5	7,431.8	7,645.2	7,918.1	8,154.7	1.9%
Urban Population ('000)	4,765.8	4,856.4	4,958.4	5,098.6	5,288.8	5,527.8	5,809.7	6,143.8	6,452.0	3.9%
Retail Sales of Consumer Goods (RMB Billion)	182.6	221.5	254.6	291.8	329.4	369.1	411.7	454.8	476.5	12.7%
Per Capita Disposable Income of Urban Residents (RMB)	22,814.0	26,451.0	30,288.0	33,662.0	36,826.0	39,961.0	43,294.0	46,948.0	50,792.0	10.5%
Per Capita Consumption Expenditure of Urban Residents (RMB)	16,096.0	17,782.0	19,460.0	22,346.0	26,779.0	29,753.0	31,826.0	34,645.0	36,775.0	10.9%

Source: Changsha Statistical Yearbook 2011-2018, Statistical Communiqué of National Economy and Social Development of Changsha 2018, Changsha Statistics Bureau, etc.

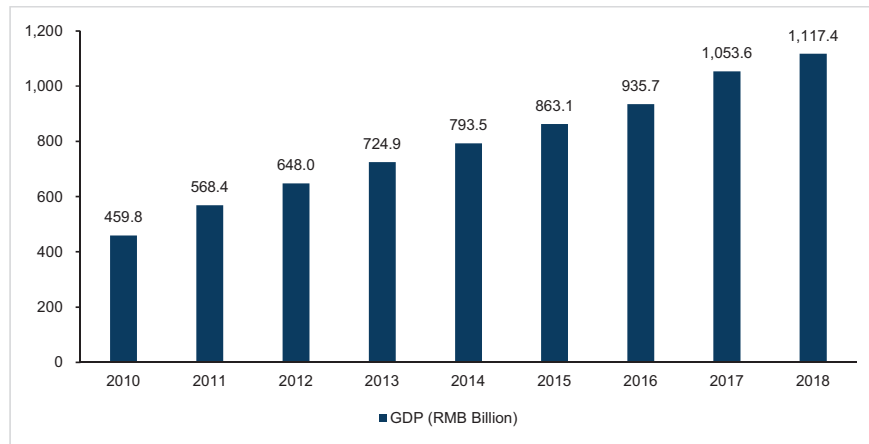
#### Gross Domestic Product (GDP)

Changsha enjoys superior geographical advantages with regards to the development of transport and the economy. Over the past few years, Changsha's economy experienced strong growth. During the period from 2010 to 2018, the GDP of Changsha grew from RMB 459.8 billion to RMB 1,117.4 billion with a CAGR of 11.7%.

Various factors contributed to the increase of Changsha's GDP and competitiveness. They include the national strategy emphasizing on the rise of Central China, the city's favourable geographical position and its enhanced efforts in urban construction.

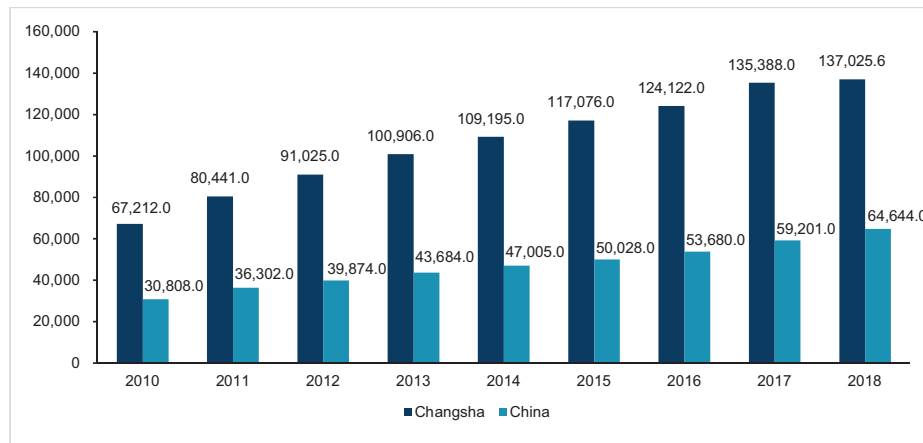
The GDP per capita of Changsha was RMB 137,026 in 2018, which was 2.6 times that of the provincial level (RMB 52,949), and 2.1 times that of the national level (RMB 64,644). This reflects the leading role of Changsha in the region and its economic strength.

**Figure 3.1 – Changsha’s GDP**



Source: Changsha Statistical Yearbook 2011-2018, Statistical Communique Statistics of National Economy and Social Development of Changsha 2018

**Figure 3.2 – Changsha’s GDP Per Capita**



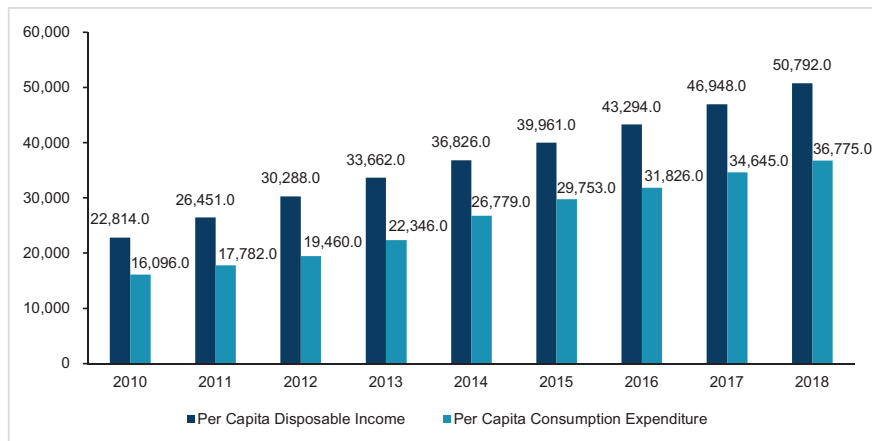
Source: Changsha Statistical Yearbook 2011-2018, Statistical Communique Statistics of National Economy and Social Development of Changsha 2018

### Income and Expenditure

Both disposable income and consumer expenditure in Changsha increased rapidly with a double-digit growth rate since 2010. The gap between the per capita disposable income and the per capita consumption expenditure of Changsha urban households remains relatively stable during the same period.

A growing trend of both income and expenditure of Changsha citizens demonstrates an improving living condition and higher purchasing power, which is positive for the retail market.

**Figure 3.3 - Income and Expenditure of Changsha Urban Households**



Source: Changsha Statistical Yearbook 2011-2018, Statistical Communique of National Economy and Social development of Changsha 2018, Changsha Statistics Bureau

## 3.2. Overview of Changsha Retail Property Market

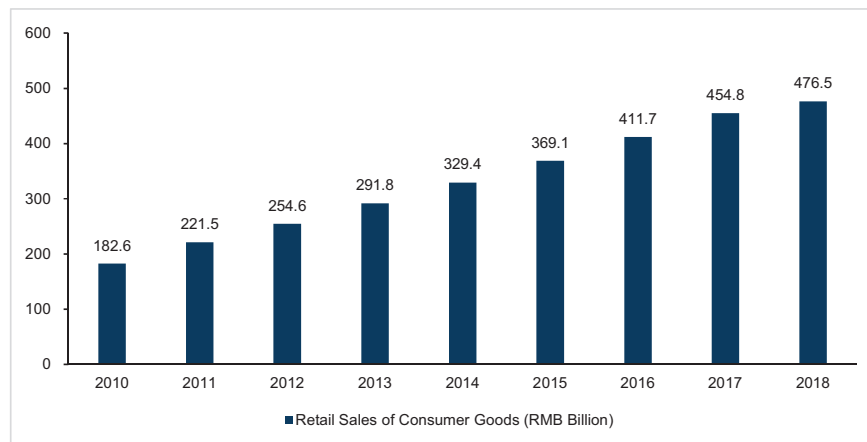
### 3.2.1. Retail Market Overview

Changsha has the largest retail market in the Changsha-Zhuzhou-Xiangtan City Cluster (CZT City Cluster) in terms of total retail sales. Its total retail sales of customer goods reached RMB 477 billion in 2018, representing a 4.8% rise compared to the previous year. It is noted that Changsha's average annual growth of retail sales measured 12.7% between 2010 and 2018, significantly higher than the national average of 11.6%.

Retail sales are primarily driven by the urban population. The increase in per capita disposable income has been a positive driver for urban expenditure. The level of retail sales demonstrates that Changsha's market is full of vitality. Given the strong purchasing power and increasing income, Changsha has huge market potential. Changsha has become a hotbed for business in China. One strong piece of evidence is that China's biggest IFS celebrated its grand opening in 2018. This was the first time that luxury brands such as Prada, Louis Vuitton, and high-end membership store like Sam's' Club entered Changsha.

Changsha is also stepping up efforts to build itself into a transportation hub, which will attract more people, goods, and funds into the city.

**Figure 3.4 – Retail Sales of Changsha**



Source: Changsha Statistical Yearbook 2011-2018, Statistical Communique of National Economy and Social Development of Changsha 2018, Changsha Statistics Bureau

### 3.2.2. Supply of Malls

As shown in Figure 3.5, Changsha has 5 key retail hubs with concentrated retail developments.

Wuyi Retail Hub is the core center in Changsha. It is also a comprehensive retail hub in Hunan province with the most extensive coverage, richest retail formats, and most intensive market competition. Wuyi Retail Hub is the only city-level retail hub in Changsha, where most of the high-end malls such as IFS are located. Its target customers are local city-wide residents and tourists.

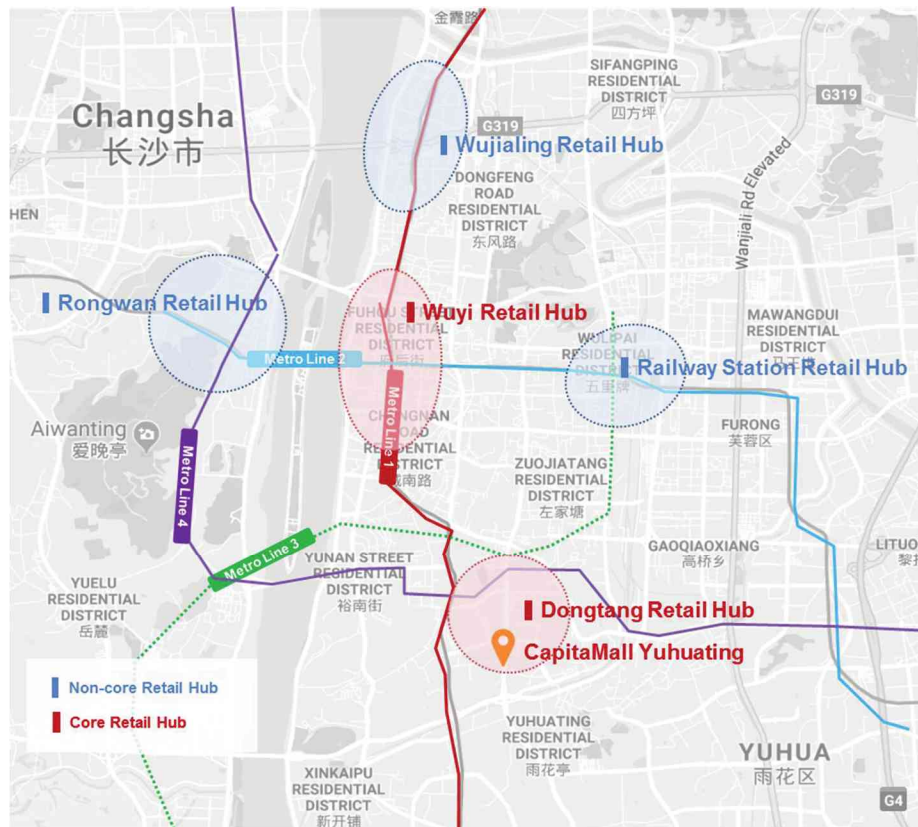
The southward extension of Changsha has accelerated the emergence of Dongtang Retail Hub, which is only second to the Wuyi Retail Hub in terms of coverage and prosperity. It mainly serves consumers from east of Xiang River in the southern area, most of whom are mid-to-high end consumers. Dongtang Retail Hub mainly attracts residents living within the 3-km catchment area. CapitaMall Yuhuating is located within this area. This area attracts a broad spectrum of customers including the younger generations as well as family-focused customers.

Railway Station Retail Hub is well-known for its specialty digital stores. Many famous PC malls include Guochu IT Mall, Digimax Plaza, and Hefeng are located here. Besides, there are other leading shopping malls such as Apollo Commercial Plaza. The opening of Changsha South Railway Station (High-speed Train Station) took some tourists away. Customers in Railway Station Retail Hub are basically local residents and tourists.

Wujialing Retail Hub is one of the traditional retail hubs in Changsha. Currently, it is served by some neighborhood stores such as Shirble Department Store. Wujialing is now in the process of upgrading to increase their competitiveness. As some new residential communities and office buildings are added to this area, Wujialing is transforming from a traditional retail hub to a regional retail hub. HC International Plaza, the first commercial complex in this district, was launched in 2017. The catchment area of Wujialing Retail Hub has a southward expansion trend.

The Rongwan Retail Hub is currently the only sizable retail hub in the west area of Xiang River. With its proximity to university clusters, customers in this area are mainly college students and nearby residents.

**Figure 3.5 – Changsha’s Retail Hubs**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 3.2 – Retail Hubs in Changsha**

Retail Hub	Characteristics	Main Projects
Wuyi Area	<ul style="list-style-type: none"> <li>◇ Middle/high-end customers</li> <li>◇ Comprehensive retail hubs</li> <li>◇ Transit Hub</li> <li>◇ City-level CBD</li> </ul>	<ul style="list-style-type: none"> <li>◇ IFS</li> <li>◇ Wangfujing</li> <li>◇ ID Mall</li> <li>◇ Hisense Plaza</li> <li>◇ Wanda Plaza</li> <li>◇ Heiwado Mall</li> </ul>
Dongtang Area	<ul style="list-style-type: none"> <li>◇ The Second largest retail hub</li> <li>◇ High concentration of public institutions</li> </ul>	<ul style="list-style-type: none"> <li>◇ Heiwado Mall</li> <li>◇ Friendship Mall</li> <li>◇ Rainbow Mall</li> <li>◇ CapitaMall Yuhuating</li> </ul>
Wujialing Area	<ul style="list-style-type: none"> <li>◇ Traditional retail hub</li> <li>◇ In need of overall improvement</li> </ul>	<ul style="list-style-type: none"> <li>◇ Shirble Department Store</li> <li>◇ HC International Plaza</li> </ul>
Rongwan Area	<ul style="list-style-type: none"> <li>◇ High concentration of universities</li> </ul>	<ul style="list-style-type: none"> <li>◇ Tongcheng Plaza</li> <li>◇ New Bund Commercial Center</li> <li>◇ Greenland Huxiang Center</li> </ul>
Railway Station Area	<ul style="list-style-type: none"> <li>◇ Focus on electronic appliance &amp; digital products</li> </ul>	<ul style="list-style-type: none"> <li>◇ Apollo Commercial Plaza</li> <li>◇ Suning Mall</li> <li>◇ Gome Mall</li> </ul>

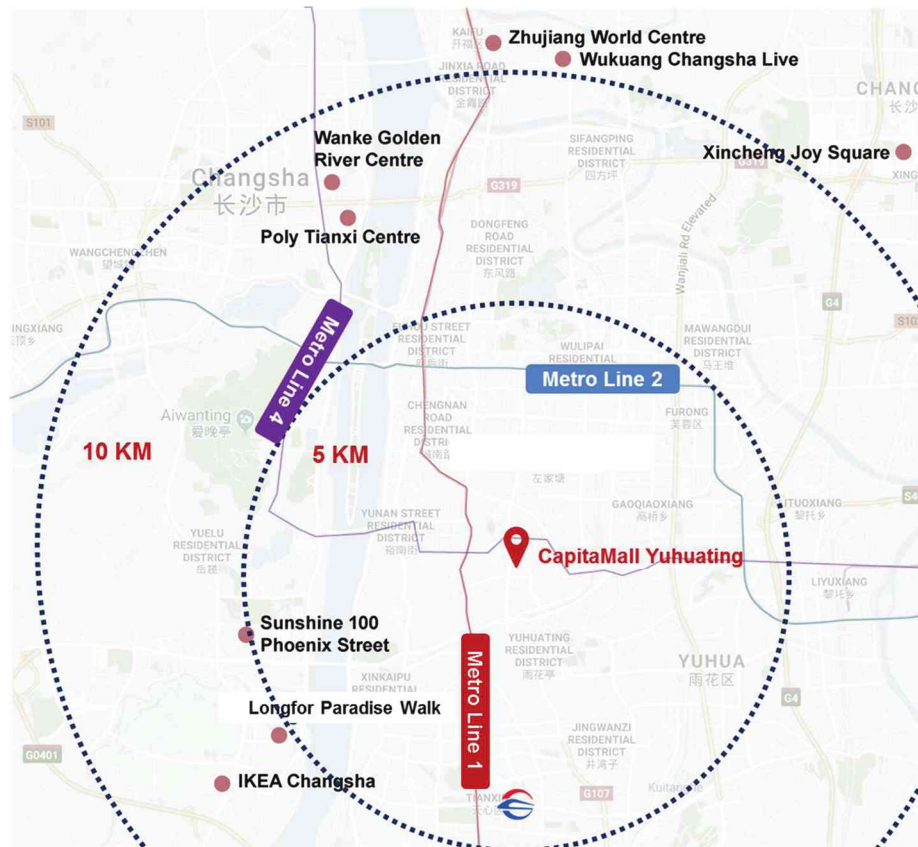
Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 3.3 – Future Retail Supply**

Future Retail Supply	Year of Completion	Estimated NLA (sqm)	District
1 Sunshine 100 Phoenix Street	2019	60,000	Yuelu
2 IKEA Changsha Mall	2019	216,000	Yuelu
3 Longfor Paradise Walk	2019	100,000	Yuelu
4 Poly Tianxi Center	2020	48,000	Yuelu
5 Vanke Golden River Center	2020	36,000	Yuelu
6 Wukuang Changsha Live	2019	72,000	Kaifu
7 Zhujiang World Center	2020	36,000	Kaifu
8 Xincheng Joy Square	2019	54,000	Yuhua
<b>Total</b>		<b>622,000</b>	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

Figure 3.6 – Location Map of Changsha’s Future Supply



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

New retail supply (approximately 622,000 sq m) will enter the market in two years. As shown in Figure 3.6, they are all located more than 5 kilometers away from CapitaMall Yuhuating. Therefore, there are not in direct competition with CapitaMall Yuhuating.

The second IKEA LIVAT center in Central China will land in Changsha with GFA of 216,000 sqm. It is also the first IKEA mall in Changsha. The new supplies will help to improve Changsha’s commercial environment with a more comprehensive choice.

### 3.2.3. Demand for Malls

The ongoing development and urbanization of Changsha have directly impacted the city’s retail market. Consumer behaviour is changing away from traditional retail formats including street-front shops and department stores to one-stop shopping malls. Since 2014, big-box retailers



and commercial real estate developers such as Wanda, Vanke, Poly, Longfor, continues to expand new stores in Changsha. Shopping malls continue to be among the most popular shopping destinations. It is able to provide more diversified trade mix and recreational services allowing for better shopping experiences.

The commercial sector in Changsha is currently in rapid development. The major shopping mall developers/retailers currently in Changsha are summarized below.

**Table 3.4 – Major Shopping Mall Developers & Major Retailers**

Developer/Retailer	Description	Project Name	District	Opening Year
Wanda Group	One of the largest commercial real estate developers in China. The Wanda Group operates over hundreds of projects in China.	Kaifu Wanda Plaza	Kaifu	2013
The Wharf	Its investment properties are led by the IFS series at the very heart of CBD or new CBD in select cities. IFS developments are positioned as trendsetting landmarks with the unrivalled location, superior planning, and design, retailer and shopper critical mass, as well as top-notch management.	Changsha IFS	Furong	2018
CapitaLand	Based in Singapore, it is one of the largest commercial real estate developers, owners and managers with a portfolio of business in more than 30 countries around the world.	CapitaMall Yuhuating	Yuhua	2005
		CapitaMall One	Yuelu	2018
Longfor	As one of the earliest shopping mall developers in China, Longfor has developed three major brands: "Paradise Walk", "Starry Street", and "MOCO".	Longfor Paradise Walk	Yuelu	2019
IKEA	The Swedish-founded multinational group that designs and sells ready-to-assemble furniture and homeware.	LIVAT Center	Yuelu	2020
Poly Commercial Real Estate	Rank top 3 leading property companies in China. As of December 2017, it is running 82 commercial projects in 29 cities nationwide.	Poly Mall	Yuhua	2017
		Poly Plaza	Changsha County	2017

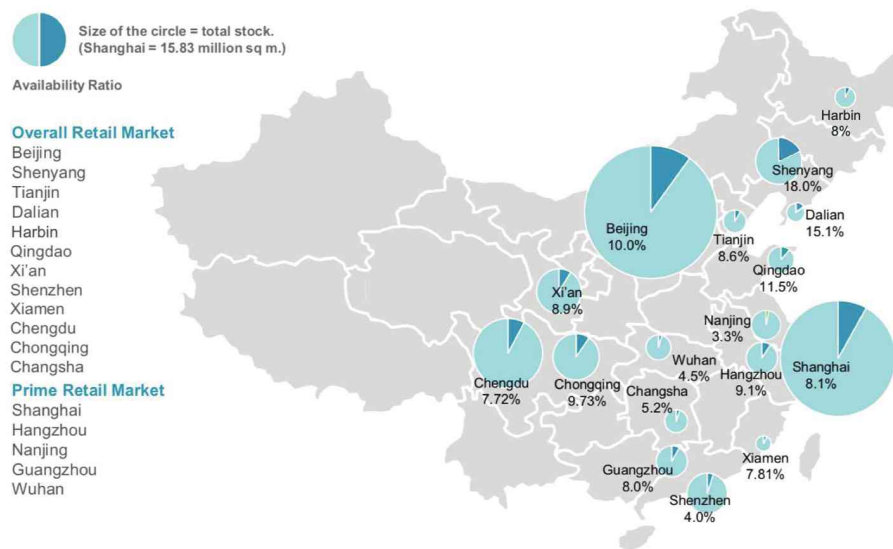
Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### 3.2.4. Vacancy Rate

The prosperous consumer market in Changsha leads to a lower vacancy rate. Since 2014, the vacancy rate has declined gradually. As shown in Figure 3.7, Changsha had a relatively lower stock and availability ratio as compared to its peer cities in Central China such as Chongqing and Chengdu.

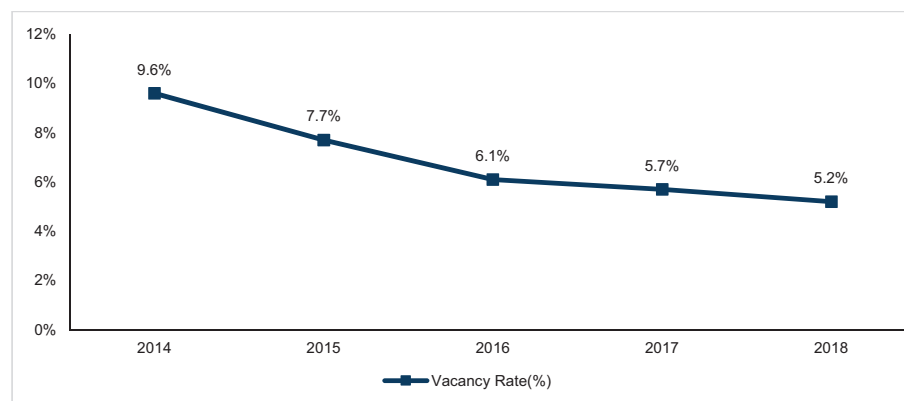
Changsha's retail market flourished during the last three years. During 2015-2018, prime retail properties such as IFS, Hisense Plaza, Taskin Mall opened in Changsha. The supply peaked in 2016 with over 370,000 sqm entering the market. The vacancy rate, however, has been declining since 2014. This demonstrates a strong absorption ability of Changsha's retail market.

**Figure 3.7 – Retail Stock and Vacancy Rate (2018 Q4)**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Figure 3.8 – Vacancy Rate of Changsha Retail Market**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

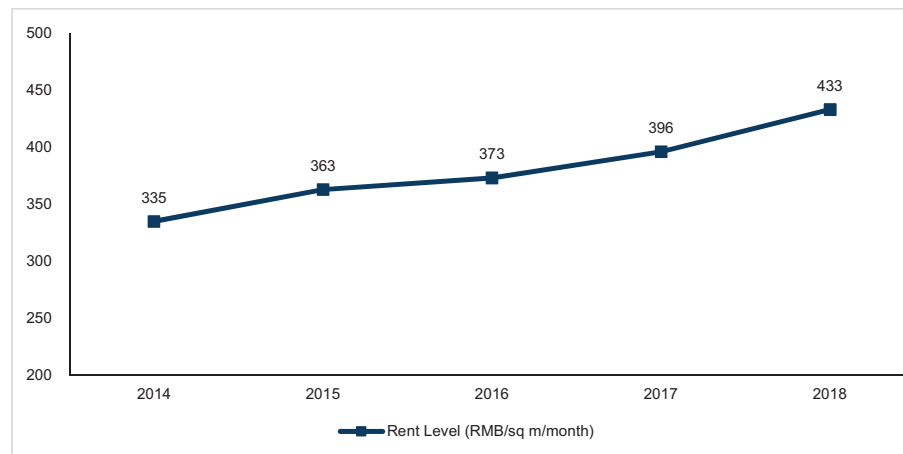
### 3.2.5. Rent and Yield

#### Rent

As usual, core retail hubs in Changsha have a higher rental performance. Since 2015, due to local economic development and the increase in per capita disposable income of Changsha residents, average rent has increased steadily. The new supply of prime shopping malls entered the market increases the average rent of retail market.

Rents of Changsha retail market vary significantly depending on property location, type of retailer, specific position and the size of space leased. In general, Wuyi Retail Hub has the highest rent level, ranging at RMB 360-540/sq m/month. Dongtang Retail Hub, where CapitaMall Yuhuating is located, has an average rent level of RMB 210-420/sq m/month.

**Figure 3.9 – Average Retail Rent in Changsha**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)  
Note: Retail rent (RMB/sq m/mo) is based on the ground floor in prime locations major shopping centers (between 2014-2018), excluding management fee, promotional fee, and other fee

#### Yield

To have a better understanding of Changsha's retail market, several comparables were selected, taking quality, location, condition, and other social consumption demographics into account. The average gross yield ranges from 6.97% to 7.79% in Changsha. This would translate to a net yield between 5.23% and 5.84%.

**Table 3.5– Yield of Selected Comparable in Changsha**

Comparable	1	2	3	4	5	6
<b>District</b>	Yuhua	Yuelu	Kaifu	Yuelu	Furong	Yuhua
<b>Address</b>	Xinjian Rd.	Kanyu Rd.	Wanda Mansion	Mayuan Rd.	Renmin Rd.	Yangguang Rd.
<b>Retail hub</b>	Dontang	Meixi Lake	Wuyi	Meixi Lake	Railway Station	Dongtang
<b>Usage</b>	Retail	Retail	Retail	Retail	Retail	Retail
<b>Level</b>	L1	L1	L1-L2	L1	L1	L1
<b>Transaction Date</b>	2019	2019	2019	2019	2019	2019
<b>GFA (sqm)</b>	107	57	117	62	128	57
<b>Unit Selling Price (RMB/sqm)</b>	57,943.93	24,466.00	26,333.33	33,919.35	26,851.85	33,333.33
<b>Unit Rent (RMB/sqm/month)</b>	336.45	149.12	170.94	215	168.00	201.75
<b>Gross Yield</b>	6.97%	7.31%	7.79%	7.61%	7.51%	7.26%
<b>Net Yield</b>	5.23%	5.49%	5.84%	5.70%	5.63%	5.45%

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### 3.2.6. Outlook

Compared with peer cities in Central China, Changsha has maintained a relatively high economic growth as well as per capita disposable income and expenditure. Changsha, as a core city, plays an important role in the development of the Changsha-Zhuzhou-Xiangtan City Cluster (CZT City Cluster). The construction of the CZT Intercity Railway will improve the accessibility of Changsha and thus boost Changsha's retail sales.

According to Changsha's latest commercial development plan, there is an increasing focus on improving commercial system and facilities. This will bring a better shopping experience and a more comprehensive shopping environment to the customers.

Meanwhile, strategies such as integrating tourism, consumer market, and logistics will also help to shape a more retail-friendly Changsha. With more high-quality shopping centers settling in Changsha, there will be a higher expectation for shopping experience from local customers, and even from the CZT City Cluster.

In addition, several new Metro Lines are currently under construction. This is sure to improve the accessibility for local residents. It will be more convenient for people who live in the suburban area to visit the downtown area.

### 3.3. CapitaMall, Yuhuating

#### 3.3.1. Location and Surroundings



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

CapitaMall Yuhuating is located at No.421 Shaoshan Middle Road, Yuhua District of Changsha. Specifically, the mall is situated at the east of the Sunny City, the south of the Jindi Alley, and the north of Xinjian East Road. Shaoshan Middle Road and Xinjian East Road are arterial roads in Changsha with a huge traffic volume. In addition, the mall resides in Dongtang Retail Hub of Changsha, which comprises several mature residential communities. There is substantial demand for retail goods and services in the Dongtang Retail Hub, largely driven by the local residents in the vicinity.

#### Transportation

CapitaMall Yuhuating is located at the intersection of Shaoshan Middle Road and Xinjian East Road, enjoying great accessibility by vehicle and public transportation. For example, CapitaMall Yuhuating can be easily accessed via more than 15 bus lines. In terms of the metro line, it is approximately 1 KM away from the Tujiachong Station (Metro line 1) and Shazitang Station (Metro line 4). In the future, CapitaMall Yuhuating may be potentially accessed directly from

metro line 7 (Yuhuating Station, planned). And it will also be approximately 1.6 KM away from Dongtang Station (Metro line 3, under construction). In addition, its anchor store Walmart provides free shopping shuttle bus service, providing trips between Walmart and nearby neighbourhoods.

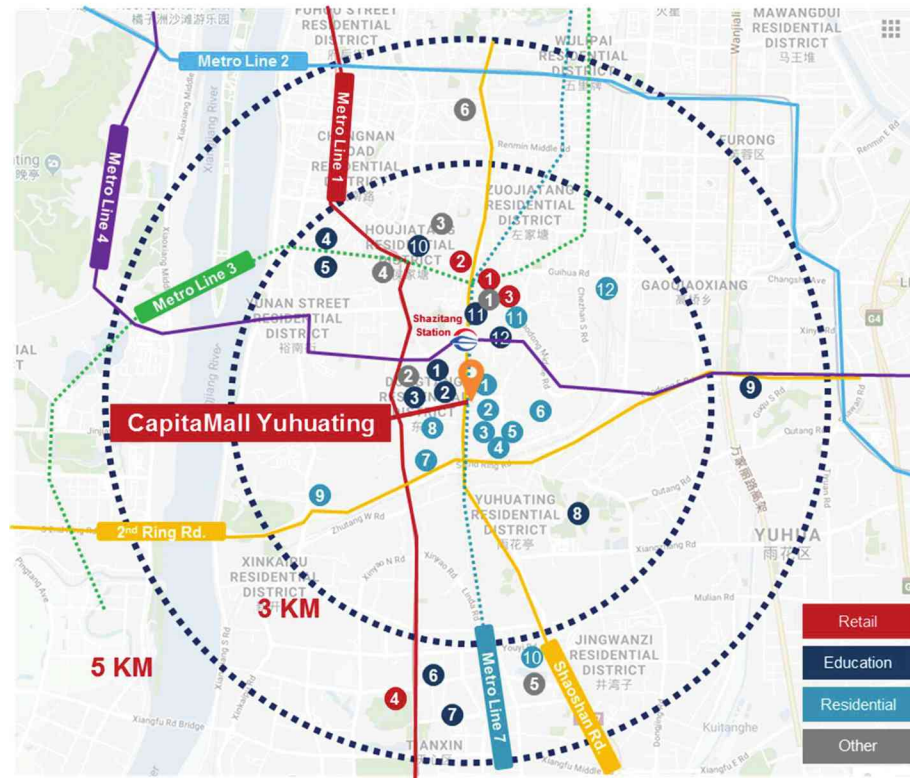
### **Surroundings and facilities**

CapitaMall Yuhuating is surrounded by plenty of mature residential communities which ensure a stable customer flow. The average income level of the catchment area largely exceeds the average level of Changsha. There are a large number of facilities and amenities nearby. For example, No.2 People's Hospital of Hunan Province, No.9 Hospital of Changsha and Changsha Central Hospital are only 5-10 minutes' driving distance.

Educational institutions in the vicinity include Hunan Mass Media College, Yuhuating School, No.12 Middle School of Changsha, Juyuan Primary School. In addition, financial institutions such as Bank of China and Agricultural Bank of China can also be found in this area.

To summarize, CapitaMall Yuhuating has great advantages in accessibility, facilities, and amenities, as well as customer flow.

**Figure 3.10 – Location and Surroundings of CapitaMall Yuhuating**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 3.6 – Location and Surroundings of CapitaMall Yuhuating**

No.	Education	No.	Residential
1	No.21 Middle School	1	Sunny City
2	Yuhuating School	2	Jindi Huayuan
3	Hunan Mass Media College	3	Shanshui Garden
4	Hunan Post and Telecommunication College	4	Juyuan Community
5	Changsha University of Science & Technology	5	Baisha Garden
6	Central South University Railway Campus	6	Jinsha Garden
7	Central South University of Forestry and Technology	7	Puyuan Community
8	Changsha Social Work College	8	Ludu Community
9	Hunan Sports Vocational College	9	Bolin Alley
10	Yali Middle School	10	Xiangxiang Garden
11	Hunan University of Chinese Medicine (HUCM)	11	Shazitang Community
12	Shazitang primary School	12	Honghuapo Community
No.	Others	No.	Retail
1	The First Hospital of HUCM	1	Friendship Mall
2	The Second People's Hospital of Hunan Province	2	Heiwado Mall
3	Hunan Children's Hospital	3	Hyper-Mart
4	The Third Hospital of Changsha	4	Rainbow Mall
5	Changsha Central Hospital		
6	Hunan Provincial Water Resources Department		

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)



### 3.3.2. Property Description

CapitaMall Yuhuating is a 4-storey shopping mall, erected above a 1-level basement with 336 car parking spaces. The total gross floor area is 75,430.60 sqm, erected on a site with an overall site area of 26,522.03 sqm. It was completed in 2005. There are three main entrances on Xinjian East Road, Shaoshan Middle Road, and the Jindi Alley respectively. The exterior of the mall is very eye-catching, with several huge billboards to brand the anchor stores inside. CapitaMall Yuhuating enjoys superior visibility due to its location

CapitaMall Yuhuating has a diversified tenant mix. A significant portion of CapitaMall Yuhuating's tenancies consist of major international and domestic retailers such as Walmart, Uniqlo, Starbucks, and Haidilao Hotpot, etc.

#### Level B1

There are several scattered stores on B1, including 2 convenience stores.

#### Level 1

1F is mainly occupied by fashion and F&B tenants. It consists of international fashion brands, including UNIQLO, VERO MODA, ADIDAS, NIKE, etc., as well as many domestic brands like Lining. Popular F&B brands like KFC and Starbucks can also be found on 1F.

#### Level 2 & 3

2-3F is dominantly occupied by Walmart and a cinema across 2F and 3F, with about 20,000 sq m and 5,500 sq m respectively. The cinema is equipped with 7 screens. The remaining of the floor area comprises some other retailers and restaurants.

#### Level 4

4F is dominantly occupied by F&B tenants and above 30% is occupied by entertainment tenants. The largest store at 4F is Haidilao Hotpot with about 1,300 sqm. The entertainment part of 4F comprises an amusement area for children, a video game center and a yoga center.

### 3.3.3. Target Market and Retail Hubs

Within Yuhua District, CapitaMall Yuhuating is situated in Dongtang Retail Hub, one of the core retail hubs in Changsha. Yuhua District is one of the most prosperous districts in Changsha.

CapitaMall Yuhuating is positioned as a community mall, targeting at residents living in the surrounding communities. The categories in the mall cover grocery store, shops, restaurant, cinema, and some experiential shops. It provides customers, including upper-middle-class and families with children, with one-stop shopping experience capable of satisfying both customers'

basic needs as well as demand for services such as retail, entertainment, dining and experiential.

CapitaMall Yuhuating has a very clear targeted customer group, namely residents nearby. The residents are the key drivers of demand for retail services in the region. Demands for FMCG (Fast Moving Consumer Goods) and groceries are relatively stable in the area, consistent with the population growth.

#### **3.3.4. Population**

CapitaMall Yuhuating is located in the Yuhuating Sub-district, and adjacent to Shazitang Sub-district, Zuojiatang Sub-district and Dongtang Sub-district under the administration of Yuhua District. There are approximately 700,000 residents within the 3-kilometer primary catchment area. The catchment area comprises many mature residential communities with high occupancy rates. A few notable ones are Jindihuayuan, Hongxuahuayuan, and Baishajiyuan. Besides, educational institutions such as No. 21 Middle School, Shazitang Primary School, Changsha Mass Media College, Hunan International Business Vocational College, Central South University, Central South University of Forestry and Technology are within 10-20 minutes' driving distance. As such, there is a strong retail demand from the residents and students nearby.

#### **3.3.5. Overall Trend of Rents and Occupancy Rates**

CapitaMall Yuhuating is expected to experience continued growth in rentals despite an expected increase of new large-scale shopping malls. This is largely due to the scarcity of prime shopping malls in this area, as well as growing demand for retail services.

Considering the development trend of the local economy, operational conditions and maintenance, the rental growth of retail portion is forecasted to be steady with a growth rate of 3.0-5.0% in the coming 10 years.

The current occupancy rate of CapitaMall Yuhuating is 98% which is very healthy. In the future, the occupancy rate is projected to experience a slight fluctuation, but it will still show a healthy performance status.

### 3.3.6 Competition Analysis

CapitaMall Yuhuating is the only one-stop shopping destination in the locality with a strong hypermarket anchor. Located in a growing mid-to-high-end residential neighborhood, CapitaMall Yuhuating can be easily accessed via key arterial roads, hence drawing shoppers from all around the city. To offer relevant insights, we chose three competitors in terms of GFA, location, target market, population catchment, developer and other operation conditions.

Insite China took over I CITY in 2014. I CITY is one of the one-stop shopping destinations in Changsha and is surrounded by growing office blocks and residential developments. Its tenant mix is aimed at the youth and young adult market, with most customers within the 18-35 age range. The main tenants include CGV, MUJI, Vanguard, UR, Selected, Vero Moda, A-Club, Pandan, Uncle Restaurant, Huangjihuang, Mother Care, etc. I CITY and CapitaMall Yuhuating have an overlap in the tenant mix. Also, I CITY has a stable customer traffic from residences nearby.

Changsha Kaifu Wanda Plaza was launched in 2013 with a GFA of 1,038,300 sq m (210,000 sq m for retail). The plaza comprises a commercial center, a pedestrian promenade, a luxury five-star hotel, business hotel, office buildings, and luxury residence. Popular brands from both China and overseas have been brought in as tenants including Wanda IMAX, Superstar KTV, Gome Electronics, etc. Compared to CapitaMall Yuhuating, Kaifu Wanda Plaza is located closer to the CBD retail center. It only takes 5 minutes from the closest metro station (metro line 1 and 2) by walking.

Taskin Mall is located at the intersection of South Shaoshan Road and Xiangfu East Road in Changsha City. It has a total construction area of about 200,000 square meters. The main tenants include SPAO, H&M, Uniqlo, Starbucks, Huawei, Sephora, GAP, Burger King, Adidas, Taskin Bookstore, Hutaoli, Gome, Wangstek, Pizza Hut, KTV, CGV Cinema, etc.

For more information, please refer to the pages of 77-79.

**Comparable Properties**



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

**Table 3.7 – List of Comparable Properties**


NO.	Comparable Properties
1	I CITY
2	Changsha Kaifu Wanda Plaza
3	Taskin Mall

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 1</b>	
<b>Name</b>	I CITY (美好生活中心)
<b>Floors</b>	B1F-5F
<b>Location</b>	564 Xiangcun Rd., Kaifu
<b>Developer</b>	Hunan Publishing Investment Holding Group (湖南出版投资控股集团)
<b>Year of Completion</b>	2015
<b>GFA</b>	Approx. 100,000 sqm
<b>Type</b>	Shopping Mall
<b>Distance</b>	Approx. 6 KM from CapitaMall Yuhuating
<b>Transportation</b>	Bus: No. 26 Express, No. 39, No. 141, etc. Metro Line 1 (Wenchangge Station)
<b>Rent</b>	1F: RMB330-360/sq m/month
<b>Occupancy Rate</b>	100%
<b>Main Tenants</b>	CGV, MUJI, Vanguard, UR, Selected, Vero Moda, A-Club, Pandan, Uncle Restaurant, Huangjihuang, Mother Care. OCE, ONLY, Huawei, Balabala, etc.
<b>Facilities and Amenities</b>	Bank: CCB, ICBC, etc. Education Institution: Central South University, Huacheng Primary School, Sanjiaotang Primary School, etc. Other: Hunan Maternal and Child Health Hospital, Changsha No.1 Hospital, Hunan Hospital of Traditional Chinese Medicine, Xiangya Hospital, Zhongan Driving School, People's Stadium;
<b>Comparability</b>	Similar tenant mix Similar occupancy rate Larger catchment area than that of CapitaMall Yuhuating



Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 2</b>		
<b>Name</b>	Changsha Kaifu Wanda Plaza (长沙开福万达广场)	
<b>Floors</b>	B1F-4F	
<b>Location</b>	Xinjiang Rd./ West Zhongshan Rd., Kaifu	
<b>Developer</b>	Wanda Group (万达集团)	
<b>Year of Completion</b>	2013	
<b>GFA</b>	1,038,300 sqm (210,000 sqm for retail)	
<b>Type</b>	Shopping Mall	
<b>Distance</b>	Approx. 5 KM from CapitaMall Yuhuating	
<b>Transportation</b>	Bus: No. 1, No.11, No. 123, No. 171, No. 222, No. 406 ,etc. Metro Line: Line 1/ Line 2	
<b>Rent</b>	1F: RMB210-300/sq m/month	
<b>Occupancy Rate</b>	Over 95%	
<b>Main Tenants</b>	Vanguard, Wanda IMAX, KTV, Decathlon, Mirako Fitness, Watsons, Starbucks, Only Education, Tissot, CK Jeans, Pizza Hut, MacDonald's, Nike, Adidas, etc.	
<b>Facilities and Amenities</b>	Hotel: Wanda Vista Hotel, Yuting Hotel, Wandai Hotel, etc. Commercial Services: La Nova, Wangfujing Mall, Xiangjiang Mingzhu Mansion (office building), etc. Other: Wanda Mansion, Myou Dental, Kaifu Hospital, BOC	
<b>Comparability</b>	Diversified tenant mix and professionally operated mall Closer to CBD with easy access to Metro Lines Newer facilities	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

<b>Comparable 3</b>		
<b>Name</b>	Taskin Mall (德思勤城市广场)	
<b>Floors</b>	B1F-5F	
<b>Location</b>	368 Zhongyi Rd., Yuhua	
<b>Developer</b>	Taskin Investment Co., Ltd. (湖南德思勤投资有限公司)	
<b>Year of Completion</b>	2015	
<b>GFA</b>	200,000 sqm	
<b>Type</b>	Shopping Mall	
<b>Distance</b>	Approx. 5 KM from CapitaMall Yuhuating	
<b>Transportation</b>	Bus: No. 26 Express, No. 39, No. 141, etc. Close to Metro Line 5 & 8 (planned)	
<b>Rent</b>	1F: RMB240-270/sq m/month	
<b>Occupancy Rate</b>	Over 90%	
<b>Main Tenants</b>	SPAO, H&M, Uniqlo, Starbucks, Huawei, Sephora, GAP, Burger King, Adidas, Taskin Bookstore, Hutaoli, Gome, Wangstek, Pizza Hut, KTV, CGV Cinema, etc.	
<b>Facilities and Amenities</b>	Commercial Services: Macalline, Market of Building Materials, etc. Education Institutions: Hunan Women's University, Qingyuan Primary School, Jiulong Hospital, Kindergarten Other: BCM, Hongxing International Exhibition Center, etc.	
<b>Comparability</b>	Far from the city CBD and core retail hub Lower occupancy rate compared with CapitaMall Yuhuating	

Source: Cushman & Wakefield Valuation & Advisory Services (Shanghai)

### 3.3.7 SWOT Analysis

#### STRENGTHS:

- The superior location provides CapitaMall Yuhuating with great accessibility via all sorts of transport modes. It is 15 minutes' walk from Metro line 1(Tujiachong Station) and Metro line 4 (Shazitang Station).
- CapitaMall Yuhuating has a captive customer base. The high-density population nearby produces a stable customer flow for the mall.
- Diversified tenant mix is a key highlight. It provides a great one-stop shopping experience.
- CapitaMall Yuhuating enjoys strong visibility, as it is situated at the junction of Xinjian East Road and Shaoshan Middle Road.
- The loyalty plan of CapitaMall Yuhuating has a large number of members. This becomes an important marketing platform for promotions. For example, points collected from shopping can be redeemed for parking vouchers. The well-designed loyalty campaigns help to attract more customers to the mall.
- The population of nearby communities is booming in recent years. This will enhance the customer base for CapitaMall Yuhuating. Families with children account for the biggest groups among the nearby residents.
- The strong operational capability of the retail management team.
- Diversified tenant mix: CapitaMall Yuhuating benefits from the well-established anchor brands. A significant portion of its tenancies consist of major international and domestic retailers such as Walmart, Starbucks, and Uniqlo.

#### WEAKNESSES:

- After over 10 years of operations, some facilities in the mall need to be refurbished.



**OPPORTUNITIES:**

- The completion of upcoming Metro line 3 and 7 will make it more accessible.
- Proximity and increased connection in the CZT City Cluster will help to fuel Changsha's economic growth thus boosting the retail sales of CapitaMall Yuhuating.
- The increasing experiential categories added to the mall is expected to create an integrated shopping environment, targeting younger groups and white-collar workers with higher purchasing power.
- Potential asset enhancement opportunities will help improve the shopping experience.

**THREATS:**

- With the rapid development of e-commerce platforms and delivery services, traditional supermarkets and stores are facing pressure to attract customers into the brick-and-mortar stores.
- The decentralization of the retail market in Changsha means that CapitaMall Yuhuating may lose its prominence as a retail center in Yuhuating area.

**3.3.8 Outlook**

The overall operation of the mall is better than other malls in the same retail hub. It has plenty of strengths including great accessibility, captive customer base, and diversified tenant mix. The mall is expected to have an optimistic retail performance though facing pressures from competitors and e-commercialization.

Customers are increasingly focusing on experiential consumption. Therefore, well-designed category mix is essential for boosting retail sales.

CapitaMall Yuhuating will certainly benefit from future growth in the retail market of Changsha, which is expected to continue, but it also means that there will be more competition emerging in general.

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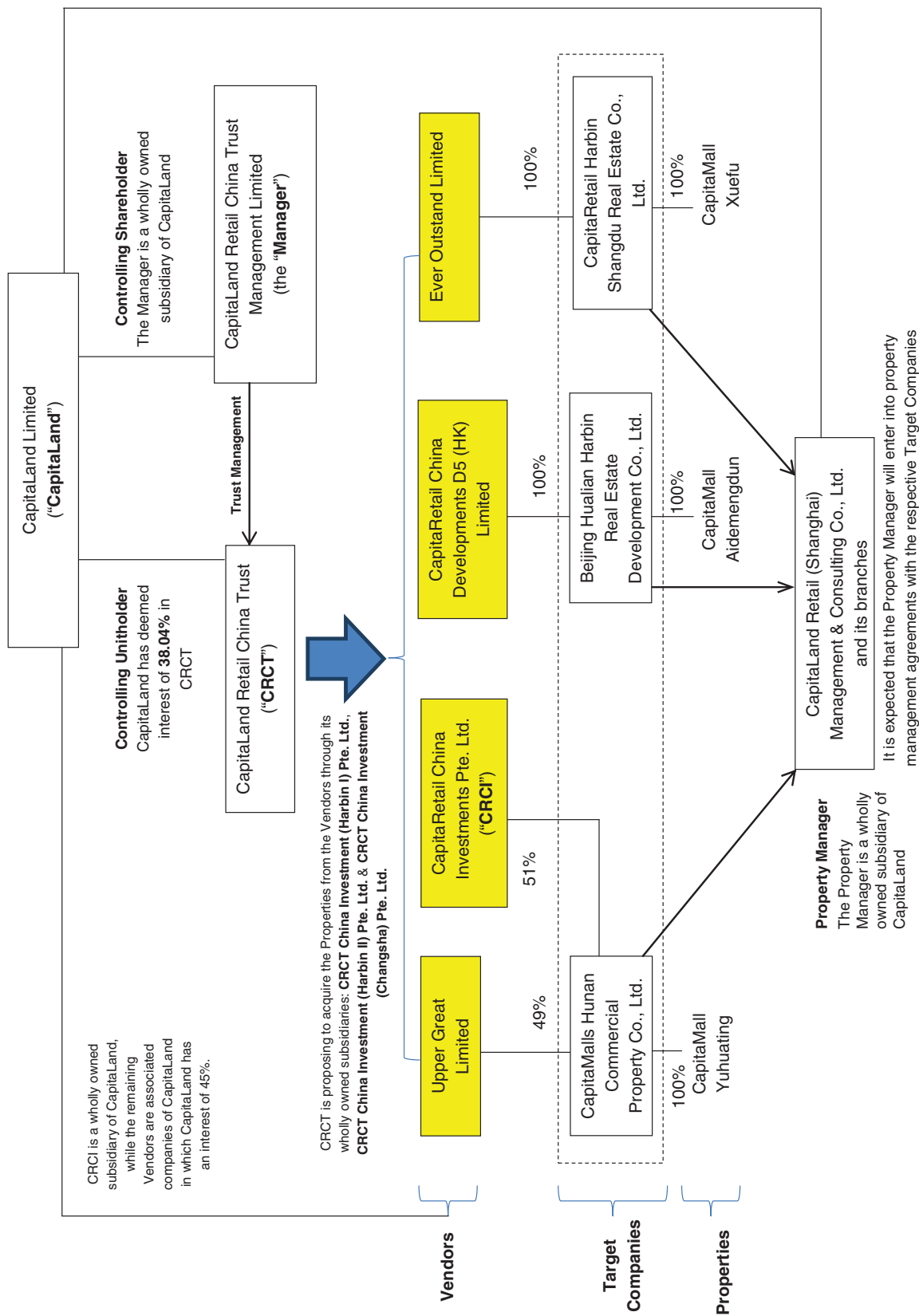
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RELATIONSHIP BETWEEN INTERESTED PERSONS AND CRCT



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## CAPITALAND RETAIL CHINA TRUST

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the holders of units of CapitaLand Retail China Trust (“**CRCT**”, and the holders of units in CRCT, “**Unitholders**”) will be held at The Star Gallery, Level 3, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617, on Thursday, 1 August 2019 at 10.00 a.m. (“**EGM**”), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

#### ORDINARY RESOLUTION

#### THE PROPOSED ACQUISITION OF THE COMPANIES WHICH HOLD CAPITAMALL XUEFU, CAPITAMALL AIDEMENGDUN AND CAPITAMALL YUHUATING FROM INTERESTED PERSONS

That:

- (i) approval be and is hereby given for the acquisition of the shares in the companies which hold CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating (the “**Properties**”, and such acquisition, the “**Acquisition**”), from Ever Outstand Limited, CapitaRetail China Developments D5 (HK) Limited, Upper Great Limited and CapitaRetail China Investments Pte. Ltd. (collectively, the “**Vendors**”), on the terms and conditions set out in the agreement dated 11 June 2019 (the “**Agreement**”) made between the Purchasers, being CRCT China Investment (Harbin I) Pte. Ltd., CRCT China Investment (Harbin II) Pte. Ltd. and CRCT China Investment (Changsha) Pte. Ltd., and the Vendors, and the entry into of the Agreement be and is hereby approved and ratified;
- (ii) approval be and is hereby given for the payment of all fees and expenses relating to the Acquisition;
- (iii) approval be and is hereby given for CapitaLand Retail (Shanghai) Management & Consulting Co., Ltd. and its branches (the “**Property Manager**”) to manage the Properties following the completion of the Acquisition pursuant to and in accordance with the terms of the property management agreements to be entered into with the Property Manager; and
- (iv) CapitaLand Retail China Trust Management Limited as the manager of CRCT (the “**Manager**”), any director of the Manager, and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of CRCT) (the “**Trustee**”) be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of CRCT to give effect to the Acquisition and the entry into the property management agreements with the Property Manager.

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

Singapore  
8 July 2019

**Notes:**

1. (a) A Unitholder who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend, speak and vote at the EGM. Where such Unitholder's Proxy Form appoints more than one proxy, the proportion of the unitholding concerned to be represented by each proxy shall be specified in the Proxy Form.
- (b) A Unitholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder's Proxy Form appoints more than one proxy, the number of Units in relation to which each proxy has been appointed shall be specified in the Proxy Form.

**"relevant intermediary"** means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a Unitholder.
  3. The Proxy Form must be deposited at the office of CRCT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 no later than Tuesday, 30 July 2019 at 10.00 a.m., being 48 hours before the time appointed for holding the EGM.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM of CRCT and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the EGM of CRCT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM of CRCT (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

# CAPITALAND RETAIL CHINA TRUST

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

## PROXY FORM

### Extraordinary General Meeting

**IMPORTANT:**

1. A relevant intermediary may appoint more than two proxies to attend, speak and vote at the EGM (please see Note 1 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF/SRS Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 8 July 2019.

I/We \_\_\_\_\_ (Name),

\_\_\_\_\_ (NRIC/Passport/Company Registration Number)

of \_\_\_\_\_ (Address)

being a unitholder/unitholders of CapitaLand Retail China Trust ("CRCT"), hereby appoint:

Name:	NRIC/Passport No.:	Proportion of Unitholdings	
		No. of Units	%
Address:			

and/or (delete as appropriate)

Name:	NRIC/Passport No.:	Proportion of Unitholdings	
		No. of Units	%
Address:			

or, failing whom, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting to be held at The Star Gallery, Level 3, The Star Performing Arts Centre, 1 Vista Exchange Green, Singapore 138617, on Thursday, 1 August 2019 at 10.00 a.m. ("EGM"), and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the EGM.

No	Ordinary Resolution	For*	Against*
1	To approve the proposed acquisition of the companies which hold CapitaMall Xuefu, CapitaMall Aidemengdun and CapitaMall Yuhuating from interested persons.		

\* If you wish to exercise all your votes "For" or "Against", please mark with an "√" within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

<b>Total Number of Units Held</b>

\_\_\_\_\_  
Signature(s) of Unitholder(s)/Common Seal of Corporate Unitholder

**IMPORTANT: PLEASE READ NOTES TO PROXY FORM ON REVERSE PAGE**



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Affix  
Postage  
Stamp

**CapitaLand Retail China Trust Management Limited**  
(as manager of CapitaLand Retail China Trust)  
c/o Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

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**NOTES TO PROXY FORM:**

1. (a) A unitholder who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend, speak and vote at the EGM. Where such unitholder's Proxy Form appoints more than one proxy, the proportion of the unitholding concerned to be represented by each proxy shall be specified in the Proxy Form.  
(b) A unitholder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different unit or units held by such unitholder. Where such unitholder's Proxy Form appoints more than one proxy, the number of units in relation to which each proxy has been appointed shall be specified in the Proxy Form.  
"relevant intermediary" means:
  - (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds units in that capacity;
  - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds units in that capacity; or
  - (iii) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a unitholder.
3. The Proxy Form must be deposited at the office of CRCT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than Tuesday, 30 July 2019 at 10.00 a.m., being 48 hours before the time appointed for holding the EGM.
4. Completion and return of the Proxy Form shall not preclude a unitholder from attending, speaking and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a unitholder attends the EGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the EGM.

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5. A unitholder should insert the total number of units held. If the unitholder has units entered against the unitholder's name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), the unitholder should insert that number of units. If the unitholder has units registered in the unitholder's name in the Register of Unitholders of CRCT, the unitholder should insert that number of units. If the unitholder has units entered against the unitholder's name in the said Depository Register and registered in the unitholder's name in the Register of Unitholders of CRCT, the unitholder should insert the aggregate number of units. If no number is inserted, this Proxy Form will be deemed to relate to all the units held by the unitholder.
6. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (unless previously registered with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

**General**

The Manager shall be entitled to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form (including any related attachment). In addition, in the case of unitholders whose units are entered against their names in the Depository Register, the Manager may reject any Proxy Form if the unitholder, being the appointor, is not shown to have units entered against the unitholder's name in the Depository Register at least 48 hours before the time appointed for holding the EGM, as certified by CDP to the Manager.



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**CAPITALAND RETAIL CHINA TRUST MANAGEMENT LIMITED**

as Manager of CapitaLand Retail China Trust  
Company Registration No. 200611176D

168 Robinson Road  
#30-01 Capital Tower  
Singapore 068912

Tel : +65 6713 2888  
Fax : +65 6713 2999

Email : [ask-us@crct.com.sg](mailto:ask-us@crct.com.sg)  
[www.crct.com.sg](http://www.crct.com.sg)