



CAPITALAND RETAIL CHINA TRUST

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

ANNOUNCEMENT

DIVESTMENT OF THE COMPANY WHICH HOLDS CAPITAMALL ERQI

1. INTRODUCTION

1.1 Divestment of the Company which Holds CapitaMall Erqi (the “Property”)

CapitaLand Retail China Trust Management Limited, as manager of CapitaLand Retail China Trust (“**CRCT**”, and the manager of CRCT, the “**Manager**”), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CRCT (the “**Trustee**”) had on 6 February 2020 through its wholly owned subsidiary, CapitaRetail China Investments (B) Alpha Pte. Ltd. (the “**Vendor**”), entered into a conditional equity interests transfer agreement (the “**Equity Transfer Agreement**”) to divest its entire equity interest in CapitaRetail Henan Zhongzhou Real Estate Co., Ltd. (the “**Target SPV**”) which holds the Property (the “**Divestment Interest**”, and the divestment of the Target SPV, the “**Divestment**”) to an unrelated third party (the “**Purchaser**”). The Purchaser is not an “interested person” of CRCT for the purposes of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and not an “interested party” of CRCT for the purposes of Appendix 6 to the Code of Collective Investment Schemes.

1.2 Information on the Property

The Property is a shopping mall with seven retail levels located in the heart of Zhengzhou’s premier shopping precinct in Henan at No.3, Minzhu Road, Erqi District, Zhengzhou to which the Target SPV is entitled. It has a gross floor area of 92,355.85 square metres, including above-ground floor area of 77,108.47 square metres and underground floor area of 15,247.38 square metres.

2. DETAILS OF THE DIVESTMENT

2.1 Consideration Valuation

Under the Equity Transfer Agreement, the aggregate consideration payable (the “**Sale Consideration**”) was negotiated on a willing buyer and willing seller basis based on the adjusted net asset value of the Target SPV as at the Transaction Base Date (as defined herein), after taking into account the agreed price of the Divestment Interest of RMB777.0

million (approximately S\$150.8 million¹) (the “**Agreed Interest Price**”) and certain agreed adjustments. Based on net asset value of the Target SPV as at 31 December 2019, the Sale Consideration is estimated to be RMB850.9 million (approximately S\$165.2 million). The Sale Consideration will be paid by the Purchaser in cash.

The independent valuation (“**Valuation**”) of the Property as at 31 December 2019 is RMB645.0 million (approximately S\$125.2 million). The valuation was commissioned as part of CRCT’s yearly valuation of its portfolio of properties and was carried out by Beijing Colliers International Real Estate Valuation Co., Ltd. using the market approach.

For the purposes of this announcement, “**Transaction Base Date**” is defined as the next day following the date where the existing shareholder’s loan owed by the Target SPV to the Vendor is repaid in full or any other date as agreed between the Vendor and the Purchaser.

2.2 Principal Terms of the Equity Transfer Agreement

The Equity Transfer Agreement contains customary provisions relating to the Divestment, including representations and warranties, undertakings, the procedure for relevant payments and filings to be made in relation to the Divestment and other commercial terms.

The Sale Consideration will be paid by the Purchaser in instalments, with the final instalment to be paid within three business days after the satisfaction of certain conditions set out in the Equity Transfer Agreement, which include, *inter alia*, the completion of the company change registration in respect of the transfer of the equity interests of the Target SPV to the Purchaser.

The Manager expects the completion of the Divestment to be in the third quarter of 2020. Upon completion of the Divestment, the Target SPV will cease to be a subsidiary of CRCT.

3. RATIONALE FOR AND BENEFITS OF THE DIVESTMENT

The Manager believes that the Divestment will bring the following key benefits to unitholders of CRCT (“**Unitholders**”):

3.1 Limited Upside for the Aged Property

As the building has already been in operation for more than 15 years, CRCT as the landlord will face increasing capital expenditure commitments in holding on to the Property. The Divestment will therefore allow CRCT to unlock the cash value from the Property, without having to incur major capital expenditure on the Property and avoiding refurbishment downtime in the near future.

In addition, with the termination of the master lease agreements over the Property, the Divestment is timely in terms of the Manager’s strategy for the Property.

¹ Unless otherwise stated in this announcement, the Renminbi amounts in this announcement have been translated into Singapore dollars based on an assumed exchange rate of S\$1 to RMB5.151.

3.2 Agreed Interest Price is Reasonable

The Agreed Interest Price is 20.5%² above the Valuation and is, in the opinion of the Manager, reasonable when compared to the transaction price of similar properties.

3.3 Redeployment of Capital through Portfolio Reconstitution Strategy

As part of CRCT's portfolio reconstitution and capital recycling strategy, the Divestment allows CRCT to unlock value from CapitaMall Erqi and redeploy the proceeds from the Divestment to, *inter alia*, pare down existing loans or fund new acquisitions.

4. USE OF SALE PROCEEDS

After taking into account the divestment fee of RMB3.9 million (approximately S\$0.8 million) to be paid to the Manager and other Divestment-related expenses, the net proceeds from the Divestment would be RMB790.8 million (approximately S\$153.5 million), resulting in an estimated net gain from the Divestment of approximately RMB65.6 million (approximately S\$12.7 million). The net proceeds of the Divestment may be used to repay debt, finance any capital expenditure and asset enhancement works, capital distribution, fund new acquisitions, and/or to finance general corporate and working capital requirements.

5. PRO FORMA FINANCIAL EFFECTS OF THE DIVESTMENT

5.1 Certain Financial Information Relating to the Divestment

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on the distribution per unit of CRCT ("**Unit**", and the distribution per Unit, "**DPU**") and net asset value ("**NAV**") per Unit presented below are strictly for illustrative purposes only and do not reflect the actual position of CRCT after completion of the Divestment and receipt of the entire Sale Consideration by CRCT.

They were prepared based on the unaudited consolidated financial statements of CRCT and its subsidiaries ("**CRCT Group**") for the financial year ended 31 December 2019 ("**FY2019**", and the unaudited consolidated financial statements of CRCT Group for FY 2019, the "**2019 Unaudited Consolidated Financial Statements**") announced on 7 February 2020, and taking into account the Sale Consideration.

5.2 Assumed Exchange Rates

The pro forma financial effects of the Divestment on the DPU and NAV per Unit for FY2019 are based on an assumed exchange rate of S\$1 to RMB5.151.

² The Agreed Interest Price of RMB777.0 million (approximately S\$150.8 million) is RMB132.0 (approximately S\$25.6 million) more than the book value of the Property, being the Valuation of RMB645.0 million (approximately S\$125.2 million) as at 31 December 2019.

5.3 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on CRCT's DPU for FY2019, as if the Divestment was completed on 1 January 2019, are as follows:

	FY2019	
	Before the Divestment	After the Divestment
Distributable Income (\$'000)	106,550 ⁽¹⁾	99,656 ^{(1) (2)}
Issued Units	1,209,067,206 ⁽³⁾	1,209,067,206 ⁽³⁾
DPU (Singapore cents)	9.90 ⁽¹⁾	9.33 ^{(1) (2)}
Distribution yield (%)	6.1 ⁽⁴⁾	5.8 ⁽⁴⁾
Earnings per Unit		
- Basic (Singapore cents)	15.45 ⁽¹⁾⁽⁵⁾	15.80 ⁽²⁾⁽⁵⁾
- Diluted (Singapore cents)	15.39 ⁽¹⁾⁽⁵⁾⁽⁶⁾	15.73 ⁽²⁾⁽⁵⁾⁽⁶⁾

Notes:

- (1) Based on the 2019 Unaudited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Divestment, as if it was completed on 1 January 2019.
- (3) Number of Units in issue as at 31 December 2019.
- (4) Based on the closing Unit price of \$1.61 on 31 December 2019.
- (5) Restated for the preferential offering of 86,871,006 Units which were issued on 3 September 2019.
- (6) Taking into account the 4,711,584 Units to be issued as payment of the Manager's management fee (as defined in the deed of trust dated 23 October 2006 constituting CRCT (as amended) (the "Trust Deed")) for the period from 1 January 2019 to 31 December 2019 (both dates inclusive), in accordance with the provisions stipulated in the Trust Deed.

5.4 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on CRCT Group's NAV per Unit as at 31 December 2019, as if the Divestment was completed on 31 December 2019, are as follows:

	As at 31 December 2019	
	Before the Divestment	After the Divestment
NAV (\$'000)	1,873,671 ⁽¹⁾	1,910,227 ⁽²⁾
Issued Units	1,209,067,206 ⁽³⁾	1,209,067,206 ⁽³⁾
NAV per Unit (\$)	1.55 ⁽¹⁾	1.58 ⁽¹⁾⁽²⁾

Notes:

- (1) Based on the 2019 Unaudited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Divestment, as if it was completed on 31 December 2019.
- (3) Number of Units in issue as at 31 December 2019.

6. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As of the date of this announcement and based on information available to the Manager as at the date of this announcement, save for the unitholding interests in CRCT held by certain directors of the Manager and the controlling Unitholders, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Divestment.

7. OTHER INFORMATION

7.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Divestment or any other transactions contemplated in relation to the Divestment.

7.2 Relative Figures computed on the Bases set out in Rule 1006 of the Listing Manual

A proposed disposal by CRCT may fall into any of the categories set out in Rule 1004 of the Listing Manual depending on the size of the relative figures computed on the following applicable bases of comparison:

- (i) the net asset value of the assets to be disposed of, compared with CRCT's net asset value;
- (ii) the net profits attributable to the assets disposed of, compared with CRCT's net profits; and
- (iii) the aggregate value of the consideration received, compared with CRCT's market capitalisation based on the total number of issued Units.

The relative figures for the Divestment using the applicable bases of comparison described above are set out in the table below:

Criteria	Target SPV (S\$ million)	CRCT Group (S\$ million)	Relative Figure (%)
<u>Rule 1006(a)</u> The net asset value of the assets to be disposed of, compared with CRCT's net asset value	133.3 ⁽¹⁾	1,873.7 ⁽²⁾	7.1
<u>Rule 1006(b)</u> The net profits attributable to the assets disposed of, compared with CRCT's net profits	15.4 ⁽²⁾⁽³⁾	241.2 ⁽²⁾	6.4
<u>Rule 1006(c)</u> The aggregate value of the consideration received, compared with CRCT's market capitalisation based on the total number of issued Units	165.2	1,839.1 ⁽⁴⁾	9.0

Notes:

- (1) Based on the net asset value of the Target SPV as at 31 December 2019.

- (2) Based on the FY2019 Unaudited Consolidated Financial Statements.
- (3) Includes one-off compensation.
- (4) Based on the weighted average traded price of S\$1.5211 per Unit on the SGX-ST as at 5 February 2020, being the market day immediately preceding the date of the Equity Transfer Agreement.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Divestment is regarded as being a discloseable transaction. The Manager is of the view that the Divestment is in the ordinary course of CRCT's business.

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

7 February 2020

Important Notice:

The value of units in CapitaLand Retail China Trust ("**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, CapitaLand Retail China Trust Management Limited (the "**Manager**"), as manager of CapitaLand Retail China Trust, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of CapitaLand Retail China Trust is not necessarily indicative of the future performance of CapitaLand Retail China Trust.

This announcement may contain forward-looking statements that involve 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.