



CAPITALAND RETAIL CHINA TRUST

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

ANNOUNCEMENT

PROPOSED DIVESTMENT OF SPECIAL PURPOSE VEHICLE HOLDING CAPITAMALL ANZHEN

1. INTRODUCTION

1.1 Proposed Divestment of Special Purpose Vehicle ("SPV") holding CapitaMall Anzhen

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 26 July 2017 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**") with Beijing Hualian Anzhen Business Development Company Ltd. (北京华联安贞商业发展有限公司) (the "**Purchaser**") to divest its entire equity interest in CapitaRetail Beijing Anzhen Real Estate Co., Ltd. (北京凯德安贞商用房地产有限公司) (the "**Target SPV**"), which holds CapitaMall Anzhen (the "**Property**" or the "**Divestment Interest**", and the divestment of the Target SPV, the "**Divestment**").

1.2 Information on the Property

The Property is a retail mall located in a mature area to the south of Beijing's Olympics Village, which is adjacent to the North Third Ring Road.

As at 30 June 2017, the Property has a total gross floor area of 43,442.86 sq m. The Property is currently master leased to BHG (Beijing) Department Ltd. (BHG (北京) 百货有限公司) ("**BHG Master Lessee**").

2. DETAILS OF THE DIVESTMENT

2.1 Transaction Amount and Valuation

The aggregate consideration payable ("**Transaction Amount**") by the Purchaser to acquire

the Target SPV is approximately S\$232.0 million¹ and was agreed on a willing buyer willing seller basis, after taking into account:

- (i) the adjusted net asset value of the Target SPV as at 31 March 2017² of RMB966.2 million (approximately S\$196.7 million³) (the “**Transfer Price**”), which takes into account the agreed price of the Divestment Interest (the “**Agreed Interest Price**”) of approximately RMB 1,129.5 million (approximately S\$230.0 million); and
- (ii) the estimated amount payable by the Purchaser for the repayment and discharge of an existing shareholder’s loan (the “**Shareholder Loan**”) and an entrustment loan (the “**Existing Entrustment Loan**”), of which the aggregate principal amount owed by the Target SPV is approximately S\$35.3 million¹).

The valuation (“**Valuation**”) of the Property is RMB 1,000.5 million (approximately S\$202.2 million⁴) as at 30 June 2017. The Valuation was commissioned as part of CRCT’s half-yearly valuation of its portfolio of properties and was carried out by Knight Frank Petty Limited using the capitalisation approach and discounted cashflow analysis.

2.2 Principal Terms of the Equity Transfer Agreement

- 2.2.1** Within 10 days after the entry into of the Equity Transfer Agreement, the Purchaser shall pay a deposit of approximately RMB 113.0 million (approximately S\$23.0 million) (the “**Initial Deposit**”).
- 2.2.2** After payment of the Initial Deposit, the Purchaser shall provide funds for the Target SPV to repay the Existing Entrustment Loan and the Shareholder Loan (the Existing Entrustment Loan together with the Shareholder Loan, the “**Existing Loans**”) plus interest on the Existing Loans.
- 2.2.3** After satisfaction of certain conditions which include, *inter alia*, the repayment of the Existing Loans, the Purchaser shall pay an amount equivalent to 90.0% of the Transfer Price (less the Initial Deposit).
- 2.2.4** After satisfaction of certain conditions which include, *inter alia*, Completion having occurred and the payment of withholding taxes payable, the Purchaser shall pay the balance of the Transfer Price.

“Completion” will occur after, *inter alia*, obtaining the updated business licence by the Purchaser and the completion of the record-filing with the relevant regulatory authority in the People’s Republic of China.

1 Translated into Singapore dollars based on an assumed exchange rate of RMB 1 to S\$0.2036 and US\$1 to S\$1.387.
2 Under the Equity Transfer Agreement, the profits and losses generated by the Target SPV from 31 March 2017 to the Completion (as defined herein) will be enjoyed and borne by the Purchaser. The Vendor has agreed to this as the Agreed Interest Price is 12.9% above the Valuation (as defined herein).
3 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 RMB 1 to S\$0.2036.
4 Translated into Singapore dollars based on an assumed exchange rate of RMB 1 to S\$0.2021.

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

Given that the Property’s master lease is locked in until 2025, there is limited upside that can be enjoyed by CRCT in terms of the incremental rental income, valuation and yield. As the building has already been in operation for more than 20 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.

3.2 Agreed Interest Price is Reasonable

The Agreed Interest Price is 12.9% above the Valuation. As the Valuation is based on the terms of the master lease to BHG Master Lessee (which provides for the master lease of the entire gross floor area of 43,442.86 sq m), the Agreed Interest Price is reasonable if expressed on a per sq m basis on effective gross rentable area, when compared to similar properties.

4. USE OF SALE PROCEEDS

After taking into account the divestment fee of RMB 5.6 million (approximately S\$1.1 million) to be paid to the Manager and other divestment related expenses, the net proceeds from the Divestment would be RMB 888.5 million (approximately S\$180.9 million), resulting in an estimated net gain from the Divestment of approximately RMB 154.6 million (approximately S\$31.5 million).

The net proceeds of the Divestment may be used to fund new acquisitions, repay debt, finance any capital expenditure and asset enhancement works, capital distribution, 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 and receipt of the entire Transaction Amount by CRCT from the Purchaser.

They were prepared based on the audited consolidated financial statements of CRCT and its subsidiaries (“**CRCT Group**”) for the financial year ended 31 December 2016 (“**FY 2016**”, and the audited consolidated financial statements of CRCT Group for FY 2016, the “**2016 Audited Consolidated Financial Statements**”), and taking into account the Transaction Amount.

5.2 Assumed Exchange Rates

In preparing the pro forma financial effects of the Divestment on the DPU and NAV per Unit for FY2016, the exchange rates between RMB and SGD are assumed to be as follows:

	Average rate for FY2016	31 December 2016
RMB	0.2086	0.2068

5.3 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on CRCT's DPU for FY2016, as if the Divestment was completed on 1 January 2016, are as follows:

	FY2016	
	Before the Divestment	After the Divestment
Distributable Income (\$'000)	86,732 ⁽¹⁾	76,616 ⁽²⁾
Issued Units	869,679,633 ⁽³⁾	869,679,633 ⁽³⁾
DPU (Singapore cents)	10.05 ⁽¹⁾	8.88 ⁽²⁾
Distribution yield (%)	7.34 ⁽⁴⁾	6.48 ⁽⁴⁾
Earnings per Unit		
- Basic (Singapore cents)	12.45 ⁽¹⁾	14.84 ⁽²⁾
- Diluted (Singapore cents)	12.39 ⁽⁵⁾	14.76 ^{(2) (5)}

Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.
- (2) Adjusted for the pro forma financial effects of the Divestment, as if it was completed on 1 January 2016.
- (3) Number of Units in issue as at 31 December 2016.
- (4) Based on the closing Unit price on 30 December 2016.
- (5) Taking into account the 4,177,316 Units issued as payment of the performance component of the 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 2016 to 31 December 2016 (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 2016, as if the Divestment was completed on 31 December 2016, are as follows:

	As at 31 December 2016	
	Before the Divestment	After the Divestment
NAV (\$'000)	1,431,811 ⁽¹⁾	1,470,576 ⁽²⁾
Issued Units	869,679,633 ⁽³⁾	869,679,633 ⁽³⁾
NAV per Unit (\$)	1.65 ⁽¹⁾	1.69

Notes:

- (1) Based on the 2016 Audited Consolidated Financial Statements.

- (2) Adjusted for the pro forma financial effects of the Divestment, as if it was completed on 31 December 2016.
- (3) Number of Units in issue as at 31 December 2016.

6. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate direct and indirect interest in 677,676 Units.

Save as disclosed above and based on the information available to the Manager as at the date of this announcement, none of the directors of the Manager or 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 of Singapore Exchange Securities Trading Limited (the "SGX-ST", and the Listing Manual of the SGX-ST, 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	Transaction Amount (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	182.1 ⁽¹⁾	1,402.7 ⁽²⁾	13.0%
<u>Rule 1006(b)</u> The net profits attributable to the assets disposed of, compared with CRCT's net profits	5.1 ⁽²⁾	52.4 ⁽²⁾	9.7%

Rule 1006(c) The aggregate value of the consideration received, compared with CRCT's market capitalisation based on the total number of issued Units	232.0	1,426.5 ⁽³⁾	16.3%
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Notes:

- (1) Based on the net asset value of the Target SPV as at 30 June 2017.
- (2) Based on the unaudited consolidated financial statements of CRCT for financial period ended 30 June 2017.
- (3) Based on the market capitalisation of CRCT as at 25 July 2017.

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

Lee Ju Lin, Audrey
Company Secretary
27 July 2017

IMPORTANT NOTICE

The value of units in 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.

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 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.