



CAPITALAND RETAIL CHINA TRUST

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

ANNOUNCEMENT

ACQUISITION OF PROPERTY IN HOHHOT AND DIVESTMENT OF CAPITAMALL SAIHAN

1. INTRODUCTION

1.1 Proposed Transaction

CapitaLand Retail China Trust Management Limited, as manager of CapitaLand Retail China Trust (“**CRCT**”, and the manager of CRCT, the “**Manager**”), is pleased to announce that CRCT (through its wholly-owned subsidiary, CapitaRetail China Investments (B) Alpha Pte. Ltd. (“**CRCI Alpha**”)), had on 31 January 2019 entered into a co-operative framework agreement (the “**Framework Agreement**”) with Guanghe New World, PC Shareholder, Huaxin Saihan and the Transferee (all as defined below) in relation to the acquisition and divestment of the following properties, the particulars of which are as follows:

	Property	Transaction	Vendor	Purchaser
1.	Building A of the Jinyu New World Plaza project (the “ Property ”)	Acquisition of the whole of the Property (the “ Acquisition ”)	Inner Mongolia Guanghe New World Commercial Real Estate Co., Ltd. (内蒙古广合新天地商业地产有限公司) (“ Guanghe New World ”)	CRCT Yuquan Investment Pte. Ltd. (“ PC Shareholder ”), through a company to be incorporated in Hohhot (the “ Project Company ”)
2.	Retail mall known as CapitaMall Saihan	Transfer and divestment of 100.0% interest (the “ Divestment Interest ”) in Huaxin Saihan Huhhot Real Estate Co., Ltd. (呼和浩特华信赛罕商用房地产有限公司) (“ Huaxin Saihan ”) (the “ Divestment ”)	CRCI Alpha	Beijing Fashion Qingcheng Commercial Management Ltd. (北京时尚青诚商业管理有限公司) (the “ Transferee ”)

(collectively, the “**Transaction**”).

PC Shareholder is a wholly-owned subsidiary of CRCT and the Project Company will be a wholly-owned subsidiary of PC Shareholder. Each of Guanghe New World and the Transferee is not an “interested person” of CRCT for the purposes of the Listing Manual (the “**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 (the “**Property Funds Appendix**”).

1.2 Information on the Acquisition

Guanghe New World currently holds the title to the Property which is located at E' Er Duo Si Street, Yuquan District, Hohhot, Inner Mongolia Autonomous Region. The Property has a gross floor area of 100,047.39 square metres (“**sq m**”) and comprises eight floors (one basement level and seven levels above ground) for commercial purposes and two basement levels of car park space.

PC Shareholder intends to incorporate a wholly foreign-owned enterprise in Hohhot (i.e. the Project Company) to acquire the Property.

Following the incorporation of the Project Company, the Project Company and Guanghe New World shall enter into a sale and purchase agreement (as supplemented) (the “**Property SPA**”) in accordance with the terms of the Framework Agreement. Inspection will then be conducted for the final acceptance and handover of the Property to the Project Company.

The Manager expects the Acquisition to be completed in the second half of 2019 (after which fit-out works and leasing at the Property will be undertaken), and the Property to commence operations in the second half of 2020.

1.3 Information on the Divestment

Huaxin Saihan is a wholly-owned subsidiary of CRCI Alpha and holds the title to CapitaMall Saihan, a retail mall located at No. 32 E' Er Duo Si Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region which has a gross floor area of approximately 41,938 sq m.

Pursuant to the Framework Agreement, CRCI Alpha, the Transferee and Huaxin Saihan will enter into an equity transfer agreement for the sale and purchase of all the shares in Huaxin Saihan (the “**Equity Transfer Agreement**”). The entry into the Equity Transfer Agreement and the Property SPA will take place concurrently.

The Manager expects the completion of the Divestment to be in the second half of 2020.

2. PRINCIPAL TERMS AND CONDITIONS OF THE FRAMEWORK AGREEMENT, THE EQUITY TRANSFER AGREEMENT AND THE PROPERTY SPA

2.1 Consideration

2.1.1 The Acquisition

The aggregate purchase consideration payable by CRCT in connection with the Acquisition is RMB808.3 million (approximately S\$159.6 million¹) (the “**Purchase Consideration**”). Pursuant to the Framework Agreement, the Project Company will, subject to relevant conditions being met, make progressive payments to Guanghe New World for the Purchase Consideration.

The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis, taking into account the independent valuation of the Property of RMB856.0 million (approximately S\$169.0 million).

The Manager and the Trustee have commissioned an independent property valuer, Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. (the “**Independent Valuer**”), to value the Property. The open market value of the Property as at 31 December 2018 is RMB856.0 million as stated in the valuation report of Independent Valuer. The methods used by the Independent Valuer were the direct comparison and capitalisation method. The Purchase Consideration is at a discount of 5.6% to the valuation.

2.1.2 The Divestment

The aggregate consideration (the “**Sale Consideration**”) payable by the Transferee in connection with the Divestment will be based on the financial accounts of Huaxin Saihan as at the cut-off date in accordance with the Framework Agreement and was agreed on a willing buyer willing seller basis taking into account the following factors:

- (i) the equity consideration of Huaxin Saihan will take into account the agreed price of the Divestment Interest (the “**Agreed Interest Price**”) of approximately RMB460.0 million (approximately S\$90.8 million) which is based on the independent valuation of RMB460.0 million; and
- (ii) the estimated amount payable for the repayment and discharge of an existing loan owing by Huaxin Saihan to CRCI Alpha or any other related party of CRCI Alpha (the “**Existing Loan**”), of which the aggregate principal amount owed is approximately RMB152.7 million (approximately S\$30.1 million). It is intended that the Transferee will repay the Existing Loan ahead of the completion of equity transfer. The interest repayable under the Existing Loan shall be calculated until the day when the outstanding principal amount of the Existing Loan is repaid.

¹ Except where the exchange rate between the Renminbi and the Singapore dollar is expressly stated otherwise, the Renminbi amounts in this announcement have been translated into Singapore dollars based on the exchange rate of S\$1 to RMB5.0653.

The valuation of CapitaMall Saihan is RMB460.0 million (approximately S\$90.8 million) as at 31 December 2018, and was commissioned as part of CRCT's semi-annual valuation of its portfolio of properties and was carried out by the Independent Valuer using the discounted cash flow and direct capitalisation method.

As at 31 December 2018, the Sale Consideration payable by the Transferee for the Divestment is approximately RMB503.2 million (approximately S\$99.3 million), but the final amount will be subject to the financial accounts of Huaxin Saihan at the cut-off date. The actual Sale Consideration will be based on the adjusted net asset value ("**NAV**") of Huaxin Saihan at the cut-off date.

After taking into account the estimated divestment fee payable to the Manager, taxes and other divestment related expenses of approximately RMB23.3 million (approximately S\$4.6 million), it is estimated that the net proceeds from the Divestment would be RMB479.9 million (approximately S\$94.7 million).²

2.2 Deposit

Pursuant to the Framework Agreement, CRCT shall pay a deposit amounting to 20.0% of the Purchase Consideration (being approximately RMB161.7 million) to Guanghe New World, and the Transferee shall simultaneously pay a deposit amounting to 20.0% of the Agreed Interest Price (being approximately RMB92.0 million) to CRCT, within 10 business days of the entry into the Framework Agreement.

2.3 Principal terms of the Framework Agreement

The execution of the Property SPA and the Equity Transfer Agreement are subject to and conditional upon certain conditions precedent being met, including, among others, the incorporation of the Project Company in Hohhot, completing all registrations and filings required and fulfilling all the conditions set by local governmental authorities in relation to the settlement of registered capital of foreign-capital enterprises.

The Framework Agreement may be terminated with immediate effect by notice in writing if, among others, the conditions precedent are not fulfilled and parties fail to reach an agreement to remedy the situation. In the event of a termination, the deposit paid under paragraph 2.2 shall be refunded to the respective parties.

The Acquisition and the Divestment are part of an entire transaction and the failure to complete or the termination of one constitutes a termination event where CRCI Alpha, the Project Company, Guanghe New World or the Transferee shall have the right to terminate the Transaction.

2 There is no accounting gain or loss over book value in relation to the Sale Consideration as it is based on an agreed price of the Divestment Interest which is at the valuation of the Divestment Interest as at 31 December 2018. Taking into account the aforementioned divestment related expenses of approximately RMB23.3 million (approximately S\$4.6 million), this would amount to a net accounting loss of RMB23.3 million (approximately S\$4.6 million), subject to any gain or loss arising from the realisation of foreign exchange rates at the time of completion of the Divestment.

2.4 Principal terms of the Property SPA

The Property SPA contains customary provisions relating to the Acquisition, including conditions precedent to be met for progressive payment, satisfactory inspection and handover of the Property, representations and warranties, undertakings, the title transfer and completion and other commercial terms.

Without prejudice to the terms of the Property SPA and as mentioned above, the Property SPA may be terminated if there is an early termination of the Divestment under the Framework Agreement, resulting in an early termination of the Property SPA pursuant to the terms of the Framework Agreement.

In the event the Property SPA is terminated pursuant to the terms of the Property SPA, the Project Company and Guanghe New World shall use their best efforts to negotiate and carry out such actions for the parties to return to the status quo had the Transaction or any part of the Transaction not occurred.

2.5 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.

Without prejudice to the terms of the Equity Transfer Agreement and as mentioned above, the Equity Transfer Agreement may be terminated if, among others, there is an early termination of the Acquisition under the Framework Agreement, resulting in an early termination of the Equity Transfer Agreement pursuant to the terms of the Framework Agreement.

In the event the Equity Transfer Agreement is terminated pursuant to the terms of the Equity Transfer Agreement, the parties shall use their best efforts to negotiate and carry out such actions for the parties to return to the status quo had the Divestment not occurred. Further, in the event the Divestment is terminated for reasons attributable to the Transferee or Guanghe New World, CRCI Alpha is entitled to deduct its losses arising from the termination of the Divestment from the deposit and such other amounts paid by the Transferee.

3. THE RATIONALE FOR THE TRANSACTION

The Manager believes that the Transaction will bring the following key benefits to Unitholders.

3.1 The Acquisition

3.1.1 Expansion of presence in a city with strong track record

Hohhot is the provincial capital of Inner Mongolia which is an important portal in the “Belt & Road Initiative” due to its strategic location connecting North China

with Mongolia and Russia. As Hohhot benefits from growth opportunities within the region, better quality retail brands have been increasingly entering the market to meet the demands of the rising middle-class. The management team on the ground have operated CapitaMall Saihan for more than 10 years, delivering strong performance despite of its limitations. The Acquisition presents a good opportunity for CRCT to continue to tap on such extensive retail management expertise, local network as well as the established brand name to provide the Property with the competitive edge to capture opportunity in the fast-growing Hohhot market and generate long term growth for Unitholders.

3.1.2 Exposure to higher quality and better located asset with excellent connectivity

The Transaction allows CRCT to replace CapitaMall Saihan with a new asset that is more than double in size, with better specifications and over 400 carpark lots. Furthermore, the Property is expected to be seamlessly connected to the metro station via the first basement level once the metro line is completed in 2020. The Property also enjoys excellent frontage to the junction of two major arterial roads. This will enhance accessibility and boost traffic to the Property, providing a longer runway for future growth.

3.1.3 Enlarging CRCT portfolio and extension of land tenure

The Transaction is in line with the Manager's strategy to grow CRCT's portfolio as the total gross floor area of CRCT's portfolio will increase by 7% following the Transaction. The Transaction is also consistent with the Manager's effort to extend the land tenure of CRCT's portfolio, by replacing CapitaMall Saihan (which has the shortest remaining land tenure among CRCT's existing property portfolio) with an asset with much longer land tenure.

3.1.4 Opportunity to broaden offerings and introduce new concepts

With better building specification and larger floor size, CRCT will have the opportunity to broaden trade offerings and introduce new retail concepts previously not possible at CapitaMall Saihan due to its physical limitations, to cater to the demands of a wider catchment population. This will enhance CRCT's overall tenant diversification and create synergy across the portfolio.

3.2 The Divestment

3.2.1 Limited upside potential

Given that CapitaMall Saihan is a relatively small retail mall and a substantial portion of the area is occupied by anchor tenants, there are limited opportunities and flexibility to reconfigure the overall trade mix in CapitaMall Saihan and attract newer concepts and brands to grow rental income over the longer term. CapitaMall Saihan's older building specifications, lack of onsite car park and no direct connectivity to the upcoming metro line may also constrain its ability to stay competitive in the longer term. The Divestment allows CRCT to reconstitute its

presence with a property that is more competitive and has stronger growth potential.

3.2.2 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 Saihan and redeploy the proceeds from the Divestment to partially finance the Acquisition.

4. METHOD OF FINANCING AND FINANCIAL EFFECTS

4.1 Method of Financing

CRCT intends to use all the proceeds from the Divestment to partially finance the Acquisition. CRCT also intends to finance the Acquisition through a combination of existing cash and debt, and pending the receipt of proceeds from the Divestment, intends to draw down on its existing debt facility to be repaid subsequently.

4.2 Pro Forma Financial Effects of the Transaction

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Transaction on the NAV per Unit and capitalisation presented below are strictly for illustrative purposes and were prepared based on the unaudited financial statements of CRCT and its subsidiaries ("**CRCT Group**") for the financial year ended 31 December 2018 ("**FY2018**") announced on 1 February 2019, taking into account:

- (i) funding of the Acquisition via existing cash, debt and the proceeds from the Divestment; and
- (ii) an exchange rate of S\$1 to RMB5.0653 and S\$1 to US\$0.7297.

4.2.1 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Transaction on CRCT Group's NAV per Unit (excluding the distribution income to Unitholders) as at 31 December 2018, as if the Transaction was completed on 31 December 2018, are as follows:

	Effects of the Transaction	
	Before the Transaction ¹	After the Transaction
NAV(S\$'000)	1,553,220	1,548,615
Issued Units	980,549,136	980,549,136
NAV per Unit (cents)	1.58	1.58

Note(s):

- (1) Based on the FY2018 unaudited consolidated financial statements of CRCT Group announced on 1 February 2019 and Units as at 31 December 2018.

4.2.2 Pro Forma Capitalisation

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma capitalisation of the CRCT Group as at 31 December 2018, as if the Transaction was completed on 31 December 2018, is as follows:

	Effects of the Transaction	
	Before the Transaction	After the Transaction ¹
<u>Current</u>		
Unsecured loans and borrowings (S\$'000)	161,250	161,250
<u>Non-Current</u>		
Unsecured loans and borrowings (S\$'000)	880,000	880,000
Secured loans and borrowings (S\$'000)	-	62,000
Total loans and borrowings (S\$'000)	1,041,250	1,103,250
Unitholders' funds (S\$'000)	1,553,220	1,553,220
Total Capitalisation (S\$'000)	2,594,470	2,656,470

Note(s):

(1) Assuming that the Acquisition is funded through existing cash, debt and the proceeds from the Divestment.

4.2.3 No disclosure has been made in relation to the pro forma financial effects of the Transaction on CRCT Group's distribution per Unit ("DPU") for FY2018 as if the Transaction was completed on 1 January 2018, as there is no financial information presently available on the Acquisition and to reflect only the pro forma financial effects of the Divestment would be misleading and not representative of the overall financial effect of the Transaction as a whole as the Acquisition and the Divestment are part of an entire transaction.

The Property is expected to be handed over to CRCT in the second half of 2019 (after which fit-out works and leasing at the Property will be undertaken). In the meantime, CRCT will continue to own, operate and receive property income from CapitaMall Saihan. The Property is expected to commence operations in the second half of 2020 and the completion of the Divestment is expected to take place after the Property commences operations. Therefore, it would be misleading to show the pro forma financial effects of the Divestment on the DPU for FY2018 alone when CRCT will continue to derive income from CapitaMall Saihan until the Property starts generating income.

As the Property has yet to sign up new leases, there is no financial information available to test the effect of the Acquisition on CRCT Group's DPU for FY2018. In contrast, there is historical financial information to test the effect of the Divestment

on CRCT Group's DPU for FY2018. However, to reflect only the pro forma financial effects of the Divestment on CRCT Group's DPU without considering the pro forma financial effects of the Acquisition would be misleading and not representative of the overall financial effect of Transaction as a whole as a drop in DPU would be reflected, when the Transaction was negotiated such that the Divestment would be completed only when the Property commences operations.

5. 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 342,227 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 Transaction.

6. OTHER INFORMATION

6.1 Directors' Service Contracts

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

6.2 Disclosure under Rule 1006 of the Listing Manual

Chapter 10 of the Listing Manual classifies transactions by an issuer into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *inter alia*, the following applicable bases of comparison set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual:

- (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 acquired or disposed of, compared with the issuer's net profits; and
- (iii) the aggregate value of the consideration given, compared with CRCT's market capitalisation based on the total number of issued Units.

Rule 1006(d) of the Listing Manual does not apply in relation to the Transaction as no Units will be issued as consideration for the Transaction.

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

Comparison of	Acquisition	CRCT Group	Relative figure (%)
Profits (S\$ million)	-(1)	184.0 ⁽²⁾	-
Purchase Consideration against market capitalisation (S\$ million)	159.6 ⁽³⁾	1,429.9 ⁽⁴⁾	11.2

Note(s):

- (1) There is no existing profit from the Property as the Property has not yet commenced operation.
- (2) Based on the FY2018 unaudited consolidated financial statements of CRCT Group announced on 1 February 2019.
- (3) The figure represents the Purchase Consideration.
- (4) Based on the weighted average traded price of S\$1.4583 per Unit on the SGX-ST as at 30 January 2019, being the market day immediately preceding the date of the Framework Agreement.

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

Comparison of	Divestment	CRCT Group	Relative figure (%)
NAV (S\$ million)	90.2 ⁽¹⁾	1,571.6 ⁽¹⁾	5.7
Profits (S\$ million)	8.2 ⁽¹⁾	184.0 ⁽¹⁾	4.5
Sale Consideration against market capitalisation (S\$ million)	99.3 ⁽²⁾	1,429.9 ⁽³⁾	6.9

Note(s):

- (1) Based on the FY2018 unaudited consolidated financial statements of CRCT Group announced on 1 February 2019.
- (2) The figure represents the estimated net Sale Consideration based on the adjusted NAV of Huaxin Saihan as at 31 December 2018, which is subject to post-completion adjustments.
- (3) Based on the weighted average traded price of S\$1.4583 per Unit on the SGX-ST as at 30 January 2019, being the market day immediately preceding the date of the Framework Agreement.

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

6.3 Documents for Inspection

A copy of each of the Framework Agreement and the valuation report of the Independent Valuer is available for inspection by appointment only at the registered office of the Manager³ at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 during normal business hours for a period of three months commencing from the date of this announcement.

³ Prior appointment with the Manager is required. Please contact Ms Nicole Chen, Investor Relations (telephone: +65 6713 2888).

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

1 February 2019

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.