



## CAPITALAND RETAIL CHINA TRUST

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

### ANNOUNCEMENT

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#### PROPOSED ACQUISITION OF GALLERIA, CHENGDU, CHINA BY WAY OF ACQUIRING 100.0% INTEREST IN BR SPICY (HK) LIMITED WHICH HOLDS GALLERIA, CHENGDU, CHINA

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#### 1. INTRODUCTION

##### 1.1 Proposed Acquisition of 100.0% Interest in BR Spicy (HK) Limited which holds Galleria, Chengdu, China

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**”), has today entered into a conditional share purchase agreement (the “**Share Purchase Agreement**”) with BR Spicy (B.V.I) Ltd. (the “**Vendor**”) to acquire 318 ordinary shares, being all of the issued share capital in BR Spicy (HK) Limited (the “**Target Company**”) and the acquisition of all of the issued share capital in the Target Company, the “**Acquisition**”) which, through a wholly owned subsidiary, holds Galleria, Chengdu, China (the “**Property**”).

##### 1.2 Information on the Property

The Property is located in Chengdu City, the capital of Sichuan Province, which is a key economic centre of Western China. Strategically located in the centre of Xinnan Tiandi retail precinct, it is one of the more matured retail precincts in Chengdu. The Property is surrounded by densely-populated residential developments and office buildings, and is accessible via public transport networks. Within the vicinity, there is Chengdu South Railway metro station, which is currently served by Line 1, a major metro line connecting north-south bound traffic, and Chengdu South Railway station, a major railway station which connects to other second and third-tier cities near Chengdu.

The Property has a total gross floor area (“**GFA**”) of 91,816 sqm, comprising 53,619 sqm of GRA (as defined herein) and 37,159 sqm car park. The net lettable area (“**NLA**”) is 34,736 sqm (as at 31 May 2016) and is currently leased to 167 tenants, which include well-known international brands such as H&M, innisfree, Nike, Starbucks, Swarovski, UNIQLO and Golden Harvest cinema.

The key property information is summarised below:

<b>Location</b>	No. 99, Shenghe Yi Road, Gaoxin District, Chengdu City, Sichuan Province
<b>Opening Date</b>	November 2010
<b>Site Area</b>	20,896 sqm
<b>Plot Ratio</b>	10.5
<b>Existing Land Use / Tenure</b>	Commercial, expiring 17 October 2047
<b>Total GFA</b>	91,816 sqm
<b>Gross Retail Area ("GRA")</b>	53,619 sqm (B1-L4)
<b>Car Park</b>	Basement: 900 lots (37,159 sqm)
<b>NLA</b>	34,736 sqm (as at 31 May 2016)
<b>Committed Occupancy Rate</b>	100.0% (as at 31 May 2016)

## 2. DETAILS OF THE PROPOSED ACQUISITION

### 2.1 Purchase Consideration and Valuation

The aggregate purchase consideration (the "**Purchase Consideration**") payable in connection with the Acquisition comprises:

- (i) the adjusted aggregated net asset value ("**NAV**") of the Target Company and its wholly owned subsidiary (collectively, the "**Target Companies**") as at the date of completion of the Acquisition ("**Completion**", and the date of Completion, the "**Completion Date**");
- (ii) the outstanding amount of the shareholder loan extended by the Vendor to the Target Company at Completion (the "**Shareholder Loan**"); and
- (iii) the outstanding amount of the onshore loan owing by the Target Company's wholly owned subsidiary in the People's Republic of China at Completion (the "**Onshore Loan**").

The estimated Purchase Consideration payable on the Completion Date is approximately RMB1,544.1 million<sup>1</sup> (approximately S\$313.9 million<sup>2</sup>).

The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis based on the agreed value of the Property of RMB1,500 million (approximately S\$304.9 million<sup>2</sup>) (the “**Agreed Property Value**”), taking into account the independent valuation of the Property of RMB1,520 million (approximately S\$309.0 million<sup>2</sup>).

The Trustee and the Manager have commissioned an independent property valuer, Savills Valuation & Professional Services (S) Pte Ltd (the “**Independent Valuer**”) to value the Property. The open market value of the Property as at 26 July 2016 is RMB1,520 million as stated in its valuation report. The methods used by the Independent Valuer were the capitalisation method and the discounted cash flow method. The Agreed Property Value is at a discount of 1.32% to the valuation.

## 2.2 Estimated Total Acquisition Cost

The estimated total cost of the Acquisition (the “**Total Acquisition Cost**”) is approximately RMB1,571.4 million (approximately S\$319.4 million<sup>2</sup>), subject to closing adjustments, comprising:

- (i) the Purchase Consideration of RMB1,544.1<sup>1</sup> million (approximately S\$313.9 million<sup>2</sup>);
- (ii) the acquisition fee of RMB15.0 million (approximately S\$3.0 million<sup>2</sup>) (the “**Acquisition Fee**”) payable in cash and/or units in CRCT (“**Units**”) to the Manager (the “**Acquisition Fee**”); and
- (iii) the estimated professional and other acquisition-related expenses of approximately S\$2.5 million.

## 2.3 Principal Terms and Conditions of the Share Purchase Agreement

The principal terms of the Share Purchase Agreement include, among others the following conditions precedent:

- the Trustee having paid the agreed deposit in full into an escrow account;
- there being no breach of fundamental warranties relating to, among others, the title of the shares in the Target Company and the Property (the “**Fundamental Warranties**”);
- there being no breach of warranties other than the Fundamental Warranties (whether alone or in aggregate with the other breaches of warranties) that may reasonably be expected to exceed the agreed threshold;
- there being no material damage to the Property on or before Completion; and
- there being no compulsory acquisition by any government authority of the Property or any material party of the Property.

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1 Based on the pro forma statement of the adjusted NAV of the Target Company and its wholly owned subsidiary as at 31 May 2016 and subject to post-Completion adjustments.

2 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 RMB 1 to S\$0.20326.

The Vendor has also made certain representations and warranties, and has also given certain tax indemnities to the Trustee and its liabilities thereunder are subject to an aggregate maximum liability, minimum threshold claims and limitation periods.

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

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

#### **3.1 In line with CRCT’s Investment and Growth Strategy**

This acquisition is in line with CRCT’s principal investment strategy of investing in quality income-producing assets and pursuing yield-accretive acquisitions so as to deliver stable and growing distributions to Unitholders.

Following the completion of the Acquisition, CRCT’s portfolio size will increase by about 14% from RMB11.0 billion as at 30 June 2016 to approximately RMB12.5 billion.

The acquisition is also in line with the Manager’s growth strategy to expand its existing portfolio of quality shopping malls with long term growth potential.

CRCT currently owns 10 shopping malls located in six cities, across three regions in China as follows:

- (i) CapitaMall Xizhimen, CapitaMall Wangjing, CapitaMall Grand Canyon, CapitaMall Anzhen, CapitaMall Shuangjing and CapitaMall Saihan located in northern China;
- (ii) CapitaMall Qibao and CapitaMall Wuhu located in eastern China; and
- (iii) CapitaMall Minzhongleyuan and CapitaMall Erqi located in central China.

The inclusion of the Property will thus increase CRCT’s exposure to the high-growth city of Chengdu.

#### **3.2 Exposure to High-Growth Western China**

Chengdu is the provincial capital of Sichuan Province with a population of about 15 million. In 2015, Chengdu’s GDP grew 7.9% year-on-year to RMB1,080.1 billion, above the nation’s GDP growth of 6.9%. Per capita urban disposable income reached RMB 33,476, an increase of 8.0% over the previous year. Total retail sales of consumer goods exceeded RMB494.6 billion, reflecting a 10.7% year-on-year growth<sup>3</sup>. These positive indicators are expected to see further growth support, as Chengdu transforms into a major commercial centre in the Western China, with evolving retail scene and increased emphasis on driving consumerism.

#### **3.3 Strategic Location in Prominent Chengdu**

Chengdu, as the key city in Chinese government’s Western China Development plan, is expected to benefit from the government’s new emphasis in implementing its ‘One Belt One Road’ policy. Positioned as a hi-tech zone, Gaoxin’s economic prospects, consumer demographics, transport network and retail landscape are strong investment merits for CRCT to own and manage a modern shopping mall to cater to the growing retail needs of the surrounding catchments.

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<sup>3</sup> Source : Statistics on Chengdu are taken from the Chengdu Bureau of Statistics.

Surrounded by densely-populated residential developments and office buildings, the mall serves a population catchment of about 1 million residents and working professionals within a 3-kilometre radius.

### **3.4 Leveraging on CapitaLand's presence in Chengdu**

Given that the CapitaLand Group has five existing malls<sup>4</sup> in Chengdu, the proposed acquisition is aligned with CRCT's investment strategy to expand our footprint by leveraging on our sponsor's strong presence in key Chinese cities where it has a competitive edge. This presents a good opportunity for CRCT to tap on the Group's experience and expertise in operating in Chengdu and improve on current operating efficiency of the Property.

## **4. METHOD OF FINANCING AND FINANCIAL EFFECTS**

### **4.1 Method of Financing**

The current intention of the Manager is to finance the Total Acquisition Cost with existing cash and additional debt.

### **4.2 Pro Forma Financial Effects**

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on the distribution per Unit ("**DPU**") and NAV per Unit presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of CRCT and its subsidiaries ("**CRCT Group**") for the financial year ended 31 December 2015 ("**FY 2015**"), taking into account the agreed property value as well as the following assumptions:

- (i) the Onshore Loan is repaid via onshore entrustment loans;
- (ii) bank borrowings at an assumed interest rate are used to finance the balance funding requirement, including the discharge of the Shareholder Loan; and
- (iii) the exchange rates are RMB 1 to S\$0.20326 and USD 1 to S\$1.35405 respectively.

#### **4.2.1 Pro Forma DPU**

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on CRCT's DPU for FY2015, as if the Acquisition was completed on 1 January 2015 and the CRCT Group held the Target Companies through to 31 December 2015, are as follows:

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<sup>4</sup> The five CapitaLand malls in Chengdu are Raffles City Chengdu, CapitaMall Tianfu, CapitaMall Jinniu, CapitaMall Meilicheng and CapitaMall Shawan.

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
Net Income (S\$'000)	141,085	154,082 <sup>(2)</sup>
Distributable Income (S\$'000)	89,219	92,508 <sup>(3)</sup>
Issued Units ('000)	843,256 <sup>(1)</sup>	845,237 <sup>(4)</sup>
DPU (cents)	10.60	10.94

**Notes:**

- (1) Number of Units issued as at 31 December 2015.
- (2) Net income has been adjusted for items aligned with group accounting policies.
- (3) Adjusted for the depreciation and unrealised gains as well as the assumed funding costs.
- (4) It is assumed that Manager's acquisition fee is paid in the form of Units (the "Acquisition Fee Units") at an assumed price of S\$1.5393 per new Unit (purely for illustrative purposes only and based on the 10-day VWAP). The actual issue price of the Acquisition Fee Units to be issued to the Manager will be at the relevant market price, being the volume weighted average price for a Unit for the period of 10 business days immediately preceding the date of issuance.

#### 4.2.2 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 2015, as if the Acquisition was completed on 31 December 2015, are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
NAV (S\$'000)	1,490,820	1,493,869
Issued Units ('000)	843,256 <sup>(1)</sup>	845,237 <sup>(2)</sup>
NAV per Unit (S\$)	1.77	1.77

**Notes:**

- (1) Number of Units issued as at 31 December 2015.
- (2) It is assumed that Manager's acquisition fee is paid in the form of Units at an assumed price of S\$1.5393 per new Unit (purely for illustrative purposes only and based on the 10-day VWAP). The actual issue price of the Acquisition Fee Units to be issued to the Manager will be at the relevant market price, being the volume weighted average price for a Unit for the period of 10 business days immediately preceding the date of issuance.

#### 4.2.3 Pro Forma Capitalisation

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma capitalisation of the CRCT Group as at 31 December 2015, as if the Acquisition was completed on 31 December 2015, is as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
<b>Current</b>		
Unsecured loans and borrowings (S\$'000)	177,000	177,000
Secured loans and borrowings (S\$'000)	5,528	5,528
<b>Non-Current</b>		
Unsecured loans and borrowings (S\$'000)	450,503	750,503 <sup>(1)</sup>
Secured loans and borrowings (S\$'000)	74,061	74,061
<b>Total loans and borrowings (S\$'000)</b>	707,092	1,007,092
Unitholders' funds (S\$'000)	1,490,820	1,493,869
<b>Total Capitalisation (S\$'000)</b>	2,197,912	2,500,961

**Notes:**

(1) It is assumed that the financing for the Acquisition is through long term unsecured borrowings.

## 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 730,727 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 Acquisition.

## 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 Acquisition or any other transactions contemplated in relation to the Acquisition.

### 6.2 Relative Figures computed on the Bases set out in 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 the following applicable bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with the issuer's net profits; and
- (ii) the aggregate value of the consideration given, compared with the issuer's market capitalisation.

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

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

	The Acquisition (S\$ million)	CRCT Group (S\$ million)	Relative figure (%)
<b>Rule 1006(b)</b> Profits	8.1 <sup>(1)</sup>	72.4 <sup>(1)</sup>	11.2
<b>Rule 1006(c)</b> Consideration to be given compared with CRCT's market capitalisation	313.9 <sup>(2)</sup>	1,355.7 <sup>(3)</sup>	23.2

**Notes:**

- (1) The figures are based on the unaudited results for period ended 30 June 2016 for CRCT Group and the unaudited management accounts for period ended 30 June 2016 for the Acquisition.
- (2) The figure represents the estimated Purchase Consideration based on the proforma statement as at 31 May 2016 of the adjusted net asset value of the target company and its wholly owned subsidiary subject to post-completion adjustments.
- (3) The figure is based on weighted average traded price of \$1.5851 per unit on SGX-ST as at 17 August 2016, being the day immediately prior to the entry of the Share Purchase Agreement.

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 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 subject to Chapter 10 of the Listing Manual and specific approval of Unitholders for the Acquisition is not required notwithstanding that the relative figures exceed 20.0%.

### 6.3 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager<sup>5</sup> at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 for a period of three months commencing from the date of this announcement:

- (i) the Share Purchase Agreement; and
- (ii) the independent valuation of the Independent Valuer.

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  
19 August 2016

<sup>5</sup> Prior appointment with the Manager will be appreciated. Please contact Ms Leng Tong Yan, Investor Relations (telephone: +65 6713 2888).

#### **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 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.