



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 MINZHONGLEYUAN

1. INTRODUCTION

1.1 Divestment of the Company which Holds CapitaMall Minzhongleyuan

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 had on 11 January 2021 through its wholly owned subsidiary, Somerset (Wuhan) Investments Pte. Ltd. (the “**Vendor**”), entered into a conditional equity interests transfer agreement (the “**Equity Transfer Agreement**”) to divest its entire equity interest in Wuhan New Min Zhong Le Yuan Co., Ltd. (the “**Target SPV**”) to an unrelated third party (the “**Purchaser**”, and the divestment of the Target SPV, the “**Divestment**”). The Target SPV holds CapitaMall Minzhongleyuan¹ (the “**Property**”) and three sets of premises located at Sanyang Complex, Jiangnan District, Wuhan with total gross floor area of 274.13 square meters (the “**Target Residences**”, together with the Property, the “**Divestment Interest**”).

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 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 heritage building constructed in 1919 that is located in the Jiangnanlu business district at No. 704 Zhongshan Avenue, Jiangnan District, Wuhan, Hubei Province, a short walk from Wuhan’s renowned Jiangnanlu pedestrian street. It has a gross floor area of approximately 41,717 square metres, and a net lettable area of approximately 22,121 square metres.

The Property consists of an annexed building with seven floors in total and gross floor area of 31,331.02 square metres (the “**Annexed Building**”) and a conserved building with seven floors in total and gross floor area of 10,386.14 square meters (the “**Conserved Building**”). The Target SPV holds the land use rights and ownership of the Annexed Building. In addition, the Target SPV entered into a lease agreement (the “**Tenancy Agreement**”) with

¹ Please see paragraph 1.2 of this announcement for further details.

Wuhan Min Zhong Le Yuan, a subsidiary of the Wuhan Culture Bureau, to lease the Conserved Building. The lease term of the Tenancy Agreement is from 1 July 2004 to 30 June 2024, and the Target SPV has the right to renew the Tenancy Agreement for a further 20-year term.

2. PRINCIPAL TERMS OF THE DIVESTMENT

2.1 Sale Consideration and Valuation

Under the Equity Transfer Agreement, the aggregate consideration payable of RMB258.0 million (approximately S\$52.6 million²) (the “**Sale Consideration**”) was negotiated on a willing buyer and willing seller basis based on the net asset value of the Target SPV as at 31 December 2020, after taking into account the agreed price of the Divestment Interest of RMB458.0 million (approximately S\$93.4 million) (the “**Agreed Interest Price**”). In addition to payment of the Sale Consideration, the Purchaser also agrees to provide an amount of RMB200.0 million (approximately S\$40.8 million) to the Target SPV to repay the outstanding shareholder loan owed by the Target SPV to the Vendor of approximately RMB29.4 million (approximately S\$6.0 million), subject to certain adjustments³ (the “**Shareholder Loan**”), and the entrustment loans owed by the Target SPV to wholly-owned subsidiaries of CRCT with the principal amount and interest amounting to approximately RMB169.9 million (approximately S\$34.7 million) (the “**Existing Entrustment Loans**”).

The Sale Consideration as well as the repayment of the Shareholder Loan and the Existing Entrustment Loans will be paid by the Purchaser in cash.

The independent valuation (“**Valuation**”) ⁴ of the Property as at 1 November 2020 is RMB440.0 million (approximately S\$89.8 million). The valuation was commissioned as part of CRCT’s yearly valuation of its portfolio of properties and was carried out by Savills Real Estate Valuation (Guangzhou) Ltd., Beijing Branch, using the capitalisation approach and discounted cashflow approach.

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 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. In addition, a portion of the Shareholder Loan (the “**Retention Sum**”) will be repaid by the Target SPV one year after the date of the handover of the Target SPV as the Retention Sum will be used to offset any undisclosed liabilities that were incurred

² 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 RMB4.901.

³ If the actual net asset value of the Target SPV as at 31 December 2020 is lower than the Sale Consideration, the Vendor will waive an equivalent amount of the Shareholder Loan owed by the Target SPV to compensate the Purchaser for the difference.

⁴ The Target Residences are not valued as part of CRCT’s yearly valuation of its portfolio of properties because they are vacant.

by the Target SPV before 31 December 2020.

The Manager expects the completion of the Divestment to be in the second quarter of 2021. 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 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 the Property and redeploy the proceeds from the Divestment to, *inter alia*, pare down existing loans or fund new acquisitions.

3.2 Agreed Interest Price is Reasonable

The Agreed Interest Price is 3.9%⁵ above the aggregate of the Valuation and the book value of the Target Residences based on the latest management accounts of the Target SPV as at 31 December 2020 and is, in the opinion of the Manager, reasonable when compared to the transaction price of similar properties.

3.3 Limited Upside of Non-Core Property

The Property was facing operational challenges in the past few years due to the changes in its environment, including roadworks in its surroundings and resettlement in its immediate catchment. Given its relatively small size, the upside of the Property is limited and the Divestment allows the Manager to exit this non-core asset and focus on CRCT’s larger core portfolio.

4. NET PROCEEDS AND FINANCIAL EFFECTS

4.1 Net Proceeds

After taking into account the divestment fee of RMB2.3 million (approximately S\$0.5 million) to be paid to the Manager, other Divestment-related expenses and the relevant tax payable, the net proceeds from the Divestment would be approximately RMB229.6 million (approximately S\$46.8 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 The Agreed Interest Price of RMB458.0 million (approximately S\$93.4 million) is RMB17.1 million (approximately S\$3.5 million) more than the aggregate of the book value of the Property (being the Valuation of RMB440.0 million (approximately S\$89.8 million) as at 1 November 2020) and the book value of the Target Residences of RMB0.9 million (approximately S\$0.2 million) as at 31 December 2020 (which has been the carrying value on the books of the Target SPV since the acquisition by CRCT).

4.2 Financial Effects

The Divestment is not expected to have any material impact on the net asset value per unit and the distribution per unit of CRCT for the financial year ending 31 December 2021.

The Divestment is a non-discloseable transaction within the meaning of Rule 1008 of the Listing Manual and the Manager is of the view that the Divestment is in the ordinary course of CRCT's business.

5. 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.

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

11 January 2021

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.