CAPITAMALL TRUST

(Constituted in the Republic of Singapore

pursuant to a trust deed dated 29 October 2001 (as amended))

ANNOUNCEMENT

RIGHT OF FIRST REFUSAL TO PURCHASE IMM BUILDING

1. INTRODUCTION

1.1 Background Information

On 20 December 2002, International Merchandise Mart Ltd ("**IMM Ltd**"), the owner of IMM Building (the "**Property**") (being the whole of Lot 6524K Mukim 5, comprising a leasehold estate for the unexpired portion of a leasehold term of 30 years commencing from 23 January 1989[1], and the building(s) thereon), entered into a conditional put and call option (the "**Option Agreement**") with CapitaLand Commercial Limited ("**CCL**") in respect of the acquisition of the Property. Subject to the fulfilment of certain conditions precedent under the Option Agreement and on the terms and conditions set forth in the Option Agreement:

1.1.1 IMM Ltd granted to CCL a call option (the "**Call Option**") to require IMM Ltd to enter into an agreement for the sale of the Property (substantially in the form and on the terms of the sale and purchase agreement appended to the Option Agreement (the "**Purchase Agreement**")) to a third party nominated by CCL (the "**Nominated Party**"); and

1.1.2 CCL granted IMM Ltd a put option (the "**Put Option**") to require CCL to nominate a third party and procure that such third party enters into the Purchase Agreement for the purchase the Property from IMM Ltd, failing which CCL must enter into the Purchase Agreement to purchase the Property from IMM Ltd.

1.2 Right of First Refusal

Pursuant to the right of first refusal granted in connection with the initial public offering of units representing undivided interests ("**Units**") in CapitaMall Trust ("**CMT**") in July 2002 by CCL to Bermuda Trust (Singapore) Limited (the "**Trustee**") (in its capacity as the trustee of CMT) over properties with certain specified characteristics which may be targeted and identified for acquisition by CCL or any of its subsidiaries, CCL has granted a right of first refusal (the "**Right of First Refusal**") to the Trustee on 20 December 2002 to purchase the Property on the terms and conditions of the Purchase Agreement in the event that CCL is entitled to exercise the Call Option under the Option Agreement.

Under the Right of First Refusal, the Trustee has been granted a period of 30 days from 20 December 2002 to indicate CMT's interest in purchasing the Property for CMT by serving a notice of interest (the "**Notice of Interest**") to CCL. The Notice of Interest, if served, will merely constitute a statement of the Trustee's interest in

[1] Renewable for a further term of 30 years at an annual rent based on the market rent as at the commencement of the said further term (subject to an annual revision) and subject to there being no existing breach or non-observance of the covenants and conditions contained in the lease relating to the Property.

considering the purchase from IMM Ltd of the Property for CMT, and shall not be construed as an unconditional agreement by the Trustee to purchase the Property or an agreement by the Trustee to enter into the Purchase Agreement.

1.3 Contemplated Acquisition of the Property

The Board of Directors of CapitaMall Trust Management Limited (the "**Manager**"), the manager of CMT, hereby announces that the Trustee has, in accordance with the Right of First Refusal, issued a Notice of Interest to CCL on 17 January 2003 to indicate to CCL the Trustee's interest in considering the purchase of the Property for CMT on the terms and conditions of the Purchase Agreement and subject to certain conditions precedent as described below.

2. PRINCIPAL TERMS OF THE RIGHT OF FIRST REFUSAL AND THE ACQUISITION

2.1 Right of First Refusal

The principal terms of the Right of First Refusal are as follows:

2.1.1 **Purchase to be on Terms and Conditions of the Purchase Agreement**: The Right of First Refusal granted by CCL to the Trustee is for the purchase of the Property for CMT on the terms and conditions of the Purchase Agreement in the event that CCL is entitled to exercise the Call Option under the Option Agreement.

2.1.2 **Conditions Precedent**: Prior to the Trustee entering into the Purchase Agreement with IMM Ltd for the purchase of the Property, the following conditions must be fulfilled unless waived by the Trustee in writing:

(i) the approval of the unitholders of CMT ("**Unitholders**") for the acquisition of the Property by CMT given at an extraordinary general meeting of Unitholders to be convened by the Trustee;

(ii) CMT securing sufficient financing to undertake the acquisition of the Property and the agreements for such financing:

(a) are not terminated pursuant to the terms thereof; and

(b) have become unconditional in all respects;

(iii) (if applicable) the approval of the Unitholders, given at an extraordinary general meeting of Unitholders, for the issuance of new Units to fund (whether in whole or in part) the acquisition of the Property[2];

(iv) the results of CCL's and the Manager's due diligence investigations in respect of the Property and the disclosures in the Disclosure Letters (as defined in the Option Agreement) delivered by IMM Ltd to CCL pursuant to the Option Agreement being found to be satisfactory to the Manager and a written confirmation of the same is delivered by the Manager to CCL; and

[2] Under the trust deed dated 29 October 2001 constituting CMT (as amended by a first supplemental deed dated 26 December 2001 and a second supplemental deed dated 28 June 2002), Unitholders' approval would have to obtained for the issuance of new Units above certain specified thresholds.

(v) none of the termination events set out in the Option Agreement has occurred.

2.1.3 **Notice of Interest and Confirmation of Purchase**: Upon the fulfilment or, as the case may be, waiver of the conditions precedent set out in sub-paragraph 2.1.2 above, it is intended that the Trustee will issue a written confirmation (the "**Confirmation of Purchase**") to CCL that it wishes to purchase the Property, whereupon CCL will be required to exercise the Call Option forthwith as well as to nominate the Trustee as the Nominated Party to purchase the Property and enter into the Purchase Agreement with IMM Ltd.

2.1.4 **Undertaking as to Transactional Costs**: The Right of First Refusal provides that upon the issuance of the Notice of Interest, the Trustee is deemed to have agreed that, in the event that the Trustee enters into the Purchase Agreement with IMM Ltd, CMT shall bear CCL's transactional costs in evaluating and conducting the due diligence on the Property and negotiating and entering into the Option Agreement with IMM Ltd, as if the transactional costs were incurred on the account of CMT in connection with its acquisition of the Property.

2.1.5 **Breach of Warranties in the Option Agreement**: CCL has undertaken to the Trustee and the Manager that no claim for breach of warranties in the Option Agreement will be made by CCL against IMM Ltd if the Trustee enters into the Purchase Agreement.

2.1.6 **Savings by Trustee**: If the Trustee does not issue the Confirmation of Purchase to CCL before the commencement of the Put Option Notice Period (as defined below), all the responsibilities and obligations of CCL, the Trustee and the Manager under the Right of First Refusal (save for CCL's obligation, in certain circumstances, to reimburse certain costs incurred by the Trustee and the Manager) shall *ipso facto* lapse and cease to be binding.

The Put Option Notice Period means the period of 14 days commencing immediately after the date falling:

(i) 140 days after 20 December 2002, or

(ii) nine weeks after the date that the last of the outstanding matters in Clauses 3(A)(v) to (x) of the Option Agreement (as set out in paragraphs 3.2 – 3.7 of Appendix 1 to this Announcement) have been fulfilled (unless waived by IMM Ltd or CCL (as the case may be)) or such other date as IMM Ltd and CCL may agree in writing,

whichever is later.

2.1.7 **Costs of the Trustee and the Manager**: If the termination event provided for in Clause 10(A) of the Option Agreement (relating to breach of warranties or undertakings under the Option Agreement or damage to the Property) occurs such that the Trustee does not proceed with the purchase of the Property and, instead, CCL purchases the Property, CCL is required, as soon as possible, to reimburse the costs of the Trustee and the Manager incurred in connection with the Right of First Refusal or in respect of the proposed acquisition of the Property up to a maximum limit of S$1 million to the extent

that CCL may recover such amount of costs in damages from IMM Ltd under the Purchase Agreement. No such re-imbursement will be made if both CCL and the Trustee do not proceed with the purchase of the Property.

2.2 Certain Terms under the Option Agreement

As the Property is owned by IMM Ltd, the acquisition of the Property by CMT will be subjected to IMM Ltd successfully implementing a series of restructuring agreements with its secured creditors and preference shareholders. Towards this end and pursuant to the Option Agreement, IMM Ltd has undertaken to propose a scheme of arrangement with its secured creditors (the "**Creditors Scheme**") and a scheme of arrangement with its preference shareholders (the "**Preference Shareholders Scheme**") to restructure the debts owing to its secured creditors and preference shareholders. The successful completion of the transaction contemplated under the Option Agreement will result in such secured creditors and preference shareholders realising a substantial part of their investments in IMM Ltd.

Further details of certain principal terms of the Option Agreement are set out in Appendix 1 to this Announcement.

2.3 The Purchase Agreement

The principal terms of the Purchase Agreement are as follows:

2.3.1 **Subject Matter of Purchase**: If the Trustee enters into the Purchase Agreement with IMM Ltd, it will be required to purchase the Property together with the plant and equipment relating thereto (the "**Plant and Equipment**").

2.3.2 **Consideration**: The consideration (the "**Consideration**") for the purchase of the Property together with the Plant and Equipment by the Trustee shall be S$247.4 million, and will be wholly satisfied in cash.

The Consideration was arrived at on a willing-buyer and willing-seller basis, and represents a discount to the open market value of the Property of S$280 million as at 31 May 2002 (as determined by Knight Frank Pte Ltd, the property valuers commissioned by IMM Ltd to value the Property).

2.3.3 **Further Details:** Further details of the principal terms of the Purchase Agreement are set out in Appendix 2 to this Announcement.

3. ESTIMATED ACQUISITION COSTS

The current estimated acquisition costs of the Property of approximately S$262.6 million comprise the purchase price of the Property of S$247.4 million, stamp duty and CCL's transactional costs as referred to in sub-paragraph 2.1.4 above, but have not yet taken into account an acquisition fee payable to the Manager under the Trust Deed as well as professional and other fees and expenses of CMT and the costs to CMT of any fund raising exercise to finance the acquisition of the Property (which will also be payable by CMT if it proceeds with the acquisition).

4. RATIONALE FOR THE ACQUISITION

4.1 Overview

The Manager seeks to achieve additional net property income growth and to enhance the value of CMT's real property portfolio over time through:

4.1.1 active management of the portfolio of properties that it holds;

4.1.2 the addition and/or reorganisation of space at the properties comprised in the CMT portfolio; and

4.1.3 identifying and acquiring suitable and attractive shopping centres in Singapore.

CMT currently owns three major shopping malls in Singapore – Tampines Mall, Junction 8 and Funan The IT Mall (the "**Properties**"). The acquisition of the Property by CMT will be a valuable addition to the portfolio of properties already owned by CMT. More specifically, the acquisition of the Property will be in line with the investment strategy of the Manager and will allow CMT to increase its earnings base in order to continue producing secure and growing income which provides a competitive return to Unitholders.

4.2 Competitive Strengths

The Manager believes that the Property benefits from the following strengths:

4.2.1 **Strategic Location**: The Property is strategically located within its trade area and enjoys a high level of connectivity with public transportation. The Property is located near the Jurong East MRT (Mass Rapid Transit) station and bus interchange, and generates high volumes of pedestrian traffic.

4.2.2 **Large Trade Area**: The Property serves a large trade area, including the HDB (Housing and Development Board) heartlands in Jurong East, Bukit Batok and Clementi, where there are relatively few shopping centres.

4.2.3 **High Occupancy Level**: As at 31 December 2002, the occupancy level in the Property was approximately 99.7% for the retail component. The relatively high occupancy level principally reflects the strong demand for retail space in the Property. Given such demand, the Manager believes that there are opportunities, through pro-active management, to attract additional suitable tenants and thereby raise the occupancy level in the Property. For the office and warehouse components, the occupancy rates, as at 31 December 2002, were approximately 94.0% and 63.0%, respectively.

4.2.4 **Diverse Tenant Base**: The tenant mix includes popular household brand names and diverse anchor tenants such as Giant hypermarket (which occupies almost 90,000 sq ft), Best Denki (a leading electrical chain store in Singapore), Daiso (a Japanese discount store that sells all items in its inventory for S$2) and Yunnan Garden restaurant.

4.2.5 **Quality Tenants**: The Property benefits from the quality of its anchor tenants, such as Giant hypermarket and Best Denki, and the visitors that they attract.

4.3 Diversification

Currently, CMT's Properties are situated in the central and eastern parts of Singapore. The Property, however, serves the western HDB heartlands such as Jurong East, Bukit Batok and Clementi. In addition, the Property enjoys convenient accessibility as it is located near the Jurong East MRT station and bus interchange. The Property

caters to the shopping needs of the densely populated housing suburbs in the western part of Singapore and benefits from a loyal customer base. The location of the Property would thus attract strong tenancy demand.

The purchase of the Property by the Trustee would allow CMT to diversify its portfolio of properties such that CMT would be able to cater to the different tenancy demands in different areas of Singapore.

4.4 Yield Accretive

The audited financial statements of IMM Ltd for the financial year ended 28 February 2002 ("**Audited Financial Statements**") (being the latest available audited financial statements of IMM Ltd) show that the Property is able to generate a strong net property income and hence attractive yields. This translates to a property yield higher than CMT's current implied property yield of 6.6% (based on a trading price of S$1.05 per Unit).

The Manager therefore believes that the acquisition of the Property by CMT would be yield accretive for Unitholders.

5. INFORMATION ON THE PROPERTY

5.1 Ownership of the Property

The Property is owned by IMM Ltd and has an approximate gross floor area of 1,424,722 sq ft. The Property is a five storey building comprising retail (predominantly located on the first three levels), warehouse and office. This building accommodates a hypermarket, restaurants, food and beverage outlets, retail units, furniture shops, warehouse units and ancillary office units. Car parking facility is available at the open car park within the same compound as well as a multi-storey car park that is directly accessible from the first to fifth storeys of the building at the Property.

5.2 Major Tenants

The major tenants of the Property currently include Giant hypermarket, Best Denki, Daiso and Yunnan Garden restaurant. The following table sets out the net lettable area, both in terms of actual area and as a percentage of net lettable area used as retail space, occupied by each of these tenants:

	Net lettable area occupied	
	Square feet	Percentage of total retail net lettable area
Giant hypermarket	89,836	23.5%
Daiso	26,198	6.9%
Best Denki	24,672	6.5%
Yunnan Garden	9,582	2.5%

5.3 Certain Financial Information

For the period from 1 March 2001 to 28 February 2002 (the date the latest available audited accounts of IMM Ltd have been made up to), the net property income before

interest costs and income tax of IMM Ltd attributable to the Property, as derived from the Audited Financial Statements, was S$22.6 million. Over 80% of the gross rental income in the Property, based on the Audited Financial Statements, was derived from the retail component.

5.4 Asset Value

In a valuation report dated 28 June 2002 commissioned by IMM Ltd, Knight Frank Pte Ltd estimated by using the Investment Method[3] of valuation that the open market value of the Property as at 31 May 2002 was S$280 million. The Manager has commissioned Knight Frank Pte Ltd to carry out a fresh valuation of the Property, the results of which will be made known in the Circular (as defined below).

The book value of the Property, as reflected in the Audited Financial Statements, was S$280 million.

6. METHOD OF FINANCING AND FINANCIAL EFFECTS OF ACQUISITION

The Manager is currently reviewing various modes of financing the acquisition of the Property. It may employ additional borrowings or funds from new equity raisings, or a combination of both, to finance the acquisition. At the time of this Announcement, no decision has been made. The Manager's financing plans in this regard will be announced as soon as they have been finalised. The plans will also be set out in a circular to Unitholders (the "**Circular**") to be issued in due course together with a notice of extraordinary general meeting of Unitholders which the Trustee will convene for the purposes of obtaining Unitholders' approval for, *inter alia*, the acquisition of the Property by CMT. Such extraordinary general meeting is expected to be held after the secured creditors and preference shareholders of IMM Ltd have approved, respectively, the Creditors Scheme and the Preference Shareholders Scheme, and after such approvals have been confirmed by the courts.[4]

The Circular will also contain information relating to the financial effects of the acquisition, such as its impact on earnings per Unit, CMT's net gearing as well as the market capitalisation of CMT as these matters can only be determined after the mode of financing has been finalised.

7. ADVISOR

CapitaLand Financial Limited (a wholly owned subsidiary of CapitaLand) has been appointed as adviser to CCL and the Manager in connection with the structuring of the acquisition of the Property by the Trustee from IMM Ltd.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Certain directors of CapitaLand Limited, the holding company of CCL, collectively hold an aggregate direct and indirect interest in 1,030,000 Units. Certain directors of the Manager collectively hold an aggregate direct and indirect interest in 1,200,000 Units. Mr Hsuan Owyang and Mr Liew Mun Leong are directors of both CapitaLand Limited and the Manager. CapitaLand Limited has an indirect interest in 246,610,948 Units.

---

[3] In this method of valuation, the net rent of the Property was capitalised at a suitable rate of return. The net rent is the balance sum after deducting service charge, property tax and a reasonable percentage for vacancy from the gross rent. The value of the Property was thus arrived at by capitalising this net rent at a suitable rate of return.

[4] See Appendix 1 to this Announcement for further details.

Save as disclosed and based on information available to the Manager, none of the directors of the Manager or the substantial Unitholders has an interest, direct or indirect, in the acquisition of the Property by CMT.

9. OTHER INFORMATION

9.1 Director's Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the acquisition of the Property, the Right of First Refusal, the Purchase Agreement or any other transaction contemplated in relation to the purchase of the Property by the Trustee from IMM Ltd.

9.2 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 39 Robinson Road, #18-01 Robinson Point, Singapore 068911, for a period of 3 months commencing from the date of this Announcement:

9.2.1 the Option Agreement;

9.2.2 the Purchase Agreement (which is appended to the Option Agreement); and

9.2.3 the letter from CCL to the Trustee and the Manager setting out the Right of First Refusal.

BY ORDER OF THE BOARD

CAPITAMALL TRUST MANAGEMENT LIMITED

Winnie Tan

Company Secretary

17 January 2003

APPENDIX 1

CERTAIN PRINCIPAL TERMS OF THE OPTION AGREEMENT

1. CALL OPTION

1.1 Call Option

Under the Option Agreement, IMM Ltd has granted CCL the right to require IMM Ltd to enter into an agreement for the sale of the Property (substantially in the form and on the terms of the Purchase Agreement) to the Nominated Party for the consideration of S$247.4 million.

1.2 Call Option Exercise Period

The Call Option can only be exercised during the period commencing on the date (the "**Unconditional Date**") that the last of the outstanding matters set out in sub-paragraphs 3.1 – 3.6 below have been fulfilled (unless waived by both IMM Ltd and CCL) up to and including the date falling:

1.2.1 140 days after 20 December 2002; or

1.2.2 nine weeks after the Unconditional Date,

whichever is later.

2. PUT OPTION

2.1 Put Option

Under the Option Agreement, CCL has granted IMM Ltd the right to require CCL to nominate a third party and procure that such third party enters into the Purchase Agreement for the purchase of the Property from IMM Ltd, failing which CCL must enter into the Purchase Agreement for the purchase of the Property from IMM Ltd.

2.2 Put Option Exercise Period

The Put Option can only be exercised during the Put Option Notice Period (as defined in sub-paragraph 2.1.6 in the main body of this Announcement).

3. CERTAIN CONDITIONS PRECEDENT

The right of CCL to exercise the Call Option and the right of IMM Ltd to exercise the Put Option are subject to, *inter alia*, the fulfilment of the following conditions precedent (unless such conditions precedents are waived by CCL or both CCL and IMM Ltd (as the case may be), where such conditions precedents are capable of waiver):

3.1 the approval of Jurong Town Corporation to the sale by IMM Ltd of the Property to the Nominated Party pursuant to the Call Option or the Put Option, by the date falling ten weeks after 20 December 2002 (*i.e.* 28 February 2003) or such later date as may be notified by CCL to IMM Ltd. This condition precedent is not capable of being waived by either CCL or IMM Ltd, or by both;

3.2 the passing of an ordinary resolution by the ordinary shareholders of IMM Ltd at an extraordinary general meeting of the ordinary shareholders, approving the sale of the Property by IMM Ltd pursuant to the exercise of either the Call Option or the Put Option. This condition precedent is not capable of being waived by either CCL or IMM Ltd, or by both;

3.3 the passing of special resolutions by the ordinary shareholders of IMM Ltd at an extraordinary general meeting of the ordinary shareholders to approve:

(i) a capital reduction exercise in connection with the cancellation of certain of the preference shares of IMM Ltd; and

(ii) all other matters necessary to effect the Preference Shareholders Scheme and the Creditors Scheme;

3.4 the obtaining of the approval for the Preference Shareholders Scheme by a specified majority in number of the relevant preference shareholders of IMM Ltd, at a meeting of such preference shareholders to approve the Preference Shareholders Scheme;

3.5 the passing of special resolutions by the relevant preference shareholders of IMM Ltd at a general meeting of the relevant preference shareholders to:

(i) give effect to the Preference Shareholders Scheme; and

(ii) approve a capital reduction exercise in connection with the cancellation of certain of the preference shares of IMM Ltd;

3.6 the obtaining of the approval for the Creditor Scheme by a specified majority in number of the secured creditors of IMM Ltd, at meeting of such secured creditors to approve the Creditors Scheme;

3.7 the obtaining of a court order sanctioning:

(i) the Preference Shareholders Scheme;

(ii) the Creditors Scheme; and

(iii) the capital reduction exercise described in sub-paragraph 3.3(i) above; and

3.8 there being no change or event causing or which, insofar as can be reasonably foreseen, may cause the gross monthly income derived from the Property (being the aggregate of the gross monthly rentals and the gross monthly licence fees derived from the Property) to fall below S$3.75 million.

APPENDIX 2

CERTAIN PRINCIPAL TERMS OF THE PURCHASE AGREEMENT

1. SALE AND PURCHASE

1.1 Property, Plant and Equipment

IMM Ltd will sell the Property together with the Plant and Equipment free from encumbrances upon the terms and subject to the conditions of the Purchase Agreement.

1.2 Consideration

The consideration for the Property and the Plant and Equipment under the Purchase Agreement is S$247.4 million.

2. VACANT POSSESSION

On the completion of the sale and purchase of the Property under the terms of the Purchase Agreement (the "**Completion**"), IMM Ltd shall deliver vacant possession of the Property (other than such part(s) of the Property which are subject to such tenancies and licences for the use of the Property as are in existence at the time of the Completion) to the purchaser of the Property (the "**Purchaser**").

3. ASSIGNMENT OF TENANCIES, LICENCES AND SECURITY DEPOSITS

3.1 Assignment of Tenancies and Licences

On Completion, IMM Ltd is required to execute in favour of the Purchaser an assignment of all of IMM Ltd's rights, benefits (including rental or, as the case may be, licence fees, and other income) and covenants under the tenancies and licences for the use of the Property which are in existence at the time of the Completion, with effect from the Completion.

3.2 Assignment of Security Deposits

On Completion, IMM Ltd is also required to transfer to the Purchaser all the security deposits (including fitting out deposits and any other cash deposits and securities held by IMM Ltd under the tenancies and licences for the use of the Property which are in existence at the time of the Completion) paid to IMM Ltd under the such tenancies and licences without any set off, deduction or counterclaim.

4. LIMITATION ON THE LIABILITIES OF IMM LTD

The liability of IMM Ltd under the Purchase Agreement is limited by, *inter alia*, the following:

4.1 In the event of any breach on the part of IMM Ltd under the Purchase Agreement, IMM Ltd shall only be liable for such amount of the claim in respect of such breach and the aggregate amount of all liabilities under any

other claim or claims (whether under the Purchase Agreement or under the Option Agreement), which is in excess of the sum of S$1,000,000.

4.2 The maximum aggregate liability of IMM Ltd in respect of all claims whether under the Purchase Agreement and/or Option Agreement is be limited to S$4 million.

4.3 No claim under the Purchase Agreement may be made unless notice of such claim was made in writing (specifying in reasonable detail the nature of the breach and the amount claimed in respect thereof) and given to IMM Ltd on or prior to the date falling 12 months after the Completion.

4.4 No proceedings shall be commenced by or on behalf of the Purchaser in relation to any alleged breach of the Purchase Agreement, unless proceedings are commenced no later than 15 months after the Completion.