



CAPITALAND LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No.: 198900036N

ANNOUNCEMENT

GRANT OF CALL OPTION TO CAPITACOMMERCIAL TRUST IN RESPECT OF 1 GEORGE STREET

1. Introduction

CapitaLand Limited ("**CapitaLand**" or the "**Company**") wishes to announce that its indirect wholly-owned subsidiary, George Street Pte Ltd ("**GSPL**") had on 26 March 2008 entered into a conditional call option agreement (the "**Call Option Agreement**") with HSBC Institutional Trust Services (Singapore) Limited as CapitaCommercial Trust ("**CCT**")'s trustee ("**CCT Trustee**"), pursuant to which GSPL, in consideration of the payment of S\$1.00 by CCT Trustee to GSPL, granted CCT Trustee a call option (the "**Call Option**") to acquire the office building known as 1 George Street at One George Street, Singapore 049145 (the "**Property**") for a total consideration of S\$1.165 billion (the "**Consideration**").

Pursuant to the terms of the Call Option Agreement, GSPL undertakes to procure that CapitaLand Commercial Limited ("**CCL**"), a wholly-owned subsidiary of CapitaLand, which holds 100% of the interest in GSPL, shall negotiate and enter into a deed with CCT Trustee (the "**Deed of Yield Protection**") to provide yield protection to CCT to ensure a minimum net property income per annum for the Property of S\$49,512,500, translating into a yield protection calculated at 4.25% per annum of the Consideration (the "**Yield Protection**") for a period of five years commencing from (and including) the date of completion of the sale and purchase of the Property (the "**Completion**")¹ and ending on the day immediately preceding the fifth anniversary of the date of Completion (which is expected to fall within 2013).

CCT is a real estate investment trust which units are listed on the mainboard of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and managed by the Company's indirect wholly-owned subsidiary, CapitaCommercial Trust Management Limited ("**CCTML**").

GSPL is a company incorporated in Singapore. Its principal activity is that of owning and managing a leasehold investment property in Singapore. GSPL is wholly owned by Eureka Office Fund Pte Ltd ("**EOF**"). EOF is in turn wholly owned by CapitaLand (Office) Investments Pte Ltd ("**COI**"). COI is an indirect wholly-owned subsidiary of the Company.

¹ The date of Completion shall be a date which is not less than 7 business days and not more than 14 business days, after the date on which the CCT Trustee has exercised the Call Option.

The Property is a leasehold asset with a term of ninety-nine (99) years commencing from 22 January 2003. The Property is a premier Grade A office building located in Singapore's prime Central Business District. The 23-storey building was completed in December 2004 and is one of the newest commercial properties in Singapore with state-of-the-art building specifications designed to suit tenants in the financial services industry and also multinational companies. As at 31 December 2007, the Property has a committed occupancy of 100%.

2. The Consideration

The Consideration was arrived at on a willing-buyer and willing-seller basis. The Consideration will be payable in cash on Completion.

The book value of the Property as at 31 December 2007 was S\$1.06 billion, reflecting the appraised value of S\$1.06 billion for the Property being the independent valuation of Colliers International Consultancy & Valuation (Singapore) Pte Ltd commissioned by the Company (as announced by the Company on 22 February 2008).

3. The Call Option Agreement

The principal terms of the Call Option Agreement are set out below:

- (a) The exercise of the Call Option is subject to and conditional upon the approval of the unitholders of CCT ("**Unitholders**") at an extraordinary general meeting of the Unitholders ("**EGM**") for the acquisition of the Property by CCT ("**Unitholders' Approval**") as required under the Property Funds Guidelines in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore as well as the Listing Manual of the SGX-ST (the "**Listing Manual**"). CCT Trustee shall, following the recommendation of CCTML, use its best endeavours to procure that the EGM be convened by 30 June 2008, but in any event no later than 31 July 2008.
- (b) CCT Trustee, within the period commencing from the date after the Unitholders' Approval is obtained ("**Approval Date**") and ending at 5.00 p.m. on the date falling 3 business days after the Approval Date (or such other date as may be agreed by CCT Trustee and GSPL (the "**Parties**") in writing):
 - (i) shall give written notice thereof to GSPL of the Unitholders' Approval; and
 - (ii) may exercise the Call Option by giving written notice (the "**Call Notice**") to GSPL, which Call Notice shall specify the date of Completion.
- (c) On the date of service of the Call Notice, the Parties and CCL shall enter into the sale and purchase agreement for the Property for the Consideration (with GSPL as the vendor, the CCT Trustee as the purchaser and CCL as the guarantor) (the "**SPA**").

- (d) The Parties shall use their best efforts to negotiate in good faith with each other on arms' length commercial terms to finalise by 20 April 2008 (or such later date as may be agreed by the Parties) (the "**Target Date**") the terms and conditions of:
- (i) the SPA, together with all other agreements or documents required to give effect to the SPA and facilitate the divestment of the Property to CCT Trustee (the "**Divestment**"); and
 - (ii) a disclosure letter to be executed by GSPL in favour of CCT Trustee.
- CCL and CCT Trustee shall use their best efforts to negotiate in good faith with each other on arms' length commercial terms to finalise by the Target Date, the terms and conditions of the Deed of Yield Protection.
- (e) GSPL has granted CCT Trustee an exclusivity period from the date of the entry into the Call Option Agreement on 26 March 2008 up to the earlier of (i) the date of termination of the Call Option Agreement² and (ii) the date of exercise of the Call Option, during which GSPL shall not enter into any negotiations or any agreement with or grant any option to any third party for the sale of the Property or for any joint venture for the acquisition of the Property and GSPL shall procure that its shareholders shall not enter into any negotiations or agreement for the sale or transfer of such shareholders' shares in GSPL, to a third party.

Whilst the Parties have agreed upon certain key terms to be incorporated into the SPA, the SPA remains subject to negotiations and agreement by the Parties. Although the Parties are working expeditiously and in good faith to negotiate and agree upon the terms and conditions of the SPA by the Target Date, there is no certainty that the Divestment will be effected.

4. Rationale

The Divestment is in line with the Company's strategy of unlocking value from its commercial properties at the appropriate time to recycle capital. The net proceeds will be re-invested for better returns.

The Divestment to CCT will enable the Company to continue to own a stake in the Property through its 30.5% interest in CCT, thereby maintaining its position as a major owner/manager of prime office properties in the Singapore Downtown Core.

In addition, the Divestment will contribute to increased fee-income and assets under management by CapitaLand.

5. Financial Effects

In the event the Call Option is exercised and the Divestment is completed, the Company is expected to recognise a gain of approximately S\$47.1 million after taking into account the Yield Protection and the Company's interest in CCT.

² The Call Option Agreement shall be terminated in the event the Unitholders' Approval is not obtained pursuant to paragraph 3(a) above or the Call Option is not exercised within the period specified in paragraph 3(b) above.

Based on the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2007:

- (a) assuming that the Divestment had been effected on 1 January 2007, the financial impact on the earnings per share after the Divestment is not material; and
- (b) assuming that the Divestment had been effected on 31 December 2007, the financial impact on the net tangible asset per share after the Divestment is not material.

6. Discloseable Transaction

The relative figures computed on the bases set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual are as follows:

(a) Rule 1006(a)

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2007, the net asset value of the Property is S\$1.06 billion, which constitutes 8.9% of the consolidated net asset value of the Group.

(b) Rule 1006(b)

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2007, the net profits before income tax, minority interests and extraordinary items attributable to the Property of S\$192.0 million constitutes 5.6% of the Group's net profits before income tax, minority interests and extraordinary items.

(c) Rule 1006(c)

The Consideration is equivalent to 6.6% of the market capitalisation of the Company of S\$17.7 billion as at 25 March 2008, being the last market day preceding the date of the Call Option Agreement and based on the total number of issued shares excluding treasury shares.

7. Interests of Directors and Controlling Shareholders

As at the date of this announcement, the Company holds, through its indirect wholly-owned subsidiaries, E-Pavilion Pte. Ltd., SBR Private Limited and CCTML, an aggregate interest in 422,918,492 units in CCT ("**Units**"), comprising approximately 30.5% of the total number of Units in issue.

As at the date of this announcement, certain Directors of the Company collectively hold an aggregate interest in 310,000 Units.

There are 2 common directors in the Company and CCTML. Mr Liew Mun Leong is a Director and the President and Chief Executive Officer of the Company. He is also the Deputy Chairman of CCTML and Chairman of the Executive Committee of CCTML. Mr Richard Edward Hale is a Director of the Company. He is also the Chairman of CCTML.

Save as disclosed above, none of the Directors or the controlling shareholder of the Company has any interest, direct or indirect, in the Divestment.

8. Documents Available for Inspection

A copy of the Call Option Agreement is available for inspection by the Company's shareholders during normal business hours at the Company's registered office at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 for a period of 3 months from the date of this announcement.

By Order of the Board

Low Sai Choy
Company Secretary
27 March 2008