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CAPITALAND LIMITED

Regn No.: 198900036N
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

THE PROPOSED LISTING OF THE INTEGRATED SHOPPING MALL BUSINESS OF CAPITALAND LIMITED

1. Introduction

CapitaLand today announces that CapitaLand Retail Limited, its wholly-owned subsidiary, has obtained a letter of eligibility-to-list from the **SGX-ST** to list its shares on the Main Board of the **SGX-ST**. CapitaLand Retail Limited will be renamed CapitaMalls Asia Limited.

In conjunction with the proposed listing of **CapitaMalls Asia**, **CapitaLand** is considering a public offering of part of its shareholding interest in **CapitaMalls Asia**. The **Proposed Offering** is subject to, among other things, approval from **Shareholders** and the prevailing capital market conditions. **CapitaLand** will retain majority control in **CapitaMalls Asia** post listing and for the foreseeable future. It intends to offer an adequate number of shares that it holds in **CapitaMalls Asia** to ensure that there is sufficient liquidity in the counter.

CapitaLand has engaged J.P. Morgan (S.E.A.) Limited as its sole financial adviser. J.P. Morgan (S.E.A.) Limited and DBS Bank Ltd. have been appointed as the joint issue managers for the **Proposed Offering**.

The **Directors** have considered the **Proposed Offering** to be an important transaction and have decided to convene an **EGM** to seek **Shareholders'** approval for the **Proposed Offering**. In addition, Chapter 10 of the **Listing Manual** requires the approval of **Shareholders** for the **Proposed Offering**. A **Circular**, together with a notice of the **EGM**, will be despatched to the **Shareholders**.

2. Rationale for and benefit to CapitaLand

Overview

CapitaMalls Asia will hold the integrated shopping mall business, including the retail real estate fund and **REIT** management business following the **Corporate Reorganisation**. The proposed listing of **CapitaMalls Asia** will enable **CapitaLand Group** to accelerate the growth of its integrated shopping mall business. By creating a unique integrated listed entity, the shopping mall business will have significant financial capacity, direct access to capital markets as well as the complete in-house capabilities in retail real estate investment, development, mall operations, asset management and fund management to achieve strong growth across key Asian markets.

The proposed listing will also provide other significant benefits to **CapitaLand Group**. The **Transaction** will unlock significant shareholder value and increase the overall financial capacity and flexibility of **CapitaLand Group** to accelerate the growth of its other strategic business units. The **Transaction** will enable **CapitaLand Group** to achieve a balanced exposure in its business units, increase the scale of its businesses going forward and continue to participate in the expected rapid growth of **CapitaMalls Asia** while still maintaining a conservative capital structure. This is consistent with **CapitaLand Group's** approach of optimising business growth with prudent capital management. Benefits of the listing of **CapitaMalls Asia** are described in more detail below.

2.1 Enables CapitaLand Group to accelerate the growth of and extend the market leadership in its shopping mall business

The proposed listing will establish **CapitaMalls Asia Group** as a leading listed integrated shopping mall business with significant financial capacity to tap into opportunities presented by the strong growth in the Asian retail sector.

Upon listing, **CapitaMalls Asia** will have significant financial capacity through its lowly geared capital structure and direct access to capital markets to tap into growth opportunities in Asia, which represents approximately 57% of the world population, and more specifically in China and India, which together represent approximately 36% of the world population.

Economic growth in Asia coupled with its growing urban population has resulted in an expanding middle class with increasing affluence and higher spending power. This makes Asia, in particular China and India, one of the world's largest and fastest growing consumer markets.

CapitaMalls Asia will have an integrated business model that will allow the business to extract value across the entire retail real estate value chain, offering it a unique advantage to source, develop and manage a significant portfolio of retail properties within a relative short period of time.

Since 2002, **CapitaMalls Asia** has grown rapidly and attained size and scale. As a result of its capital funding and expansion strategy, **CapitaMalls Asia's** effective interest in the property value of its portfolio, which it also manages, has grown from approximately S\$1.2 billion, comprising

just five malls, in 2002 to approximately S\$7.0⁽¹⁾ billion with 86 malls as at 30 June 2009. The total property value of **CapitaMalls Asia**'s overall portfolio (in which **CapitaMalls Asia** has an interest in and also manages) correspondingly increased from approximately S\$1.8 billion in 2002 to S\$20.3⁽¹⁾ billion as at 30 June 2009.

2.2 **Unlocks shareholder value by crystallising the value of CapitaLand Group's integrated shopping mall business**

The listing of **CapitaMalls Asia** will provide a transparent valuation benchmark for **CapitaLand Group**'s integrated shopping mall business under **CapitaMalls Asia Group**. **CapitaLand** believes that **CapitaMalls Asia**'s existing leading regional franchise, and in particular its growth potential in China, India and the rest of Asia, offers a distinct and compelling growth story.

Investors seeking investment opportunities that tap into the growth potential of Asia's rising consumer demand, affluence and spending power over the next few decades will find **CapitaMalls Asia**'s integrated shopping mall business attractive. An initial public offering of **CMA Shares** at a price above **CapitaLand**'s carrying book value and the estimated **Related Transaction Costs** will crystallise a gain to **CapitaLand** and unlock value for its **Shareholders**.

Upon the successful listing of **CapitaMalls Asia**, the directors of **CapitaLand** may consider declaring a special dividend to shareholders of **CapitaLand**, after taking into account the gain arising from the **Proposed Offering**, **CapitaLand**'s overall cash position and net debt-to-equity ratio, and the growth strategies of other **CapitaLand** business units and their capital requirements.

2.3 **Strengthens CapitaLand's financial position and increases its financial capacity so that it can accelerate growth in its other business units**

Since its inception, **CapitaLand Group** has transformed itself with a unique and robust business model that has allowed it to achieve a leading position in Asia real estate. A principal distinguishing strength has been **CapitaLand Group**'s proactive capital management over the years which included capital recycling and corporate restructuring. The proposed listing of **CapitaLand Group**'s integrated shopping mall business is consistent with, and represents the continuing evolution of **CapitaLand Group**'s business model and strategy.

As **CapitaLand** intends to maintain majority control of **CapitaMalls Asia** after it is listed and for the foreseeable future, the balance sheet of the **CapitaMalls Asia Group** will continue to be consolidated with **CapitaLand Group**.

Immediately after the **Proposed Offering**, the **NAV** of **CapitaLand Group** will increase if the **Offer Price** for the **CMA Shares** is above the net book value of the **CMA Shares** and the **Related Transaction Costs**. In addition, the cash position of **CapitaLand** will increase and the net debt-to-equity ratio of **CapitaLand Group** will improve.

The **Proposed Offering** will generate cash proceeds for **CapitaLand** to invest in and grow its other core business segments namely residential, commercial, serviced residence and integrated developments, and its financial services arm including the creation of new funds.

CapitaLand Group will therefore be able to continue to build on its leading real estate franchise as well as propel growth across all its core business segments to cement its leadership positions.

¹ This figure assumes that the **Corporate Reorganisation**, **Asset Swap**, **Divestment** and **Capitalisation** have been completed, and are calculated based on the unaudited accounts for the period ended 30 June 2009.

- 2.4 **Enables CapitaLand to maintain a balance in its sector exposure and also increase the scale of its businesses going forward.**

By creating a focused retail real estate entity, the listing of **CapitaMalls Asia** is consistent with **CapitaLand Group's** corporate strategy of "Focus, Balance and Scale". This listing will enable its integrated shopping mall business to continue expanding rapidly to achieve scale with a separate listed funding platform, while allowing **CapitaLand Group** to maintain a good balance of exposure in its portfolio of businesses. The incremental financial capacity will also enable **CapitaLand Group** to increase the scale of its other business units.

- 2.5 **Allows CapitaLand to continue to participate in the strong growth of the integrated shopping mall business by maintaining a majority stake in CapitaMalls Asia**

CapitaMalls Asia is a successful SBU of **CapitaLand Group**. This business will remain one of the core businesses of **CapitaLand Group** and **CapitaLand** intends to retain majority control of **CapitaMalls Asia** after listing and for the foreseeable future. **CapitaLand** and its **Shareholders** will continue to participate in the growth of the integrated shopping mall business in Asia through the controlling interest that **CapitaLand** will retain in **CapitaMalls Asia**.

CapitaMalls Asia will, through its relationship with **CapitaLand**, continue to have access to **CapitaLand's** wide business network across various countries. As **CapitaMalls Asia** continues to build its integrated shopping mall business in Asia, **CapitaLand's** strong branding in the real estate sector will open up opportunities to **CapitaMalls Asia**. In addition, **CapitaMalls Asia** would be able to tap on **CapitaLand's** multi-sector expertise, and a key example would be the Orchard Turn Development in Singapore, where **CapitaMalls Asia** collaborated with **CapitaLand** in the planning and development of The Orchard Residences, the residential component of the Orchard Turn Development. In terms of management and operations, **CapitaMalls Asia** will be able to utilise various shared systems and services provided by **CapitaLand**, thus achieving greater operational efficiency.

Collaborative Framework

In order for **CapitaMalls Asia** to continue to collaborate with and tap on **CapitaLand's** network and support, **CapitaLand** and **CapitaMalls Asia** will enter into a collaboration agreement ("**Collaboration Agreement**") to, among other things, establish a framework for future collaboration in the exploration and exploitation of, and participation in, certain real estate investment opportunities, regulate the sharing of information relating to certain real estate investment opportunities that each party encounters or becomes aware of and managing and/or minimising conflicts of interest. To further the objectives under the **Collaboration Agreement**, **CapitaLand** will grant to **CapitaMalls Asia** the right to use certain trademarks by way of a licence at a nominal consideration of a one-off payment of S\$1.00, and upon the termination of the **Collaboration Agreement**, a licence fee would be payable under the terms of the **Licence Agreement** (as defined herein). Further, **CapitaLand** and **CapitaMalls Asia** will enter into a **Shared Services Agreement** (as defined herein) pursuant to which **CapitaLand** would provide certain corporate and administrative services to **CapitaMalls Asia**.

(a) Collaboration Agreement

Following the listing of **CapitaMalls Asia**, **CapitaLand** will use **CapitaMalls Asia** as its main vehicle for **CapitaMalls Asia Business**.

Pursuant to the **Collaboration Agreement**, **CapitaLand** will undertake in favour of **CapitaMalls Asia** that it shall not and shall procure that its subsidiaries and to the extent that **CapitaLand** has knowledge, shall use its best endeavours to procure its associated companies (established after the date of the **Collaboration Agreement**) not to, *inter alia*,

engage in the **CapitaMalls Asia Business** with the exception of the People's Parade Mall in Wuhan City held by Somerset (Wuhan) Investment Pte Ltd which **CapitaLand Group** is unable to transfer to **CapitaMalls Asia** prior to the **Proposed Offering**. **CapitaLand** will grant a right of first refusal in favour of **CapitaMalls Asia** over any proposed sale of its interest (direct or indirect) in People's Parade Mall or the shares or equity interests of the company or entity which holds People's Parade Mall, with effect from the date of listing of **CapitaMalls Asia**.

CapitaLand Group Post CMA IPO will continue to focus on **CapitaLand Business**.

Where **CapitaLand Group Post CMA IPO** is presented with any opportunities that are within the scope of **CapitaMalls Asia Business**, it will refer such opportunities to **CapitaMalls Asia**.

Where **CapitaLand Group Post CMA IPO** proposes to invest in or acquire a **Non-Retail Focus Property**, it will, where legally permissible, offer **CapitaMalls Asia** a right of first refusal to acquire a *pro rata* interest in **CapitaLand Group Post CMA IPO's** equity participation in the **Non-Retail Focus Property** based on the **GFA** of the retail component to the total **GFA** of the **Non-Retail Focus Property** (or based on other mutually acceptable measures). However the right of first refusal would not be applicable if the **GFA** of the retail component is less than 200,000 square feet.

Where **CapitaLand Group Post CMA IPO** proposes to establish, sponsor, and/or invest in any **Non-Retail Focus Funds** or establish or invest in any **Non-Retail Focus Entities** provided that the **GFA** of the retail component is at least 20% of the **GFA** of all assets, properties or developments held by such **Non-Retail Focus Entities**, it will, where legally permissible, offer **CapitaMalls Asia** a right of first refusal to participate in a *pro rata* interest in **CapitaLand Group Post CMA IPO's** equity participation in such **Non-Retail Focus Fund** or, as the case may be, **Non-Retail Focus Entity**. The *pro rata* interest in relation to the **Non-Retail Focus Fund** shall be based on the estimated **GFA** of the retail component to the aggregate portfolio of such **Non-Retail Focus Fund** (or any other mutually acceptable measures). The *pro rata* interest in relation to the **Non-Retail Focus Entity** shall be the proportion (based on its effective interest) of the **GFA** of the retail component of all the assets, properties and developments held by such **Non-Retail Focus Entity** relative to the **GFA** of all the assets, properties and developments held or proposed to be held by such **Non-Retail Focus Entity** (or any other measure which is mutually acceptable to both parties).

Once **CapitaMalls Asia** has been offered the opportunity to participate, regardless of whether it agrees to acquire an interest, the **Non-Retail Focus Fund** or **Non-Retail Focus Entity** shall thereafter not be obliged to offer opportunities to **CapitaMalls Asia** to co-participate in its future investments.

Where (i) **CapitaLand Group Post CMA IPO** owns or holds a **Non-Retail Focus Property** that following the application for, and the receipt of, approval for rezoning and/or change of use by the relevant regulatory authorities in relation to a proposed redevelopment or asset enhancement, will become a **Retail Focus Property** or (ii) a **Non-Retail Focus Entity** acquired by **CapitaLand Group Post CMA IPO** holds any **Retail Focus Property**, **CapitaLand** will also grant **CapitaMalls Asia** a right of first refusal to acquire the stake of **CapitaLand Group Post CMA IPO** in such **Retail Focus Property** in its entirety.

For other opportunities that may arise, for example, provision of credit enhancement to third parties that relate to **Retail Focus Properties** or white sites, **CapitaLand** and **CapitaMalls Asia** shall in good faith enter into discussions to explore how parties may cooperate on terms which are mutually acceptable.

Pursuant to the **Collaboration Agreement**, **CapitaMalls Asia** will undertake in favour of **CapitaLand** that it shall not and to the extent that **CapitaMalls Asia** has knowledge, shall procure that its subsidiaries and to the extent that **CapitaMalls Asia** has knowledge, shall use its best endeavours to procure its associated companies (established after the date of the **Collaboration Agreement**) not to engage in, carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) in the **CapitaLand Business**. However **CapitaMalls Asia** may still undertake activities which are ancillary or incidental to its business such as advisory, promotional, marketing, branding, or sponsorship activities, including, without limitation, **CapitaCard**.

Where **CapitaMalls Asia Group** is presented with any opportunities that are related to **CapitaLand Business**, it will, where legally permissible, refer such opportunities to **CapitaLand**.

In the event that **CapitaMalls Asia** decides to invest in a **Retail Focus Entity**, or as the case may be, **Retail Focus Property** that includes a non-retail component, **CapitaMalls Asia** will in good faith enter into discussions with **CapitaLand** to explore working together with **CapitaLand Group Post CMA IPO** in relation to the non-retail component.

In relation to the covenants made by **CapitaLand** and **CapitaMalls Asia**, they do not extend to the activities, assets, businesses and operations of the associated companies, listed **REITs**, and private funds (as well as their managers) which were established or acquired by the respective groups before the date of the **Collaboration Agreement** and Australand.

The **Collaboration Agreement** will terminate when **CapitaLand** holds less than 15% direct and/or deemed interest in **CapitaMalls Asia** or ceases to be **CapitaMalls Asia**'s single largest shareholder.

(b) Licence Agreement

In furtherance of the objectives of the **Collaboration Agreement**, **CapitaLand** will enter into a licence agreement ("**Licence Agreement**") with **CapitaMalls Asia** to grant **CapitaMalls Asia** the licence to use, *inter alia*, the "CapitaMall", "CapitaMalls", "CapitaRetail", "CapitaCard", "CapitaVouchers" and "CapitaLand Retail" marks and logos (and their derivatives) as well as the "CapitaLand" mark and logo in its business for a nominal consideration of a one-off payment of S\$1.00. However, if the **Collaboration Agreement** is terminated, **CapitaMalls Asia** will be required to pay an annual fee equal to 1% of the total consolidated assets of **CapitaMalls Asia Group** (based on its latest available audited accounts) under the **Licence Agreement**. The licence may be terminated, *inter alia*, by **CapitaLand** when it ceases to hold a direct and/or deemed interest of at least 15% in **CapitaMalls Asia**, or ceases to be **CapitaMalls Asia**'s single largest shareholder or if **CapitaMalls Asia** changes its name or part thereof. **CapitaMalls Asia** may terminate the licence by giving three months' notice if **CapitaLand** ceases to hold a direct and/or deemed interest of at least 15% in **CapitaMalls Asia** or upon all the entities in **CapitaMalls Asia Group** changing their names such that they no longer incorporate "CapitaMall", "CapitaRetail", "CapitaCard", "CapitaMalls" or "CapitaLand" as part of their names. Notwithstanding the above, the use of certain marks by CapitaMall Trust and CapitaRetail China Trust respectively shall survive the termination of the **Licence Agreement** subject to certain exceptions.

(c) **Shared Services Agreement**

CapitaLand will enter into a shared services agreement ("**Shared Services Agreement**") to provide **CapitaMalls Asia** with various services and office support functions that include tax, treasury advisory and internal audit services, corporate general and administrative functions such as payroll and information technology services and risk management and corporate communications. In connection with the provision of services, **CapitaLand** will recover its costs based on a formula which is consistently applied to its **SBUs** (including **CapitaMalls Asia**). The allocation formula will take into account (a) the value of the **SBUs'** consolidated total assets, (b) the **SBUs'** manpower costs, and (c) **CapitaLand's** shareholding interest in the respective **SBUs**.

3. **Overview of the Proposed Offering**

CapitaLand currently holds 100% of the issued and paid-up share capital of **CapitaMalls Asia**. Please refer to Appendix 1 to this Announcement for an overview of **CapitaMalls Asia**.

Prior to the **Proposed Offering** and its listing on the Main Board of the **SGX-ST**, **CapitaMalls Asia** will be undertaking the **Corporate Reorganisation**, the details of which are set out in Appendix 1. In addition, **CapitaLand** and its wholly-owned subsidiary, CapitaLand Treasury Limited, had previously extended various inter-company loans to **CapitaMalls Asia Group**. The loans from **CapitaLand Group** will be capitalised prior to listing and this will result in an allotment and issue of new **CMA Shares** to **CapitaLand**. The **Capitalisation** will not have any material financial impact on **CapitaLand Group**.

Subject to other factors and considerations including the prevailing capital market conditions, **CapitaLand** is considering a public offering of part of its shareholding interest in **CapitaMalls Asia** following the **Capitalisation** by way of (a) an international placement to investors, including institutional and other investors in Singapore, and (b) an offering to the public in Singapore⁽²⁾. It is the intention of **CapitaLand** to unlock significant shareholder value from the **Proposed Offering**.

As the **Proposed Offering** and the **Offer Price** are subject to various factors and considerations, **CapitaLand** has, for the purposes of illustrating the financial effects of the **Transaction**, assumed that the **Proposed Offering** is priced at an offer price which is based on the book value of **CapitaMalls Asia** as at 30 June 2009 and the estimated **Related Transaction Costs**. This should, however, not be taken as an indication of the pricing that the **Proposed Offering** would achieve.

In the event that **CapitaLand** proceeds with the **Proposed Offering**, **CapitaLand** expects to enter into underwriting arrangements with financial institutions.

CapitaLand will retain majority control in **CapitaMalls Asia** post listing and for the foreseeable future. It intends to offer an adequate number of shares that it holds in **CapitaMalls Asia** to ensure that there is sufficient liquidity in the counter.

The **Proposed Offering** and the completion thereof will be conditional upon, *inter alia*:

- (a) the passing of an ordinary resolution by the **Shareholders** to approve the **Proposed Offering** at the **EGM**;

² Rule 805(2) of the **Listing Manual** is not applicable to the **Proposed Offering** as the **Proposed Offering** does not involve an issue of new shares by a principal subsidiary of **CapitaLand**.

- (b) the eligibility-to-list letter from the **SGX-ST** for the listing and quotation of the **CMA Shares** and the new **CMA Shares** to be issued pursuant to **Awards** granted under the **CMA Share Plans** on the Main Board of the **SGX-ST** not having been revoked or withdrawn;
- (c) the approval of the **Directors**, after taking into account factors and considerations such as the prevailing capital market conditions;
- (d) the completion of the **Corporate Reorganisation** and **Capitalisation**;
- (e) the registration of the **Prospectus** by the **MAS**; and
- (f) such other regulatory or other approvals or consents as may be required or advisable and the same remaining in force.

The **Offer Price** will be arrived at following a book building exercise to be conducted by the underwriter(s) of the **Proposed Offering** in consultation with **CapitaLand** and will take into account factors such as the prevailing capital market conditions.

For illustrative purposes, based on the latest announced unaudited financial information of CapitaLand Group as at 30 June 2009 and assuming that (i) the Proposed Offering is priced at an offer price which is based on the book value of CapitaMalls Asia as at 30 June 2009 and the estimated Related Transaction Costs, (ii) CapitaLand offers 30% of its shareholding interest in CapitaMalls Asia, (iii) the Corporate Reorganisation and Capitalisation have been completed, and (iv) the Asset Swap and Divestment will be completed after the listing of CapitaMalls Asia:

- (a) the consolidated book value of the **CapitaMalls Asia Group** is S\$5,236 million and, based on the offer of 30% shareholding interest, the **CMA Shares** offered under the **Proposed Offering** represent an underlying book value of S\$1,570.9 million;
- (b) the **NTA** of the **CMA Shares** offered under the **Proposed Offering** is S\$1,570.6 million; and
- (c) the consolidated net profits before tax and minority interests of **CapitaMalls Asia** for the period ended 30 June 2009 are S\$183.9 million and, based on the offer of 30% shareholding interest, the net profits before tax and minority interests attributable to the **CMA Shares** offered under the **Proposed Offering** are S\$55.2 million.

Based on the illustrative assumptions, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

- (a) the **NAV** of the **CMA Shares** offered under the **Proposed Offering** constitutes 11.6% of the **NAV** of **CapitaLand Group** based on the announced unaudited consolidated accounts of **CapitaLand Group** for the period ended 30 June 2009;
- (b) the net profits before tax and minority interests attributable to the **CMA Shares** offered under the **Proposed Offering** are S\$55.2 million, whereas the net loss of **CapitaLand Group**, after impairment and revaluation, based on the announced unaudited consolidated accounts of **CapitaLand Group** for the period ended 30 June 2009 was S\$161.1 million. Accordingly, it will not be meaningful to calculate the relative percentage of the net profits attributable to the **CMA Shares** with the net loss attributable to **CapitaLand Group**; and

- (c) the aggregate proceeds of the **Proposed Offering** are estimated to constitute 10.3% of **CapitaLand's** market capitalisation based on the last transacted price of the Shares on 2 October 2009, being the last market day preceding the date of this Announcement.

4. Financial Effects

The proforma financial effects of the **Proposed Offering** on selected financial measures and ratios of **CapitaLand Group** are set out below, and have been computed using the latest audited consolidated financial information of **CapitaLand Group** for the financial year ended 31 December 2008, on the basis that (i) the **Proposed Offering** is priced at an offer price which is based on the book value of **CapitaMalls Asia** as at 30 June 2009 and the estimated Related Transaction Costs, (ii) **CapitaLand** offers 30% of its shareholding interest in **CapitaMalls Asia**, (iii) the Corporate Reorganisation and Capitalisation have been completed, and (iv) the Asset Swap and Divestment will be completed after the listing of **CapitaMalls Asia**:

- (a) for the purposes of the balance sheet, on 31 December 2008, being the date to which the latest audited financial information of **CapitaLand Group** was made up; and
- (b) for the purposes of the profit and loss accounts, on 1 January 2008, being the start of the latest audited financial year.

As these financial effects are based on **CapitaLand Group's** latest audited consolidated financial information for the financial year ended 31 December 2008 and are presented for illustrative purposes only, they do not reflect the future financial position of **CapitaLand Group** following the completion of the **Proposed Offering**.

	Before the Proposed Offering (S\$ million)	After the Proposed Offering ⁽¹⁾ (S\$ million)
<u>Profit and Loss Accounts</u>		
Earnings before interest and taxation	2,213.5	2,216.1
PATMI	1,260.1	1,228.9
<u>Balance Sheet</u>		
Shareholders' equity	10,681.7	10,680.8
Total assets	25,083.6	26,135.2
NTA	10,092.8	10,091.8
Total borrowings	9,829.3	9,311.0
Cash and cash equivalents	4,228.4	5,280.0
Net borrowings	5,600.9	4,031.0
<u>Financial Indicators</u>		
EPS (basic) (cents)	37.0	36.1
EPS (fully diluted) (cents)	36.0	35.2
NTA per Share (S\$)	3.57	3.57
ROA (%)	7.9	7.8
ROE (%)	12.2	11.9
Net debt-to-equity ratio	0.47	0.30 ⁽¹⁰⁾
Interest cover ratio (times)	5.5	5.7

Notes:

- (1) Under the revised FRS 27 Consolidated and Separate Financial Statements which is effective for financial period commencing on or after 1 July 2009, changes in a parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Accordingly, if the **Proposed Offering** is completed after the end of the current financial year, any gain or loss arising from the **Proposed Offering** will be recorded in the balance sheet instead of profit and loss account.
- (2) **EPS (Basic)** = **PATMI** ÷ weighted average number of **Shares** in issue during the year and restated for the effect of the rights issue undertaken by **CapitaLand** in March 2009.
- (3) **EPS (fully diluted)** = **PATMI** ÷ weighted average number of **Shares** adjusted for effects of all dilutive potential **Shares** and restated for the effect of the rights issue undertaken by **CapitaLand** in March 2009.
- (4) **NTA per Share** = (shareholders' equity - intangible assets) ÷ number of **Shares** in issue as at 31 December 2008.
- (5) **ROA** = (profit after tax + interest expense) ÷ total assets
- (6) **ROE** = **PATMI** ÷ shareholders' equity
- (7) Net debt-to-equity ratio = net borrowings ÷ (shareholders' equity + minority interests)
- (8) Interest cover ratio = Earnings before interest, taxation, depreciation and amortisation ÷ net interest expense
- (9) For the purposes of the financial effects, **CapitaLand** has assumed that one-third of the **Net Proceeds** will be used to repay debts and the balance placed in fixed deposits.
- (10) Net debt-to-equity ratio will improve after the Proposed Offering as **CapitaLand** will receive proceeds which will be used to reduce net borrowings.

In the S\$1.56 billion OTH Facility granted by various lenders to **CapitaMalls Asia**'s associated company, **OTH**, it was provided that 50% interest in the share capital of **OTH** would be held by a wholly-owned subsidiary of **CapitaLand**. Upon the close of the **Proposed Offering**, **CapitaMalls Asia** will cease to be a wholly-owned subsidiary of **CapitaLand**. However, **CapitaLand** will still have majority control over **CapitaMalls Asia** and the lenders will be asked to waive the provision on this basis. In the event that the provision is not waived, **CapitaLand Group** will provide the necessary resources to **OTH** (through **CapitaMalls Asia**) for **OTH** to continue to meet its obligations under the **OTH Facility**. Thereafter, it is expected that **OTH** will proceed with a refinancing of the loan in due course, the proceeds of which would be used to repay any funding pursuant to the aforesaid provision of the resources. The provision of the resources by **CapitaLand Group** to **CapitaMalls Asia** has no material impact on **CapitaLand Group**'s financial and cash flow position.

5. Use of Proceeds

The estimated **Net Proceeds** based on the illustrative assumptions stated in section 4 above will amount to approximately S\$1,570.9 million.

Upon the successful listing of **CapitaMalls Asia**, the directors of **CapitaLand** may consider declaring a special dividend to shareholders of **CapitaLand**, after taking into account the gain arising from the **Proposed Offering**, **CapitaLand**'s overall cash position and net debt-to-equity ratio, and the growth strategies of other **CapitaLand** business units and their capital requirements. It is expected that the remaining **Net Proceeds** may be utilised for investments, debt repayments, placement in fixed deposits and general corporate and working capital purposes.

6. Interests of Directors and Controlling Shareholder

Save for their interests in the **Shares** of **CapitaLand**, none of the **Directors** or the controlling shareholder of **CapitaLand** has any interest, direct or indirect, in the **Proposed Offering**.

By Order of the Board

Low Sai Choy
Company Secretary
5 October 2009

OVERVIEW OF CAPITAMALLS ASIA

Background

CapitaMalls Asia has an integrated business model encompassing retail real estate investment, development, mall operations, asset management and fund management capabilities. Its principal business strategy is to invest in, develop and manage a diversified portfolio of real estate used primarily for retail purposes in Asia, and to strengthen its market position as a leading owner, developer, operator and manager of retail properties in Asia. Leveraging on its integrated capabilities across all facets of the retail real estate value chain, **CapitaMalls Asia** holds its property investments both directly and through various funding vehicles, including **REITs**, private funds and joint venture partnerships.

On 29 September 2009, **CapitaLand** announced that the **China Funds**, in which **CapitaMalls Asia** has a 45% interest, had entered into an asset swap arrangement with **SZITIC** to conduct an **Asset Swap** to rationalise the ownership of certain properties held by the **China Funds** and **SZITIC**. No additional investment outlay is required by **CapitaMalls Asia** for the **Asset Swap**. The **China Funds** and **SZITIC** will also jointly agree to divest their stakes in six project companies which own land parcels in China, originally acquired to develop Wal-Mart anchored retail properties ("**Divestment**"). The **Asset Swap** and **Divestment** are expected to be completed after **CapitaMalls Asia**'s listing on the Main Board of the **SGX-ST** and are not expected to have any material impact on (a) the financial position of **CapitaMalls Asia Group** and (b) the profit of **CapitaLand Group** (before revaluations and impairments) for the financial year ending 31 December 2009.

Pre-IPO Restructuring

In conjunction with the **Proposed Offering** and its listing on the Main Board of the **SGX-ST**, **CapitaMalls Asia Group** will be undertaking a corporate reorganisation (the "**Corporate Reorganisation**") to acquire, subject to certain terms and conditions, **CapitaLand Group**'s entire shareholding interest in (a) the **Exempt Fund Managers** and **REIT Managers** and (b) 15% of the number of issued redeemable preference shares in Raffles City China Fund Limited.

In addition, **CapitaLand** and its wholly-owned subsidiary, CapitaLand Treasury Limited had previously extended various inter-company loans to **CapitaMalls Asia Group**. The loans from **CapitaLand Group** will be capitalised prior to listing and this will result in an allotment and issue of new **CMA Shares** to **CapitaLand** ("**Capitalisation**").

CapitaMalls Asia Group

Assuming that the **Corporate Reorganisation**, **Asset Swap**, **Divestment** and **Capitalisation** have been completed and based on the unaudited accounts for the period ended 30 June 2009, **CapitaMalls Asia** will have interests in and will be managing a portfolio of 86 retail properties (27 of which are under development) across 48 cities in the five countries of Singapore, China, Malaysia, Japan and India, with a total property value of approximately S\$20.3 billion and a GFA of approximately 66.5 million square feet. Further, **CapitaMalls Asia**'s effective interest in the

portfolio will be approximately S\$7.0 billion in property value and its NAV will be approximately S\$5.3 billion.

CapitaMalls Asia's Share-Based Incentive Plans

In conjunction with the **Proposed Offering** and the listing of **CapitaMalls Asia** on the Main Board of the **SGX-ST**, **CapitaMalls Asia** intends to establish a CapitaMalls Asia Performance Share Plan and a CapitaMalls Asia Restricted Stock Plan (together the "**CMA Share Plans**"). The establishment of the **CMA Share Plans** is in recognition of the contributions and continued dedication of **CapitaMalls Asia Group's** employees and non-executive directors, and the critical roles that the employees and directors of **CapitaLand Group** play in the future growth and development of **CapitaMalls Asia Group**.

The objectives of the **CMA Share Plans** are to recognise the contribution of its participants ("**Plan Participants**") so as to achieve greater growth and are designed to reward the **Plan Participants** with the award comprising fully paid **CMA Shares**, or the equivalent in cash or a combination of both (the "**CMA Award**"). In deciding on a **CMA Award** to be granted to a **Plan Participant**, the committee administering the **CMA Share Plans** will consider the compensation and/or benefits to be given to the **Plan Participant** under any concurrent share plan to be implemented by **CapitaMalls Asia**.

Under the CapitaMalls Asia Performance Share Plan, the final number of **CMA Shares** to be released will depend on the achievement of pre-determined targets over a three-year performance period. No **CMA Shares** will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, more **CMA Shares** than the baseline award could be **released** up to a maximum of 200% of the baseline award. There is no vesting period for **CMA Shares** released under the CapitaMalls Asia Performance Share Plan.

Under the CapitaMalls Restricted Stock Plan, the final number of **CMA Shares** to be released will depend on the achievement of pre-determined targets at the end of a one-year performance period. No **CMA Shares** will be released if the threshold targets are not met at the end of the performance period. Conversely, if superior targets are met, more **CMA Shares** than the baseline award could be released up to a maximum of 150% of the baseline award. Once the final number of **CMA Shares** has been determined, it will be released over a vesting period of two years for non-executive directors and three years for other **Plan Participants**.

The aggregate number of new **CMA Shares** to be issued under the **CMA Share Plans** is subject to a maximum limit of 15% of **CapitaMalls Asia's** total issued share capital when taken into account together with all other share plans concurrently implemented by **CapitaMalls Asia**.

Definitions:

Asset Swap	The asset swap to be undertaken by the China Funds as described in Appendix 1 to this Announcement
Award	The award comprising fully paid CMA Shares, or the equivalent in cash or a combination of both to reward the Plan Participants as described in Appendix 1 to this Announcement
CapitaLand	CapitaLand Limited
CapitaLand Business	All business other than CapitaMalls Asia Business
CapitaLand Group	CapitaLand and its subsidiaries
CapitaLand Group Post CMA IPO	CapitaLand Group (excluding CapitaMalls Asia Group)
Capitalisation	The capitalisation of inter-company loans from CapitaLand Group to CapitaMalls Asia Group, as described in Appendix 1 to this Announcement
CapitaMalls Asia	CapitaLand Retail Limited, which will be renamed CapitaMalls Asia Limited prior to the Proposed Offering
CapitaMalls Asia Group	CapitaMalls Asia and its subsidiaries
CapitaMalls Asia Business	The business of CapitaMalls Asia, which is: • the acquisition, ownership, development, or redevelopment, management, operation, disposal and/or leasing of Retail Focus Properties. • the establishment, sponsorship, investment and/or management of Retail Focus Funds. • the establishment, investment and/or management of Retail Focus Entities.
CDP	The Central Depository (Pte) Limited
China Funds	CapitaRetail China Development Fund and CapitaRetail China Development Fund II
Circular	The circular to Shareholders in connection with the Proposed Offering
CMA Share Plans	The CapitaMalls Asia Performance Share Plan and the CapitaMalls Asia Restricted Stock Plan as described in Appendix 1 to this Announcement
CMA Shares	Ordinary shares in the share capital of CapitaMalls Asia

Companies Act	Companies Act, Chapter 50 of Singapore, as amended, modified or re-enacted from time to time
Corporate Reorganisation	Corporate reorganisation to be undertaken by CapitaMalls Asia Group in preparation for the listing of the CapitaMalls Asia on the Main Board of the SGX-ST as described in Appendix 1 to this Announcement
Depositor	As defined in Section 130A of the Companies Act
Directors	The directors of CapitaLand as at the date of this Announcement
Divestment	The divestment exercise to be undertaken by the China Funds as described in Appendix 1 to this Announcement
EGM	Extraordinary general meeting of CapitaLand
EPS	Earnings per Share
Exempt Fund Managers	CapitaRetail Japan Fund Management Private Limited, CapitaRetail Singapore Management Pte. Ltd., CapitaRetail China Fund Management Pte. Ltd. and CapitaRetail India Fund Management Pte. Ltd.
GFA	Gross floor area
Listing Manual	The listing manual of the SGX-ST
MAS	Monetary Authority of Singapore
NAV	Net asset value
Net Proceeds	The estimated net cash proceeds from the Proposed Offering (after deducting the estimated Related Transaction Costs) based on the illustrative assumption that (i) the Proposed Offering is priced at an offer price which is based on the book value of CapitaMalls Asia as at 30 June 2009 and the estimated Related Transaction Costs, (ii) CapitaLand offers 30% of its shareholding interest in CapitaMalls Asia, (iii) the Corporate Reorganisation and Capitalisation have been completed and (iv) the Asset Swap and Divestment will be completed after the listing of CapitaMalls Asia
Non-Retail Focus Entity	Any entity which shall include its subsidiaries and associated companies (if any), which carry on the business of acquisition, ownership, development or redevelopment, management, operation, disposal and/or leasing of Non-Retail Focus Properties as well as other assets, properties or developments without a retail component, other than a Retail Focus Entity

Non-Retail Focus Fund	Any fund with an investment mandate or objective relating solely to the acquisition of, or investment in, development or operation of Non-Retail Focus Properties
Non-Retail Focus Property	Any asset, property or development which includes a retail component but is not considered a Retail Focus Property, or any single purpose company or entity which holds such asset, property or development
NTA	Net tangible assets
Offer Price	The offer price for each CMA Share in the Proposed Offering
OTH	Orchard Turn Holding Pte. Ltd.
OTH Facility	A S\$1.56 billion facility granted by various lenders to CapitaMalls Asia's associated company, OTH
PATMI	Profit after taxation and minority interests
Plan Participants	Participants of the Share Plans as described in Appendix 1 to this Announcement
Proposed Offering or Transaction	The proposed public offering of existing issued ordinary shares in the share capital of CapitaMalls Asia by CapitaLand to (a) investors, including institutional and other investors in Singapore and elsewhere; and (b) the public in Singapore
Prospectus	Prospectus to be issued in conjunction with the Proposed Offering and the listing of CapitaMalls Asia on the Main Board of the SGX-ST
REIT	Real estate investment trust
REIT Managers	CapitaMall Trust Management Limited and CapitaRetail China Trust Management Limited
Related Transaction Costs	Transaction costs relating to the Proposed Offering
Retail Focus Entity	Any entity, which shall include its subsidiaries and associated companies (if any), which carry on the business of acquisition, ownership, development or redevelopment, management, operation, disposal and/or leasing of Retail Focus Properties, as well as other assets, properties or developments, AND where the retail component contributes 65% or more of the GFA, asset value or rental income of all assets, properties or developments held or proposed to be held by the entity (calculated based on the effective interest held by the entity in such assets, properties or developments)

Retail Focus Funds	Funds or trusts which have investment mandates that relate solely to the acquisition of, investment in, development or operation of, Retail Focus Properties
Retail Focus Properties	Consist of (a) standalone retail asset, property or development, (b) mixed use or integrated asset, property or development where the retail component contributes 65% or more of the GFA, asset value or rental income of the asset, property or development, and (c) any single purpose company or entity which holds (directly or indirectly) the asset, property or development in (a) and (b)
ROA	Return on Assets
ROE	Return on Equity
SBU s	Strategic business units of CapitaLand (excluding Australand which does not receive shared services)
Securities Account	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
SGX-ST	Singapore Exchange Securities Trading Limited
Shares	Ordinary shares in the share capital of CapitaLand
Shareholders	The registered holders of the Shares, except that where the registered holder is CDP, the term " Shareholders " shall, in relation to such Shares, mean Depositors whose Securities Accounts are credited with the Shares
SZITIC	SZITIC Commercial Property Co., Ltd.

IMPORTANT NOTICE

This Announcement is made in reliance on Section 251(9)(a) of the Securities and Futures Act, Chapter 289 of Singapore and does not constitute an offer, invitation to purchase or subscribe for or solicitation of **CMA Shares** in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment whatsoever. The information in this Announcement is qualified in its entirety by, and is subject to, the more detailed information to be set out in the final prospectus of **CapitaMalls Asia** (the "**Final Prospectus**") to be registered by the Monetary Authority of Singapore ("**MAS**"). The information presented in this Announcement is subject to change. After registration of the **Final Prospectus** by the **MAS**, copies of the **Final Prospectus** relating to the **Proposed Offering** may be obtained, subject to availability from J.P. Morgan (S.E.A.) Limited and DBS Bank Ltd. and where applicable, from members of the Association of Banks in Singapore, members of the **SGX-ST** and merchant banks in Singapore. Anyone wishing to purchase **CMA Shares** should read the **Final Prospectus** before deciding whether to purchase **CMA Shares** and will need to make an application in the manner set out in the **Final Prospectus**. Any decision to purchase **CMA Shares** should be made solely on the basis of information contained in the **Final Prospectus** and no reliance should be placed on any information other than that contained in the **Final Prospectus**.