

CAPITALAND LIMITED
(Company registration no. 198900036N)

ANNOUNCEMENT

**PROPOSED ACQUISITION OF TWO RETAIL MALLS IN BEIJING, CHINA
AND ENTRY INTO A JOINT VENTURE WITH
BEIJING HUALIAN GROUP INVESTMENT HOLDING CO., LTD
TO PROVIDE MARKETING AND RETAIL MANAGEMENT SERVICES**

1. Introduction

1.1 Entry into Co-operative Agreement

The Board of Directors of CapitaLand Limited (the “**Company**”) is pleased to announce that the Company’s wholly owned subsidiary, CapitaLand Retail China Pte. Ltd. (“**CapitaLand Retail China**”), has today entered into a co-operative agreement (the “**Co-operative Agreement**”) with Beijing Hualian Group Investment Holding Co., Ltd (北京华联集团投资控股有限公司) (“**Beijing Hualian**”) in respect of:

- 1.1.1 the proposed acquisitions by CapitaLand Retail China (through its wholly owned subsidiaries) of Anzhen Shopping Mall (安贞华联商厦) and Wangjing Shopping Mall (望京华联商厦) (together, the “**Retail Malls**”), the latter being a development which is currently under construction; and
- 1.1.2 the proposed establishment of a joint venture retail management company (the “**Retail Management Company**”) to provide, *inter alia*, marketing and retail management services for Wangjing Shopping Mall as well as other properties that CapitaLand Retail China may in the future acquire pursuant to the Co-operative Agreement.

1.2 Disclosure Requirement Under the Listing Manual

This announcement has been made because the Company’s proposed acquisitions of the Retail Malls will, in aggregate, constitute a discloseable transaction under Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**Listing Manual**”).

2. Principal Terms of the Co-operative Agreement and the Anzhen Sale and Purchase Agreements

2.1 Co-operative Agreement

Certain principal terms of the Co-operative Agreement are set forth below:

2.1.1 Acquisition of the Retail Malls

(i) **Anzhen Shopping Mall**

Pursuant to the Co-operative Agreement, CapitaLand Retail China will incorporate a wholly owned subsidiary in China (“**CapitaRetail Anzhen**”) for the purpose of acquiring and holding Anzhen Shopping Mall. Thereafter, CapitaRetail Anzhen will enter into separate sale and purchase agreements with the several entities which

together own the whole of Anzhen Shopping Mall to acquire the property for an aggregate purchase price of RMB690 million (approximately S\$136.2 million).

The acquisition of Anzhen Shopping Mall is conditional upon, *inter alia*, CapitaRetail Wangjing (as defined below) entering into a sale and purchase agreement to acquire Wangjing Shopping Mall.

CapitaLand Retail China has the right, exercisable within the six-month period immediately following the second anniversary of the completion of CapitaRetail Anzhen's purchase of Anzhen Shopping Mall, to require Beijing Hualian to repurchase the entire Anzhen Shopping Mall for a specified amount (which is not less than RMB690 million). Should CapitaRetail Anzhen wish to sell Anzhen Shopping Mall at any time during the two years and six months immediately after its acquisition of the property, Beijing Hualian will have a first right of refusal to purchase the property for the said specified amount. Thereafter, Beijing Hualian will continue to enjoy a first right of refusal to purchase the property (but without a pre-determined purchase price) unless such sale is in connection with the listing of a property fund or some other form of investment vehicle which may be established by the Company.

(ii) **Wangjing Shopping Mall**

The Co-operative Agreement also contemplates that CapitaLand Retail China will incorporate another wholly owned subsidiary ("**CapitaRetail Wangjing**") to acquire Wangjing Shopping Mall for a purchase price of RMB1,056 million (approximately S\$208.5 million), subject to adjustment to achieve a guaranteed net property income yield of at least 8%. At the same time, Beijing Xinyi Property Development Co., Ltd (北京信宜房地产开发有限公司) ("**Beijing Xinyi**"), the company which is developing Wangjing Shopping Mall, will proceed to obtain certain approvals required for the construction and sale of Wangjing Shopping Mall. When all such approvals have been obtained, CapitaRetail Wangjing will enter into a sale and purchase agreement with Beijing Xinyi for the acquisition of Wangjing Shopping Mall.

The completion of the acquisition of Wangjing Shopping Mall is conditional upon, *inter alia*:

- (a) CapitaRetail Anzhen entering into the relevant sale and purchase agreements to acquire Anzhen Shopping Mall; and
- (b) CapitaLand Retail China being satisfied with the results of the due diligence investigations on Wangjing Shopping Mall.

2.1.2 Leases to Company Controlled by Beijing Hualian

Upon completion of the acquisitions of the Retail Malls by CapitaRetail Anzhen and CapitaRetail Wangjing, the whole of Anzhen Shopping Mall and substantial portions of Wangjing Shopping Mall will be let to an associated company of Beijing Hualian on long-term leases.

2.1.3 Right of First Refusal

Under the Co-operative Agreement, Beijing Hualian has granted CapitaLand Retail China a right of first refusal over the properties which are at present owned and

occupied, or which will in future be owned and occupied, by Beijing Hualian and its subsidiaries, subject to certain conditions.

2.1.4 Retail Management Company

CapitaLand Retail China and Beijing Hualian have also agreed to jointly establish the Retail Management Company, in which both parties will hold an equal equity stake.

The principal activity of the Retail Management Company will be to provide, *inter alia*, marketing and retail management services to Wangjing Shopping Mall and other properties that CapitaLand Retail China may in the future acquire pursuant to the Co-operative Agreement.

2.2 Anzhen Sale and Purchase Agreements

The sale and purchase agreements to be entered into between CapitaRetail Anzhen and the owners of Anzhen Shopping Mall for the acquisition of the property (the “**Anzhen Sale and Purchase Agreements**”) are appended to the Co-operative Agreement.

Under each of the Anzhen Sale and Purchase Agreements, CapitaRetail Anzhen will deposit a portion of the purchase price in an escrow account. Upon the approval of the relevant authorities for the transfer of Anzhen Shopping Mall to CapitaRetail Anzhen and the completion of such transfer, the monies held in escrow will be released, and CapitaRetail Anzhen will pay the balance of the purchase prices, to each of the vendors.

The terms of the sale and purchase agreement for Wangjing Shopping Mall are currently being negotiated between the parties and the agreement is expected to be finalised shortly.

3. Estimated Acquisition Costs

The current estimated acquisition costs of the Retail Malls are approximately RMB1,822.3 million (approximately S\$359.8 million), comprising the purchase prices thereof and acquisition expenses such as stamp duty and professional fees. The following table sets out the purchase price of each of the Retail Malls as well as the total acquisition costs thereof:

Retail Mall	Purchase Price		Total Acquisition Costs	
	(RMB million)	(S\$ million)	(RMB million)	(S\$ million)
Anzhen Shopping Mall	690.0	136.2	710.3	140.2
Wangjing Shopping Mall	1,056.0	208.5	1,112.0	219.6

4. Certain Information on the Retail Malls

- 4.1** Anzhen Shopping Mall and Wangjing Shopping Mall are both suburban malls located in densely populated areas in Beijing. Anzhen Shopping Mall caters to, and Wangjing Shopping Mall will cater to, the demand for basic necessities of consumers in their respective catchment areas. Anzhen Shopping Mall was completed in 1996 while Wangjing Shopping Mall is currently under construction and is targeted to be completed by end-2005.

- 4.2** An associated company of Beijing Hualian operates Beijing Hualian Department Store in Anzhen Shopping Mall and has agreed to lease retail space in Wangjing Shopping Mall for another branch of Beijing Hualian Department Store as well as for a supermarket.

5. Rationale for the Transactions

The Company believes that the acquisitions of the Retail Malls and the establishment of the joint venture Retail Management Company will bring about the following benefits:

- (i) The Retail Malls have strong growth potential with their strategic locations near business centres, residential estates, the Olympic Village and the Asian Games Village. The Company believes that Anzhen Shopping Mall captures, and Wangjing Shopping Mall will capture, the high and growing demand for basic necessities from consumers in their respective catchment areas.
- (ii) As Beijing Hualian is one of the largest and most established retailers in China, the Retail Malls will benefit from being anchored by its operations.
- (iii) The acquisitions also provide an opportunity for the Company to establish and list a property fund or some other form of investment vehicle with a portfolio comprising, *inter alia*, the Retail Malls.
- (iv) The joint venture Retail Management Company provides an opportunity for the Company to jointly manage with Beijing Hualian a portfolio of retail properties that CapitaLand Retail China may in the future acquire pursuant to the Co-operative Agreement.

6. Method of Financing and Financial Effects of the Acquisitions

- 6.1** The Company's acquisitions of the Retail Malls (through CapitaRetail Anzhen and CapitaRetail Wangjing) is expected to be funded in cash from the Company's internal resources. Such cash outlays may in the future be refinanced from external borrowings or other sources of funds.
- 6.2** Based on CapitaLand Group's audited consolidated financial statements for the year ended 31 December 2003 (being the latest available audited consolidated financial statements of the Company):
- 6.2.1** the estimated acquisition costs of the Retail Malls amount to 2.05% of CapitaLand Group's total assets;
 - 6.2.2** assuming that the acquisitions had been effected on 1 January 2003, CapitaLand Group's earnings per share is expected to increase from 4.18 cents to 4.41 cents;
 - 6.2.3** assuming that the acquisitions had been effected on 31 December 2003, the financial impact on CapitaLand Group's net tangible assets per share is not significant; and
 - 6.2.4** assuming that the acquisitions had been effected on 31 December 2003, CapitaLand Group's net gearing would have been increased from 0.75 to 0.80.

7. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the transactions described in this Announcement.

8. Other Information

8.1 Director's Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Co-operative Agreement or the Anzhen Sale and Purchase Agreements.

8.2 Disclosure of Relative Figure

8.2.1 Chapter 10 of the Listing Manual classifies acquisitions by the Company into non-discloseable transactions, discloseable transactions, major transactions and very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the following bases:

- (i) the profits attributable to the assets acquired, compared with CapitaLand Group's net profits;
- (ii) the aggregate value of the consideration given, compared with the Company's market capitalisation; and
- (iii) the number of shares issued by the Company as consideration for the acquisition, compared with the number of shares previously in issue.

8.2.2 Based on the expected returns from the Retail Malls (taking into account, *inter alia*, the leases described in sub-paragraph 2.1.2) and the CapitaLand Group's audited consolidated financial statements for the financial year ended 31 December 2003, the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(i) is 1.61%.

8.2.3 Based on the aggregate purchase prices of the Retail Malls and the Company's market capitalisation as at 31 December 2004 (the latest practicable date prior to the date of this Announcement), the relative figure for the basis of comparison set out in sub-paragraph 8.2.1(ii) is 6.41%.

8.2.4 The basis of comparison set out in sub-paragraph 8.2.1(iii) is inapplicable as the Company will not be issuing shares as consideration for the purchase of the Retail Malls.

8.3 Documents Available for Inspection

A copy of the Co-operative Agreement (in which is appended the forms of the Anzhen Sale and Purchase Agreements) is available for inspection during normal business hours at the registered office of the Company at 168 Robinson Road, #30-01 Capital Tower, Singapore 068912 for a period of 3 months commencing from the date of this Announcement.

By Order of the Board

Tan Wah Nam
Company Secretary
4 January 2005