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CapitaLand to expand retail footprint through third-party management contracts

Debuts with 1,000,000-square-foot mall of landmark integrated development in Changsha, China

Singapore, 31 August 2016 – CapitaLand Mall Asia Limited, CapitaLand's wholly owned shopping mall business, has signed a management contract with Changsha Pilot Investment Holdings Group Co., Ltd. (长沙先导投资控股集团有限公司) to manage the retail component of Fortune Finance Center (长沙湘江财富金融中心), a landmark integrated development in Changsha, the provincial capital of Hunan in Central China. This marks the beginning of CapitaLand's enhanced asset-light strategy to enlarge its mall network through third-party management contracts to complement its core strategy of developing, owning and managing malls.

The scope of the contract covers asset planning, pre-opening and retail management for a total gross floor area, excluding car park, of 95,000 square metres (sq m) (approximately 1,000,000 square feet) that spans seven levels – five levels above ground and two basement levels. Currently under construction, the mall is targeted to commence operations in end 2018.

Mr Jason Leow, CEO of CapitaLand Mall Asia, said: "CapitaLand is adopting this third-party management contract model with a long term view, whereby we are looking to grow with the asset through proactive asset management and value creation. It is part of our asset-light expansion strategy – which also encompasses our established capital recycling model – to grow our assets under management, and complements our core business strategy of developing, owning and managing a diversified portfolio of shopping malls in Asia. We continue to be on the lookout for suitable acquisition opportunities to grow our mall portfolio even as we seek to enlarge our network through third-party management contracts. By managing quality third-party malls for which we have a right of first refusal to acquire, we are also paving the way for future acquisitions. Through this multi-pronged approach, we will be able to maximise opportunities to expand our mall and retailer network, increase recurring income and further strengthen our leadership in the shopping mall sector in the region."

With this contract, CapitaLand doubles its presence in Changsha, where it currently owns and manages CapitaMall Yuhuating, a 62,000 sq m one-stop shopping mall in the bustling Dongtang retail precinct in Yuhuating District, which is situated in the southeastern part of Changsha, approximately 10 kilometres (km) from Fortune Finance Center.

Mr Leow said: "CapitaLand has a proven track record of managing more than 100 malls across five Asian countries. We are in a strong position to leverage our established retail

platform to offer value-added services to retail property owners, whereby retail management is not part of their core competencies. Through third-party management contracts, we are able to take advantage of market opportunities to rapidly scale up our mall network in an asset-light manner. With an enlarged number of malls, we can then benefit from the scale and network effect to boost our leasing efforts and enhance the effectiveness of our shopper loyalty programme in these cities we operate.”

Strategically located in Binjiang New Area, the new Central Business District (CBD) in Western Changsha, Fortune Finance Center comprises a seven-storey shopping mall, a 328-metre-high super tower that is the tallest in Western Changsha, as well as a 258-metre-tall Grade-A office building, a residential block and Changsha’s first JW Marriott luxury hotel. The landmark integrated development is easily accessible by arterial roads and public transport, with direct connectivity to the upcoming Metro Line 4 that links the eastern and western banks of Xiang River in Changsha. The mall serves a population catchment of an estimated 1 million residents and working professionals within a 5 km radius. Fortune Finance Center is owned and developed by Changsha Pilot Investment Holdings, a leading Chinese state-owned developer which currently has seven projects in Changsha.

Added Mr Leow: “Changsha is the economic and cultural centre of Hunan Province and is the most important high-speed railway transportation hub in Central China. In 2015, Changsha’s GDP grew about 9%, higher than the national average of 6.9%, and retail sales rose 14.8%, outpacing the national average of 10.7%. In view of Changsha’s retail growth prospects, we are delighted to work with Changsha Pilot Investment Holdings to manage the shopping mall component of Fortune Finance Center, a landmark integrated development in the city’s upcoming new CBD. This partnership between two strong brands will bring about new synergies and herald a new frontier for retail development in Changsha. We will tap on our industry-leading retailer network of about 15,000 leases and fast-growing loyalty programme CAPITASTAR, which currently has about 3 million members across Asia, to maximise the retail potential of Fortune Finance Center.”

Mr Liu Jixiong, Chairman of Changsha Pilot Investment Holdings Group Co., Ltd., said: “Fortune Finance Center is the largest integrated development in Western Changsha. Binjiang New Area, where the project is located, is the first national-level development zone in Central China and is expected to play an important role in Hunan’s future economic transformation. With CapitaLand’s extensive retailer network and deep expertise in mall management, we are confident that our alliance with CapitaLand will help us to achieve a quality mall of international standards that will enhance the value of Fortune Finance Center.”

With the new contract, CapitaLand is expanding its presence in China, where it has a leading network of 65¹ malls. Across Asia, CapitaLand now manages a total of 104¹ malls in Singapore, China, Malaysia, Japan and India.

¹ Including Galleria, Chengdu, which CapitaLand Retail China Trust made an announcement to acquire on 19 August 2016.

About CapitaLand Mall Asia

CapitaLand Mall Asia, a wholly-owned subsidiary of CapitaLand Limited, is one of the largest shopping mall developers, owners and managers in Asia by total property value of assets and geographic reach. CapitaLand Mall Asia has an integrated shopping mall business model encompassing retail real estate investment, development, mall operations, asset management and fund management capabilities. It manages a pan-Asian portfolio of 104 shopping malls across 53 cities in Singapore, China, Malaysia, Japan and India.

Shopping malls in the portfolio include ION Orchard and Plaza Singapura – which are located in one of the world's most famous shopping streets, Orchard Road – Raffles City Singapore and Clarke Quay in Singapore. Its landmark shopping malls in China are CapitaMall Crystal in Beijing, Hongkou Plaza in Shanghai and Raffles City Shanghai; CapitaMall SKY+ in Guangzhou; and CapitaMall Jinniu in Chengdu. The portfolio also includes Gurney Plaza in Penang, Malaysia; Olinas Mall in Tokyo, Japan; as well as The Forum Sujana Mall in Hyderabad, India.

CapitaLand Mall Asia's 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 developer, owner and manager of shopping malls in Asia.

About CapitaLand Limited (www.capitaland.com)

CapitaLand is one of Asia's largest real estate companies headquartered and listed in Singapore. The company leverages its significant asset base, design and development capabilities, active capital management strategies, extensive market network and operational capabilities to develop high-quality real estate products and services. Its diversified global real estate portfolio includes integrated developments, shopping malls, serviced residences, offices and homes. Its two core markets are Singapore and China, while Indonesia, Malaysia and Vietnam have been identified as new growth markets. The company also has one of the largest real estate fund management businesses with assets located in Asia.

CapitaLand's listed real estate investment trusts are CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust.

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