CAPITARETAIL CHINA TRUST

CapitaRetail China Trust

**CAPITARETAIL CHINA TRUST**

(a unit trust constituted on 23 October 2006 under the laws of the Republic of Singapore)
Managed by CapitaRetail China Trust Management Limited,
a member of CapitaLand Group

## PROSPECTUS DATED 29 NOVEMBER 2006

**(Registered with the Monetary Authority of Singapore on 29 November 2006)**
**This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.**

## Offering of 193,300,000 Units

**(Subject to the Over-allotment Option)**

## Offering Price: S$1.13 per Unit

# SINGAPORE'S FIRST CHINA RETAIL REIT


Retail Crown (BVI) Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of CapitaLand Limited (the "**Sponsor**") incorporated in the British Virgin Islands, is making an offering (the "**Offering**") of 193,300,000 units (the "**Units**") representing undivided interests in CapitaRetail China Trust ("**CRCT**") for sale at the Offering Price (as defined herein).

The Offering consists of (i) (a) a placement to institutional and other investors outside Singapore (the "**International Placement**") and (b) a placement to institutional and other investors in Singapore (the "**Singapore Placement**" and, together with the International Placement, the "**Placement**"), and (ii) an offering to the public in Singapore (the "**Singapore Public Offer**"), of which 11,000,000 Units will be reserved for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries (the "**Reserved Units**"). The size of the Singapore Public Offer is 29,000,000 Units, subject to an increase of up to an additional 4,000,000 Units with a corresponding decrease in the number of Units offered under the Placement. The purchase price of each Unit under the Offering (the "**Offering Price**") is S$1.13.

The International Placement will be underwritten at the Offering Price by J.P. Morgan (S.E.A.) Limited ("**JPMorgan**"), UBS AG, acting through its business group, UBS Investment Bank ("**UBS**") and China International Capital Corporation Limited ("**CICC**", together with JPMorgan and UBS, the "**International Underwriters**") and the Singapore Placement and the Singapore Public Offer will be underwritten at the Offering Price by JPMorgan and UBS (together, the "**Singapore Underwriters**"). Each of JPMorgan, UBS and CICC shall generally be referred to as an "**Underwriter**". CapitaLand Financial Services Limited is the financial adviser to the Vendor and CapitaRetail China Trust Management Limited, as manager of CRCT (the "**Manager**"), and JPMorgan is the sole financial adviser to the Offering (together, the "**Financial Advisers**"). The co-ordinator for the Singapore Public Offer and sub-underwriter is DBS Bank Ltd ("**DBS**").

As at the date of this Prospectus, the Vendor, Retail Crown Pte. Ltd. (an indirect wholly-owned subsidiary of the Sponsor), CapitaMall Trust ("**CMT**") (an associate of the Sponsor), Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen ("**PGGM**") and The Great Eastern Life Assurance Company Limited ("**Great Eastern**" and, together with the Vendor, Retail Crown Pte. Ltd., CMT and PGGM, the "**Strategic Investors**") hold 222,100,000, 95,130,513, 95,100,000, 47,600,000 and 15,700,000 Units, respectively (together, the "**Strategic Investor Units**"). The total number of Units in issue as at the date of this Prospectus, and held by the Strategic Investors, is 475,630,513 Units. There will be no increase in the total number of Units in issue after the completion of the Offering.

Prior to the Offering, there has been no market for the Units. The offer of Units under this Prospectus will be by way of an initial public offering in Singapore. Application has been made to Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to list on the Main Board of the SGX-ST all the Units in issue as at the date of this Prospectus and all the Units which will be issued to the Manager from time to time in full or part payment of the fees payable to the Manager. Such permission will be granted when CRCT has been admitted to the Official List of the SGX-ST (the "**Listing Date**"). Acceptance of applications for Units will be conditional upon permission being granted to list the Units. In the event that such permission is not granted, application monies will be returned in full, at each investor's own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or HSBC Institutional Trust Services (Singapore) Limited, as trustee of CRCT (the "**Trustee**").

CRCT has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. CRCT's eligibility to list on the Main Board of the SGX-ST is not an indication of the merits of the Offering, CRCT, the Manager or the Units. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, CRCT, the Manager or the Units.

Investors who are members of the Central Provident Fund ("**CPF**") in Singapore may use their CPF Ordinary Account savings to purchase Units as an investment included under the CPF Investment Scheme — Ordinary Account. CPF members are allowed to invest up to 35.0% of the Investible Savings (as defined herein) in their CPF Ordinary Accounts to purchase Units.

**The collective investment scheme offered in this Prospectus is an authorised scheme under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act" or "SFA"). A copy of this Prospectus has been lodged with, and registered by, the Monetary Authority of Singapore (the "MAS") on 8 November 2006 and 29 November 2006 respectively. The MAS assumes no responsibility for the contents of this Prospectus. Lodgment with, or registration by, the MAS of this Prospectus does not imply that the Securities and Futures Act or any other legal or regulatory requirements have been complied with. The MAS has not, in any way, considered the investment merits of the collective investment scheme. This Prospectus will expire on 28 November 2007 (12 months after the date of the registration).**

**See "Risk Factors" commencing on page 40 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Units. None of the Vendor, the Sponsor, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee guarantees the performance of CRCT, the repayment of capital or the payment of a particular return on the Units.**

Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix F, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Singapore Public Offer will pay the Offering Price per Unit on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom), where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason.

In connection with the Offering, JPMorgan (the "**Stabilising Manager**") has been granted an over-allotment option (the "**Over-allotment Option**") by the Vendor, exercisable in full or in part, on one or more occasions, by the Stabilising Manager (on behalf of the Underwriters), in consultation with the other Underwriters, within 30 days from the date of commencement of trading of the Units on the SGX-ST, to purchase from the Vendor up to an aggregate of 28,800,000 Units (representing not more than 14.9% of the total number of Units in the Offering) (the "**Over-allotment Units**") at the Offering Price for each Unit, solely to cover the over-allotment of Units (if any). The total number of Units outstanding immediately after the completion of the Offering will be 475,630,513 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding.

In connection with the Offering, the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) may, in consultation with the other Underwriters, over-allot or effect transactions with a view to stabilising or maintaining the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilising action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, (ii) the date when the Stabilising Manager has bought on the SGX-ST an aggregate of 28,800,000 Units representing not more than 14.9% of the total number of Units in the Offering, and (iii) the date failing 30 days after the date of adequate public disclosure of the Offering Price of the Units.

The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, accordingly may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined in Regulation S under the Securities Act ("**Regulation S**")), outside the United States, in reliance on Regulation S.

FINANCIAL ADVISER TO THE VENDOR AND THE MANAGER

CapitaLand Financial

SOLE FINANCIAL ADVISER TO THE OFFERING

JPMorgan

INTERNATIONAL UNDERWRITERS AND BOOKRUNNERS

JPMorgan | UBS Investment Bank | CICC

SINGAPORE UNDERWRITERS

JPMorgan | UBS Investment Bank

CO-ORDINATOR FOR THE SINGAPORE PUBLIC OFFER AND SUB-UNDERWRITER

DBS

# THE FIRST PURE-PLAY CHINA RETAIL REIT IN SINGAPORE

CapitaRetail China Trust or CRCT is a Singapore-based real estate investment trust ("REIT") established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located in China[1].


**Seven Retail Malls**
**Total Gross Floor Area: 453,506 sq m**
**Total Population Catchment[2]: 3,209,000**

[1] CRCT may also invest in Hong Kong and Macau as set out in this Prospectus.
[2] The figure comprises the resident population of the primary and secondary trade areas of the relevant Properties. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

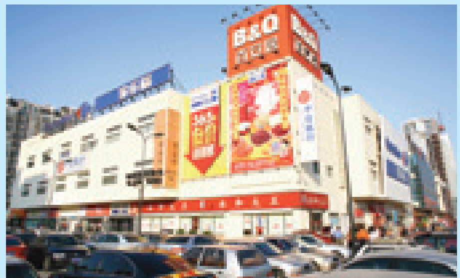

Xinwu Mall, Wuhu, Anhui


Zhengzhou Mall, Zhengzhou, Henan


Qibao Mall, Shanghai

Anzhen Mall, Beijing


Wangjing Mall, Beijing



Jiulong Mall, Beijing

CRCT's initial portfolio of seven retail malls (the "Properties") is strategically located within large population catchment areas in five cities across China. The quality geographically diversified portfolio, valued at S$688,945,035[3], is anchored by major international and domestic retailers, such as Wal-Mart, Carrefour and the Beijing Hualian Group. Other tenants include Sport 100 and B&Q. The malls are positioned as one-stop family-oriented shopping, dining and entertainment destinations in their localities.

Jinyu Mall, Huhehaote, Inner Mongolia

The multi-sourced portfolio comprising the Properties, which includes greenfield developments, acquisitions from third party and retail operators who are the strategic partners of CapitaLand Limited ("CapitaLand" or the "Sponsor") and a master-leased asset from the landowner, also demonstrates the capability of the Sponsor's comprehensive retail business platform which provides access to the full spectrum of retail opportunities in various tiered cities across China.

[3] Valuation by CB Richard Ellis (Pte) Ltd (the Independent Valuer appointed by the Manager) as at 30 September 2006

# A GEOGRAPHICALLY DIVERSIFIED PORTFOLIO OF SEVEN RETAIL MALLS


## Wangjing Mall, Beijing

KEY STATISTICS
GRA[4]:
67,500 sq m
Average Occupancy Rate[5]:
89.9%
Valuation[3]:
RMB 1,102,000,000
Population Catchment[2]:
302,000

- The first comprehensive multi-tenanted and professionally-managed mall in the locality
- Located in the densely populated Wangjing residential suburb
- Conveniently accessible by key highways, numerous bus routes and in close proximity to the Wangjingxi train station

## Jiulong Mall, Beijing

KEY STATISTICS
GRA[4]:
49,526 sq m
Average Occupancy Rate[5]:
100%
Valuation[3]:
RMB 414,000,000
Population Catchment[2]:
531,000

- The only one-stop shopping destination in the locality with a strong hypermarket anchor
- Located in close proximity to the Beijing CBD, in the Chaoyang District
- Well-served by bus routes and in close proximity to two subway stations, Guomao and Dawanglu
- Potential asset enhancement opportunities[5]


## Anzhen Mall, Beijing

KEY STATISTICS
GRA[4]:
43,442 sq m
Average Occupancy Rate[5]:
100%
Valuation[3]:
RMB 772,000,000
Population Catchment[2]:
671,000

- Located in the Chaoyang District, adjacent to the North 3rd Ring Road and highly accessible due to its proximity to a major bus terminal
- Amongst the most recognised shopping malls in the region, providing a comprehensive shopping experience with a wide variety of product offerings

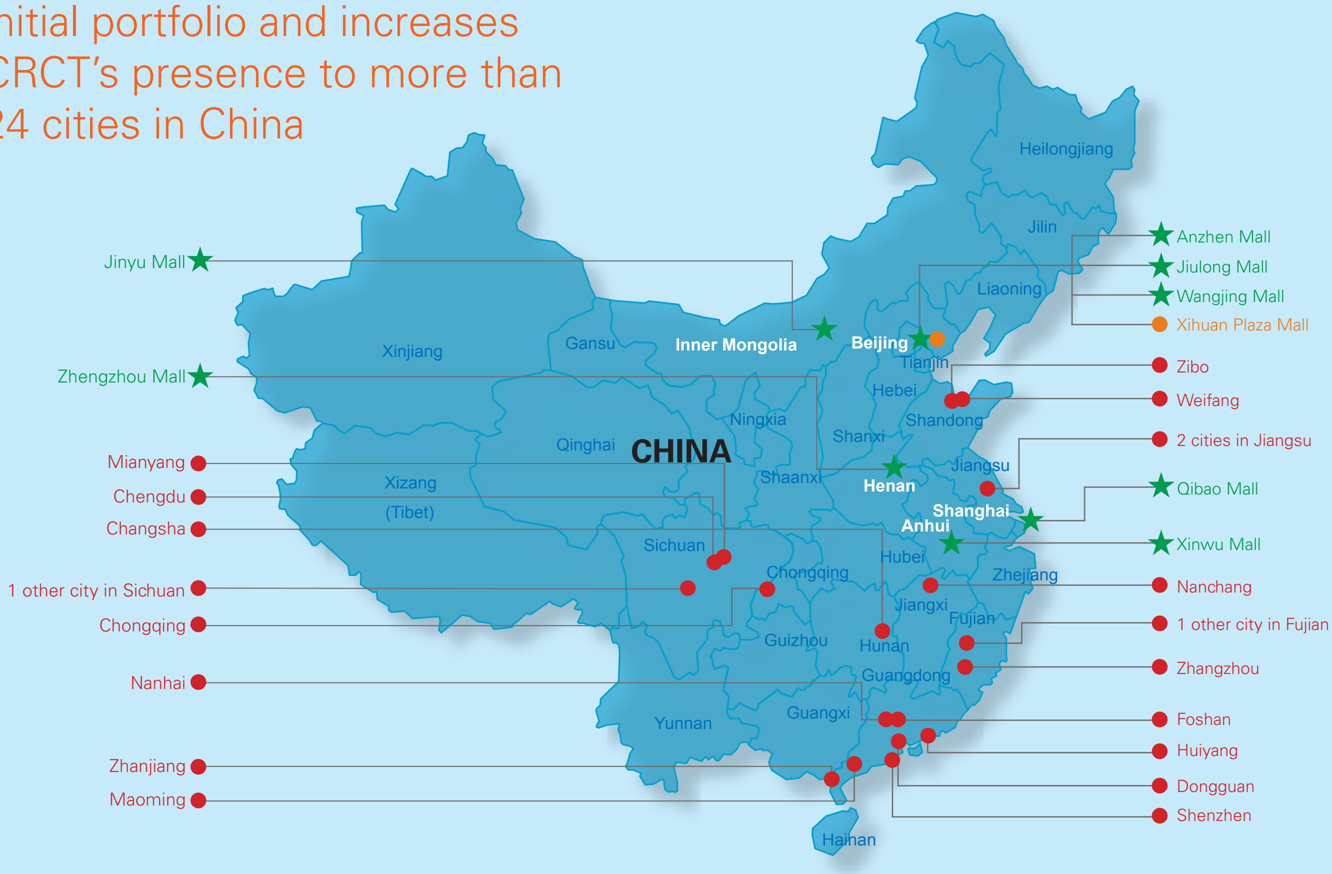
2 The figures comprise the resident population of the primary and secondary trade areas of the relevant Property. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)
3 Valuation by CB Richard Ellis (Pte) Ltd (the Independent Valuer appointed by the Manager) as at 30 September 2006
4 Gross Rentable Area as at 31 August 2006

# INVESTMENT HIGHLIGHTS

## Strong Acquisition Growth Potential Supported by Secured and Proprietary Pipeline

- CRCT has been granted rights of first refusal over properties from CapitaRetail China Development Fund (the "Development Fund") and CapitaRetail China Incubator Fund (the "Incubator Fund") established by the Sponsor, for which the Sponsor has secured a large pipeline of properties
- CapitaLand Retail Limited ("CRTL"), the retail property arm and wholly-owned subsidiary of the Sponsor, has also granted, first to CRCT and then to the Incubator Fund, a right of first refusal over future completed retail properties located in China which are identified and targeted for acquisition by CRTL or its subsidiaries
- The secured and proprietary acquisition growth pipeline will potentially triple CRCT's initial portfolio and increase CRCT's presence to more than 24 cities in China

## Acquisition pipeline for CRCT potentially triples the size of the initial portfolio and increases CRCT's presence to more than 24 cities in China




★ Initial CRCT Properties

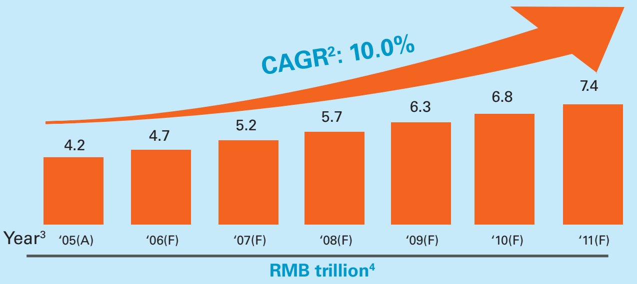
● 19 projects secured for investment by the Development Fund

● Secured for investment by the Incubator Fund

## Exposure to China's Strong Economic Growth and Flourishing Retail Market[8]

- The nominal retail sales growth (i.e. including inflation) over the past 10 years has averaged an impressive 12.5% per annum, whilst nominal gross domestic product growth has averaged an encouraging 9.7% per annum
- Retail sales in China are forecast to grow rapidly in nominal terms at an average rate of 10.0% per annum from RMB4.2 trillion in 2005 to RMB7.4 trillion in 2011
- The average gross market rental in Beijing and Shanghai has grown at an average rate per annum of 6.0% and 11.0% respectively over the past five to six years

### Retail Sales[1] to Grow at 10.0% p.a. (2005 - 2011)

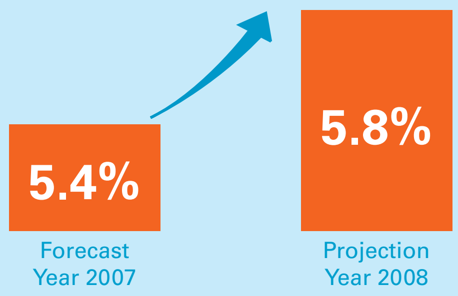



[1] Excludes national wholesale trades, as well as motor vehicle related sales, transport costs and utilities
[2] Compound Annual Growth Rate
[3] Year end December
[4] Nominal RMB (A) actual; (F) forecast
Source: UrbisJHD, October 2006

## Stable and Growing Distributions

- All the Properties have a stable and quality tenant base with trade and product diversification, anchored by well-established brand names. The Properties have a large combined tenant base of 253 local and international tenants (as at 31 August 2006), representing a wide variety of consumer trade sectors
- There is a potential for asset enhancement opportunities[6] for some of the Properties in the future to enhance and improve their operating returns

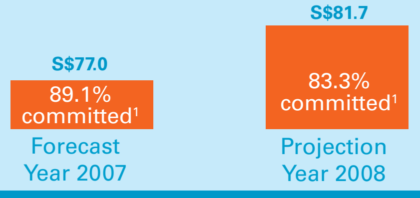
### Forecast and Projected Yield[1]



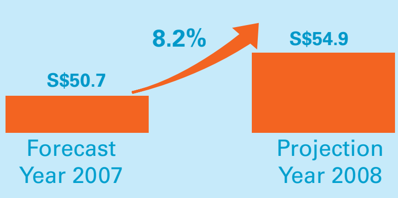

[1] Based on the Offering Price of S$1.13 per Unit, and the forecast and projection, together with the accompanying assumptions, in this Prospectus

### Stable and Growing Distributions

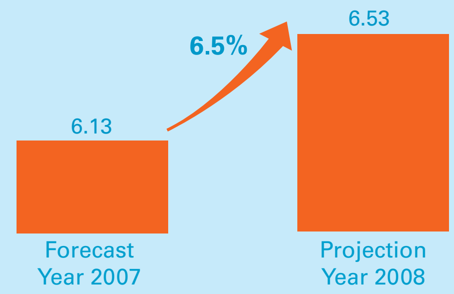
**Majority of Forecast and Projected Gross Rent Already Committed[1] (S$ million)**




**Net Property Income[2] (S$ million)**




**Forecast and Projected DPU[3] (S$ cent)**




[1] Based on Committed Leases as at 31 August 2006
[2] Includes Gross Rent, carpark income and other income
[3] Assuming distribution of 100.0% of Distributable Income

[6] Subject to obtaining the approvals from the relevant authorities
[8] See Appendix D, "Independent Overview Report on the China Retail Property Market" in this Prospectus

**Established 3 Pioneering REITs in Singapore, with Total Market Capitalisation of Approximately S$5.6 billion[1]**

CapitaLand

| CapitaMall Trust | CapitaCommercial Trust | Ascott Residence Trust |
|---|---|---|
| Market Capitalisation[1]: S$3.3 billion | Market Capitalisation[1]: S$1.8 billion | Market Capitalisation[1]: S$0.5 billion |

[1]Market capitalisation as at 31 August 2006

## Well-Established Real Estate Player as Sponsor

- CRCT's Sponsor, CapitaLand, is one of the largest listed real estate companies in Asia with extensive operational experience in property development, property fund management, investments and real estate financial services
- The Sponsor has established three pioneering REITs which are listed in Singapore – 1) CapitaMall Trust, the first REIT in Singapore, 2) CapitaCommercial Trust, the first commercial REIT in Singapore, and 3) Ascott Residence Trust, the first Pan-Asian serviced residence REIT in Asia
- The Sponsor's multi-local strategy has enabled it to enhance and grow its presence in the China real estate market over the past 12 years

**Unique Integrated Retail and Capital Management Platform**

**Retail Management** | **Capital Management**

*Property Management* → *Retail Management & Leasing* → *Strategic Marketing* → *Design & Development Management* → *Asset Management* → *Strategic Planning & Investment* → *Fund Management*

## Access to a Unique Integrated Retail and Capital Management Platform

- The Manager has access to the Sponsor's integrated retail and capital management platform which combines the Sponsor's retail capabilities and strategic partnerships with local partners and fund management capabilities to optimise and enhance properties under management, as well as to source, execute and integrate real estate acquisitions
- The Sponsor's integrated retail and capital management platform is supported by a total staff strength of about 1,025 (as at 31 August 2006) in both Singapore and China, out of which there is a predominantly local management team of 680 dedicated and experienced real estate professionals (as at 31 August 2006) with a track record of successfully sourcing, executing and integrating real estate acquisitions as well as capital management in China

## Tax Exemptions in Singapore

- Dividends and interest received in respect of the Properties are exempt from Singapore income tax. Distributions made out of such tax-exempt income are also exempt from tax in the hands of the Unitholders

# INVESTMENT STRATEGY OF THE MANAGER

The Manager, CapitaRetail China Trust Management Limited, is an indirect wholly-owned subsidiary of CapitaLand

**The Manager endeavours to:**

- further enhance the portfolio's competitive strengths by optimising occupancies and GRA, and improving rent cash flow in order to increase property yields
- identify, evaluate and pursue yield-accretive acquisitions of properties from the Development and Incubator Funds, CRTL and third party entities
- cultivate and develop complementary strategic partnerships with other leading local partners in the future based on the successful model of the Sponsor's current partnerships
- employ an optimal mix of debt and equity in financing the acquisition of any future properties, to utilise interest rate and currency hedging strategies, where appropriate, to optimise risk-adjusted returns to the Unitholders. Subject to favourable equity market and regulatory conditions in China, the Manager may decide to undertake an equity raising in one or more stock exchanges in China in the future to broaden CRCT's access to the China equity capital markets. The Manager believes that, over time, access to the expanding China capital markets for the purpose of raising capital to fund acquisitions will enhance CRCT's competitive advantage and enjoy cost-of-capital benefits

# COMPETITIVE STRENGTHS OF THE PROPERTIES

- **Quality retail malls in strategic locations with large and growing population catchments**
  The Properties are strategically located in large, well-established and growing population catchment areas with access to public transportation facilities. The Properties are often the only or are among the few retail malls offering one-stop shopping in their respective trade areas
- **Geographical diversification**
  The geographical diversification of the Properties reduces CRCT's dependence on any single regional market and, accordingly, enhances the stability of future earnings
- **Stable and quality tenant base**
  The Properties benefit from the well-established brand names of their anchor tenants and their market leadership in their respective trade sectors
- **Favourable lease structure with upside potential**
  CRCT's favourable lease structure provides Unitholders with a stable and growing rental cash flow, while percentage turnover rents provide further upside potential to the total rental revenues
- **Potential for asset enhancement[6] in the future**
  - improving the existing retail offering, tenant mix and marketing activities;
  - reconfiguring certain retail units or floor plates to achieve better efficiency and higher rental potential;
  - converting certain ancillary areas into productive retail space;
  - creating new retail units and kiosks in common areas; and
  - undertaking retrofitting and refurbishments of the Properties, where necessary, to actively manage retail space and enhance overall positioning of the Properties


[6] Subject to obtaining the approvals from the relevant authorities

# LOCATED IN LARGE POPULATION CATCHMENT AREAS


## Qibao Mall, Shanghai

KEY STATISTICS
GRA[4]:
72,729 sq m
Average Occupancy Rate[5]:
65.8%
Valuation[3]:
RMB 264,000,000
Population Catchment[2]:
345,000

- Amongst the few shopping destinations in the locality with quality multi-tenant and multi-product offerings
- Located in a growing mid-to-high-end residential neighbourhood, the Min Hang District, which is popular amongst the expatriate community
- Recently undergone asset enhancement works


## Zhengzhou Mall, Zhengzhou, Henan

KEY STATISTICS
GRA[4]:
92,356 sq m
Average Occupancy Rate[5]:
100%
Valuation[3]:
RMB 454,000,000
Population Catchment[2]:
698,000

- Located at the heart of Zhengzhou's central shopping district, the Er Qi District
- Easily accessible via key arterial roads, hence drawing shoppers from all around the city
- Benefits from the regular crowd of local shoppers and visitors
- Potential asset enhancement opportunities[6]

## Jinyu Mall, Huhehaote, Inner Mongolia

KEY STATISTICS
GRA[4]:
41,938 sq m
Average Occupancy Rate[5]:
100%
Valuation[3]:
RMB 315,000,000
Population Catchment[2]:
281,000

- Amongst the largest one-stop shopping destinations in Huhehaote, and is surrounded by growing residential neighbourhoods
- Easily accessible via major road transportation networks
- Potential asset enhancement opportunities[5]


## Xinwu Mall, Wuhu, Anhui

KEY STATISTICS
GRA[4]:
45,375 sq m
Average Occupancy Rate[5]:
66.7%
Valuation[3,7]:
RMB 130,000,000
Population Catchment[2]:
381,000

- Amongst the few one-stop shopping, dining and entertainment destinations in the locality
- Located approximately one km north of the CBD retail centre
- Enjoys excellent access being located at the junction of the two main carriageways of Wuhu

[5] Based on Committed Leases (as defined herein) as at 31 August 2006. The committed occupancy rates as at 31 October 2006 of Xinwu Mall and Qibao Mall are 80.5% and 74.0% respectively
[6] Subject to obtaining the approvals from the relevant authorities
[7] Assuming that CRCT owns 100.0% of Xinwu Mall



## In summary, CRCT offers you:

- Forecast Year 2007 distribution yield of 5.4%[9] and Projection Year 2008 distribution yield of 5.8%[9]
- Exposure to China's rapidly growing retail market
- Quality and diversified portfolio with asset enhancement opportunities[6]
- Strong acquisition growth potential supported by secured and proprietary pipeline
- Access to CapitaLand's unique integrated retail and capital management platform
- Capitalise on CapitaLand's extensive knowledge of the China retail mall sector and the Properties under management
- Stable and growing distributions which are tax-exempt[10] in Singapore

[6] Subject to obtaining the approvals from the relevant authorities
[9] Based on the Offering Price of S$1.13 per Unit, and the forecast and projection, together with the accompanying assumptions, in this Prospectus
[10] Distributions to Unitholders who hold the Units as investment assets are exempt from Singapore income tax

# NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee. Neither the delivery of this Prospectus nor any offer, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of CRCT, the Manager or the Units since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, the Manager will make an announcement of the same *via* SGXNET and, if required, issue and lodge a supplementary document or replacement document pursuant to Section 298 of the Securities and Futures Act and take immediate steps to comply with the said Section 298. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by any of the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

As at the date of this Prospectus, CapitaRetail Beijing Jiulong Real Estate Co., Ltd. ("**CapitaRetail Jiulong**") does not have legal title to Jiulong Mall. The relevant documents for the transfer of the strata titles in respect of the basement and first levels of Jiulong Mall to CapitaRetail Jiulong have been submitted to the China real estate administrative authorities and it is expected that the transfer of the strata titles is a matter of procedure and will be effected after the Listing Date. The strata titles in respect of the remaining second and third levels of Jiulong Mall are currently held by Beijing Jia Li Real Estate Development Co. Ltd. ("**Beijing Jia Li**"), the vendor of the mall and cannot be transferred to CapitaRetail Jiulong as Beijing Jia Li is party to certain legal proceedings whereby the second and third levels of Jiulong Mall are subject to a court injunction under China laws. Accordingly, CRCT, through CapitaRetail China Investments (B) Alpha Pte. Ltd. (an international business company incorporated in Barbados which owns CapitaRetail Jiulong) ("**CRCI Alpha Barbados**") and CapitaRetail Jiulong, currently has only contractual rights to the rental income in respect of the whole mall. The Manager will make an announcement *via* SGXNET (i) upon the transfer of the strata titles in respect of the basement and first levels of Jiulong Mall to CapitaRetail Jiulong, (ii) upon the transfer of the strata titles in respect of the second and third levels of Jiulong Mall to CapitaRetail Jiulong or (iii) in the event that the strata titles in respect of the basement and first levels of, and/or the second and third levels of, Jiulong Mall are not transferred to CapitaRetail Jiulong on the expiry of 12 months from the Listing Date, as the case may be. Except as otherwise expressly provided, all references in this Prospectus to the ownership or holding of Jiulong Mall by CapitaRetail Jiulong, the special purpose project company ("**Project Company**") established in China to hold Jiulong Mall, shall be qualified by the above.

As at the date of this Prospectus, CRCI Alpha Barbados and CapitaLand Retail Limited (a wholly-owned subsidiary of the Sponsor) ("**CRTL**") have entered into a put option agreement (the "**Jiulong Put Option Agreement**"). Under the terms of the Jiulong Put Option Agreement, if the strata titles in respect of the basement and first levels of Jiulong Mall and/or the second and third levels of Jiulong Mall are not transferred to CapitaRetail Jiulong on the expiry of 12 months from the Listing Date, a meeting of the Unitholders will be convened by the Trustee pursuant to which the Unitholders will agree, by way of an Ordinary Resolution (as defined herein), whether to retain Jiulong Mall in the portfolio of CRCT. Associates of CRTL will not vote on the Ordinary Resolution. If (i) an Ordinary Resolution is not passed in favour of retaining Jiulong Mall in the portfolio of CRCT, or (ii) an Ordinary

Resolution is passed in favour of retaining Jiulong Mall in the portfolio of CRCT and the strata titles in respect of the basement and first levels of Jiulong Mall and/or the second and third levels of Jiulong Mall, as the case may be, are still not transferred to CapitaRetail Jiulong on the expiry of six months from the date of the Ordinary Resolution, CRCI Alpha Barbados will have the right (the **"Jiulong Put Option"**) to require CRTL to purchase the entire equity interest in CapitaRetail Jiulong, at the higher of the net asset value of CapitaRetail Jiulong (based on an independent valuation of CapitaRetail Jiulong (which shall be based on, *inter alia*, the average of two independent valuations of Jiulong Mall)) at the relevant time and the net asset value of CapitaRetail Jiulong (which shall be based on, *inter alia,* the value attributable to Jiulong Mall) for the purpose of the Offering (the **"Jiulong Put Option Price"**). The Jiulong Put Option Price shall include all transaction costs incurred, whether directly or indirectly, by CRCT for the acquisition of Jiulong Mall (including, but not limited to brokerage, stamp duties, acquisition fees and conveyancing fees) (the **"Jiulong Transaction Costs"**). In addition, at any time from the completion of the Offering, in the event that the China courts order a sale of the strata titles in respect of the second and third levels of Jiulong Mall, CRCI Alpha Barbados will immediately exercise the Jiulong Put Option at the Jiulong Put Option Price. The Trustee (acting on the advice and recommendation of, and after discussions with, the Manager) is satisfied with the computation of the Jiulong Transaction Costs as set out in the Jiulong Put Option Agreement and is of the view that the abovementioned arrangements adequately safeguard the Unitholders' interests if the strata titles in respect of the basement and first levels of Jiulong Mall and/or the second and third levels of Jiulong Mall are not transferred to CapitaRetail Jiulong on the expiry of 12 months from the Listing Date and, where relevant, on the expiry of six months from the date of the Ordinary Resolution or where the China courts order a sale of the strata titles in respect of the second and third levels of Jiulong Mall.

In the event that the Jiulong Put Option is exercised, CRCT will utilise the proceeds from the sale of CapitaRetail Jiulong to repay a proportionate amount outstanding under the Trust Term Loan Facility (as defined herein) and the Manager will endeavour to acquire retail malls in China, the Hong Kong Special Administrative Region (**"Hong Kong"**) and the Macau Special Administrative Region (**"Macau"**) which are comparable to Jiulong Mall in order to maintain or enhance CRCT's distribution per unit (**"DPU"**). In the event that comparable retail malls cannot be acquired, the DPU to Unitholders will decrease.

(See "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL" and "Business and Properties — Jiulong Mall".)

As at the date of this Prospectus, CapitaRetail Beijing Wangjing Real Estate Co., Ltd. ("**CapitaRetail Wangjing**") does not have the legal title to Wangjing Mall and only has contractual rights in respect of Wangjing Mall. An application for the issuance of the legal title to Wangjing Mall in the name of CapitaRetail Wangjing, together with the relevant documents, will be made to the China real estate administrative authorities. The Manager will make an announcement *via* SGXNET upon the issuance of the legal title or, in the event that the legal title to Wangjing Mall is not issued on the expiry of 12 months from the Listing Date, as the case may be. As at the date of this Prospectus, CRTL and the Trustee have entered into a put option agreement (the **"Wangjing Put Option Agreement"**). Under the terms of the Wangjing Put Option Agreement, if the legal title to Wangjing Mall is not issued on the expiry of 12 months from the Listing Date, a meeting of all the Unitholders will be convened by the Trustee pursuant to which the Unitholders will agree, by way of an Ordinary Resolution, whether to retain Wangjing Mall in the portfolio of CRCT. Associates of CRTL will not vote on the Ordinary Resolution. If (i) an Ordinary Resolution is not passed in favour of retaining Wangjing Mall in the portfolio of CRCT or (ii) an Ordinary Resolution is passed in favour of retaining Wangjing Mall in the portfolio of CRCT and the legal title is still not issued on the expiry of six months from the date of the Ordinary Resolution, the Trustee will have the right (the **"Wangjing Put Option"**) to require CRTL to purchase the entire issued and paid-up capital of CapitaRetail China Investments (B) Pte. Ltd. (an international business company incorporated in Barbados which owns CapitaRetail Wangjing) (**"CRCI Barbados"**), at the higher of the net asset value of CRCI Barbados (based on the independent valuation of CRCI Barbados (which shall be based on, *inter alia*, the average of two independent valuations of Wangjing Mall)) at the relevant time and the net asset value of CRCI Barbados (which shall be based on, *inter alia*, the value attributable to Wangjing Mall) for the purpose of the Offering (the "**Wangjing Put Option Price**"). The Wangjing Put Option Price shall include all transaction costs incurred, whether directly or indirectly, by CRCT for the acquisition of Wangjing Mall (including, but not limited to brokerage, stamp duties, acquisition fees and conveyancing fees) (the "**Wangjing Transaction Costs**"). The Trustee (acting on the advice and recommendation of, and after discussions with, the Manager) is satisfied with the computation of the Wangjing Transaction Costs as set out in the Wangjing Put Option Agreement and is of the view that the abovementioned arrangements adequately safeguard the Unitholders' interests if the legal title to Wangjing Mall is not issued on the expiry of 12 months from the Listing Date and, where relevant, on the expiry of six months from the date of the Ordinary Resolution. Except as otherwise expressly provided, all references in this Prospectus to the ownership or holding of Wangjing Mall by CapitaRetail Wangjing, the Project Company established in China to hold Wangjing Mall, shall be qualified by the above.

In the event that the Wangjing Put Option is exercised, CRCT will utilise the proceeds from the sale of CRCI Barbados to repay a proportionate amount outstanding under the Trust Term Loan Facility and the Manager will endeavour to acquire retail malls in China, Hong Kong and Macau which are comparable to Wangjing Mall in order to maintain or enhance CRCT's DPU. In the event that comparable retail malls cannot be acquired, the DPU to Unitholders will decrease.

(See "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL" and "Business and Properties — Wangjing Mall".)

None of the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers and the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any purchaser of Units regarding the legality of an investment by such purchaser under appropriate legal, investment or similar laws. In addition, this Prospectus is issued solely for the purpose of the Offering and investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

**J.P. Morgan (S.E.A.) Limited**
168 Robinson Road
17th Floor, Capital Tower
Singapore 068912

**UBS AG, acting through its business group, UBS Investment Bank**
5 Temasek Boulevard
#18-00 Suntec Tower Five
Singapore 038985

**DBS Bank Ltd**
6 Shenton Way
DBS Building Tower One
Singapore 068809

and from branches of DBS (including POSB) and, where applicable, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: http://www.sgx.com.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. The Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers and the Trustee require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) may, in consultation with the other Underwriters, over-allot or effect transactions with a view to stabilising or maintaining the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilising action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, (ii) the date when the Stabilising Manager has bought on the SGX-ST an aggregate of 28,800,000 Units representing not more than 14.9% of the total number of Units in the Offering, and (iii) the date falling 30 days after the date of adequate public disclosure of the Offering Price of the Units.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements. This Prospectus also contains forward-looking financial information in "Profit Forecast and Profit Projection". Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CRCT or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager's present and future business strategies and the environment in which CRCT or the Manager will operate in the future. As these statements and financial information reflect the Manager's current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause CRCT's or the Manager's actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional or global economy that result in reduced occupancy or rental rates for CRCT's properties, changes in government laws and regulations affecting CRCT, competition in the China property market, interest rates, currency exchange rates, relations with service providers, relations with lenders, the quality of tenants and other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors", "Profit Forecast and Profit Projection", "Business and Properties" and "The Retail Property Market in China". These forward-looking statements and financial information speak only as at the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Manager's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

# CERTAIN DEFINED TERMS AND CONVENTIONS

CRCT will publish its financial statements in Singapore dollars. In this Prospectus, references to "S$", "Singapore dollars" or "cents" are to the lawful currency of the Republic of Singapore, references to "RMB" or "Renminbi" are to the lawful currency of China, references to "US$", "US dollars" or "USD" are to the lawful currency of the United States of America, references to "Euros" or "EUR" are to the lawful currency of the 12 European member states, collectively known as the Eurozone and references to "Yen" are to the lawful currency of Japan. References to "the People's Republic of China", "the PRC" or "China" are, for the purposes of this Prospectus, to mainland China.

For the reader's convenience, except where the exchange rate is expressly stated otherwise, certain currencies in this Prospectus have been translated based on the currency conversion rates of (a) US$1.00 = RMB8.0184, (b) US$1.00 = S$1.6008, and (c) S$1.00 = RMB5.0091 based on the average of the bid-ask rates for the period from 1 January 2006 to 31 August 2006. However, such conversion rates should not be construed as representations that the relevant dollar amounts have been, could have been, or could be converted into the relevant dollar amounts at that or any other rates (see "Exchange Rates").

Unless expressly specified otherwise, all information contained in this Prospectus in relation to Wangjing Mall and Jiulong Mall is on the assumption that (i) the legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing, and (ii) the strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong.

In this Prospectus, the conversion factors which can be applied to the Gross Rentable Area (**"GRA"**) of each of the Properties to obtain the Net Lettable Area are set out in the table below. The Net Lettable Area is based on each of the Properties' layout as at 31 August 2006 and is subject to reconfiguration and/or re-measurement as and when the units in the Properties are leased out.

| **Property** | **Conversion Factor** |
|---|---|
| Wangjing Mall | 0.80 |
| Jiulong Mall | 1.00 |
| Anzhen Mall | 1.00 |
| Qibao Mall | 0.68 |
| Zhengzhou Mall | 1.00 |
| Jinyu Mall | 1.00 |
| Xinwu Mall | 0.82 |
| **Weighted Average** | **0.89** |

References to the ownership of the Properties by CRCT in this Prospectus are to the ownership of the entire issued and paid-up capital of the relevant Barbados Companies which own the equity interest in the relevant Project Companies holding the relevant Properties.

Capitalised terms used in this Prospectus shall have the meanings set out in the Glossary.

This Prospectus contains certain information with respect to the trade sectors of CRCT's tenants. The Manager has determined the trade sectors in which CRCT's tenants are primarily involved based upon the Manager's general understanding of the business activities conducted by such tenants in the premises occupied by them. The Manager's knowledge of the business activities of CRCT's tenants is necessarily limited and such tenants may conduct business activities that are in addition to, or different from, those shown herein.

The forecast and projected yields and yield growth are calculated based on the Offering Price. Such yields and yield growth will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Offering Price.

Any discrepancies in the tables, graphs and charts included in this Prospectus between the listed amounts and totals thereof are due to rounding. Where applicable, percentages are rounded off to one decimal place and all figures expressed in ’000 are rounded off to the nearest thousand. References to “Appendices” are to the appendices set out in this Prospectus. All references in this Prospectus to dates and times shall mean Singapore dates and times unless otherwise specified.

# MARKET AND INDUSTRY INFORMATION

This Prospectus includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information. While the Vendor and the Manager have taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Vendor and the Manager have not independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein.

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# SUMMARY

*The following summary is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus. Investors should read this Prospectus in its entirety and, in particular, the sections from which the information in this summary is extracted and "Risk Factors". The meanings of terms not defined in this summary can be found in the Glossary or in the Trust Deed.*

## OVERVIEW OF CRCT — The First Pure-Play China Retail REIT in Singapore

CRCT is a Singapore-based real estate investment trust ("**REIT**") established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong[1] and Macau.

China has consistently been one of the fastest growing economies in recent years with an average annual real gross domestic product ("**GDP**") growth of 8.7% over the 25-year period commencing in 1980. Retail sales growth in China, which is highly correlated to per capita GDP growth, is forecast to grow in nominal terms at an average rate of 10.0% per annum through to 2011. Accompanying the strong economic growth has been the rapid increases in the overall standard of living and real incomes. This phenomenon has given rise to an urban middle class which, with increasing brand acceptance and globalisation of Chinese consumers' behaviour, will continue to drive retail sales growth in the foreseeable future. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

CRCT currently owns and invests in a portfolio of seven retail mall properties located in various cities of China (the "**Properties**"). The Properties are strategically located within large population catchment areas and are accessible *via* major transportation routes or access points. The Properties are positioned as one-stop family-oriented shopping, dining and entertainment destinations for the sizeable population catchment areas in which they are located.

As at 31 August 2006, the Properties have an aggregate Gross Floor Area ("**GFA**") of 453,506 sq m and a weighted-average occupancy rate of 89.9% (based on Committed Leases (as defined herein) as at 31 August 2006). A significant portion of the Properties' tenancies consists of major international and domestic retailers such as Wal-Mart, Carrefour and the Beijing Hualian Group under master leases or long-term leases. Wal-Mart is the world's largest retailer by sales with over US$315.0 billion in annual sales for the financial year ended 31 January 2006 and 6,000 stores under operations across 15 countries. Carrefour is the largest retailer in Europe and the second largest retailer worldwide by sales with over US$94.0 billion in annual sales in 2005 and 7,000 stores under operations internationally. The Beijing Hualian Group is the sixth largest retailer in China by sales with annual sales of over US$2.6 billion and 74 stores under operations in China in 2005. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

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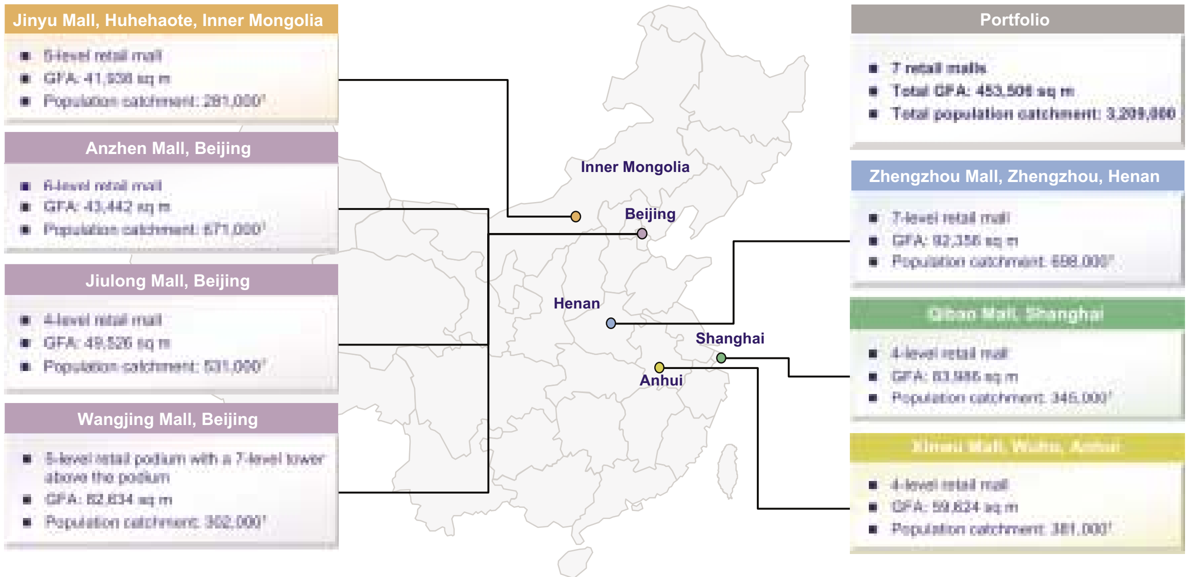
1 The Manager will, in respect of Hong Kong, observe the right of first refusal and other restrictive covenants provided by the Sponsor in its role as strategic partner to the manager of The Link REIT, which is listed on The Stock Exchange of Hong Kong Limited. (See "Certain Agreements Relating to CapitaRetail China Trust and the Properties - The Sponsor's Role as a Strategic Partner to the Manager of The Link REIT".)

## A geographically diversified portfolio of seven retail malls located in large population catchment areas




[1] Comprises the resident population of the primary and secondary trade areas of the relevant Property

### Summary of Key Investment Highlights

The Manager believes that an investment in CRCT offers the following benefits to Unitholders:

### CRCT is the first pure-play China Retail REIT offering in Singapore

- CRCT is the first pure-play China REIT in Singapore.
- Quality retail properties in China anchored by major international and domestic retailers.
- The properties are positioned as “one-stop-shop” retail malls with locations in large population catchment areas (which range from 281,000 to 698,000 people in size) and accessibility to a broad range of consumer target markets (see Appendix D, “Independent Overview Report on the China Retail Property Market”).
- Significant asset enhancement opportunities through reconfiguration of retail units, improvement of tenancy mix, conversion of ancillary areas into productive retail space and other proactive asset management initiatives.

### Exposure to the rapidly growing retail market in China

- Strong growth in real income at an average rate of 12.8% per annum since 1998 has given rise to a burgeoning middle class in China, with an estimated population of between 130 million and 250 million, with increasing disposable income and appetite for retail consumption.
- Retail sales in China are forecast to grow rapidly in nominal terms at an average rate of 10.0% per annum from RMB4.2 trillion in 2005 to RMB7.4 trillion in 2011, and this has spurred the recent expansion of the world’s leading retailers, such as Wal-Mart and Carrefour, across various cities in China.
- The average gross market rental in Beijing and Shanghai has grown at an average rate per annum of 6.0% and 11.0% respectively over the past five to six years.

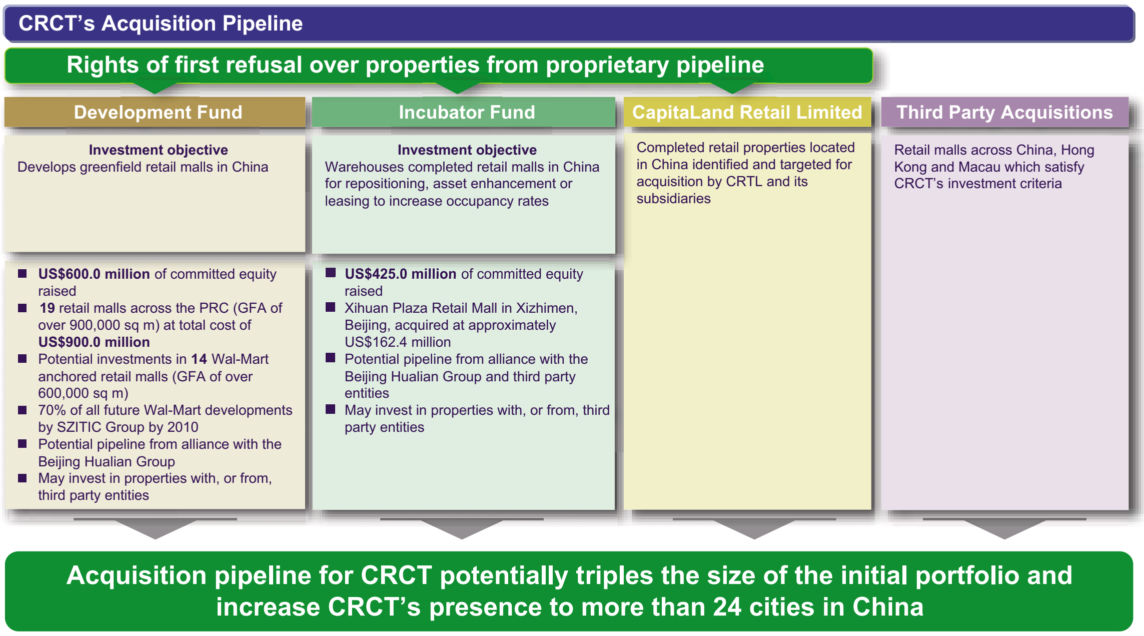
(See Appendix D, “Independent Overview Report on the China Retail Property Market”.)

**Strong acquisition growth potential supported by secured and proprietary pipeline**

- Significant acquisition pipeline to potentially triple CRCT's initial portfolio of the seven Properties and increase CRCT's presence to more than 24 cities in China. (See "CRCT's Acquisition Pipeline" and "Map of CRCT's Acquisition Pipeline".)

- CRCT has been granted rights of first refusal over properties from CapitaRetail China Development Fund (the **"Development Fund"**) and CapitaRetail China Incubator Fund (the **"Incubator Fund"** and, together with the Development Fund, the **"Development and Incubator Funds"**) established by the Sponsor, which have raised US$600.0 million and US$425.0 million, respectively, in committed equity funding, and for which the Sponsor has secured a large pipeline of properties as outlined below. (See "CRCT's Acquisition Pipeline".)

- CRTL, the retail property arm and wholly-owned subsidiary of the Sponsor, has granted, first to CRCT and then to the Incubator Fund, a right of first refusal over future completed retail properties located in China which are identified and targeted for acquisition by CRTL or its subsidiaries. (See "CRCT's Acquisition Pipeline".)




- The Sponsor has secured, for investment by the Development Fund, a portfolio of 19 retail mall developments comprising over 900,000 sq m of aggregate GFA in China, and an aggregate value of approximately US$900.0 million with Shenzhen International Trust & Investment Co., Ltd. and its subsidiaries and associates (the "**SZITIC Group**").

- The Sponsor also has the right to invest in an additional 14 Wal-Mart anchored retail malls located in China, covering approximately 600,000 sq m of GFA, and up to 70.0% of future Wal-Mart projects located in China, to be developed by the SZITIC Group by the end of 2010.

- The Development Fund may also invest in a potential pipeline of retail mall developments pursuant to the Sponsor's strategic alliance with the Beijing Hualian Group.

- Through the Sponsor's strategic alliance with the Beijing Hualian Group, the Incubator Fund may invest in a potential pipeline of retail malls to be anchored by the Beijing Hualian Group, including the prime Xihuan Plaza Retail Mall in Xizhimen, Beijing, which was acquired at approximately US$162.4 million.

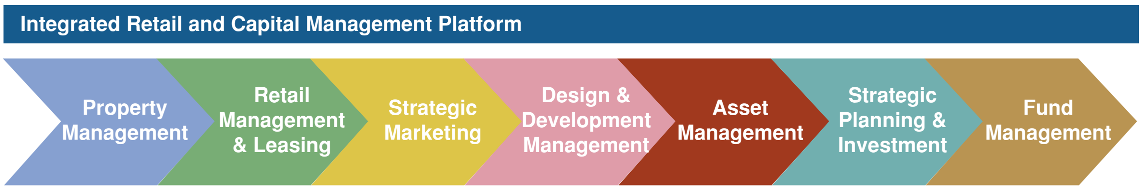
- The Development Fund and the Incubator Fund may also invest in properties with, or from, third party entities that are not members of the SZITIC Group or the Beijing Hualian Group.

**CRCT's Sponsor is CapitaLand Limited, a well-established real estate player with a proven track record of managing real estate across Asia**

- The Sponsor is one of the largest listed property companies in Asia with extensive operational experience in property development, property fund management and investments and real estate financial services.
- The Sponsor has established three pioneering REITs listed in Singapore — 1) CMT, the first REIT in Singapore, 2) CapitaCommercial Trust (**"CCT"**), the first commercial REIT in Singapore and 3) Ascott Residence Trust (**"ART"**), the first Pan-Asian serviced residence REIT in Asia.
- The Sponsor has established a significant presence as a real estate developer in China. The Sponsor is supported by a staff strength of approximately 1,800 predominantly local professionals located in China (as at 31 August 2006). Its multi-local strategy, which is aimed at delivering world-class competencies with deep understanding of the China real estate market, has enabled the Sponsor to enhance and grow its presence in the China real estate market over the past 12 years.
- The multi-sourced portfolio comprising the Properties, which includes greenfield developments, acquisitions from third party and retail operators who are the strategic partners of the Sponsor and a master-leased asset from the landowner, also demonstrates the capability of the Sponsor's comprehensive retail business platform which provides access to the full spectrum of retail opportunities in various tiered cities across China.

**Unique integrated retail and capital management platform with extensive knowledge of the China retail mall sector and the Properties under management**

- The Manager has access to an integrated retail and capital management platform which combines the Sponsor's retail capabilities and strategic partnerships with local partners and fund management capabilities to optimise and enhance properties under management, as well as to source, execute and integrate real estate acquisitions.




- The Sponsor's integrated retail and capital management platform is supported by a total staff strength of about 1,025 (as at 31 August 2006) in both Singapore and China, out of which there is a predominantly local management team of 680 dedicated and experienced real estate professionals (as at 31 August 2006) with a track record of successfully sourcing, executing and integrating real estate acquisitions as well as capital management in China. The team has demonstrated its capabilities to acquire land, develop projects and manage retail malls in the first-, second- and third-tier cities in China.
- The Manager possesses established and disciplined retail management skills to optimise the revenue from the portfolio and undertake asset enhancements where appropriate.

**CRCT aims to provide stable and growing distributions**

- Three of the Properties (Anzhen Mall, Zhengzhou Mall and Jinyu Mall) and the majority of the GRA of a fourth Property (Jiulong Mall) are let out under master leases. The master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall are long-term with a tenure of 20 years, which help to ensure stable cash flows. The long-term master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall also contain provisions for upside in rental revenues through step-ups in the base rent, with the master leases over Anzhen Mall and Zhengzhou Mall providing for an additional potential upside through a percentage of tenants' gross sales turnover if the turnover exceeds an agreed threshold.

- For the remaining Properties which are not under master leases, the typical lease term is 15 to 20 years for anchor tenants, five to seven years for mini-anchor tenants and three years for specialty tenants. Most of the leases provide for an annual step-up in the base rent. In addition, most of the leases also contain provisions for rent to be payable at the then applicable base rent or at a percentage of gross sales turnover, whichever is the higher. These lease structures provide stability and potential upside in rental revenues for CRCT.
- 54.2% and 52.3% of the Gross Rent in the Forecast Year 2007 (commencing from 1 January 2007 to 31 December 2007) and the Projection Year 2008 (commencing from 1 January 2008 to 31 December 2008), respectively, are attributable to key anchor tenants such as Wal-Mart, Carrefour and the Beijing Hualian Group which are among the leading retailers in China, and which have long-term leases of 15 to 20 years at the Properties.
- CRCT commits to distribute at least 90.0% of Distributable Income in each financial year. The actual distribution to the Unitholders may be greater than 90.0% of Distributable Income (as defined herein) considering the growth profile of CRCT and to the extent that the Manager believes it to be appropriate. For the Forecast Year 2007 and the Projection Year 2008, CRCT will, to the extent possible, distribute such level of Distributable Income in excess of 90.0% in order to meet the Manager's forecast and projection set out in "Profit Forecast and Profit Projection".
- CRCT's holding structure seeks to optimise tax efficiency and hence, cash flow distributions from the Properties to Unitholders.

**As a substantial unitholder, the Sponsor's interests are substantially aligned with those of the Unitholders**

- The Sponsor is committed to supporting CRCT over the long-term and expects to retain 20.0% of the total number of Units through its wholly-owned subsidiary, Retail Crown Pte. Ltd., assuming that the Over-allotment Option is exercised in full. The Sponsor has agreed to (a) a lock-up arrangement during the period commencing from 6 November 2006 until the date falling 180 days after the Listing Date (both dates inclusive) (the **"First Lock-up Period"**) in respect of all of the Units which will be held by Retail Crown Pte. Ltd., the Vendor (to the extent that any of the Units subject to the Over-allotment Option are returned to it) and any other entity which is wholly-owned by the Sponsor from the date on which such entity legally or beneficially owns the Units (collectively, the **"Relevant Entities"**) (collectively, the **"Lock-up Units"**) and (b) a lock-up arrangement during the period commencing from the day immediately following the First Lock-up Period until the date falling 360 days after the Listing Date (the **"Second Lock-up Period"**) in respect of 50.0% of the Lock-up Units, subject to certain exceptions.

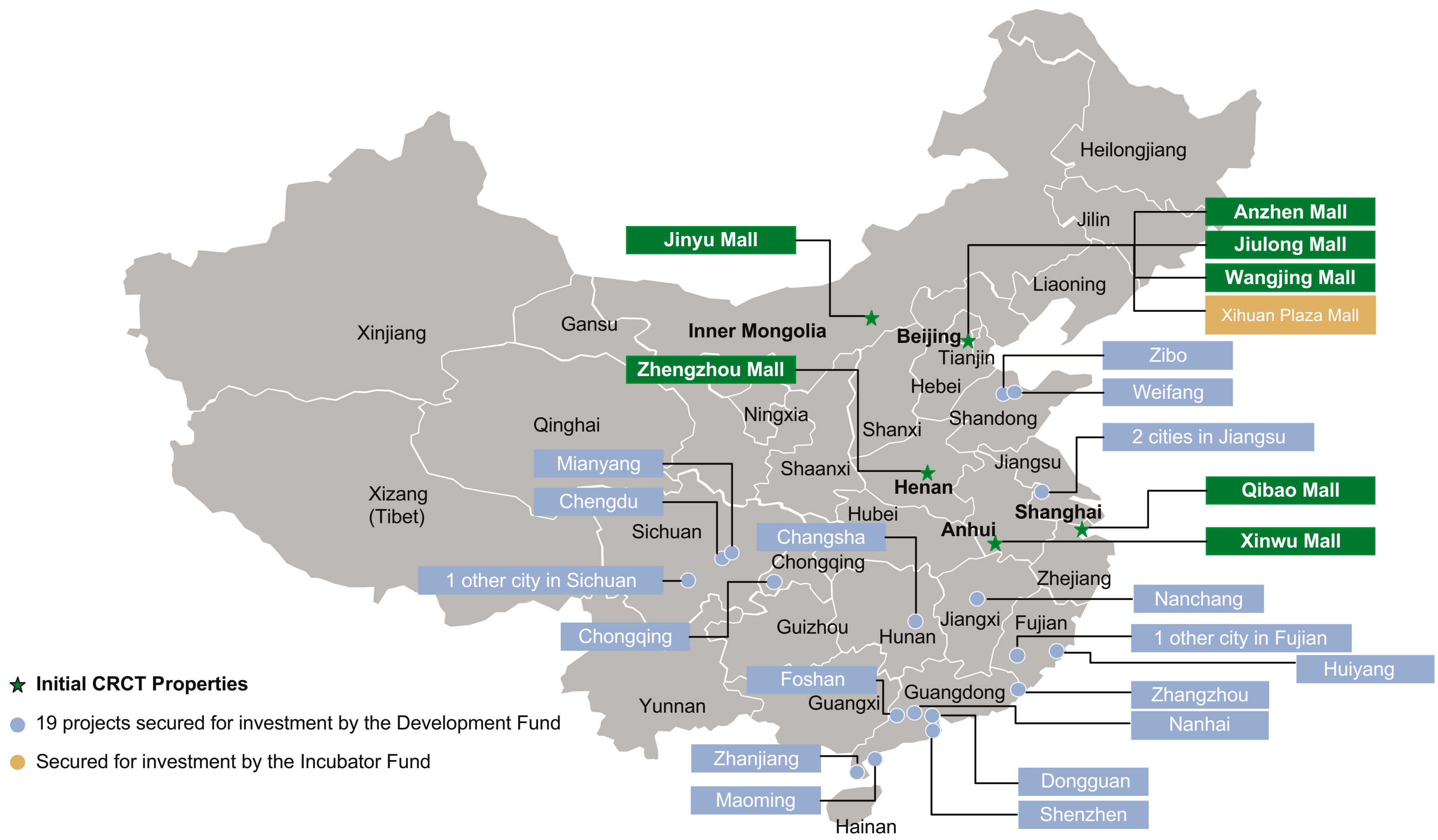
**Management fees structured to incentivise and align interests of the Manager with those of the Unitholders**

- Management fees payable to the Manager have a performance-based element designed to align its interests with those of the Unitholders.

**Tax exemptions in Singapore**

- Dividends and interest received or receivable by CRCT from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados are exempt from Singapore income tax. Distributions made out of such tax-exempt income are also exempt from tax in the hands of Unitholders.

## Map of CRCT's Acquisition Pipeline



## Key information on the Properties

A summary of key information on the Properties is set out below.

| Property | Percentage owned by CRCT | GRA(1) | Average Occupancy (based on Committed Leases)(1) | NPI for Forecast Year 2007 (1 January 2007 to 31 December 2007 | | NPI for Projection Year 2008 (1 January 2008 to 31 December 2008) | | Valuation by CBRE(1) | | Valuation by Knight Frank(1) | | Percentage of aggregate value (as determined by CBRE) of the Properties | Land use right expiry | Major Tenants (in terms of Monthly Gross Rent) (1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (%) | (sq m) | (%) | (RMB '000) | (%) | (RMB '000) | (%) | Valuation (RMB '000) | NPI (2007) yield on valuation (%) | Valuation (RMB '000) | NPI (2007) yield on valuation (%) | (%) | (Year) | |
| Wangjing Mall(2) | 100.0 | 67,500 | 89.9(3) | 80,753 | 31.8 | 88,802 | 32.3 | 1,102,000 | 7.3 | 1,175,000 | 6.9 | 31.9 | 2043 and 2053 | • Beijing Hualian Group<br>• Sport 100<br>• Party Land |
| Jiulong Mall(4) | 100.0 | 49,526 | 100.0 | 33,855 | 13.3 | 34,318 | 12.5 | 414,000 | 8.2 | 457,000 | 7.4 | 12.0 | 2042 | • Carrefour<br>• B&Q<br>• China CITIC Bank |
| Anzhen Mall | 100.0 | 43,442 | 100.0 | 62,890 | 24.8 | 63,579 | 23.1 | 772,000 | 8.2 | 838,000 | 7.5 | 22.4 | 2034 and 2042 | • Beijing Hualian Group(5) |
| Qibao Mall(6) | 100.0 | 72,729 | 65.8(3) | 14,590 | 5.7 | 20,658 | 7.5 | 264,000 | 5.5 | 297,000 | 4.9 | 7.6 | 2043 | • Sport 100<br>• Carrefour<br>• Powerhouse Gym |
| Zhengzhou Mall | 100.0 | 92,356 | 100.0 | 37,126 | 14.6 | 37,126 | 13.5 | 454,000 | 8.2 | 540,000 | 6.9 | 13.2 | 2042 | • Beijing Hualian Group(5) |
| Jinyu Mall | 100.0 | 41,938 | 100.0 | 18,494 | 7.3 | 21,666 | 7.9 | 315,000 | 5.9 | 316,000 | 5.9 | 9.1 | 2041 | • Beijing Hualian Group(5) |
| Xinwu Mall | 51.0 | 45,375(7) | 66.7(3) | 6,349(7) | 2.5(7) | 8,788(7) | 3.2(7) | 130,000(7) | 4.9 | 169,000(7) | 3.8 | 3.8(7) | 2044 | • Wal-Mart<br>• Tian Lan<br>• Han Du BBQ |
| Total/ Weighted Average | — | 412,866 | 89.9 | 254,057 | 100.0 | 274,937 | 100.0 | 3,451,000 | 7.4 | 3,792,000 | 6.7 | 100.0 | — | — |

**Notes:**

(1) The details on GRA, average occupancy and major tenants are based on information available as at 31 August 2006. The valuation by CBRE (Pte) Ltd (the Independent Valuer appointed by the Manager) ("**CBRE**") and the valuation by Knight Frank Petty Limited (the Independent Valuer appointed by the Trustee) ("**Knight Frank**") are as at 30 September 2006.

(2) It has been assumed that the legal title to Wangjing Mall will be issued in the name of CapitaRetail Wangjing within 12 months from the Listing Date. (See "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL".)

(3) The Manager believes that the average occupancy rates of these malls can be increased further as Wangjing Mall and Xinwu Mall are new while asset enhancement works had only recently been completed in respect of Qibao Mall. The committed occupancy rates as at 31 October 2006 of Xinwu Mall and Qibao Mall are 80.5% and 74.0% respectively, increasing the portfolio weighted average occupancy rate to 91.6%.

(4) It has been assumed that the strata titles in respect of the basement, first, second and third levels of Jiulong Mall will be transferred to CapitaRetail Jiulong within 12 months from the Listing Date. (See "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL".)

(5) The whole of the Property is leased to the Beijing Hualian Group.

(6) Qibao Mall will be held by CRCT under a master lease through CRCI Alpha Barbados, the international business company incorporated in Barbados which owns CapitaRetail Dragon Mall (Shanghai) Co., Ltd (**"CapitaRetail Dragon"**), which entered into the master lease with Shanghai Jin Qiu (Group) Co., Ltd. (**"Jin Qiu"**), the legal owner of Qibao Mall. The master lease expires in January 2024, with the right to renew for a further term of 19 years and two months. Accordingly, the land use right is owned by Jin Qiu.

(7) Assuming that CRCT owns 100.0% of Xinwu Mall.

(See "Business and Properties — The Properties".)

## Information on the Properties

**Wangjing Mall**
嘉茂购物中心•望京
*No. 33 Guangshun North Street, Blk 213, Chaoyang District, Beijing*

| | |
|---|---|
|  | Wangjing Mall is a five-level retail podium with a seven-level tower above the podium. It is prominently located in the densely populated Wangjing residential suburb, approximately 13 km north-east of the Beijing central business district (**"CBD"**). The mall can be conveniently accessed by key highways such as the Airport Expressway, the Jingcheng Expressway and the major 4th and 5th Ring Roads. It is also well-served by numerous bus routes and is in close proximity to the Wangjingxi train station.<br><br>Wangjing Mall is the first comprehensive multi-tenanted and professionally-managed mall in the locality, attracting shoppers from all age groups and income levels. |
| Population catchment(1) | 302,000 |
| Year of completion | 2006 |
| Year of expiry of land use right(2) | 2043 |
| Average Occupancy Rate(3) as at 31 August 2006 | 89.9% |
| GFA as at 31 August 2006 (sq m) | 82,634 |
| GRA as at 31 August 2006 (sq m) | 67,500 |
| Number of tenants as at 31 August 2006 | 115 |
| Top three tenants in terms of monthly Gross Rent as at 31 August 2006 | • Beijing Hualian Group — 26.2%<br>• Sport 100 — 3.9%<br>• Party Land — 3.2% |
| Valuation by CBRE as at 30 September 2006 | RMB1,102,000,000 |
| Valuation by Knight Frank as at 30 September 2006 | RMB1,175,000,000 |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB80,753,000<br>2008 — RMB88,802,000 |

| **Jiulong Mall**<br>九龙商厦<br>*No. 31 Guangqu Road, Chaoyang District, Beijing* | |
|---|---|
|  | Jiulong Mall is a four-level retail mall in the Chaoyang District of Beijing which is in close proximity to the Beijing CBD. The mall is well-served by bus routes and is in close proximity to two subway stations, Guomao and Dawanglu.<br><br>The mall is the only one-stop shopping destination in the locality, with a strong hypermarket anchor (Carrefour), drawing significant shopper traffic from the nearby CBD workers and neighbouring residential areas. |
| Population catchment(1) | 531,000 |
| Potential asset enhancement opportunities | CapitaRetail Jiulong and Beijing Jia Li, the vendor of Jiulong Mall, will work towards enhancing the value of the Property through the following asset enhancement initiatives to create additional GFA of approximately 11,000 sq m to be used as retail space:<br>• converting the building's current roof-top level into approximately 6,850 sq m of retail space. The current building is designed to support an additional level and has in place the necessary structural provisions;<br>• leasing out the area designated as a civil defence shelter (the **"Civil Defence Shelter Area"**) as retail space; and<br>• converting part of the open-air carpark area beside the existing building into retail space, by building on it a four-storey annex block (to yield additional retail space as well as house the carpark lots) that will be connected to the existing building. This will allow the Manager to reconfigure and optimise the use of retail space.<br>The proposed asset enhancement initiatives are subject to obtaining the approvals from the relevant authorities. |
| Year of completion | 2003 |
| Year of expiry of land use right(2) | 2042 |
| Average Occupancy Rate(3)<br>as at 31 August 2006 | 100.0% |
| GFA as at 31 August 2006 (sq m) | 49,526 |
| GRA as at 31 August 2006 (sq m) | 49,526 |
| Number of tenants as at 31 August 2006 | 6 |

| Jiulong Mall<br>九龙商厦<br>*No. 31 Guangqu Road, Chaoyang District, Beijing* | |
|---|---|
| Top three tenants in terms of monthly Gross Rent as at 31 August 2006 | • Carrefour — 58.3%<br>• B&Q — 31.7%<br>• China CITIC Bank — 4.4% |
| Valuation by CBRE as at 30 September 2006 | RMB414,000,000 |
| Valuation by Knight Frank as at 30 September 2006 | RMB457,000,000 |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB33,855,000<br>2008 — RMB34,318,000 |

**Anzhen Mall**
安贞华联商厦
*Section 5 of Anzhen Xi Li, Chaoyang District, Beijing*

| | |
|---|---|
|  | Anzhen Mall is a six-level retail mall, with an adjacent basement carpark (not owned by CRCT).<br><br>The mall is located approximately 11 km north-west of the Beijing CBD in the Chaoyang District, the second most populous precinct in Beijing. It is also adjacent to the North 3rd Ring Road and highly accessible due to its proximity to a major bus terminal.<br><br>The mall is amongst the most recognised in the region, providing a comprehensive shopping experience with a wide variety of product offerings. Its established positioning attracts recurring shopper traffic from the surrounding catchments. |
| Population catchment(1) | 671,000 |
| Potential asset enhancement opportunities | Subject to obtaining the appropriate approvals, the Manager intends to construct a linkway connecting the carpark to the mall to improve its accessibility and enhance convenience to the shoppers. The Manager believes that this would provide shoppers with a seamless shopping experience and present opportunities to reorganise the existing layout on the basement level.<br><br>There are also opportunities to optimise the use of the large surface area fronting the main entrance. |
| Year of completion | 1994, with refurbishments in 2002 |
| Year of expiry of land use right(2) | Title 1290007 (Land area: 262 sq m) — 2034<br><br>Title 10374 (Land area: 4,518 sq m) — 2042<br><br>Title 10375 (Land area: 7,559 sq m) — 2042 |
| Average Occupancy Rate(3) as at 31 August 2006 | 100.0% |
| GFA as at 31 August 2006 (sq m) | 43,442 |
| GRA as at 31 August 2006 (sq m) | 43,442 |
| Number of tenants as at 31 August 2006 | Master lease to the Beijing Hualian Group |
| Valuation by CBRE as at 30 September 2006 | RMB772,000,000 |
| Valuation by Knight Frank as at 30 September 2006 | RMB838,000,000 |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB62,890,000<br><br>2008 — RMB63,579,000 |

| **Qibao Mall**<br>嘉茂购物广场•七宝<br>*No. 3655, Qi Xin Road, Min Hang District, Shanghai* | |
|---|---|
|  | Qibao Mall is a four-level retail mall with a carpark comprising approximately 491 parking lots. The mall is located in a growing mid-to-high-end residential neighbourhood which is popular amongst the expatriate community given its proximity to major international schools.<br><br>The mall is amongst the few shopping destinations in the locality with quality multi-tenant and multi-product offerings. With its professional management and strong tenant mix, the mall provides nearby residents with a comprehensive one-stop shopping experience. |
| Population catchment(1) | 345,000 |
| Asset enhancement initiatives | The mall has recently undergone asset enhancement works to optimise its GRA on the ground floor by relocating the carpark boundary. In addition, the mall has also undergone a reconfiguration of the retail layout on all floors to improve circulation as well as to strengthen its retail tenant base. |
| Year of completion | 2003, with refurbishments in 2006 |
| Year of expiry of land use right(2) | 2043<br><br>Qibao Mall is indirectly held by CRCT under a master lease through CRCI Alpha Barbados which in turn owns CapitaRetail Dragon which entered into the master lease with Jin Qiu, the legal owner of Qibao Mall. The master lease expires in January 2024, with the right to renew for a further term of 19 years and two months. Accordingly, the land use right is owned by Jin Qiu. |
| Average Occupancy Rate(3) as at 31 August 2006 | 65.8% |
| GFA as at 31 August 2006 (sq m) | 83,986 |
| GRA as at 31 August 2006 (sq m) | 72,729 |
| Number of tenants as at 31 August 2006 | 72 |
| Top tenants in terms of monthly Gross Rent as at 31 August 2006 | • Sport 100 — 14.7%<br>• Carrefour — 11.6%<br>• Powerhouse Gym — 8.9% |
| Valuation by CBRE as at 30 September 2006 | RMB264,000,000 |
| Valuation by Knight Frank as at 30 September 2006 | RMB297,000,000 |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB14,590,000<br><br>2008 — RMB20,658,000 |

**Zhengzhou Mall**
郑州华联商厦
*No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan*

| | |
|---|---|
|  | Zhengzhou Mall is a seven-level retail mall at the heart of Zhengzhou's central shopping district, the Er Qi District. Zhengzhou is the capital of Henan Province and is an important agricultural and transit hub in the north-east of China.<br><br>The mall is easily accessible *via* key arterial roads and draws shoppers from all around the city. In addition, the mall's central location in the retail cluster of the city allows it to benefit from the regular crowd of local shoppers and visitors. |
| Population catchment[1] | 698,000 |
| Potential asset enhancement opportunities | The mall has an adjacent open area of approximately 6,910 sq m (approximately 26.0% of the total land area), currently used as an open-air carpark. The Manager believes that this space could potentially be converted into rentable area by creating additional GFA of approximately 12,000 sq m.<br><br>The Manager plans to build on the current car park area a three-storey retail annex block with a rooftop carpark, which will be connected to the existing mall at both basement and above ground. This new annex will improve connectivity and as well as increase the visibility of the mall from the main roads, which is expected to drive up shopper traffic.<br><br>The proposed asset enhancement initiatives are subject to obtaining the approvals from the relevant authorities. |
| Year of completion | 1992, with refurbishments in 2002 |
| Year of expiry of land use right[2] | 2042 |
| Average Occupancy Rate[3] as at 31 August 2006 | 100.0% |
| GFA as at 31 August 2006 (sq m) | 92,356 |
| GRA as at 31 August 2006 (sq m) | 92,356 |
| Number of tenants as at 31 August 2006 | Master lease to the Beijing Hualian Group |
| Valuation by CBRE as at 30 September 2006 | RMB454,000,000 |
| Valuation by Knight Frank as at 30 September 2006 | RMB540,000,000 |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB37,126,000<br>2008 — RMB37,126,000 |

**Jinyu Mall**

嘉茂购物中心•赛罕

*No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia*

| | |
|---|---|
|  | Huhehaote, the capital of Inner Mongolia Autonomous Region, has experienced rapid urbanisation relative to the rest of the province.<br><br>Jinyu Mall is a five-level retail mall located near the heart of Huhehaote's main retail cluster belt. It is easily accessible *via* major road transportation networks.<br><br>The mall is amongst the largest one-stop shopping destinations in Huhehaote. It is surrounded by growing residential neighbourhoods, whose catchment would increase with the ongoing redevelopment activities at the nearby rural housing and industrial estates. |
| Population catchment(1) | 281,000 |
| Potential asset enhancement opportunities | Jinyu Mall is currently anchored by the Beijing Hualian Group under a master lease for an initial term of three years. Over the three-year master lease period, the Manager intends to progressively recover area (approximately 32,000 sq m of GFA) from the master lessee, the Beijing Hualian Group, to be subsequently reconfigured and leased directly to specialty tenants. The Manager is of the opinion that the rent which can be achieved from direct leasing of the recovered space to specialty tenants would be higher than the rent paid by the Beijing Hualian Group under the master lease arrangement. After the third year when the current lease expires, the Beijing Hualian Group would lease only the area for its core supermarket trade for a further 17 years, with built-in step-ups in base rent.<br><br>The proposed asset enhancement initiatives are subject to obtaining the approvals from the relevant authorities. |
| Year of completion | 2002 |
| Year of expiry of land use right(2) | 2041 |
| Average Occupancy Rate(3) as at 31 August 2006 | 100.0% |
| GFA as at as at 31 August 2006 (sq m) | 41,938 |
| GRA as at as at 31 August 2006 (sq m) | 41,938 |
| Number of tenants as at 31 August 2006 | Master lease to the Beijing Hualian Group |

| Jinyu Mall<br>嘉茂购物中心•赛罕<br>*No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia* | |
|---|---|
| Valuation by CBRE as at 30 September 2006 | RMB315,000,000 |
| Valuation by Knight Frank as at 30 September 2006 | RMB316,000,000 |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB18,494,000<br>2008 — RMB21,666,000 |

## Xinwu Mall

嘉信茂广场•新芜

*No. 79 Zhongshan North Road, Xinwu District, Wuhu, Anhui*

Xinwu Mall is a four-level retail mall with 449 parking lots. The mall is located approximately one km north of the CBD retail centre and enjoys excellent access being located at the junction of two main carriageways of Wuhu.

Xinwu Mall is amongst the first few one-stop shopping, dining and entertainment destinations in the locality. The mall's positioning as a destination for middle income families fits well with the demographic profile of the population catchment it targets.

| | |
|---|---|
| Population catchment[(1)] | 381,000 |
| Year of completion | 2005 |
| Year of expiry of land use right[(2)] | 2044 |
| Average Occupancy Rate[(3)] as at 31 August 2006 | 66.7% |
| GFA as at 31 August 2006 (sq m) | 59,624 |
| GRA as at 31 August 2006 (sq m) | 45,375 |
| Number of tenants as at 31 August 2006 | 57 |
| Top tenants in terms of monthly Gross Rent as at 31 August 2006 | • Wal-Mart — 31.6%<br>• Tian Lan — 4.9%<br>• Han Du BBQ — 4.2% |
| Valuation by CBRE as at 30 September 2006 | RMB130,000,000[(4)]<br>RMB66,300,000[(5)] |
| Valuation by Knight Frank as at 30 September 2006 | RMB169,000,000[(4)]<br>RMB86,190,000[(5)] |
| Net Property Income contribution for the Forecast Year 2007 and the Projection Year 2008 | 2007 — RMB6,349,000[(4)]<br>RMB3,238,000[(5)]<br>2008 — RMB8,788,000[(4)]<br>RMB4,482,000[(5)] |

**Notes:**

(1) The figures comprise the resident population of the primary and secondary trade areas of the relevant Property. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

(2) See "Business and Properties — Terms of Land Use Rights".

(3) Based on Committed Leases as at 31 August 2006.

(4) Assuming that CRCT owns 100.0% of Xinwu Mall.

(5) Based on CRCT's 51.0% ownership interest in Xinwu Mall.

**Competitive Strengths**

The Manager believes that the competitive strengths of the Properties include:

- **Quality retail properties in strategic locations with large and growing population catchments**

  The initial portfolio consists of quality properties strategically located in large, well-established and growing population catchment areas with access to public transportation facilities, such as mass rapid transit stations, train stations and bus stations for both local and inter-provincial transport routes. The trade areas served by the Properties are characterised by above-average income and retail spending levels and population catchments which range from 281,000 to 698,000 people in size. Future population growth in these trade areas is expected to outpace the nationwide projected growth rate of approximately 0.5% per annum. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

  The Properties offer a "one-stop-shop" retail mall experience encompassing a wide array of goods and services including family-oriented shopping, dining and entertainment options. The Properties are often the only or are among the few retail malls offering one-stop shopping in their respective trade areas, thus drawing high volumes of shoppers to the Properties.

- **Geographical diversification**

  The Properties are located in the rapidly expanding retail markets of Beijing, Shanghai, Zhengzhou, Huhehaote and Wuhu. The Manager believes that the geographical diversification of the Properties reduces CRCT's dependence on any single regional market and, accordingly, enhances the stability of future earnings.

  The Manager has identified additional properties in other parts of China, in line with its investment strategy, which will further diversify CRCT's portfolio geographically. For instance, taking into consideration the pipeline properties in the Development Fund and the Incubator Fund, CRCT would have the potential to acquire additional properties and expand its reach to more than 24 cities in China.

- **Stable and quality tenant base**

  The Properties benefit from the well-established brand names of their anchor tenants and their market leadership in their respective trade sectors. A significant portion of the Properties' tenancies consists of major international and domestic retailers such as Wal-Mart, Carrefour and the Beijing Hualian Group under master leases or long-term leases. Wal-Mart is the world's largest retailer by sales with over US$315.0 billion in annual sales for the financial year ended 31 January 2006 and 6,000 stores under operations across 15 countries. Carrefour is the largest retailer in Europe and the second largest retailer worldwide by sales with over US$94.0 billion in annual sales in 2005 and 7,000 stores under operations internationally. The Beijing Hualian Group is the sixth largest retailer in China by sales with annual sales of over US$2.6 billion and 74 stores under operations in China in 2005. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

  The Properties have a large combined tenant base of 253 tenants (as at 31 August 2006). In addition to the tenants mentioned above, other tenants in the Properties include companies such as B&Q, Sport 100, Sizzler, Pizza Hut, KFC and Watson's. These tenants represent a wide variety of consumer trade sectors and provide trade and product diversification for the Properties.

  (See "Business and Properties — Certain Information on The Properties — Tenant Profile".)

- **Favourable lease structure with upside potential**

  CRCT's favourable lease structure aims to provide Unitholders with a stable and growing rental cash flow.

  Three of the Properties (Anzhen Mall, Zhengzhou Mall and Jinyu Mall) and the majority of the GRA of a fourth Property (Jiulong Mall) are let out under master leases. The master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall are long-term with a tenure of 20 years, which help to ensure stable cash flows.

  The long-term master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall also contain provisions for upside in rental revenues through step-ups in the base rent, with the master leases over Anzhen Mall and Zhengzhou Mall providing for an additional potential upside through a percentage of tenants' gross sales turnover if the turnover exceeds an agreed threshold.

  For the remaining Properties which are not under master leases, the typical lease term is 15 to 20 years for anchor tenants, five to seven years for mini-anchor tenants and three years for specialty tenants. Most of the leases provide for an annual step-up in the base rent. In addition, most of the leases also contain provisions for rent to be payable at the then applicable base rent or at a percentage of gross sales turnover, whichever is the higher. These lease structures help to provide stability and potential upside in rental revenues for CRCT.

  In order to ensure timeliness, accuracy and accountability in the calculation of turnover rent of the Properties, there is in place a Point-of-Sale (**"POS"**) System at each of Wangjing Mall, Qibao Mall and Xinwu Mall which automatically records the amount of sales achieved by the tenants.

  While percentage turnover rents provide further upside potential to the total rental revenues, the Manager has not factored in the impact of percentage gross sales turnover rent in the "Profit Forecast and Profit Projection" section of this Prospectus.

- **Potential for asset enhancement in the future**

  The Manager has identified various potential asset enhancements opportunities for Jiulong Mall, Zhengzhou Mall and Jinyu Mall to enhance and improve their operating returns, subject to obtaining approvals from the relevant authorities (see "Business and Properties — Asset Enhancement Initiatives").

**Valuation**

As at 30 September 2006, the Properties were valued at RMB3,451,000,000 (S$688,945,035) by CBRE (the Independent Valuer appointed by the Manager) and RMB3,792,000,000 (S$757,021,029) by Knight Frank (the Independent Valuer appointed by the Trustee). The Manager has adopted CBRE's valuation as the basis for the determination of the fair market value of the investment properties and the net asset value per Unit as set out in the "Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date". The implied purchase price(1) of the Properties is RMB3,792,000,000 (S$757,021,029) (valuation by Knight Frank) based on the Offering Price of S$1.13 per Unit.

The following table sets forth the key statistics relating to the valuation of the Properties and the Offering:

***Summary Valuation Statistics***

| | |
|---|---|
| Valuation by CBRE (as at 30 September 2006) | RMB3,451,000,000 (S$688,945,035) |
| Valuation by Knight Frank (as at 30 September 2006) | RMB3,792,000,000 (S$757,021,029) |
| Implied net asset value per unit based on valuation by CBRE | S$0.98 |
| Offering Price | S$1.13 per Unit |
| Implied purchase price[(1)] of the Properties at the Offering Price of S$1.13 per Unit) | RMB3,792,000,000 (S$757,021,029) |
| Premium to net asset value per Unit at the Offering Price of S$1.13 per Unit) | 15.3% |

(See Appendix C, "Independent Property Valuation Summary Report".)

**Note:**

(1) The implied purchase price of the Properties is derived from the Offering Price (as defined herein) which includes the total Underwriting, Selling and Management Commissions, as well as other estimated offering expenses. Such expenses have been paid by the Vendor and the other Strategic Investors to the Trustee when they subscribed for Units as a Strategic Investor during the private trust stage.

## Strategy

CRCT is a Singapore-based REIT established with the objective of investing on a long term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau.

In accordance with the requirements of the Listing Manual, the Manager's investment strategy for CRCT will be adhered to for at least three years following the Listing Date, unless otherwise agreed by the Unitholders by Extraordinary Resolution in a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed. After the expiry of the three-year period, the Manager may from time to time change the principal investment strategy of CRCT so long as the Manager has given not less than 30 days' prior notice of the change to the Trustee and the Unitholders by way of an announcement *via* SGXNET.

The Manager's key financial objective is to provide the Unitholders with a competitive rate of return for their investment by ensuring regular and stable distributions to the Unitholders and achieving long-term growth in distributions and NAV per Unit. The Manager plans to achieve its key objectives through the following:

- ***Enhancing value through proactive asset management strategy***

  The Manager, in conjunction with the Property Managers (as defined herein), will seek to further enhance the portfolio's competitive strengths by optimising occupancies and GRA, and improving rent cash flow in order to increase property yields.

  The Properties benefit from the asset management expertise of key executive officers of the Sponsor. The Sponsor has a long and proven track record in managing and enhancing properties. For instance, under the management of the Sponsor's indirect wholly-owned subsidiary, CapitaMall Trust Management Limited ("**CMTML**"), CMT's annualised DPU has grown at a compounded annual growth rate of approximately 11.7% from an annualised DPU of 7.35 cents in 2002 to 10.23 cents in 2005. The growth in CMT's annualised DPU demonstrates the Sponsor's managerial ability in structuring and executing yield-accretive acquisitions, extracting value through asset enhancements and reconfigurations, as well as active leasing. The Manager will leverage on such in-house expertise to create additional value for CRCT through proactive management of the Properties with the aim of enhancing yield potential.

  The Manager possesses established and disciplined retail management skills to optimise the revenue from the portfolio and undertake asset enhancements where appropriate.

- ***Capitalising on acquisitions growth model supported by proprietary pipeline***

  The Manager will appropriately identify, evaluate and pursue yield-accretive acquisitions of properties from the Development and Incubator Funds, CRTL and third party entities. CRCT has been granted rights of first refusal over properties from the Development and Incubator Funds established by the Sponsor. In addition, CRTL has also granted, first to CRCT and then to the Incubator Fund, a right of first refusal over future completed retail properties located in China which are identified and targeted for acquisition by CRTL or its subsidiaries. (See "Certain Agreements relating to CapitaRetail China Trust and the Properties — Rights of First Refusal".)

- ***Leveraging on complementary local partnerships and local industry knowledge of experienced China staff***

  CRCT will benefit from the strong relationships which the Sponsor enjoys with leading local partners, such as the Beijing Hualian Group and the SZITIC Group (with whom the Sponsor has established a joint venture for the acquisition of Wal-Mart anchored development properties located in China). The Manager will seek to cultivate and develop complementary strategic partnerships with other leading local partners in the future based on the successful model of the Sponsor's current partnerships. The Manager believes that these strategic partnerships will enhance CRCT's future growth prospects.

  The Manager further believes that the Sponsor's favourable relationships with key anchor tenants, such as Wal-Mart and the Beijing Hualian Group, will offer a good opportunity to CRCT in sourcing future acquisition properties and prospective tenants. The Manager will endeavour to capitalise on the increasing presence of major retailers across China by continuously seeking new strategic partnerships with other leading retailers to augment its growth strategy.

In addition, the Manager has access to the Sponsor's integrated China retail and capital management platform which is supported by a predominantly local management staff of about 680 professionals (as at 31 August 2006). The platform provides CRCT with a competitive advantage by allowing the Manager to capitalise on the local real estate industry knowledge, the acquisitions and management expertise of its China staff. These factors will enable the Manager to source potential acquisitions as well as manage the day-to-day operations of the Properties.

- ***Capital management strategy***

  The Manager endeavours to employ an optimal mix of debt and equity in financing the acquisition of any future properties, to utilise interest rate and currency hedging strategies, where appropriate, to optimise risk-adjusted returns to the Unitholders.

  Subject to favourable equity market and regulatory conditions in China, the Manager may decide to undertake an equity raising in one or more stock market exchanges in China in the future, to broaden CRCT's access to the China equity capital markets.

  The Manager believes that, over time, access to the expanding China capital markets for the purpose of raising capital to fund acquisitions will enhance its competitive advantage and allow it to tap into more resources and enjoy cost-of-capital benefits.

## UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

*The following table is only an extract from, and should be read together with, "Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date" and the report set out in Appendix B, "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date".*

| | Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date |
|---|---|
| | (S$'000) |
| **Non-current assets** | |
| Investment properties[1][2] | 688,945 |
| Deferred tax assets | 5,352 |
| | 694,297 |
| **Current assets** | |
| Trade and other receivables | 2,769 |
| Cash and cash equivalents | 27,567 |
| | 30,336 |
| **Total assets** | **724,633** |
| **Non-current liabilities** | |
| Security deposits | 2,230 |
| Interest-bearing borrowings[3] | 212,649 |
| | 214,879 |
| **Current liabilities** | |
| Trade and other payables | 33,653 |
| Provision for taxation | 220 |
| | 33,873 |
| **Total liabilities** | **248,752** |
| **Minority interest[4]** | **11,167** |
| **Net assets attributable to Unitholders** | **464,714** |
| Number of Units in issue ('000) | 475,631 |
| NAV per Unit (S$) | 0.98[2][5] |

**Notes:**

(1) It has been assumed that:

(i) the legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing (see "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL");

(ii) the strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong (see "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL"); and

(iii) the payment of the rental for Zhengzhou Mall commences on 1 December 2006, as agreed with the Beijing Hualian Group.

(2) Based on a valuation of RMB3,451,000,000 (S$688,945,035) by CBRE, the Independent Valuer appointed by the Manager.

(3) Comprises principal amount of borrowings of S$213,489,507 after deducting transaction costs of S$840,404.

(4) Includes a loan from the minority shareholder of Wuhu SZITIC Commercial Property Co., Ltd. (the Project Company which owns Xinwu Mall) ("**Wuhu SZITIC**") of RMB70.6 million (S$14.1 million). (See Appendix B "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date – Notes to the Unaudited Pro Forma Consolidated Balance Sheet – Minority Interest").

(5) Based on a valuation of RMB3,792,000,000 (S$757,021,029) by Knight Frank, the Independent Valuer appointed by the Trustee, the NAV per Unit is S$1.13.

## PROFIT FORECAST AND PROFIT PROJECTION

*The following is only an extract from, and should be read together with, "Profit Forecast and Profit Projection" and the report set out in Appendix A, "Independent Accountants' Report on the Profit Forecast and Profit Projection".*

### Forecast and Projected Consolidated Statements of Total Return

| | Forecast Year 2007 (1 January 2007 to 31 December 2007) | Projection Year 2008 (1 January 2008 to 31 December 2008) |
|---|---|---|
| | (S$'000) | (S$'000) |
| **Gross Revenue** | | |
| Gross Rent | 77,012 | 81,696 |
| Carpark income | 203 | 599 |
| Other income | 384 | 768 |
| **Total Gross Revenue** | **77,599** | **83,063** |
| **Property Operating Expenses** | | |
| Land rental | (4,328) | (4,328) |
| Property tax | (5,781) | (5,781) |
| Business tax | (3,930) | (4,204) |
| Property management fees | (2,892) | (3,111) |
| Other property operating expenses | (9,949) | (10,752) |
| **Total Property Operating Expenses** | **(26,880)** | **(28,176)** |
| **Net Property Income** | **50,719** | **54,887** |
| **Administrative expenses** | | |
| Manager's management fees | (3,800) | (4,004) |
| Trustee's fee | (211) | (211) |
| Other trust operating expenses | (1,463) | (1,463) |
| **Total administrative expenses** | **(5,474)** | **(5,678)** |
| **Interest expenses** | **(10,707)** | **(11,382)** |
| **Net profit** | **34,538** | **37,827** |
| Income tax | (6,319) | (7,119) |
| **Total return for the year after income tax** | **28,219** | **30,708** |
| **Minority interest** | **(621)** | **(860)** |
| **Total return for the year attributable to Unitholders before distribution** | **27,598** | **29,848** |

**Reconciliation from total return attributable to Unitholders to total Unitholders' distribution:**

| | Forecast Year 2007 (1 January 2007 to 31 December 2007) (S$'000) | Projection Year 2008 (1 January 2008 to 31 December 2008) (S$'000) |
|---|---|---|
| Total return attributable to Unitholders from consolidated statements of total return | 27,598 | 29,848 |
| Distribution adjustments(1) | 1,673 | 1,481 |
| **Total Unitholders' distribution(2)** | **29,271** | **31,329** |
| **Unitholders' distribution:** | | |
| — from operations(3) | 8,290 | 9,759 |
| — from Unitholders' contributions(3) | 20,981 | 21,570 |
| **Total Unitholders' distribution(2)** | **29,271** | **31,329** |
| **Units in issue ('000)(4)** | **477,527** | **479,440** |
| **Distribution per Unit(2)(4)(5) (cents)** | **6.13** | **6.53** |
| **Distribution yield(2)** | **5.42%** | **5.78%** |

**Notes:**

(1) These include the portion of the Manager's Performance Fees of S$2.0 million and S$2.2 million which are payable in the form of Units for Forecast Year 2007 and Projection Year 2008 respectively, and deducting the annual transfer to the general reserve fund of S$0.3 million and S$0.7 million in Forecast Year 2007 and Projection Year 2008 respectively.

(2) Assuming distribution of 100.0% of Distributable Income.

(3) It is assumed that there will be a delay in the repatriation of dividend from the Project Companies attributed to the time that may be required for tax audit clearance in China. For example, for the Forecast Year 2007, it is assumed that there will be a delay in repatriation of S$3.0 million, which will be distributed to the Unitholders out of the Unitholders' contributions by drawing upon CRCT's working capital. If there has been no delay in dividend repatriation, distribution from operations and distribution from the Unitholders' contributions for the Forecast Year 2007 would have been S$11.3 million and S$18.0 million, respectively. (See "Distributions".)

(4) The increase in the number of Units in issue is a result of the assumed payment of the Manager's Performance Fees for the relevant period in the form of Units issued at an assumed issue price per Unit of S$1.13 (see "Assumptions — Trust Level Assumptions — (VI) Manager's Management Fees").

(5) It has been assumed that:

(i) the legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing (see "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL");

(ii) the strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong (see "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL"); and

(iii) the payment of the rental for Zhengzhou Mall commences on 1 December 2006, as agreed with the Beijing Hualian Group.

## THE OFFERING

| | |
|---|---|
| **CRCT** | CRCT is a real estate investment trust established in the Republic of Singapore and constituted by the Trust Deed. |
| **The Manager** | CapitaRetail China Trust Management Limited. |
| **The Vendor** | Retail Crown (BVI) Limited, an indirect wholly-owned subsidiary of the Sponsor incorporated in the British Virgin Islands. |
| **The Sponsor** | CapitaLand Limited. |
| **The Trustee** | HSBC Institutional Trust Services (Singapore) Limited. |
| **The Offering** | 193,300,000 Units offered under the Placement and the Singapore Public Offer |
| **The Placement** | 164,300,000 Units offered by way of a placement to institutional and other investors outside Singapore as well as in Singapore. The Units have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Units are being offered and sold in offshore transactions (as defined in Regulation S) outside the United States, in reliance on Regulation S. |
| **The Singapore Public Offer** | 29,000,000 Units offered by way of a public offer in Singapore, subject to an increase of up to an additional 4,000,000 Units with a corresponding decrease in the number of Units offered under the Placement, and including the 11,000,000 Reserved Units. |
| **Reserved Units** | 11,000,000 Units reserved for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries. (See "Information concerning the Units — Reserved Units".)<br><br>In the event that any of the 11,000,000 Reserved Units are not purchased, they will be made available to satisfy excess applications (if any) under the Placement and/or the Singapore Public Offer (other than the Reserved Tranche). |
| **Strategic Investor Units** | As at the date of this Prospectus, the Vendor, Retail Crown Pte. Ltd., CMT, PGGM and Great Eastern hold 222,100,000 (of which 193,300,000 Units comprise the Offering and 28,800,000 Units are subject to the Over-allotment Option), 95,130,513, 95,100,000, 47,600,000 and 15,700,000 Units, respectively. |
| **Clawback and Re-allocation** | The Units may be re-allocated between the Placement and the Singapore Public Offer, at the discretion of the Underwriters (in consultation with the Vendor, CRTL and the Manager), such as in the event of an excess of applications in one and a deficit of applications in the other, subject to any applicable law. |
| **Offering Price** | S$1.13 per Unit. |

| | |
|---|---|
| **Purchase of Units in the Singapore Public Offer** | Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix F, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Singapore Public Offer will pay the Offering Price of S$1.13 per Unit on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case, without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason. For the purpose of illustration, an investor who applies for 1,000 Units by way of an Application Form or an Electronic Application under the Singapore Public Offer will have to pay S$1,130, which is subject to a refund of the full amount or the balance thereof (without interest or any share of revenue or other benefit arising therefrom), as the case may be, upon the occurrence of any of the foregoing events.<br><br>Investors who are members of the CPF in Singapore may use their Ordinary Account savings to purchase Units.<br><br>The minimum initial purchase is for 1,000 Units. An applicant may purchase a larger number of Units in integral multiples of 1,000.<br><br>Investors in Singapore must follow the application procedures set out in Appendix F, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore". Purchases under the Singapore Public Offer must be paid for in Singapore dollars. No fee is payable by applicants for the purchase of Units under the Singapore Public Offer, save for an administration fee of S$1.00 for each application made through automated teller machines and the internet banking websites of certain Participating Banks. |
| **Over-allotment Option** | In connection with the Offering, JPMorgan (the "**Stabilising Manager**") has been granted the Over-allotment Option by the Vendor. The Over-allotment Option is exercisable by the Stabilising Manager (on behalf of the Underwriters), in consultation with the other Underwriters, in full or in part, on one or more occasions, within 30 days from the date of commencement of trading of the Units on the SGX-ST, to purchase from the Vendor up to an aggregate of 28,800,000 Units (representing not more than 14.9% of the total number of Units in the Offering) at the Offering Price, solely to cover over-allotment of Units (if any) subject to any applicable laws and regulations. The total number of Units in issue immediately after the completion of the Offering will be 475,630,513 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding. The total number of Units subject to the Over-allotment Option will constitute up to 14.9% of the total number of Units under the Offering. |

| | |
|---|---|
| **Lock-ups** | Each of Retail Crown Pte. Ltd., the Vendor (to the extent that any of the Over-allotment Units are returned to it), CMT, PGGM and Great Eastern has agreed to (a) a lock-up arrangement during the First Lock-up Period in respect of its respective Strategic Investor Units and (b) a lock-up arrangement during the Second Lock-up Period in respect of 50.0% of its respective Strategic Investor Units, subject to certain exceptions.<br><br>Separately, the Sponsor has agreed to (i) a lock-up arrangement during the First Lock-up Period in respect of all of the Lock-up Units and (ii) a lock-up arrangement during the Second Lock-up Period in respect of 50.0% of the Lock-up Units, subject to certain exceptions.<br><br>The Manager has also undertaken not to offer, issue or contract to issue any Units, and the making of any announcements in connection with any of the foregoing transactions, during the First Lock-Up Period, subject to certain exceptions.<br><br>(See "Plan of Distribution — Lock-up Arrangements".) |
| **Proceeds from the Offering** | Based on the Offering Price of S$1.13 per Unit, the gross proceeds from the Offering, assuming that the Over-allotment Option is exercised in full, are estimated to be approximately S$251.0 million. As all the Units comprised in the Offering are being offered for sale by the Vendor, CRCT will not receive any of the proceeds from the Offering.<br><br>(See "Proceeds from the Offering".) |
| **Listing and Trading** | Prior to the Offering, there has been no market for the Units. The offer of Units under this Prospectus will be by way of an initial public offering in Singapore. Application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all the Units in issue as at the date of this Prospectus and all the Units which will be issued to the Manager from time to time in full or part payment of the Manager's fees. (See "The Manager and Corporate Governance — Manager's Fees".) Such permission will be granted when CRCT is admitted to the Official List of the SGX-ST.<br><br>The Units will be listed and quoted on the SGX-ST, and will be traded in Singapore dollars under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited (**"CDP"**). The Units will be traded on the SGX-ST in board lot sizes of 1,000 Units. |

| | |
|---|---|
| **Stabilisation** | In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may, in consultation with the other Underwriters, over-allot or effect transactions with a view to stabilising or maintaining the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA, and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, (ii) the date when the Stabilising Manager has bought on the SGX-ST an aggregate of 28,800,000 Units representing not more than 14.9% of the total number of Units in the Offering, and (iii) the date falling 30 days after the date of adequate public disclosure of the Offering Price of the Units. (See "Plan of Distribution — Over-allotment and Stabilisation".) |
| **No Redemption by Unitholders** | Unitholders have no right to request the Manager to redeem their Units while their Units are listed. It is intended that the Unitholders may only deal in their listed Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. |
| **Unitholders' Meetings** | The Trustee or the Manager may at any time (and the Manager shall at the request in writing of not less than 50 participants or participants representing not less than 10.0% of the total issued units of CRCT) convene a meeting of the Unitholders in accordance with the provisions of the Trust Deed. |
| **Distribution Policy** | CRCT's distribution policy is to distribute at least 90.0% of its Distributable Income in each financial year. The actual distribution to Unitholders may be greater than 90.0% of Distributable Income considering the growth profile of CRCT and to the extent that the Manager believes it to be appropriate having regard to other considerations.<br><br>Distributions will be paid on a semi-annual basis for the six-month periods ending 30 June and 31 December of each year. The first distribution will however be for the period from the Listing Date to 30 June 2007 and will be paid on or before 30 September 2007.<br><br>(See "Distributions".) |

| | |
|---|---|
| **Singapore Tax Considerations** | CRCT's distributions will comprise two components — a tax-exempt income component and a capital component.<br><br>The tax-exempt income component refers to the portion of the distribution that is made out of CRCT's tax-exempt income, *i.e.* dividends and interest from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. This component is exempt from tax in the hands of Unitholders. No tax will be deducted at source from this component.<br><br>The capital component refers to the portion of the distribution that is made out of CRCT's underlying income that cannot be repatriated to CRCT in the form of income. This component of the distribution is treated as a return of capital for Singapore income tax purposes and will not be taxed in the hands of Unitholders. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, this component will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain when the Units are disposed of. If the amount of the capital component exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.<br><br>(See "Taxation" and Appendix E, "Independent Taxation Report".) |
| **Financial Advisory Fee and Underwriting, Selling and Management Commissions payable by the Trustee to the Financial Adviser, the International Underwriters and the Singapore Underwriters** | The Trustee will pay JPMorgan (as the sole financial adviser to the Offering), the International Underwriters and the Singapore Underwriters for their services (as the case may be) in connection with the offering of Units under the Offering, a financial advisory fee ("**Financial Advisory Fee**") and underwriting, selling and management commissions (the "**Underwriting, Selling and Management Commissions**") (see "Plan of Distribution — Offering Expenses"). |
| **Risk Factors** | **Prospective investors should carefully consider the risks connected with an investment in the Units, as discussed under "Risk Factors".** |

## INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below for the reference of applicants for the Units:

| Date and time | Event |
|---|---|
| 30 November 2006, 8.00 a.m. | Opening date and time for the Offering. |
| 6 December 2006, 12.00 p.m. | Closing date and time for the Offering. |
| 6 December 2006 | Balloting of applications, if necessary. Commence returning or refunding of application monies to unsuccessful or partially successful applicants, after completion of balloting. |
| 8 December 2006, 9.00 a.m. | Commence trading on a "ready" basis. |
| 13 December 2006 | Settlement date for all trades done on a "ready" basis on 8 December 2006. |

The above timetable is indicative only and is subject to change. It assumes (i) that the closing date of the application list for the Singapore Public Offer (the **"Application List"**) is 6 December 2006, (ii) that the Listing Date is 8 December 2006, (iii) compliance with the SGX-ST's unitholding spread requirement and (iv) that the Units will be fully paid up prior to 9.00 a.m. on 8 December 2006. All dates and times referred to above are Singapore dates and times.

Trading in the Units through the SGX-ST on a "ready" basis is expected to commence at 9.00 a.m on 8 December 2006 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units through the SGX-ST on a "ready" basis have been fulfilled). There will be no trading of the Units through the SGX-ST on a "when-issued" basis. If CRCT is terminated by the Manager under the circumstances specified in the Trust Deed prior to 9.00 a.m. on 8 December 2006 (being the time and date of commencement of trading in the Units through the SGX-ST), the Offering will not proceed and the application monies will be returned in full (without interest or any share of revenue or other benefit arising therefrom and at each applicant's own risk and without any right or claim against the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee).

In the event of any early or extended closure of the Application List or the shortening or extension of the time period during which the Offering is open, the Vendor will publicly announce the same:

- *via* SGXNET, with the announcement to be posted on the internet at the SGX-ST website: http://www.sgx.com; and
- in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

For the date on which trading on a "ready" basis will commence, investors should monitor SGXNET, the newspapers, or check with their brokers.

The Vendor will provide details and results of the Singapore Public Offer *via* SGXNET and in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

The Vendor reserves the right to reject or accept, in whole or in part, or to scale down or ballot any application for Units, without assigning any reason thereof, and no enquiry and/or correspondence on the decision of the Vendor will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

Where an application is accepted or rejected in part only, or if the Offering does not proceed, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, and without any right or claim against the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee.

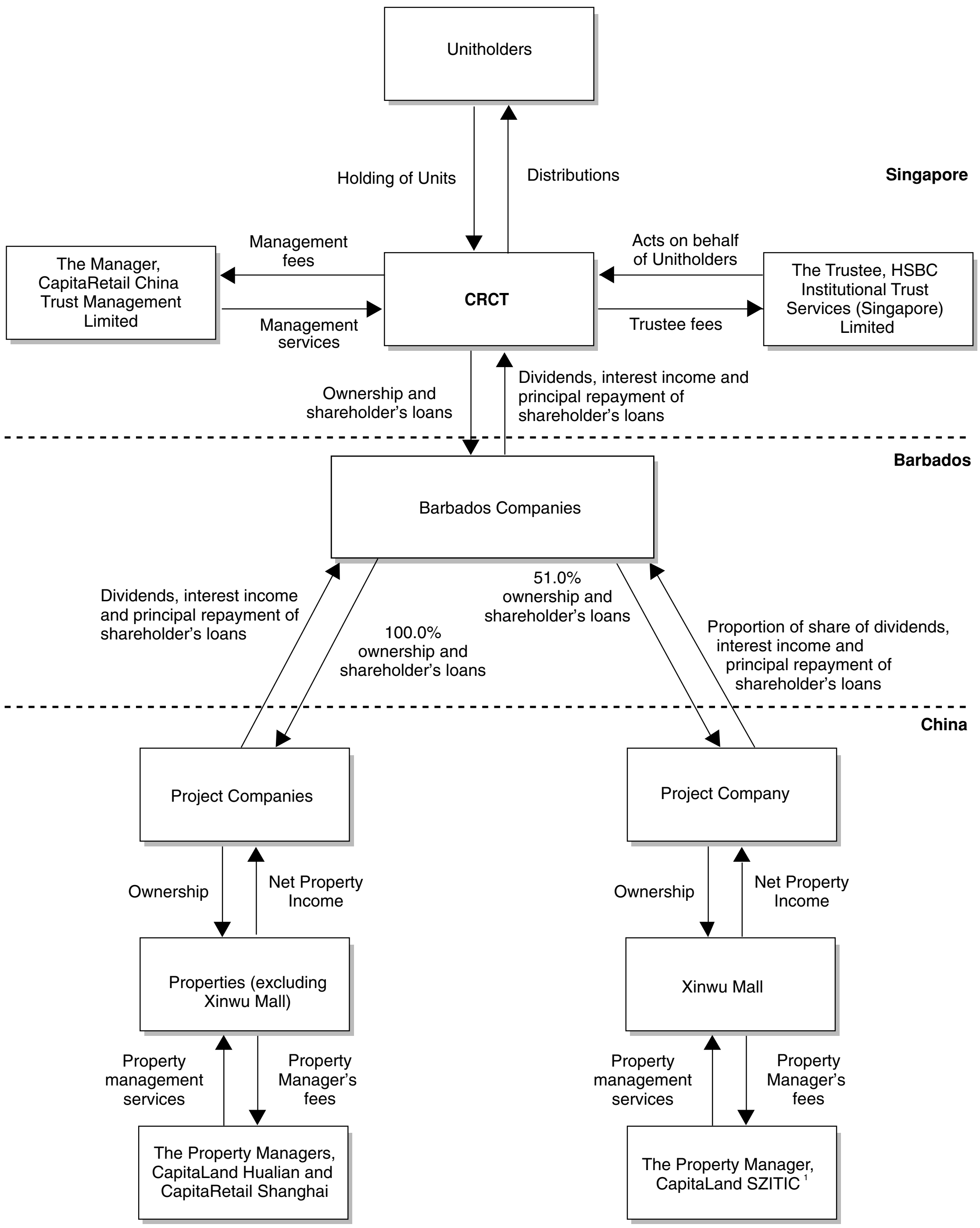
Where an application is not successful, the refund of the full amount of the application monies (without interest or any share of revenue or other benefit arising therefrom) to the applicant, is expected to be completed, at his own risk within 24 hours after balloting (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix F, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore").

Where an application is accepted in full or in part only, any balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, within 14 Market Days after the completion of the Offering (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix F, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore").

Where the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will, within three Market Days after the Offering is discontinued, be returned to the applicants at their own risk (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix F, "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore").

# STRUCTURE OF CRCT

The following diagram illustrates the relationship between CRCT, the Manager, the Property Managers, the Barbados Companies, the Project Companies, the Trustee and the Unitholders:




1 The property manager of Xinwu Mall is expected to be CapitaLand SZITIC. CapitaLand SZITIC and Wuhu SZITIC have not entered into the Property Management Agreement.

CapitaRetail China Trust Management Limited, the manager of CRCT, is responsible for CRCT's investment and financing strategies, asset acquisition and disposition policies and for the overall management of CRCT's real estate and real estate related assets.

Each of the Property Managers, provides, among others, property management, lease management, marketing and promotional programmes for the Properties.

**The Manager: CapitaRetail China Trust Management Limited**

CapitaRetail China Trust Management Limited, the manager of CRCT, was incorporated in Singapore under the Companies Act, Chapter 50 of Singapore (the **"Companies Act"**) on 1 August 2006. It has an issued and paid-up share capital of S$1,000,000 and its registered office is located at 39 Robinson Road, #18-01 Robinson Point, Singapore 068911.

The Manager is an indirect wholly-owned subsidiary of the Sponsor. The Sponsor, its subsidiaries and associates are engaged in the investment in, and the development and management of, properties, including those which are wholly or partly used for retail purposes, in China, Singapore and elsewhere in the Asia-Pacific region.

The board of directors of the Manager (the **"Board"**) is made up of individuals with a broad range of experience, including property investment, development and management. The Board comprises Mr Hsuan Owyang, Mr Liew Mun Leong, Mr Victor Liew Cheng San, Ms Chew Gek Khim, Mr Dilhan Pillay Sandrasegara, Mr Kee Teck Koon, Mr Olivier Lim Tse Ghow, Mr Pua Seck Guan and Mr Lim Beng Chee.

**The Property Managers: CapitaLand SZITIC, CapitaLand Hualian and CapitaRetail Shanghai**

The board of directors of each of the Property Managers is made up of individuals with a broad range of commercial experience, including expertise in property investment, development and management.

CapitaLand SZITIC Management & Consulting (Shenzhen) Co., Ltd. (**"CapitaLand SZITIC"**) is expected to be the property manager of Xinwu Mall. CapitaLand SZITIC was incorporated in China on 29 August 2005 as a sino-foreign equity joint venture (**"EJV"**), with a 51.0% equity stake held by CapitaRetail China Investments Pte. Ltd., an indirect wholly-owned subsidiary of the Sponsor, and the remaining 49.0% stake held by Shenzhen SZITIC Commercial Consulting Co., Ltd. (**"SZITIC Commercial Consulting"**). CapitaLand SZITIC has its registered office at Unit 1005, International Trust and Investment Building, Hong Lin Zhong Lu Luohu District, Shenzhen.

CapitaLand Hualian Management & Consulting (Shenzhen) Co., Ltd. (**"CapitaLand Hualian"**) is the property manager of Wangjing Mall, Anzhen Mall, Zhengzhou Mall and Jinyu Mall. CapitaLand Hualian was incorporated in China on 31 May 2005 as an EJV in which CapitaLand Retail China Pte. Ltd. (**"CapitaLand Retail China"**) and Beijing Hualian each holds a 50.0% stake. CapitaLand Hualian has its registered office at Unit G, 7th floor, Tower A, Zhen Ye Building, 2014 Bao An Nan Lu, Luohu District, Shenzhen.

CapitaRetail (Shanghai) Management & Consulting Co. Ltd. (**"CapitaRetail Shanghai"**) is the property manager of Jiulong Mall and Qibao Mall. CapitaRetail Shanghai was incorporated in China on 10 December 2002 as a wholly foreign-owned enterprise (**"WFOE"**), and is indirectly wholly-owned by the Sponsor. CapitaRetail Shanghai has its registered office at Unit 504A, 877 Dong Fang Lu, Pudong New District, Shanghai.

Each of CapitaLand SZITIC, CapitaLand Hualian or CapitaRetail Shanghai (together, the **"Property Managers"** and each, a **"Property Manager"**) is expected to, or has entered into, a property management agreement (together, the **"Property Management Agreements"**) with the Project Company holding the relevant Property under which the relevant Property Manager will provide, among other things:

- property management services for the relevant Property, subject to the overall management of the relevant Project Company's property management services, including (i) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the relevant Property, (ii) operating and maintaining the relevant Property in accordance with such operating budgets and annual plans (and revisions thereof), (iii) co-ordinating, reviewing and maintaining at all times certain insurance coverage with the assistance of insurance advisers, and (iv) maintaining books of accounts and records in respect of the operation of the relevant Property; and
- lease management services, including (i) recommending leasing strategy and negotiating leases, licences and concessions, (ii) supervising and controlling all collections and receipts, payments and expenditure relating to the Property, and (iii) lease administration.

Additionally, each Property Manager will have dedicated personnel for each relevant Property and also a centralised team of personnel that provides expertise on leasing, technical services, tenancy co-ordination, marketing and communications, etc. at a group level. This is to provide strategic support to the Properties, for example, in establishing strategic relationships with key tenants and tenancy co-ordination work.

(See "Business and Properties — Property Management Agreements".)

**The Sponsor: CapitaLand Limited**

The Sponsor, CapitaLand Limited, is one of the largest listed real estate companies in Asia. Headquartered in Singapore, the multinational company's core businesses in property, hospitality and real estate financial services are focused in gateway cities in Asia Pacific, Europe and the Middle East. The Sponsor's property and hospitality portfolio spans more than 70 cities in nearly 18 countries, with total assets exceeding S$18.7 billion as at 30 June 2006. The listed subsidiaries and associates of the Sponsor include The Ascott Group Limited, CMT, CCT and ART (which are listed in Singapore) and AustraLand Property Group (which is listed in both Singapore and Australia).

For the period ended 30 June 2006, the CapitaLand Group reported profit after tax and minority interests of S$288.7 million, a 35.2% increase compared to S$213.6 million in the period ended 30 June 2005.

The Sponsor has extensive experience in creating, managing and investing in property funds and real estate financial products. It identifies attractive assets for injection into new property funds to meet the risk-return profiles of local and international investors. It has leveraged on opportunities within the asset base of the CapitaLand Group in the origination of, and investment in, several REITs and property funds, including CMT, CCT, ART, CapitaLand China Development Fund Pte. Ltd., CapitaLand China Residential Fund Ltd., CapitaRetail Japan Fund Private Limited, Arc-CapitaLand Residences Japan Private Limited, CapitaRetail Singapore Limited, the Development Fund and the Incubator Fund. The Sponsor also acts as the strategic partner to The Link Management Limited, and holds an approximate 4.0% stake in The Link REIT (see "The Sponsor").

**The Trustee: HSBC Institutional Trust Services (Singapore) Limited**

The Trustee, HSBC Institutional Trust Services (Singapore) Limited, is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act 2005, Chapter 336 of Singapore. The Trustee has a place of business in Singapore located at 21 Collyer Quay, #14-01 HSBC Building, Singapore 049320. The Trustee's powers and duties include:

- acting as trustee of CRCT;
- holding the properties of CRCT, including shares in the Barbados Companies (as defined herein) and any other future acquisitions, for the benefit of the Unitholders; and

- exercising all the powers of a trustee and the powers accompanying ownership of the properties of CRCT, including shares in the Barbados Companies and any other future acquisitions.

(See "The Formation and Structure of CapitaRetail China Trust — The Trustee".)

**The Barbados Companies: CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados**

CRCI Alpha Barbados, which indirectly holds, through the relevant Project Company, Jiulong Mall, Anzhen Mall, Qibao Mall, Zhengzhou Mall and Jinyu Mall, was incorporated in Barbados on 11 November 2005 as an International Business Company with an issued and paid-up capital of US$1.00. The Trustee holds the entire issued capital of CRCI Alpha Barbados which comprises one common share and 90,319,799 redeemable preference shares.

CRCI Barbados, which indirectly holds, through the relevant Project Company, Wangjing Mall, was incorporated in Barbados on 11 August 2005 as an International Business Company with an issued and paid-up capital of US$1.00. The Trustee holds the entire issued capital of CRCI Barbados which comprises one common share and 31,999,999 redeemable preference shares.

CapitaRetail China Investments (B) Gamma Pte. Ltd. (**"CRCI Gamma Barbados"** and, together with CRCI Alpha Barbados and CRCI Barbados, the **"Barbados Companies"**, and each a **"Barbados Company"**), which indirectly holds, through its 51.0% interest in the relevant Project Company, Xinwu Mall, was incorporated in Barbados on 12 June 2006 as an International Business Company with an issued and paid-up capital of US$1.00. The Trustee holds the entire issued capital of CRCI Gamma Barbados which comprises one common share and 6,001,016 redeemable preference shares.

Save in the case of a proposed acquisition or sale of assets which the Property Funds Guidelines or the Listing Manual will require the approval of the Unitholders to be obtained, all proposed acquisitions or sale of assets will require the approval of the board of directors of CRCI Alpha Barbados, CRCI Barbados or, as the case may be, CRCI Gamma Barbados, which will directly or indirectly hold the asset proposed to be acquired or, as the case may be, which directly or indirectly holds the asset proposed to be sold by CRCT.

**The Project Companies**

Save in the case of Beijing Hualian Plaza (Henan) Co., Ltd., the company which directly owns Zhengzhou Mall, each Project Company is a foreign investment enterprise established pursuant to China foreign investment laws as a WFOE or an EJV.

A WFOE is an entity owned entirely by foreign investors and is generally established as a limited liability company in China with limited duration. The liability of the shareholders is limited to the amount of subscribed capital.

An EJV is a limited liability entity with limited duration established in China by one or more China investors and one or more foreign investors. Investors hold equity interests instead of stock or shares in an EJV and any transfer of an owner's equity interest requires prior approval from the relevant China authorities as well as the other parties to the EJV. Investors in an EJV share profits and losses in proportion to their respective equity interests.

Beijing Hualian Plaza (Henan) Co., Ltd. was incorporated in China as an operating company and to own Zhengzhou Mall. It was converted to a WFOE on 14 September 2006.

**Certain Fees and Charges**

The following is a summary of the amounts of certain fees and charges payable by the Unitholders in connection with the subscription for and purchase of the Units (so long as the Units are listed):

| | Payable by the Unitholders directly | Amount payable |
|---|---|---|
| (a) | Subscription fee or preliminary charge | N.A.(1) |
| (b) | Realisation fee | N.A.(1) |
| (c) | Switching fee | N.A.(1) |
| (d) | Any other fee | Prevailing brokerage commissions (if applicable) and clearing fee for trading of Units on the SGX-ST at the rate of 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction, and GST chargeable thereon. |

**Note:**

(1) As the Units will be listed and traded on the SGX-ST and the Unitholders will have no right to request the Manager to redeem their Units while the Units are listed, no subscription fee, preliminary charge, realisation fee or switching fee is payable in respect of the Units.

The following is a summary of certain fees and charges payable by CRCT in connection with the establishment and on-going management and operation of CRCT:

| | Payable by CRCT | Amount payable |
|---|---|---|
| (a) | Manager's management fees | **Base Fee**<br>0.25% per annum of the value of the Deposited Property.<br><br>**Performance Fee**<br>4.0% per annum of CRCT's Net Property Income in the relevant financial year (calculated before accounting for the Performance Fee in that financial year).<br><br>**Authorised Investment Management Fee**<br>0.5% per annum of the value of Authorised Investments (as defined herein) which are not real estate (whether held directly by CRCT or indirectly through one or more SPVs). Where such Authorised Investment is an interest in a property fund (either a real estate investment trust or private property fund) wholly managed by a wholly-owned subsidiary of the Sponsor, no Authorised Investment Management Fee shall be payable in relation to such Authorised Investment.<br><br>The Manager may elect to receive the management fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine). (See "The Manager and Corporate Governance — Manager's Fees".) |

| | Payable by CRCT | Amount payable |
|---|---|---|
| (b) | Trustee's fee | A maximum of 0.03% per annum of the value of the Deposited Property, subject to a minimum of S$15,000 per month, excluding out of pocket expenses and GST.<br><br>CRCT will also pay the Trustee a one-time inception fee of S$25,000.<br><br>The Trustee's fee will be subject to review three years from the Listing Date. |
| (c) | Any other substantial fee or charge (*i.e.* 0.1% or more of CRCT's asset value) | |
| (i) | Property Managers' fees (payable to the Property Managers) | Under the Property Management Agreements in respect of each Property, the Property Managers will provide lease management services, property tax services and marketing co-ordination services in relation to that Property. The Property Managers are entitled to the following fees:<br>• 2.0% per annum of the Gross Revenue;<br>• 2.0% per annum of the Net Property Income; and<br>• 0.5% per annum of the Net Property Income in lieu of leasing commissions otherwise payable to the Property Managers and/or third party agents.<br><br>It is currently intended that the same fees will be paid to the Property Managers under the Property Management Agreements for any other properties to be acquired by CRCT in the future and managed by the Property Managers. |
| (ii) | Acquisition fee<br>(payable to the Manager) | For any Authorised Investment acquired directly or indirectly from time to time by the Trustee on behalf of CRCT, the acquisition fee payable to the Manager shall be:<br>• up to 1.5% of the purchase price in the case of any Authorised Investment acquired by CRCT for less than S$200.0 million; and<br>• 1.0% of the purchase price in the case of any Authorised Investment acquired by CRCT for S$200.0 million or more.<br><br>The acquisition fee payable in respect of any Authorised Investment acquired, directly or indirectly from time to time by the Trustee on behalf of CRCT, from the Development Fund, the Incubator Fund or CRTL shall be 1.0% of the purchase price paid by CRCT. |

| | Payable by CRCT | Amount payable |
|---|---|---|
| | | No acquisition fee is payable for the acquisition of the initial property portfolio of CRCT.<br><br>The acquisition fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) provided that in respect of any acquisition of real estate assets from interested parties, such a fee should, if required by the applicable laws, rules and/or regulations, be in the form of Units issued by CRCT at prevailing market price(s) and subject to such transfer restrictions as may be imposed. At present, the Property Funds Guidelines prescribe that such Units should not be sold within one year from the date of their issuance.<br><br>Any payment to third party agents or brokers in connection with the acquisition of any Authorised Investment for CRCT shall be paid by the Manager to such persons out of the Deposited Property of CRCT or the assets of the relevant Special Purpose Vehicle, and not out of the acquisition fee or the divestment fee received or to be received by the Manager. |
| (iii) | Divestment fee<br>(payable to the Manager) | 0.5% of the sale price (after deducting the interest of any co-owners or co-participants) of any Authorised Investment directly or indirectly sold or divested from time to time by the Trustee on behalf of CRCT.<br><br>The divestment fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) provided that in respect of any sale or divestment of real estate assets to interested parties, such a fee should, if required by the applicable laws, rules and/or regulations, be in the form of Units issued by CRCT at prevailing market price(s) and subject to such transfer restrictions as may be imposed. At present, the Property Funds Guidelines prescribe that such Units should not be sold within one year from date of their issuance.<br><br>Any payment to third party agents or brokers in connection with the sale or divestment of any Authorised Investment for CRCT shall be paid by the Manager to such persons out of the Deposited Property of CRCT or the assets of the relevant Special Purpose Vehicle, and not out of the acquisition fee or the divestment fee received or to be received by the Manager. |

In relation to Authorised Investments in the form of real estate owned or held, or to be owned or held, either directly or indirectly, by a SPV, the fees payable to the Manager shall be calculated on the same basis as if such real estate, or the pro-rated share of such real estate in the case where the interest of CRCT in the SPV is partial, had been held directly by the Trustee.

# RISK FACTORS

*Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described in this section before deciding to invest in the Units.*

*This Prospectus also contains forward-looking statements (including a profit forecast and profit projection) that involve risks, uncertainties and assumptions. The actual results of CRCT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by CRCT as described below and elsewhere in this Prospectus.*

*As an investment in a real estate investment trust is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.*

*Investors should be aware that the price of units in a real estate investment trust, and the income from them, may fall or rise. Investors should note that they may not get back their original investment.*

*Before deciding to invest in the Units, prospective investors should seek professional advice from the relevant advisers about their particular circumstances.*

## RISKS RELATING TO CRCT'S OPERATIONS

***CRCT's initial investment Properties are held via the Barbados Companies through the Project Companies. As such, its ability to make distributions to the Unitholders is dependent on the financial position of the Barbados Companies and the Project Companies.***

CRCT's initial investment Properties are held *via* the Barbados Companies through the Project Companies and CRCT will, directly or indirectly, receive dividend payments and other distributions from the Project Companies (holding the Properties) and the Barbados Companies. In addition, substantially all of the assets of CRCT consist of its shareholdings in, and the shareholder's loans advanced by it to, the Barbados Companies. In order to meet its payment obligations and to make distributions to the Unitholders, CRCT will rely on the receipt of dividends, interests on shareholder's loans or principal repayment of shareholder's loans from the Project Companies, *via* the Barbados Companies.

There can be no assurance that the Barbados Companies, the Project Companies or such other SPVs will have sufficient distributable or realised profits or surplus in any future period to pay dividends, make distributions, pay interest, or make advances. The level of profit or surplus of the Barbados Companies, the Project Companies or such other SPVs available to pay dividends, interest or other distributions may be affected by a number of factors including, among other things:

- their respective business and financial positions;
- the availability of distributable profits;
- insufficient cash flows received by the Project Companies from the Properties;
- applicable laws and regulations which may restrict the payment of dividends by the Barbados Companies, the Project Companies or such other SPVs. For example, under current provisions in China company law, a WFOE, before distributing its after-tax profits for a given year, is required to allocate 10.0% of that year's profits to a statutory common reserve so long as the aggregate amount of such reserve is less than 50.0% of its registered capital;
- the availability of US dollars;
- operating losses incurred by the Project Companies or such other SPVs in any financial year;
- losses arising from a revaluation of the Properties. Such losses may become realised losses which would adversely affect the level of realised profits from which the Project Companies may distribute dividends;

- changes in accounting standards (including standards in respect of depreciation policies relating to real estate investment properties), taxation laws and regulations, laws and regulations in respect of foreign exchange and repatriation of funds, corporation laws and regulations (including laws and regulations in respect of statutory reserves required to be maintained by the Barbados Companies, the Project Companies or such other SPVs) in Barbados, China and/or Singapore;
- trapped cash in the Project Companies (as a result of depreciation of real estate being a mandatory accounting expense under China accounting standards) which cannot be effectively utilised when the existing shareholder's loans have been fully repaid (see "Profit Forecast and Profit Projection — Assumptions — Trust Level Assumptions — (X) Repayment of Shareholder's Loan" for further details on how trapped cash in the Project Companies are currently being utilised); and
- the terms of agreements to which they are, or may become, a party to.

The occurrence of these or other factors that affect the ability of the Barbados Companies, the Project Companies and/or such other SPVs to pay dividends or other distributions would adversely affect the level of distributions paid to the Unitholders (see "Distributions").

***The property market in China, especially the areas where the Properties are located, may be volatile.***

CRCT is subject to property market conditions in China generally and, in particular, the areas where the Properties are located. Private ownership of property in China is still at an early stage of development. Although there is a perception that economic growth in China and the higher standard of living resulting from such growth will lead to a greater demand for commercial properties, it is not possible to predict with certainty that such a correlation exists as many social, economic, political and other factors may affect the development of the property market.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

The China property market is volatile and may experience oversupply and property price fluctuations. The central and local governments in China adjust monetary and other economic policies from time to time to prevent and curtail the overheating of China and local economies, and such economic adjustments may affect the property market in the regions where the Properties are located, as well as other parts of China. The central and local governments in China also make policy adjustments and adopt new regulatory measures from time to time in a direct effort to control the over-development of the property market in China. Such policies may lead to changes in market conditions, including price instability and imbalance of supply and demand, which may materially and adversely affect the business and financial conditions and the results of operations of CRCT. Moreover, there is no assurance that there will not be over-development in the property sector in the areas where the Properties are located and other parts of China in the future. Any future over-development in the property sector in the areas where the Properties are located and other parts of China may result in an oversupply of properties, including commercial properties, and a fall in property prices as well as rental rates, which could adversely affect the business and financial conditions and the results of operations of CRCT.

***Lack of control over Project Companies which are in the form of an EJV, such as Wuhu SZITIC Commercial Property Co., Ltd.***

The Properties are held *via* the Barbados Companies, through the Project Companies, six of which are WFOEs (in which the Barbados Companies hold 100.0% of the equity interest), and the Project Company holding Xinwu Mall, taking the form of an EJV (in which CRCI Gamma Barbados holds only 51.0% of the equity interest). Where the Project Company holding the investment is an EJV (as in the case of Wuhu SZITIC Commercial Property Co., Ltd.), the joint venture partner holding an equity stake in the EJV will be represented on the board of the EJV. In such instances, CRCT, through the relevant

Barbados Company, will not have full control over the decision-making of the board of the relevant Project Company. China laws require unanimous approval of the board of the relevant Project Company which is an EJV in relation to matters such as the amendment of the relevant Project Company's articles of association, the increase or reduction or transfer of the registered capital of the relevant Project Company, the merger or division of the relevant Project Company and the winding up of the relevant Project Company. As such, with regard to matters which under China law requires unanimous board approval, CRCT will require the directors appointed by the joint venture partner to the board of the relevant Project Company to vote together with the directors appointed by CRCT in order to implement decisions in relation to such matters.

As a result, CRCT, through CRCI Gamma Barbados, may be vetoed from implementing decisions, which are beneficial to its business and financial conditions at the Project Company level (if the relevant Project Company takes the form of an EJV). This could have implications on the Manager's implementation of its strategy to maximise operating profits.

***The sale or possible sale of a substantial number of Units by the Sponsor in the public market following the lapse of any applicable lock-up arrangements could have adverse effects on CRCT.***

Upon completion of the Offering, the Sponsor will, through its wholly-owned subsidiary, Retail Crown Pte. Ltd. hold 95,130,513 Units, which will be 20.0% of the Units in issue (assuming that the Over-allotment Option is exercised in full). Together with the 95,100,000 Units which are held by its associate, CMT, this is equivalent to an aggregate interest of 40.0% of the outstanding Units (see "Information concerning the Units"). The Sponsor has agreed to (a) a lock-up arrangement during the First Lock-up Period in respect of all of the Lock-up Units and (b) a lock-up arrangement during the Second Lock-up Period in respect of 50.0% of the Lock-up Units, subject to certain exceptions. There is, however, no assurance that the Sponsor will not (through the Relevant Entities) dispose of up to 50.0% of the Lock-up Units following the expiry of the First Lock-up Period or up to all of the Lock-up Units following the expiry of the Second Lock-up Period.

The Units will be traded on the Main Board of the SGX-ST. If the Sponsor or such transferees of the Units sell or are perceived as intending to sell their direct or indirect interest in a substantial number of Units following the lapse of their respective lock-up arrangements or pursuant to applicable waivers, or if a secondary offering of the Units is undertaken in connection with an additional listing on another securities exchange, the market price for the Units could be adversely affected (see "Information concerning the Units" and "Plan of Distribution — Lock-up Arrangements").

In addition, in the event that the Sponsor decides to transfer or dispose of its indirect interest in the Units and ceases to be a controlling unitholder of CRCT, CRCT may no longer be able to leverage on the Sponsor's experience in the ownership and operation of retail malls, financial strength, market reach and network of contacts in the retail property sector to further its growth. CRCT may, in addition, not be able to benefit from the range of corporate services which are available to owners of properties managed by the Sponsor. This will have a material and adverse impact on CRCT's results of operations and financial condition which may as a consequence, affect CRCT's ability to make its distributions to the Unitholders.

***There may be potential conflicts of interests between CRCT, the Manager, the Property Managers and the CapitaLand Group.***

The CapitaLand Group is engaged in the investment in, and the development and management of, among other things, a large portfolio of retail properties in China. As a result, there may be circumstances where CRCT's investments compete directly with the other retail properties in China that the CapitaLand Group operates (by itself or with another joint venture partner). The Sponsor, CapitaLand Limited may also exercise influence over the activities of CRCT through the Manager, which is a wholly-owned subsidiary of the Sponsor.

As a result, the strategy and activities of CRCT may be influenced by the overall interests of the CapitaLand Group. Moreover, the Sponsor may in the future sponsor, manage or invest in other property funds which may also compete directly with CRCT. There can be no assurance that conflicts of interests will not arise between CRCT and the Sponsor in the future, or that CRCT's interests will not be subordinated to those of the Sponsor, whether in relation to future acquisitions of retail malls or in relation to competition for tenants.

Further, each of the Property Managers, CapitaRetail Shanghai, CapitaLand SZITIC and CapitaLand Hualian are, respectively, a wholly-owned subsidiary, a subsidiary and an associate of the Sponsor. There can be no assurance that the CapitaLand Group and the Sponsor will not exercise influence over the activities of the Property Managers when they are providing services to the Project Companies owned by CRCT.

(See "The Manager and Corporate Governance — Related Party Transactions".)

***There are risks with regard to the acquisition of the Properties from the Sponsor.***

CRCT may acquire other assets from the Sponsor, CRTL, other parties related to the Sponsor, the Development Fund or the Incubator Fund in the future. The manager and the trustee of the Development and Incubator Funds are indirect wholly-owned subsidiaries of the Sponsor and CRTL is a wholly-owned subsidiary of the Sponsor. There can be no assurance that the negotiations with respect to such properties, the terms of acquisition of such properties, the acquisition values of such properties, as well as other terms and conditions relating to the purchase of such properties (in particular, the representations, warranties and/or indemnities), will not be adverse to CRCT or will reflect an arm's length acquisition of such properties by CRCT.

***CRCT faces risks associated with debt financing and the debt facilities.***

As at the Listing Date, CRCT is expected to have aggregate external borrowings of S$213,489,507, or an aggregate leverage of 30.0% (based on CRCT's unaudited pro forma consolidated balance sheet as at the Listing Date). CRCT may, from time to time, require additional debt financing to achieve the Manager's investment strategies.

CRCT will distribute at least 90.0% of its Distributable Income in each financial year. As a result of this distribution policy, CRCT may not be able to meet all of its obligations to repay principal on its debt obligations through its cash flow from operations. As such, CRCT may be required to repay maturing debt with funds from additional debt or equity financing or both. There can be no assurance that such financing will be available on acceptable terms or at all.

If CRCT (the Trustee, the relevant Barbados Company or the relevant Project Company, depending on whether a loan facility is taken at the trust level, Barbados Company level or Project Company level) is unable to make payments due under such loan facilities, the lenders may be able to declare an event of default and initiate enforcement proceedings in respect of any security provided in respect of such borrowings and/or call upon the guarantees provided. If CRCT's property is mortgaged to secure payment of indebtedness and the Trustee, the relevant Barbados Company or the relevant Project Company is unable to meet interest or principal payments, such mortgaged property could be foreclosed by the lender or the lender could require a forced sale of the mortgaged property with a consequent loss of income and asset value to CRCT.

In addition, CRCT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect the operations of the Barbados Companies, the Project Companies or such other SPVs, as well as the ability of CRCT to make distributions to the Unitholders. Such covenants may restrict CRCT's ability to acquire properties or the ability of the Project Companies to undertake capital expenditures or may require them to set aside funds for maintenance or repayment of security deposits. In addition, there is the risk of increase in short-term interest rates which will adversely affect borrowings by CRCT which are pegged to floating rates. There is also the risk that movements in the US dollar/Renminbi exchange rate may adversely affect repayments of US dollar borrowings by CRCT.

If principal amounts due for repayment at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, CRCT will not be able to pay distributions at expected levels or to repay all maturing debt. Further, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial property loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, thereby adversely affecting CRCT's cash flow and the amount of funds available for distribution to the Unitholders.

Anzhen Mall is mortgaged to secure payments of indebtedness in connection with the five-year Anzhen Term Loan Facility (as defined herein) for RMB350.0 million entered into by CapitaRetail Beijing Anzhen Real Estate Co., Ltd. (**"CapitaRetail Anzhen"**), the Project Company which owns Anzhen Mall. The Trustee has entered into the Trust Term Loan Facility, an unsecured two-year floating rate term loan facility for US$105.0 million, in respect of which US$90.0 million is expected to be partially drawn down as at the Listing Date. If CapitaRetail Anzhen is unable to make payments due under the Anzhen Term Loan Facility, Anzhen Mall could be foreclosed by the lender or the lender could require a forced sale of Anzhen Mall, with a consequent loss of income and asset value to CRCT. The Trust Term Loan Facility also contains a negative pledge covenant and financial and certain other covenants.

***The amount CRCT may borrow is limited, which may affect the operations of CRCT.***

Under the Property Funds Guidelines, CRCT is generally permitted to borrow only up to 35.0% of the value of its Deposited Property at the time the borrowing is incurred. The Property Funds Guidelines also provide that the total borrowings and deferred payments (together the **"aggregate leverage"**) of a real estate investment trust may exceed 35.0% of the value of its Deposited Property (up to a maximum of 60.0%) only if a credit rating of the REIT from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The REIT should maintain and disclose a credit rating so long as its aggregate leverage exceeds 35.0%. Upon its listing on the SGX-ST, CRCT will have an initial level of aggregate leverage of 30.0% (based on CRCT's unaudited pro forma consolidated balance sheet as at the Listing Date). CRCT may, from time to time, require further debt financing to achieve its investment strategies as well as make distributions to Units. A decline in the value of the Deposited Property may affect CRCT's ability to make further borrowings as discussed above.

Adverse business consequences of this limitation on borrowings may include:

- an inability to fund capital expenditure requirements in relation to CRCT's existing portfolio or in relation to the acquisition by CRCT of further properties to expand its portfolio; and
- cash flow shortages (including with respect to making distributions) which CRCT might otherwise be able to resolve by borrowing funds.

***CRCT may have a higher level of leverage than certain other types of unit trusts.***

CRCT has in place, debt facilities comprising the five-year Anzhen Term Loan Facility (taken at the Project Company level) for RMB350.0 million secured by a mortgage over Anzhen Mall and the unsecured two-year Trust Term Loan Facility for US$105.0 million (taken at the trust level) (see "Capitalisation and Indebtedness — Indebtedness" and "Business and Properties — Encumbrances").

Further, CRCT may, from time to time, require additional debt financing to achieve the Manager's investment strategies.

CRCT's level of borrowings represents a higher level of leverage compared to certain other types of unit trusts, such as non-specialised collective investment schemes which invest in equities and/or fixed income instruments. Investment risk is known to increase with higher leverage. An increase in leverage will subject CRCT to the risk of changing economic climate. For example, in a climate of rising interest rates, the costs of financing of CRCT's investments (including indebtedness) will increase and this will adversely affect CRCT's ability to make distributions to the Unitholders as well as the Manager's ability to effectively carry out its strategies.

***The Manager's plan to initiate asset enhancement on some of the Properties may not materialise.***

The Manager plans to initiate asset enhancement on some of the Properties (see "Business and Properties — Asset Enhancement Initiatives" and Appendix H, "Proposed Layout Plans for Asset Enhancements").

However, there is no assurance that such proposed plans for asset enhancement will materialise, or in the event that they materialise, that the proposed plans will achieve their desired results or will not incur significant costs unnecessarily.

***CRCT's strategy of investing primarily in retail assets may entail a higher level of risk compared to other types of unit trusts that have a more diverse range of investments.***

CRCT's principal strategy is to invest in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau.

As such, CRCT will be subject to risks inherent in concentrating on investments in a single industry. The level of risk could be higher compared to other types of unit trusts that have a more diverse range of investments.

A concentration of investments in a portfolio of such specific real estate assets primarily in China exposes CRCT to both a downturn in the real estate market and in China. Any economic slowdown in China could negatively affect the performance of the retail market. A lagging economy could lead to retrenchments and job losses, which, in turn, would lead to a reduction in consumer spending. The renewal of leases in CRCT's operating retail properties will depend, in part, upon the success of the tenants. Any decline in the overall retail sector may cause higher levels of non-renewals of leases or vacancies as a result of failures or defaults by tenants or the market pressures exerted by an increase in available retail space. There can be no assurance that the tenants of CRCT's operating retail properties will renew their leases or that the new lease terms will be as favourable as the existing leases. In the event that a tenant does not renew its lease, a replacement tenant or tenants would need to be identified, which could subject CRCT's operating retail properties to periods of vacancy and/or costly refittings, during which periods CRCT could experience reductions in rental income.

Such downturns may have an adverse impact on distributions to the Unitholders and/or on the results of operations and the financial condition of CRCT.

***Both CRCT and the Manager, as newly established entities, do not have established operating histories.***

The Manager was incorporated on 1 August 2006 and CRCT was constituted on 23 October 2006. Accordingly, while the Sponsor previously owned and managed some of the Properties through various subsidiaries, neither CRCT (as a REIT) nor the Manager (as the manager of a REIT) has sufficiently long operating histories by which their past performance may be judged. This will make it more difficult for investors to assess their future performance. There can be no assurance that CRCT will be able to generate sufficient revenue from operations to make distributions to the Unitholders or that such distributions will be in line with those set out in "Profit Forecast and Profit Projection".

***The Manager may not be able to implement its investment strategy.***

The Manager's investment strategy includes investing in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau, as well as to provide stable distributions to the Unitholders. There can be no assurance that the Manager will be able to implement its investment strategy successfully or that it will be able to expand CRCT's portfolio at any specified rate, to any specified size or at all. The Manager may also be unable to make investments or acquisitions on favourable terms in a desired time frame.

CRCT will rely on external sources of funding to expand its portfolio, which may not be available on favourable terms or at all. Even if CRCT were able to complete additional property investments successfully, there can be no assurance that CRCT will achieve its intended return on such investments. Since the amount of debt CRCT can incur to finance acquisitions is limited (see "Risk Factors — Risks Relating to an Investment in the Units — The amount CRCT may borrow is limited, which may affect the operations of CRCT"), such acquisitions will be dependent on CRCT's ability to raise equity capital, which may result in a dilution of the Unitholders' holdings. Potential vendors may also view the necessity of raising equity capital to fund any such purchase negatively and may prefer other potential purchasers.

Furthermore, there may be significant competition for attractive investment opportunities from other property investors, including commercial property development companies and private investment funds. There can be no assurance that CRCT will be able to compete effectively against such entities.

***CRCT depends on certain key personnel, and the loss of any key personnel may adversely affect its business and financial conditions and results of operations.***

CRCT's success depends, in part, upon the continued service and performance of the members of the Manager's senior management team and certain key senior personnel. These persons may leave the Manager in the future or compete with it and CRCT. The loss of any of these individuals could have a material adverse effect on CRCT's business and financial conditions and results of operations.

***There may be difficulty in removing the Manager.***

Immediately following completion of the Offering, it is intended that the Sponsor will hold 95,130,513 Units through its wholly-owned subsidiary, Retail Crown Pte. Ltd., assuming that the Over-allotment Option is exercised in full. Together with the 95,100,000 Units held by CMT (managed by CMTML, an indirect wholly-owned subsidiary of the Sponsor), this is equivalent to an aggregate interest in 40.0% of the total number of Units in issue. Given that the Property Funds Guidelines require the removal of a Manager of a real estate investment trust to be approved by the Unitholders by way of passing an Ordinary Resolution, without any Unitholder being disenfranchised, it may be difficult for the Manager (being an indirect wholly-owned subsidiary of the Sponsor) to be removed.

***CRCT is exposed to various types of taxes in China, Barbados and Singapore.***

The income and gains derived by CRCT, directly or indirectly, from its investments in real estate in China are exposed to various types of taxes in China, Barbados and Singapore. These include income tax, withholding tax, capital gains tax and other taxes specifically imposed for the ownership of such assets (see "Taxation" and Appendix E, "Independent Taxation Report"). While the Manager intends to manage the taxation in each of these countries efficiently, there can be no assurance that the desired tax outcome will necessarily be achieved. In addition, the level of taxation in each of these countries is subject to changes in laws and regulations and such changes, if any, may lead to an increase in tax rates or the introduction of new taxes. There can be no assurance that the China authorities will not seek to renegotiate with the Barbados authorities to remove the capital gains tax exemption currently provided under the China-Barbados tax treaty on gains from disposal of shares in a China company, as in the case of the China-Mauritius tax treaty. The China authorities have recently signed a protocol with the Government of Mauritius to amend certain provisions of the China-Mauritius tax treaty, including to limit the capital gains tax exemption provided under that tax treaty. All these factors could adversely affect and erode the returns from CRCT's investments and hence the amount of distributions to the Unitholders.

***Occurrence of any acts of God, war and terrorist attacks may adversely and materially affect the business and operations of the Properties.***

Acts of God, such as natural disasters, are beyond the control of CRCT or the Manager and may materially and adversely affect the economy, infrastructure and livelihood of the local population. CRCT's business and income available for distribution may be materially and adversely affected should such acts of God occur. There can be no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have a material and adverse effect on the operations of the Properties and hence CRCT's income available for distribution.

***CRCT may incur losses arising from claims brought against the Project Companies in connection with the operations of the Properties.***

In addition to ownership or, in the case of Qibao Mall, taking a master lease over, the Properties, each Project Company currently employs or is expected to employ personnel to provide certain operational services in relation to the relevant Property, which will include certain property management, retail management and financial services. There is no assurance that claims will not be brought against the Project Companies for damage, losses or injuries suffered by the employees of the Project Companies or by third parties in connection with the provision of such services. The losses resulting from the claims brought by the employees of the Project Company may not be fully compensated by insurance proceeds. In such events, CRCT will be liable for the losses suffered (see "Business and Properties — Operations of Project Companies").

***The Manager may change CRCT's investment strategy.***

CRCT's policies with respect to certain activities, including investments and acquisitions, will be determined by the Manager. While the Manager has stated its intention to invest in a diversified portfolio of income-producing properties used primarily for retail purposes and located primarily in China, Hong Kong and Macau and such strategy may not be changed for a period of three years commencing from the Listing Date (as the Listing Manual prohibits a departure from the Manager's stated investment strategy for CRCT for the said period unless otherwise approved by an Extraordinary Resolution of the Unitholders), the Trust Deed gives the Manager wide powers to invest in other types of assets, including any real estate, real estate-related assets as well as listed and unlisted securities in China and other jurisdictions. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

## RISKS RELATING TO THE PROPERTIES

***As the Beijing Hualian Group is the master lessee of three of the Properties and the anchor tenant of one of the Properties, CRCT will accordingly, be dependent on the Beijing Hualian Group for a significant source of its income.***

Anzhen Mall, Zhengzhou Mall and Jinyu Mall will be leased to the Beijing Hualian Group under master lease agreements and the Beijing Hualian Group is also an anchor tenant of Wangjing Mall. As the Beijing Hualian Group will be the sole tenant of Anzhen Mall, Zhengzhou Mall and Jinyu Mall, rental payments for these three Properties will depend solely on the ability of the Beijing Hualian Group to make rental payments. Further, as the Beijing Hualian Group is the anchor tenant of Wangjing Mall, the aggregate rental of Wangjing Mall will be affected by the ability of the Beijing Hualian Group to make rental payments.

As such, CRCT's revenue and ability to make distributions to the Unitholders will depend partially upon the ability of the Beijing Hualian Group to make rental payments. The prospects of the Beijing Hualian Group's other businesses, aside from those relating to CRCT, could also impact on its ability to make rental payments to CRCT.

Factors that affect the ability of the Beijing Hualian Group to meet its obligations include, but are not limited to:

- the financial position of the Beijing Hualian Group;
- the local economies;
- local competitors and competition in the China retail industry;
- unfavourable publicity;
- material losses in excess of insurance proceeds; and
- a possibility of union activities disrupting the operations of the Properties, severely impacting on its reputation and ability to function normally.

There can be no assurance that the Beijing Hualian Group will have sufficient assets, income and access to financing to enable it to satisfy its obligations under the respective master lease agreements.

***Beijing Hualian Group may not renew its master leases of Anzhen Mall, Zhengzhou Mall and Jinyu Mall or its leases at Wangjing Mall.***

No assurance can be given that the Beijing Hualian Group will renew its master leases of Anzhen Mall, Zhengzhou Mall and Jinyu Mall upon the expiry of the initial term of these leases or its leases at Wangjing Mall upon the expiry of these leases. Upon such failure by the Beijing Hualian Group to renew, CRCT may not be able to locate a suitable replacement master lessee for Anzhen Mall, Zhengzhou Mall and/or (as the case may be) Jinyu Mall, or a suitable replacement lessee for Wangjing Mall, as a result of which CRCT may lose a significant source of revenue.

In addition, the replacement of a master lessee for Anzhen Mall, Zhengzhou Mall and/or (as the case may be) Jinyu Mall, or a suitable replacement lessee for Wangjing Mall, on satisfactory terms may not be possible in a timely manner.

The failure by the Beijing Hualian Group to renew such leases, or the termination by the Beijing Hualian Group of any of such leases, may have a material adverse effect on CRCT's Gross Revenue and hence the ability of CRCT to make distributions to the Unitholders.

***The loss of key tenants of any of the Properties or a downturn in the businesses of CRCT's key tenants could have an adverse effect on its financial conditions and results of operations.***

Based on Committed Leases as at 31 August 2006, the ten largest tenants of the Properties (in terms of their contributions to the total Gross Rent) accounted for approximately 71.7% of the total Gross Rent of the Properties. (See "Business and Properties — Certain Information on the Properties — Tenant Profile".)

Accordingly, CRCT's financial condition and results of operations and ability to make distributions may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of one or more of these tenants, as well as the decision by one or more of these tenants not to renew its lease or to terminate its lease before it expires. (See "Business and Properties".) The Manager expects that CRCT will continue to be dependent upon these tenants for a significant portion of its Gross Revenue. If an anchor tenant terminates its lease or does not renew its lease at expiry, it may not be feasible to operate such large-scale retail malls in China without any anchor tenant as it may be difficult to secure replacement tenants at short notice or on similar tenancy terms. In addition, the amount of rent and the terms on which lease renewals and new leases are agreed may be less favourable than current leases.

The loss of key tenants in any one of CRCT's Properties or future acquisitions could result in periods of vacancy, which could therefore adversely affect the revenue of the relevant Property, consequently impacting the Project Companies', the Barbados Companies' and such other SPVs' ability to make distributions to CRCT.

***CapitaRetail Dragon may not be able to transfer its rights under the master lease to a third party***

Under the terms of the master lease between Jin Qiu and CapitaRetail Dragon, CapitaRetail Dragon may only transfer its rights under the master lease to a third party with the written approval of Jin Qiu. In the event that there is any appreciation in the value of Qibao Mall, CRCT, through CapitaRetail Dragon, may not be able to enjoy such appreciation in value by transferring its rights under the master lease to a third party if no written approval is obtained from Jin Qiu for the transfer of CapitaRetail Dragon's rights under the master lease to the third party.

***CRCT are subject to the risk of non-renewal, non-replacement or early termination of leases.***

If a large number of tenants in the Properties do not renew their leases at the end of a lease cycle or a significant number of early terminations occur, and replacement tenants cannot be found, there is likely to be a material adverse effect on the Properties, which could affect CRCT's business and financial conditions and results of operations.

***The market values of the Properties may differ from their values obtained by the Independent Valuers.***

The valuations were generally conducted using the discounted cash flow method of valuation and the comparable sales method of valuation, as well as the investment method of valuation. Property valuations generally may include a subjective determination of certain factors relating to the relevant properties, such as their relative market positions, their financial and competitive strengths and their physical conditions. The market values of the Properties may therefore differ from the values of the Properties as determined by the Independent Valuers.

The values of the Properties (as determined by the Independent Valuers) are not an indication of, and do not guarantee, a sale price at that value at present or in the future. The price at which CRCT may sell a property may be lower than its value as determined by the Independent Valuers.

***The Properties may be subject to risks associated with the acquisition of properties.***

While the Manager believes that reasonable due diligence investigations have been conducted with respect to the Properties prior to their acquisition, there can be no assurance that the Properties will not have defects or deficiencies requiring repair or maintenance thereby incurring significant capital expenditures, or payment or other obligations to third parties, other than those disclosed in this Prospectus. The experts' reports that the Manager rely upon as part of its due diligence investigations of the Properties may be subject to inaccuracies and deficiencies, such as certain building defects or deficiencies inherent in the scope of the inspections, the technologies or techniques used and other factors. Moreover, some of the Properties may be in breach of laws and regulations, which the Manager's due diligence investigations did not uncover. As a result, CRCT may incur additional financial or other obligations in relation to such breaches or non-compliance defects or deficiencies.

In particular, the representations, warranties and indemnities made in favour of CRCT and its SPVs by the Sponsor are subject to limitations as to their scope and as to the amount and timing of claims which can be made thereunder (see "Certain Agreements Relating to CapitaRetail China Trust"). There can be no assurance that CRCT will be entitled to be reimbursed under such representations, warranties and indemnities for all losses or liabilities suffered or incurred by it as a result of its indirect acquisition of the Properties.

***The inspection carried out during the valuation exercise on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies.***

The Independent Valuers had conducted inspections on the physical condition of the Properties as part of the valuation exercise. There can be no assurance that such reviews, surveys or inspections have revealed all defects or deficiencies affecting the portfolio of Properties. In particular, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such review, survey or inspection reports, any of which could have a material adverse effect on the operations of the Properties as well as CRCT's financial condition and results of operations. The risk of undisclosed defects, breaches and deficiencies is necessarily increased as a result of the time interval between completion of the review, survey and inspection process and the date of this Prospectus.

***Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.***

Design, construction or other latent property or equipment defects in the Properties may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Prospectus.

Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on CRCT's earnings and cash flows.

Statutory or contractual representations, warranties and indemnities given by any seller of real estate are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

***CRCT's ability to make distributions to the Unitholders may be adversely affected by increases in direct expenses and other operating expenses.***

CRCT's ability to make distributions to the Unitholders could be adversely affected if direct expenses and other operating expenses increase without a corresponding increase in revenue.

Factors which could increase direct expenses and other operating expenses include any:

- increase in property tax assessments and other statutory charges;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increase in sub-contracted service costs;
- increase in labour costs;
- increase in repair and maintenance costs;
- increase in the rate of inflation;
- increase in insurance premiums; and
- increase in cost of utilities.

***The Properties may face increased competition from future retail developments in China.***

The retail property industry is competitive and may become increasingly so. Each of the Properties is located in an area that has other competing retail malls and may also compete with retail malls in China that may be developed in the future (see "Business and Properties — Competition"). The income from, and market value of, the Properties will be largely dependent on the ability of the Properties to compete against other retail properties in China in attracting and retaining tenants. An increase in the number of competitive retail malls in China, particularly in the areas where the Properties are located, could have a material adverse effect on the revenue of the Properties, as such increased competition may adversely impact on the ability of the lessees or master lessees of the Properties to make rental payments.

***Amenities and transportation infrastructure near the Properties may be closed or relocated.***

The proximity of amenities and transportation infrastructure such as train stations and bus interchanges to the Properties provide convenient access to the Properties and a constant flow of shopper traffic. There is no assurance that the amenities and transportation infrastructure and shuttle services will not be closed, relocated or terminated in the future. Such closure, relocation or termination may adversely affect the accessibility of the Properties which will reduce the flow of shopper traffic to the Properties. This may then have an adverse effect on the demand and the rental rates for the Properties and adversely affect the financial position of CRCT.

***Renovation works or physical damage to the Properties may disrupt the operations of the Properties and collection of rental income or otherwise result in adverse impact on the financial condition of CRCT.***

The quality and design of the Properties have a direct influence over the demand for space in, and the rental rates of, the Properties, as well as the ability to continue attracting strong shopper traffic. The Properties may need to undergo renovation works from time to time to retain their attractiveness to tenants and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop over structural defects or other parts of buildings or because of new planning laws or regulations. The costs of maintaining a retail property and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The business and operations of the Properties may suffer some disruption and it may not be possible to collect the full rate of, or, as the case may be, any rental income on space affected by such renovation works. Shopper traffic may also be adversely affected by such renovation works.

In addition, physical damage to the Properties resulting from fire or other causes may lead to a significant disruption to the business and operation of the Properties and, together with the foregoing, may result in an adverse impact on the financial condition and results of operations of CRCT and its ability to make distributions.

***A substantial number of the leases of the Properties (not under master leases) are for terms of two to three years, which exposes the Properties to significant rates of lease expiries each year.***

A substantial number of the leases for the Properties are for terms of two to three years, which reflects the general practice in the China retail property market. As a result, the Properties experience lease cycles in which a substantial number of such leases expire each year. This exposes CRCT to certain risks, including the risk that vacancies following the non-renewal of leases may lead to reduced occupancy rates, which will in turn reduce CRCT's Gross Revenue (as defined herein) (see "Business and Properties — Expiries").

***The Properties or parts thereof may be acquired compulsorily by the Chinese government.***

The Chinese government has the power to acquire compulsorily any land in China for public interest pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in China, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the relevant laws and regulations. If any of the Properties were acquired compulsorily by the Chinese government, the level of compensation paid to CRCT through the relevant Project Companies pursuant to this basis of calculation may be less than the price which CRCT through the relevant Project Companies paid for such Properties.

***The Trustee and the Development Fund, the Incubator Fund or CRTL may not agree on the terms for the sale of the relevant property to CRCT.***

The right of first refusal granted by each of the Development Fund, the Incubator Fund and CRTL to CRCT is only triggered if the Development Fund or the Incubator Fund proposes to sell the relevant property or, as the case may be, if CRTL or its subsidiaries identify and target a completed retail property for acquisition. There are risks that even after the right of first refusal is triggered, the Trustee and CRTL, the Development Fund or the Incubator Fund may not reach an agreement on the terms for the sale and purchase of the relevant property or the proposed purchase of the relevant property may be aborted by the Trustee for reasons including the inability to raise sufficient financing. (See "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Rights of First Refusal".)

***CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL.***

The Project Company, CapitaRetail Wangjing, currently does not have legal title to Wangjing Mall but has entered into an agreement with Beijing Xin Yi Real Estate Development Co., Ltd. (**"Xin Yi"**), the developer of Wangjing Mall and CRCI Barbados to acquire Wangjing Mall. Accordingly, CRCT, through CRCI Barbados and CapitaRetail Wangjing, does not currently have the legal title to Wangjing Mall and only has contractual rights in respect of Wangjing Mall.

An application for the issuance of the legal title to Wangjing Mall in the name of CapitaRetail Wangjing, together with the relevant documents will be made to the Chinese real estate administrative authorities. As at the date of this Prospectus, CRTL and the Trustee have entered into the Wangjing Put Option Agreement pursuant to which, in the event that the legal title to Wangjing Mall is not issued within 12 months from the Listing Date, a meeting of all the Unitholders will be convened by the Trustee pursuant to which the Unitholders will agree, by way of an Ordinary Resolution, whether to retain Wangjing Mall in the portfolio of CRCT for a further six months from the date of the Ordinary Resolution.

In the event that (i) an Ordinary Resolution is not passed in favour of retaining Wangjing Mall in the portfolio of CRCT or (ii) an Ordinary Resolution is passed in favour of retaining Wangjing Mall in the portfolio of CRCT and the legal title is still not issued on the expiry of six months from the date of the Ordinary Resolution, the Trustee shall exercise the Wangjing Put Option. Upon exercising the Wangjing Put Option, CRTL will be required to purchase the entire issued and paid-up capital of CRCI Barbados under the Wangjing Put Option Agreement. Although the Manager will endeavour to acquire comparable retail malls in order to maintain or enhance CRCT's DPU, there is no assurance that this can be achieved. In the event that comparable retail malls cannot be acquired, the Gross Revenue, the income available for distribution by CRCT to Unitholders, the DPU and the distribution yield for the Projection Year 2008 may be adversely affected.

Assuming that the Wangjing Put Option is exercised with the completion of the sale by the Trustee to CRTL of the entire issued and paid-up capital of CRCI Barbados pursuant to such exercise falling on 31 December 2007, and the proceeds from the sale of CRCI Barbados are used to repay a proportionate amount outstanding under the Trust Term Loan Facility, the Gross Revenue of CRCT, the income available for distribution by CRCT to Unitholders, the DPU and the distribution yield for the Projection Year 2008 will be S$57.0 million, S$20.4 million, 4.26 cents per Unit and 3.77%, respectively. The figures for the Projection Year 2008 are based on the assumption that the date of completion of the sale of the entire issued and paid-up capital of CRCI Barbados pursuant to the exercise of the Wangjing Put Option is 31 December 2007 and hence the figures for the Forecast Year 2007 have been assumed to remain the same.

(See "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Wangjing Put Option Agreement".)

***CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL.***

As of the date of this Prospectus, CapitaRetail Jiulong, the project company established to hold Jiulong Mall, does not own the legal title to the Property and only has contractual rights in respect of the Property. An application, together with the relevant documents, have been made to the China real estate administrative authorities for the transfer of the strata titles in respect of the basement and first levels of Jiulong Mall and it is expected that the transfer of strata titles is a matter of procedure and will be effected after the Listing Date. The strata titles in respect of the remaining second and third levels of Jiulong Mall however are currently held by Beijing Jia Li, the vendor of the mall and cannot be transferred to CapitaRetail Jiulong as Beijing Jia Li is party to certain legal proceedings whereby the second and third levels of Jiulong Mall are subject to a court injunction under China laws. Accordingly, CRCT, through CRCI Alpha Barbados and CapitaRetail Jiulong currently only has contractual rights to the rental income in respect of the whole mall. It is uncertain as to when the court injunction will be lifted. Even if the court injunction were to be lifted, Beijing Jia Li may default on its obligation to transfer the second and third levels of Jiulong Mall to CapitaRetail Jiulong.

As at the date of this Prospectus, CRCI Alpha Barbados and CRTL have entered into the Jiulong Put Option Agreement pursuant to which, in the event that the strata titles in respect of the basement and first levels of Jiulong Mall and/or the strata titles in respect of the second and third levels of Jiulong Mall are not transferred to CapitaRetail Jiulong within 12 months from the Listing Date, a meeting of the Unitholders will be convened by the Trustee pursuant to which the Unitholders will agree, by way of an Ordinary Resolution, whether to retain Jiulong Mall in the portfolio of CRCT for a further six months from the date of the Ordinary Resolution.

In the event that (i) an Ordinary Resolution is not passed in favour of retaining Jiulong Mall in the portfolio of CRCT or (ii) an Ordinary Resolution is passed in favour of retaining Jiulong Mall in the portfolio of CRCT and the strata titles in respect of the basement and first levels of Jiulong Mall and /or the strata titles in respect of the second and third levels of Jiulong Mall are still not transferred to CapitaRetail Jiulong on the expiry of six months from the date of the Ordinary Resolution, CRCI Alpha Barbados will exercise the Jiulong Put Option. In addition, at any time from the completion of the Offering, in the event that the China courts order a sale of the strata titles in respect of the second and third levels of Jiulong Mall, CRCI Alpha Barbados will immediately exercise the Jiulong Put Option. Upon exercising the Jiulong Put Option, CRTL will be required to purchase the entire equity interest in CapitaRetail Jiulong under the Jiulong Put Option Agreement. Although the Manager will endeavour to acquire comparable retail malls in order to maintain or enhance CRCT's DPU, there is no assurance that this can be achieved. In the event that comparable retail malls cannot be acquired, the income available for distribution by CRCT to Unitholders, the DPU and the distribution yeld for the Forecast Year 2007 and/or Projection Year 2008 may be adversely affected.

Assuming that the Jiulong Put Option is exercised with the completion of the sale by CRCI Alpha Barbados to CRTL of the entire equity interest in CapitaRetail Jiulong pursuant to such exercise falling on 31 December 2007, and the proceeds from the sale of CapitaRetail Jiulong are used to repay a proportionate amount outstanding under the Trust Term Loan Facility, the Gross Revenue of CRCT, the income available for distribution by CRCT to Unitholders, the DPU and the distribution yield for the Projection Year 2008 will be S$74.8 million, S$27.1 million, 5.66 cents per Unit and 5.01%, respectively. The figures for the Projection Year 2008 are based on the assumption that the date of completion of sale of the entire equity interest in CapitaRetail Jiulong pursuant to the exercise of the Jiulong Put Option is 31 December 2007 and hence the figures for the Forecast Year 2007 have been assumed to remain the same.

(See "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Jiulong Put Option Agreement".)

***CRCT may exercise its rights under both the Wangjing Put Option and the Jiulong Put Option.***

In the event that each of the Trustee and CRCI Alpha Barbados exercises the Wangjing Put Option and the Jiulong Put Option, respectively, and the Manager is unable to acquire retail malls which are comparable to Wangjing Mall and Jiulong Mall in order to maintain or enhance CRCT's DPU, the Gross Revenue, the income available for distribution by CRCT to Unitholders, the DPU and the distribution yield for the Project Year 2008 may be adversely affected.

Assuming that both the Wangjing Put Option and the Jiulong Put Option are exercised with the completion of the sale by the Trustee to CRTL of the entire issued and paid-up capital of CRCI Barbados and the completion of the sale by CRCI Alpha Barbados to CRTL of the entire equity interest in CapitaRetail Jiulong pursuant to such exercise falling on 31 December 2007, and the proceeds from the sale of CRCI Barbados and CapitaRetail Jiulong are used to repay a proportionate amount outstanding under the Trust Term Loan Facility, the Gross Revenue of CRCT, the income available for distribution by CRCT to Unitholders, the DPU and the distribution yield for the Projection Year 2008 will be S$48.7 million, S$16.2 million, 3.38 cents per Unit and 2.99%, respectively. The figures for the Projection Year 2008 are based on the assumption that the date of completion of sale of the entire issued an paid-up capital of CRCI Barbados pursuant to the exercise of the Wangjing Put Option and the date of completion of sale of the entire equity interest in CapitaRetail Jiulong pursuant to the exercise of the Jiulong Put Option are 31 December 2007 and hence the figures for the Forecast Year 2007 have been assumed to remain the same.

(See "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Jiulong Put Option Agreement".)

## RISKS RELATING TO INVESTING IN REAL ESTATE

***The Gross Revenue earned from, and the value of, the Properties may be adversely affected by a number of factors.***

The Gross Revenue earned from, and the value of, the Properties may be adversely affected by a number of factors, including:

- vacancies following expiry or termination of leases leading to reduced occupancy rates which, in turn, reduce Gross Revenue;
- the Manager's ability to collect rent from tenants on a timely basis or at all;
- the amount and extent to which CRCT is required to grant rebates on rental rates to tenants due to market pressure;
- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rent payments, inability to collect rentals at all or delays in the termination of the tenant's lease, or which could hinder or delay the sale of a Property or the re-letting of the space in question;
- the amount of rent payable by tenants and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- the national and international economic climate and property market conditions (such as oversupply of, or reduced demand for, retail space, the release of land for retail development, changes in market rental rates and changes in operating expenses for CRCT's properties);
- the Manager's ability to procure adequate management and maintenance or to purchase adequate insurance;
- competition for tenants from other similar properties which may affect rental levels or occupancy levels at CRCT's properties; and

- changes in laws and governmental regulations in relation to property, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant Properties may also be restricted by legislative actions, such as revisions to the building standards laws or the town planning laws, or the enactment of new laws related to condemnation and redevelopment.

***CRCT will be subject to the operating risks inherent in the retail property industry.***

CRCT will be subject to the operating risks inherent in the retail property industry. In addition to the specific conditions discussed in more detail in this section, the risks that CRCT faces include:

- cyclical downturns arising from changes in general and local economic conditions;
- periodic local oversupply of retail malls, which may adversely affect the results of operations of CRCT;
- the recurring need for renovation, refurbishment and improvement of the retail malls;
- changes in wages, prices, energy costs and construction and maintenance costs that may result from inflation, government regulations, changes in interest rates or currency fluctuations;
- availability of financing for operating or capital requirements;
- increases in operating costs due to inflation which may not necessarily be offset by corresponding increases in rental payments from the Properties; and
- other factors, including acts of terrorism, natural disasters, extreme weather conditions, labour shortages and work stoppages or disputes.

***The Properties may be subject to increases in operating and other expenses.***

CRCT's ability to make distributions to the Unitholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues. Factors which could increase operating and other costs include:

- increase in property tax assessments and other statutory charges;
- change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increase in sub-contracted service costs;
- increase in labour costs;
- increase in repair and maintenance costs;
- increase in the rate of inflation;
- increase in insurance premiums; and
- increase in cost of utilities.

***CRCT may be adversely affected by the illiquidity of property investments.***

CRCT invests primarily in real property, which entails a higher level of risk than a portfolio which has a diverse range of investments. Property investments, particularly investments in high value properties such as those in which CRCT intends to invest, are relatively illiquid. Such illiquidity may affect CRCT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. This could have an adverse effect on CRCT's business and financial conditions and results of operations, with a consequential adverse effect on CRCT's ability to make expected distributions to the Unitholders.

***Income from the Properties may not be as expected, which may adversely affect the financial condition of CRCT.***

Income from the Properties may be adversely affected by the general economic climate, local conditions such as over-supply of properties or reduction in demand for properties in the market in which CRCT operates, the attractiveness of CRCT's properties to tenants, management style, competition from other available properties, untimely collection of rent, changes in laws and increased operating costs and expenses. In addition, income from real estate may be affected by such factors as the cost of regulatory compliance, interest rate levels and the availability of financing. CRCT's income would be adversely affected if a significant number of tenants were unable to pay rent or its Properties could not be rented out on favourable terms.

***CRCT may suffer material losses in excess of insurance proceeds.***

The Properties could suffer physical damage caused by fire or other causes and the Project Companies may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk, risks of acts of terrorism, risk of nuclear contamination and risks of earthquakes) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, CRCT could be required to pay compensation and/or lose capital invested in the affected Property as well as anticipated future revenue from that Property. CRCT would also remain liable for any debt or other financial obligation related to that Property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

***Two of the Properties have limited operating histories.***

Two of the Properties have limited operating histories with Wangjing Mall being only recently completed and Xinwu Mall having commenced operations in December 2005. Given their limited operating histories, there can be no assurance that such Properties will be able to maintain or improve on their past performance.

## RISKS RELATING TO CHINA

All of the Properties are located in China. Accordingly, CRCT's results of operations, financial position and prospects are subject, to a significant degree, to the economic and other developments of China.

***The Properties are all located in China, which exposes CRCT to economic and property market conditions (including increased competition in the retail property market) in China as a whole, as well as to economic measures implemented by the Chinese government to prevent overheating of the China property market.***

The Properties are all situated in China, which exposes CRCT to the risk of a downturn in economic and property market conditions in China as a whole. The value of the Properties may be adversely affected by a number of local property market conditions, such as oversupply, the performance of other competing retail properties or reduced demand for retail space. As a result, CRCT's Gross Revenue and results of operations depend, to a large extent, on the performance of the economy of China. An economic downturn in China could adversely affect CRCT's business and financial conditions, results of operations and future growth. Recent measures introduced by the Chinese government to prevent overheating of the China property market could significantly depress the property market and, consequently, affect CRCT in the manner aforesaid. Such measures include Business Tax (see "Taxation — China Taxation — Business Tax") on all properties owned by individuals sold within five years of being purchased and occupied, limiting monthly mortgage payments to 50.0% of an individual borrower's monthly income and limiting all debt service payments of an individual borrower to 55.0% of his monthly income. Furthermore, there is a recently promulgated law which is intended to reduce the overheating of the real estate market in China, namely *The Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market* with Serial Code JZF(2006) No.171, which mainly provides for the following restrictions:

- if a foreign institution or a foreign individual intends to buy domestic real estate properties other than that for its own use, such institution or individual should observe the existing commercial principles and should also apply to establish a foreign investment enterprise;
- for a foreign investment real estate enterprise, if its total investment is US$10.0 million or more, its registered capital must be no less than 50.0% of its total investment;
- if a foreign investor intends to acquire a domestic real estate firm through equity transfer or through other means, it must pay off the purchase price of the domestic firm in its entirety in a lump sum with its own funds;
- if a foreign investment real estate enterprise has failed to pay up the registered capital in full or to obtain the "Certificate of the Right to the Use of State-Owned Land", or that its own capital cannot reach 35.0% of the total investment for the project, such enterprise is not allowed to apply for either domestic or overseas loans, and the departments for foreign exchange administration shall not approve its foreign loans; and
- the branches and representative offices of foreign institutions established in China (excluding the enterprises approved to undertake real estate business) and the foreign individuals who work or study in China for over one year are allowed to buy houses for their own use, but not for any other purposes. The foreign institutions that have no branches or representative offices in China or the foreign individuals who study or work in China for less than a year are not allowed to buy houses. Residents in Hong Kong, Macau and Taiwan, as well as overseas Chinese, are allowed to buy houses in limited areas for their own use if there is such a need in their lives.

As at the date of this Prospectus, it is unclear if the recently promulgated legal requirement that the registered capital of a foreign investment real estate enterprise with a total investment of at least US$10.0 million must be no less than 50.0% of its total investment will retrospectively apply to existing foreign investment real estate enterprises including the Project Companies. If the China authorities were to determine that such requirement is to apply retrospectively to existing foreign investment real estate enterprises, the need to increase the registered capital of the Project Companies accordingly may adversely affect the financial conditions and results of operations of CRCT.

There are also retail properties in China that may compete with the Properties in attracting tenants and cause downward pressure on rental rates (see "Business and Properties — Competition"). If after the Offering, competing properties of a similar type are built in the areas where the Properties are located or similar properties in their vicinities are substantially upgraded and refurbished, the Gross Rent from the Properties could be reduced, thereby adversely affecting CRCT's cash flow and the amount of funds available for distribution to the Unitholders.

***China's political policies and foreign relations could affect the Properties.***

Investment in a selection of China properties entails risks of a nature and degree not typically encountered in property investments in developed markets. In China, there is a high risk of nationalisation, expropriation, confiscation, punitive taxation, currency restriction, political changes, government regulation, political, economic or social instability of diplomatic developments which could adversely affect the value of investments made in China and for which CRCT may not be fairly compensated. Certain national policies may restrict foreigners investing in industries deemed sensitive to the national interest.

Further, issues such as the China's relationships with Taiwan and the U.S. may have the potential to affect the stability of China.

***China's economic reforms could affect CRCT's business.***

The economy of China differs from the economies of most developed countries in many respects, including, its structure, its level of development, its growth rate, its control of foreign exchange and its allocation of resources.

The economy of China is still in the process of being transformed from a planned economy to a more market-oriented economy. For the past two decades, the Chinese government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of China. Although the Manager believes these reforms will have a positive effect on its overall and long-term development, it cannot predict whether changes in the China's economic and other policies will have any adverse effect on CRCT's, the Project Companies' or the Properties' current or future business and financial conditions and results of operations.

***There is uncertainty about the quantum of land grant premium which CRCT will have to pay and additional conditions which may be imposed if the Manager decides to seek an extension of the land use rights for the Properties.***

Six of the Properties are, or will be, directly held by the Project Companies under land use rights granted by the Chinese government. Upon the expiration of the terms of the land use rights, the land use right as well as the ownership of the Properties will revert to the Chinese government unless the land user applies for an extension of the term of such land use rights. If an application for extension is granted, the land user will be required to, among other things, pay a land grant premium. As none of the land use rights granted by the Chinese government similar to those granted for the Properties has, as at the Listing Date, run its full term, there is no precedent to provide an indication of the quantum of land grant premium which the Project Companies will have to pay and additional conditions which may be imposed if the Manager decides to seek an extension of the land use rights for the Properties upon the expiry thereof.

***Changes in foreign exchange regulations may adversely affect CRCT's results of operations.***

The Project Companies receive all their revenue in Renminbi, which will have to be converted to US dollars before being paid in the form of dividends to CRCT *via* the Barbados Companies. The US dollars will have to be converted to Singapore dollars for the distribution payments at the trust level. Accordingly, changes in foreign exchange regulations may adversely affect CRCT's results of operations. For example, conversion of Renminbi is subject to strict government regulation in China. Current foreign exchange regulations have already significantly reduced the government's foreign exchange control on routine transactions, including trade- and service-related foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in China, following completion of the Offering, the Project Companies will be able to pay dividends in foreign currencies without prior approval from State Administration for Foreign Exchange (**"SAFE"**) by complying with certain procedural requirements. However, there is no assurance that the said policies regarding payment of dividends in foreign currencies will continue in the future. If approvals are required in the future, delays in or a refusal to grant any such approval, a revocation or variation of consents granted prior to the investments being made, or the imposition of new restrictions may adversely affect CRCT's investments.

***Decreases in the value of the Renminbi could adversely affect the value of distributions paid in respect of the Units in Singapore dollars.***

From 1994 until recently, the conversion of Renminbi into US dollars was based on rates set by the People's Bank of China, which were set daily based on the previous day's China interbank foreign exchange market rate and current exchange rates on the world financial markets. On 21 July 2005, the People's Bank of China announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 = US$1.00. Under the reform, the Renminbi will no longer be pegged to the US dollar but will be allowed to fluctuate within a narrow and managed band against a basket of foreign currencies (including the US dollar). The Chinese government may adopt further reforms of its exchange rate system in the future, including making the Renminbi freely convertible. However, it is not certain if or when these further reforms will occur. Any significant fluctuation in the exchange rates between the Renminbi and the US dollar, or in the US dollar against the Renminbi, may have an adverse impact on CRCT's results of operations and may adversely affect the value, translated or converted into US dollars, of CRCT's turnover and net income.

***Interpretation of China laws and regulations involves uncertainty.***

The real estate laws and in particular, the laws relevant to the rights of foreign investors and the entities through which they may invest are often unclear in China, where the assets of CRCT are ultimately located. Save in the case of Beijing Hualian Plaza (Henan) Co., Ltd. which was incorporated in China as an operating company and converted to a WFOE, Project Companies holding the Properties are incorporated in China as an EJV or a WFOE and their operations are therefore governed principally by laws and regulations in China. The China legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the Chinese government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of China laws and regulations may not be definitive. China may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated real estate laws and regulations. Furthermore, China is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces and they may have different and varying applications and interpretations in different parts of China.

Any agreements entered into by the Project Companies or the Barbados Companies which are governed under China laws, may be more difficult to enforce by legal or arbitral proceedings in China than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for CRCT to obtain effective enforcement in China, of an arbitral award obtained in that jurisdiction.

***Epidemic diseases in Asia and elsewhere may adversely affect CRCT's operations.***

Several countries in Asia, including China, have suffered from outbreaks of communicable diseases like severe acute respiratory syndrome (**"SARS"**) and Avian Flu. A new and prolonged outbreak of such diseases may have a material adverse effect on CRCT's business and financial conditions and results of operations. Although the long-term effect of such diseases cannot currently be predicted, previous occurrences of SARS and Avian Flu had an adverse effect on the economies of those countries in which they were most prevalent. In the case of Avian Flu, should the virus mutate and lead to human-to-human transmission of the disease, the consequence for CRCT's business could be severe.

An outbreak of a communicable disease, like SARS, in China or in the particular region in which a retail property owned by CRCT is located may affect CRCT in a number of ways, including, but not limited to, a decline in demand for consumer goods, a reduction in the number of visitors to the retail property, a decline in revenue of tenants of the retail property and increased costs of cleaning and maintaining the public facilities in the retail property. The impact of these factors on the operations of the retail property could materially and adversely affect the business and financial conditions and the results of operations of CRCT.

***Delay by China tax authorities in assessing taxes could affect the amount of distributions.***

In the event the Project Companies are unable to obtain a tax audit clearance by the China tax authorities in a timely manner, CRCT's ability to make distributions to the Unitholders will be adversely affected and CRCT may be required to take loan facilities to satisfy the payment of the distributions to the Unitholders. If CRCT is unable to obtain financing on terms that are acceptable or CRCT has reached its aggregate leverage limit imposed by the Property Funds Guidelines, the amount of distributions could be adversely affected.

## RISKS RELATING TO AN INVESTMENT IN THE UNITS

***Distribution of at least 90.0% of its Distributable Income may cause CRCT to face liquidity constraints.***

The Manager and the Trustee will distribute at least 90.0% of CRCT's Distributable Income in each financial year. If CRCT's cash flow from operations cannot be repatriated back to Singapore to meet its distribution obligations, it may have to borrow in order to distribute at least 90.0% of its Distributable Income since it may not have any reserves to draw on. CRCT's ability to borrow is, however, limited by the Property Funds Guidelines.

***CRCT may be unable to comply with the conditions for the tax exemption and tax ruling, or the tax exemption or tax ruling may no longer apply.***

CRCT has obtained an approval from the IRAS that the dividends and interest received by CRCT from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados (the **"Barbados Companies"**) that are paid out of the underlying rental income derived from the Properties will be exempt from tax under Section 13(12) of the Income Tax Act. The tax exemption also applies to dividends received by CRCT from the Barbados Companies out of gains, if any, derived from the disposal of shares in the Project Companies.

Additionally, CRCT has received an advance ruling from the IRAS for the following:

(a) confirmation that a return of capital by the Trustee is not a taxable distribution to the Unitholders; and

(b) approval to treat distributions made by the Trustee out of the amount of dividends and interest that is expected to be received from the Barbados Companies as a tax-exempt income distribution notwithstanding that this income may not have been received by the Trustee during the distribution period concerned.

The approval for the tax exemption under Section 13(12) of the Income Tax Act and the above tax ruling are subject to CRCT satisfying the stipulated conditions. Where these conditions are not satisfied, or are no longer satisfied by CRCT, the tax exemption and ruling may no longer apply.

The approval and tax ruling are also granted based on the facts presented to the IRAS, as well as the IRAS' current interpretation of the existing tax laws. Where the facts turn out to be different from those represented to the IRAS, or where there is a subsequent change in the tax laws, or a change in the interpretation by the IRAS of the tax laws that affect the approval and the ruling, the tax exemption and ruling may no longer apply.

***Insufficient cash flows at the level of the Project Companies, the Barbados Companies, such other SPVs or CRCT, will adversely affect CRCT's ability to pay or maintain distributions to the Unitholders.***

The net operating profit earned from property investments depends on, among other things, the amount of rental income received, and the level of property, operating and other expenses incurred. If properties held by CRCT directly or indirectly do not generate sufficient net operating profit, CRCT's income, cash flow and ability to make distributions will be adversely affected. In addition, if the Barbados Companies, the Project Companies or such other SPVs have insufficient cash flows or distributable profits or surplus, or if they do not make the expected level of distributions, in any financial year, CRCT's income, cash flow and ability to pay or maintain distributions to the Unitholders will be adversely affected.

In particular, under China accounting standards, depreciation of real estate is a mandatory expense when determining the net profits from operations of a Project Company that would be available for payment as dividends. The Project Company's inability to pay this trapped cash as dividends may limit CRCT's ability to make distributions to its Unitholders.

No assurance can be given as to CRCT's ability to pay or maintain distributions. Neither is there an assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the leases of the Properties or that the receipt of rental income in connection with expansion of the Properties or future acquisitions of properties will increase CRCT's cash flow available for distribution to the Unitholders.

***The forward-looking information in this Prospectus may prove inaccurate.***

This Prospectus contains forward-looking statements regarding, among other things, forecast and projected distribution levels for Forecast Year 2007 and Projection Year 2008. These forward-looking statements are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of CRCT's control (see "Profit Forecast and Profit Projection — Assumptions"). Moreover, CRCT's revenue is dependent on a number of factors, including the receipt of dividends and distributions, directly or indirectly, from the Project Companies, and the Project Companies receipt of rent from the Properties. Such rent, dividends and distributions may decrease for a number of reasons, including the lowering of occupancy and rental rates, insolvency or delay in rent payment by tenants, which may adversely affect CRCT's ability to achieve the forecast and projected distributions as some or all events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not currently anticipated.

Actual results may be materially different from the forecast and projection. No assurance can be given that the assumptions will be realised and the actual distributions will be as forecast and projected.

***Property yield on real estate to be held by CRCT is not equivalent to yield on the Units.***

Generally speaking, property yield depends on the amount of net property income and is calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in owning, operating, managing and leasing the properties compared against the current value of the properties. Yield on the Units, however, depends on the distributions payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Offering Price.

***Accounting standards in Singapore, Barbados and China are subject to change.***

The financial statements of CRCT may be affected by the introduction of new accounting standards in Singapore, Barbados and China. The extent and timing of these changes in accounting standards are currently unknown. The Manager has not quantified the effects of such possible changes and there can be no assurance that these changes will not have a significant impact on the presentation of CRCT's financial statements or on CRCT's financial condition and results of operations. In addition, such changes may adversely affect the ability of CRCT to make distributions to Unitholders.

***Market and economic conditions may affect the market price and demand for the Units.***

Movements in Singapore and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price and demand for the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units gives investors a lower return than other similar investments.

***Foreign Unitholders may not be permitted to participate in future rights issues by CRCT.***

The Trust Deed provides that in relation to any rights issue, the Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore. The rights or entitlements to the Units which such Unitholders would otherwise have been entitled to may be offered for sale and sold in such manner, at such price and on such other terms and conditions as are approved by the Trustee under the Trust Deed. The proceeds of any such sale (if successful) will be paid to the Unitholders whose rights or entitlements have been so sold.

***The Manager is not obliged to redeem Units.***

Unitholders have no right to request the Manager to redeem their Units while the Units are listed on the SGX-ST. It is intended that the Unitholders may only deal in their listed Units through trading on the SGX-ST.

***The sale or possible sale of a substantial number of Units by the Strategic Investors in the public market following the lapse of their lock-up arrangements could adversely affect the price of the Units.***

Following the Offering, CRCT will have 475,630,513 Units outstanding, of which 222,100,000 Units, or 46.7%, will be held by investors participating in the Offering and 253,530,513 Units, or 53.3% will be held by the Strategic Investors, assuming that the Over-allotment Option is exercised in full. If each of the Strategic Investors sells or is perceived as intending to sell a substantial amount of Units following the lapse of its lock-up arrangement or pursuant to applicable waivers (see "Plan of Distribution — Lock-up Arrangements"), the market price for the Units could be adversely affected.

***The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units. In addition, the real estate investment trust market in Singapore is relatively new.***

Prior to the Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. The Manager has received in-principle approval from the SGX-ST to have the Units listed and quoted on the SGX-ST. Listing and quotation does not, however, guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units. Prospective Unitholders should view the Units as illiquid and must be prepared to hold their Units for an indefinite length of time.

It may be difficult to assess CRCT's performance against either Singapore or international benchmarks. As real estate investment trusts are relatively new investment products in Singapore, there is presently no official or directly comparable benchmark against which CRCT's performance can be measured. It is also unknown whether an active market for real estate investment trusts which invest in China will develop in Singapore.

Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. CRCT may not continue to satisfy the SGX-ST's listing requirements for real estate investment trusts.

***Exchange rate fluctuations may adversely affect the value of the Units and any distributions payable to the Unitholders.***

The Units will be quoted in Singapore dollars on the SGX-ST and distributions in respect of the Units will be paid in Singapore dollars. The value of the distributions received by a Unitholder may be adversely affected by fluctuations in the exchange rates between the Renminbi and the US dollar and the US dollar and the Singapore dollar. Fluctuations in the exchange rates between the Renminbi and the US dollar and the US dollar and the Singapore dollar will also, among others, affect the foreign currency value of the proceeds which a Unitholder would receive upon sale of the Units in Singapore. (See "Distributions" and "Exchange Rates").

***The net asset value of the Units may be diluted if further issues are priced below the current net asset value.***

The Trust Deed contemplates that new issues of Units may occur and the purchase price for which may be above, at or below the then prevailing net asset value of CRCT. Where new Units, including Units issued to the Manager in part payment of its management fees, are issued at less than the net asset value per Unit, the net asset value of each existing Unit may be diluted.

***The rights of the Unitholders are not identical to, and in some cases less protective than, the rights of shareholders under Singapore laws.***

The rights of the Unitholders are not identical to those granted to holders of shares in companies incorporated in Singapore.

For example, the Singapore Code on Takeovers and Mergers and the provisions of Sections 138 to 140 of the SFA currently do not apply to acquisitions of Units. As such, a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. In such an event, there is a risk that the Unitholders may not benefit from a possible premium price over the then prevailing market price of the Units.

***The price of the Units may decline after the Offering.***

The Offering Price of the Units has been determined by agreement between the Vendor and the Underwriters *via* a book-building process, and may not be indicative of the market price for the Units after the completion of the Offering. The price of the Units after the Offering may trade at prices significantly below the Offering Price. The price of the Units will depend on many factors, including:

- the perceived prospects of CRCT's business and investments and the China retail property market;
- differences between CRCT's actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes in general economic or market conditions;
- the market value of CRCT's assets;
- the perceived attractiveness of the Units against those of other securities, including those not relating to the property sector;
- the ratio of buyers and sellers of the Units;
- the future size and liquidity of the Singapore real estate investment trust market;
- any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Singapore real estate investment trust;
- any liability on CRCT's part to implement successfully its investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among others, Units may trade at prices that are higher or lower than the net asset value per Unit. To the extent that CRCT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on CRCT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not capital-safe products and there is no guarantee that the Unitholders can regain the amount invested. If CRCT is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

***Corporate disclosure, accounting and governance standards in Singapore may differ from those in other countries.***

There may be less publicly available information about Singapore real estate investment trusts and public companies, such as CRCT and the Manager, respectively, than is regularly made available by real estate investment trusts or public companies in other jurisdictions. In addition, CRCT's financial information reported in the future will be prepared in accordance with the Statement of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trust*" issued by the Institute of Certified Public Accountants of Singapore, which differs in certain respects from generally accepted accounting principles in other jurisdictions. Also, corporate governance standards in Singapore may differ from those in other jurisdictions which investors outside Singapore may be familiar with.

***Unitholders may bear the effects of tax adjustments on income distributed in prior periods.***

Distributions out of tax-exempt income will be based on the amount of tax-exempt income that CRCT expects to receive from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. In the event that the actual amount of tax-exempt income received by CRCT is lower than the amount that it has expected to receive, the difference will be deducted from the amount of tax-exempt income available for subsequent distribution to the Unitholders. Similarly, if CRCT distributes gains realised from the disposal of its shareholdings in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados and such gains are subsequently assessed to tax as trading gains by the IRAS, the Unitholders in subsequent distribution periods will bear the incidence of such taxes (see "Distributions").

# PROCEEDS FROM THE OFFERING

Based on the Offering Price of S$1.13 per Unit, the gross proceeds from the Offering[(1)], assuming that the Over-allotment Option is exercised in full, are estimated to be approximately S$251.0 million. As all the Units in the Offering are being offered for sale by the Vendor, CRCT will not receive any of the proceeds from the Offering.

The Manager believes that CRCT's working capital, together with the undrawn portion of the Trust Term Loan Facility available to CRCT, will be sufficient for CRCT's working capital requirements over the next 12 months following the completion of the Offering.

**Note:**

(1) The total expenses in relation to the Offering will be ultimately borne by the investors (purchasing the Units pursuant to the Offering) as well as the Strategic Investors in accordance with their proportionate interests in CRCT upon the completion of the Offering. As the expenses in relation to the Offering to be borne and paid by the investors (purchasing Units pursuant to the Offering) have been paid by the Vendor to the Trustee when it subscribed for Units as a Strategic Investor during the private trust stage, the Vendor will not deduct such expenses to be paid to it by the investors (purchasing Units pursuant to the Offering) from the proceeds from the Offering (see "Plan of Distribution - Offering Expenses"). Should there be an excess amount after settlement of the total expenses in relation to the Offering, such amounts will be used for CRCT's working capital.

# INFORMATION CONCERNING THE UNITS

### Units issued to the Strategic Investors

As at the date of this Prospectus, 222,100,000, 95,130,513, 95,100,000, 47,600,000 and 15,700,000 Units have been issued at the price of S$0.981 per Unit to the Vendor, Retail Crown Pte. Ltd., CMT, PGGM and Great Eastern, respectively (see "The Formation and Structure of CapitaRetail China Trust — Background"). None of the Strategic Investors has been granted any special rights under the Trust Deed that are distinct from the rights enjoyed by any other Unitholder under the Trust Deed.

### Strategic Investors

The Sponsor indirectly owns the Vendor and Retail Crown Pte. Ltd. through CRTL and CapitaLand Retail China.

CMT is the first real estate investment trust to be listed on the SGX-ST and is managed by CMTML, an indirectly wholly-owned subsidiary of the Sponsor. (See "The Sponsor — CapitaMall Trust".)

PGGM is a pension fund for employees in the healthcare and social welfare sectors which was established in 1969 in the Netherlands. The pension fund invests largely in fixed income, equities, private equity, real estate and commodities, both in the Netherlands and elsewhere.

Great Eastern is the largest insurance group in Singapore and Malaysia. It is the only life insurance company to be listed on the SGX-ST, and the largest insurance company in south-east Asia in terms of assets and market capitalisation.

### Reserved Units

11,000,000 Units have been reserved under the Singapore Public Offer for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries. (See "Plan of Distribution".)

### Ownership of the Units

The following table sets out the principal Unitholders of CRCT and their unitholdings:

| | Units owned as at the date of this Prospectus | | Units owned after the Offering on the Listing Date (assuming that the Over-allotment Option is not exercised) | | Units owned after the Offering on the Listing Date (assuming that the Over-allotment Option is exercised in full) | |
|---|---|---|---|---|---|---|
| | | (%) | | (%) | | (%) |
| Retail Crown Pte. Ltd.(1) | 95,130,513 | 20.0 | 95,130,513 | 20.0 | 95,130,513 | 20.0 |
| The Vendor(1) | 222,100,000 | 46.7 | 28,800,000 | 6.1 | 0 | 0.0 |
| CMT(2) | 95,100,000 | 20.0 | 95,100,000 | 20.0 | 95,100,000 | 20.0 |
| PGGM | 47,600,000 | 10.0 | 47,600,000 | 10.0 | 47,600,000 | 10.0 |
| Great Eastern | 15,700,000 | 3.3 | 15,700,000 | 3.3 | 15,700,000 | 3.3 |
| Public and institutional investors(3) | 0 | 0.0 | 193,300,000 | 40.6 | 222,100,000 | 46.7 |
| **Total** | **475,630,513** | **100.0** | **475,630,513** | **100.0** | **475,630,513** | **100.0** |

**Notes:**

(1) Both Retail Crown Pte. Ltd. and the Vendor are indirect wholly-owned subsidiaries of the Sponsor.

(2) CMT is an associate of the Sponsor and the manager of CMT, CMTML, is an indirect wholly-owned subsidiary of the Sponsor.

(3) Includes the Reserved Units.

### Purchase by the Directors

The Directors may purchase Units under the Singapore Public Offer and/or the Placement. Save for the Manager's internal policy which prohibits the Directors from dealing in the Units at certain times (see "The Manager and Corporate Governance"), there is no restriction on the Directors disposing of or transferring all or any part of their unitholdings.

# DISTRIBUTIONS

## Distribution Model

The distribution model of CRCT is fundamentally based on the cash flows of CRCT.

CRCT's consolidated net profit from its operations (**"Consolidated Net Profit from Operations"**) is calculated as follows:

- adding all Net Property Income (or proportional share if CRCT owns, directly or indirectly, less than 100.0% of a Project Company) of the Project Companies;
- deducting the following:
  - (a) interest expense on external borrowings, general and administrative expenses (non-property-related) and taxes, including corporate income tax and China withholding tax on offshore interest payable, at the Project Company level (or proportional share if CRCT owns, directly or indirectly, less than 100.0% of a Project Company);
  - (b) interest expense on external borrowings, general and administrative expenses and taxes at the Barbados Company level (or proportional share if CRCT owns, directly or indirectly, less than 100.0% of a Barbados Company); and
  - (c) interest expense on external borrowings, the Manager's management fees, general and administrative expenses, the Trustee's fee, other trust expenses, hedging cost and taxes, if any, at the REIT level; and
- adding any income from external parties at the Barbados Company (or proportional share if CRCT owns, directly or indirectly, less than 100.0% of a Barbados Company) and REIT levels.

CRCT's distributable income in relation to a distribution period (**"Distributable Income"**) comprises its Consolidated Net Profit from Operations for that distribution period adjusted for the following:

- deducting unrealised income, gains from the disposal of shares and properties and adding back unrealised expenses (unrealised income and expenses include unrealised exchange differences and accretion and fair value adjustments relating to financial instruments and real properties);
- adding back the portion of the Manager's management fees paid or payable in Units;
- deducting general reserves required to be set aside under China Company Law; and
- adding back expenses that are not deductible for Singapore tax purposes in relation to expenses incurred to derive Singapore taxable income (if any).

The amount of Unitholders' Distributable Income declared for each distribution period is accounted for as comprising distribution from operations and distribution from Unitholders' contributions.

### *Unitholders' distributions from operations*

Unitholders' distributions from operations comprise income received by CRCT, including tax-exempt interest income from its shareholder's loans to the Barbados Companies and tax-exempt dividend from the Barbados Companies (net of expenses incurred at the REIT level) (**"Net Income of CRCT"**).

### *Unitholders' distributions from Unitholders' contributions*

For accounting purposes, any distribution of the Distributable Income for a particular distribution period that is in excess of the Net Income of CRCT for that distribution period is treated as a distribution from Unitholders' contributions.

Distributions from Unitholders' contributions represent distributions of net profits after tax of the Project Companies which may not be declared and paid as dividends to CRCT in the current distribution period, because the Project Companies:

(a) may use the cash generated from their operations to repay third party borrowings at the Project Company level;

(b) may not have sufficient revenue reserves to frank dividend payments as a result of start-up operating performance in the initial years of operations of the Project Companies. To the extent that such Project Companies accumulate sufficient revenue reserves in the future, the Project Companies would be able to frank dividend payments annually in the future;

(c) may not be able to pay all the cash generated from operations as dividends as a result of China accounting rules that require the depreciation of real properties, thus reducing accounting profits available for payment of dividends; and

(d) may need to obtain tax clearance before they can declare and pay dividends.

For the first financial year after the listing of CRCT, although the Project Companies may record net profits after tax, distribution to Unitholders in respect of such amounts (less general reserve required to be set aside) shall be accounted for as Unitholders' contributions as these Project Companies are awaiting tax clearance and will only be able to declare and pay dividends for the first financial year in the subsequent financial year, after tax clearance has been obtained.

The net profits after tax (less general reserve required to be set aside) of the Project Companies for a particular financial year may therefore be declared and received as dividends by CRCT *via* the Barbados Companies in the subsequent financial year. Dividends received by CRCT in each subsequent financial year shall be applied to make distributions from operations to Unitholders in respect of net profits after tax (less general reserve required to be set aside) of the Project Companies for that financial year. Please refer to the illustration below (the effect of foreign exchange fluctuation has been ignored):

| | **Forecast Year** | | **Projection Year** | |
|---|---|---|---|---|
| | **Consolidated (S$million)** | **Trust Level (S$million)** | **Consolidated (S$million)** | **Trust Level (S$million)** |
| **Net profits after tax (less general reserve required to be set aside) of Project Companies** | 3.0 | | 6.1 | |
| **Dividends received from the Project Companies through the Barbados Companies** | | | | 3.0 |
| **Unitholders' distributions** | | | | |
| — from operations | | — | | 3.0 |
| — from Unitholders' contributions | | 3.0 | | 3.1 |
| **Total** | | 3.0 | | 6.1 |

As a result, CRCT may not be able to receive all the cash generated from the operations of its Project Companies as its distributable income in the current distribution period. In order to maximise distribution to Unitholders based on the cash operating profits of the Project Companies and to facilitate cash repatriations to CRCT, the Manager has put in place certain mechanisms, including (i) incurrence of borrowings by CRCT and (ii) repayment of shareholders' loans extended within CRCT, from the Trustee to the Barbados Companies and from the Barbados Companies to the Project Companies.

The incurrence of borrowings by CRCT to make distributions and to address constraints in the repatriation of cash and dividends by certain Project Companies will be partially offset by the use of the unrepatriated cash to repay third party borrowings at the Project Company level such that the overall aggregate leverage of CRCT is substantially maintained.

Distributions from Unitholders' contributions therefore include:

(a) net profits after tax (less general reserve required to be set aside) arising from Project Companies that cannot be declared as dividend income to the Barbados Companies;

(b) unrealised expenses and expenses that are not deductible for Singapore tax purposes in relation to expenses incurred to derive Singapore taxable income (if any);

(c) the portion of the Manager's management fees paid or payable in Units; and

(d) depreciation expense of real properties of the Project Companies.

**In summary, the distribution from Unitholders' contributions is intended to manage dividend repatriation constraints and accounting rules relating to the Project Companies. Had the Properties been held directly by CRCT and the net profits after tax (less general reserve required to be set aside) been included directly in CRCT's consolidated statement of total return, the portion of the profits, which is accounted for as distributions from Unitholders' contributions, would be accounted for as distributions from operations to Unitholders**.

**Distribution Policy**

The Manager currently intends to adopt a high distribution payout policy ratio. Its distribution policy is to distribute at least 90.0% of CRCT's Distributable Income in each financial year. The actual proportion of CRCT's Distributable Income distributed to the Unitholders may be greater than 90.0%, considering the growth profile of CRCT and to the extent that the Manager believes it to be appropriate, having regard to CRCT's funding requirements, other capital management considerations and the overall stability of distributions. For the Forecast Year 2007 and the Projection Year 2008, CRCT will, to the extent possible, distribute such level of Distributable Income in excess of 90.0% in order to meet the Manager's forecast and projection set out in "Profit Forecast and Profit Projection". Distributions, when made, will be in Singapore dollars.

CRCT will declare a distribution of an amount, if any, being the aggregate of the Manager's best estimate of the Distributable Income for the period from the date of acquisition of each special purpose vehicle by the Sponsor to the date immediately preceding the Listing Date to each of the Strategic Investors in proportion to their respective unitholdings as at the date immediately preceding the Listing Date (the **"Private Trust Distribution"**).The Private Trust Distribution shall be calculated by the Manager and agreed upon by the Trustee. The external auditors of CRCT will also review the basis of the Manager's calculation during the course of the audit of the financial statements of CRCT for the financial year ending 31 December 2007. The Private Trust Distribution, if any, will be paid by the Manager after the Listing Date on or before 30 September 2007.

The Strategic Investors have each agreed with the Trustee and the Manager that the Private Trust Distribution will constitute full and final settlement of their respective distribution entitlements for the period from 23 October 2006 to the date immediately preceding the Listing Date. Conversely, the Trustee and the Manager have agreed with each of the Strategic Investors that they will not seek reimbursement from the Strategic Investors if the actual Distributable Income of CRCT in relation to the Private Trust Distribution is subsequently determined to be a lesser amount than that estimated by the Manager. Accordingly, CRCT will benefit from the surplus if CRCT's actual Distributable Income in relation to the Private Trust Distribution is more than the amount estimated by the Manager, or bear the deficit if its Distributable Income in relation to the Private Trust Distribution is less than the amount estimated by the Manager.

After CRCT is admitted to the Main Board of the SGX-ST, CRCT will make distributions to the Unitholders on a semi-annual basis for the six-month periods ending 30 June and 31 December of each year. However, CRCT's first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2007 and will be paid by the Manager on or before 30 September 2007. Subsequent distributions will take place on a semi-annual basis. Under the Trust Deed, the Manager is required to pay distributions within 90 days after each of the said dates. Distributions payable to a Unitholder which remain unclaimed after a period of 12 months shall be accumulated in a special account from which the Trustee may, from time to time, make payments to such Unitholder claiming any such distributions which he is entitled to. Such unclaimed distributions shall remain in the special account for five years from the date such moneys were placed into the special account. Interest earned from this special account will be paid into court, in accordance with the provisions of the Trust Deed.

In the event that there are gains arising from any sale of real properties either directly or indirectly through the sale of the shares in the Project Companies, CRCI Alpha Barbados, CRCI Barbados or CRCI Gamma Barbados, and only if such gains are surplus to the business requirements and needs of CRCT and their taxability or otherwise confirmed by the IRAS in the case where the gains arise from the sale of shares in CRCI Alpha Barbados, CRCI Barbados or CRCI Gamma Barbados, the Manager may, at its discretion, direct the Trustee to distribute such gains. Such gains, if not distributed, will form part of the Deposited Property.

Distributions made by CRCT out of its tax-exempt income (*i.e.* dividends and interest received or receivable from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados) will be exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted at source from such distributions.

Distributions made out of CRCT's underlying income that cannot be repatriated to CRCT in the form of income but is instead repatriated by way of principal repayment of its shareholder's loans by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will be treated as a return of capital for Singapore income tax purposes. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gains when the Units are disposed of. If the amount distributed exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

In the event that CRCT disposes of its shares in CRCI Alpha Barbados, CRCI Barbados or CRCI Gamma Barbados; or any of CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados disposes of its shares in the Project Companies; or any of the Project Companies disposes of its Property, distributions made out of the gains on disposal (if any), in the event that the Manager exercises its discretion to distribute such gains, will:

- be exempt from Singapore income tax on the Unitholders if the gains are ultimately received by CRCT as tax-exempt income;
- not be assessable to Singapore income tax on the Unitholders if the gains are derived by CRCT and are determined to be capital gains for Singapore income tax purposes (in the case where the disposal is of shares in CRCI Alpha Barbados, CRCI Barbados or CRCI Gamma Barbados), unless the distribution is considered gains or profits of a trade or business carried on by the Unitholder, for example, if the Units are held as trading or business assets; or
- be assessable to Singapore income tax on the Unitholders if the gains are derived by CRCT and are determined to be trading gains for Singapore income tax purposes (in the case where the disposal is of the shares in CRCI Alpha Barbados, CRCI Barbados or CRCI Gamma Barbados), unless the Unitholder is specifically exempt from tax on such distributions, for example, if he is an individual who holds the Units as investment assets. Tax on such trading gains will be assessed on, and collected from, the Trustee and the tax paid by the Trustee will be imputed as a tax credit to Unitholders who are liable to tax on such distributions. This treatment of imputing the tax paid as a credit to Unitholders will cease to apply if an amendment in the Income Tax (Amendment Bill) 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the Trustee will be exempt from tax in the hands of Unitholders.

(See "Taxation" and Appendix E, "Independent Taxation Report".)

## EXCHANGE RATES

The table below sets forth, for the period from 2001 until 31 August 2006, information concerning the exchange rates between (i) Singapore dollars and US dollars (in Singapore dollars per US dollar terms), (ii) RMB and US dollars (in RMB per US dollar terms) and (iii) RMB and Singapore dollars (in RMB per Singapore dollar terms). The exchange rates were based on the average between the bid and offer rates of the currency as obtained from Bloomberg[1]. No representation is made that (i) the Singapore dollar amounts actually represent such US dollar amounts or could have been or could be converted into US dollars, (ii) the RMB amounts actually represent such US dollar amounts or could have been or could be converted into US dollars or (iii) the RMB amounts actually represent such Singapore dollar amounts or could have been or could be converted into Singapore dollars at the rates indicated, at any other rate, or at all.

| | | S$/US$ | |
|---|---|---|---|
| **Year/Month** | **Average** | **High** | **Low** |
| **2001** | 1.7921 | 1.8555 | 1.7270 |
| **2002** | 1.7901 | 1.8520 | 1.7330 |
| **2003** | 1.7423 | 1.7840 | 1.6995 |
| **2004** | 1.6903 | 1.7309 | 1.6313 |
| **2005** | 1.6642 | 1.7061 | 1.6191 |
| **2006 January** | 1.6331 | 1.6630 | 1.6213 |
| **February** | 1.6293 | 1.6352 | 1.6223 |
| **March** | 1.6211 | 1.6317 | 1.6140 |
| **April** | 1.6011 | 1.6158 | 1.5811 |
| **May** | 1.5762 | 1.5884 | 1.5608 |
| **June** | 1.5911 | 1.5994 | 1.5731 |
| **July** | 1.5831 | 1.5943 | 1.5749 |
| **August** | 1.5757 | 1.5813 | 1.5715 |

| | | RMB/US$ | |
|---|---|---|---|
| **Year/Month** | **Average** | **High** | **Low** |
| **2001** | 8.2770 | 8.2786 | 8.2720 |
| **2002** | 8.2773 | 8.2832 | 8.2705 |
| **2003** | 8.2770 | 8.2800 | 8.2567 |
| **2004** | 8.2768 | 8.2829 | 8.2619 |
| **2005** | 8.1927 | 8.2800 | 8.0702 |
| **2006 January** | 8.0658 | 8.0705 | 8.0601 |
| **February** | 8.0505 | 8.0616 | 8.0402 |
| **March** | 8.0352 | 8.0505 | 8.0172 |
| **April** | 8.0147 | 8.0240 | 8.0050 |
| **May** | 8.0147 | 8.0265 | 8.0025 |
| **June** | 8.0064 | 8.0230 | 7.9943 |
| **July** | 7.9888 | 8.0048 | 7.9690 |
| **August** | 7.9738 | 8.0015 | 7.9527 |

[1] Bloomberg has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

| Year/Month | RMB/S$ Average | High | Low |
|---|---|---|---|
| **2001** | 4.6205 | 4.7933 | 4.4606 |
| **2002** | 4.6256 | 4.7762 | 4.4690 |
| **2003** | 4.7511 | 4.8701 | 4.6397 |
| **2004** | 4.8978 | 5.0734 | 4.7825 |
| **2005** | 4.9241 | 5.1118 | 4.7379 |
| **2006 January** | 4.9393 | 4.9742 | 4.8528 |
| **February** | 4.9412 | 4.9562 | 4.9230 |
| **March** | 4.9566 | 4.9793 | 4.9299 |
| **April** | 5.0059 | 5.0686 | 4.9619 |
| **May** | 5.0849 | 5.1281 | 5.0534 |
| **June** | 5.0323 | 5.1001 | 5.0010 |
| **July** | 5.0463 | 5.0712 | 5.0185 |
| **August** | 5.0604 | 5.0767 | 5.0410 |

### Exchange Controls

Currently, exchange control restrictions exist in China.

Under the current foreign exchange regulations of China, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approvals from SAFE as well as other appropriate governmental authorities are required for payments in RMB to be converted into foreign currencies and remitted out of China to pay capital account items, such as the repayment of loans denominated in foreign currencies.

# CAPITALISATION AND INDEBTEDNESS

## CAPITALISATION

The following table sets forth the capitalisation of CRCT as at the Listing Date. As all the Units comprised in the Offering are being offered for sale by the Vendor, CRCT will not receive any of the proceeds of the Offering. The information in the table below should be read in conjunction with "Profit Forecast and Profit Projection — Trust Level Assumptions — (VIII) Capital Structure".

| | As at the Listing Date (S$'000) Pro forma |
|---|---|
| **Total gross borrowings** | **213,490** |
| Net assets attributable to Unitholders | 464,714 |
| Minority interest | 11,167 |
| **Total capitalisation(1)** | **475,881** |
| **Total borrowings and capitalisation** | **689,371** |

**Note:**

(1) Total capitalisation as at the Listing Date includes net assets attributable to Unitholders and minority interest.

## INDEBTEDNESS

CRCT has in place the following debt facilities:

- a US$105.0 million unsecured two-year term loan facility (the **"Trust Term Loan Facility"**), obtained from United Overseas Bank Limited (the **"Lender"**) as the originating bank; and
- a RMB350.0 million five-year secured term loan facility (the **"Anzhen Term Loan Facility"** together with the Trust Term Loan Facility, the **"Facilities"**) obtained from Oversea-Chinese Banking Corporation Limited secured by a mortgage over Anzhen Mall.

The Anzhen Term Loan Facility has been fully drawn down and the Trust Term Loan Facility is expected to be partially drawn down up to an amount of US$90.0 million, which in aggregate gives CRCT an aggregate leverage of 30.0% as at the Listing Date.

The Trust Term Loan Facility is taken at the trust level by the Trustee (the "**Borrower**") to partly finance the acquisition of the Properties and the balance will be utilised as working capital of CRCT. The Trust Term Loan Facility will be repayable in full at maturity although CRCT has the option to make prepayments.

The Trust Term Loan Facility currently bears a floating interest rate of 0.65% per annum above the USD LIBOR. After the listing of CRCT on the SGX-ST, the Trust Term Loan Facility will bear a floating rate of 0.50% per annum above the USD LIBOR. The Trust Term Loan Facility has an upfront fee of US$105,000.

The Trust Term Loan Facility has a negative pledge covenant and certain financial and other covenants which requires CRCT amongst others, (a)(i) not to, without the prior written consent of the Lender, create or have outstanding any mortgage, pledge, lien, hypothecation, assignment or any other encumbrance whatsoever on or over the Borrower's interests in any of the Properties, except for Anzhen Mall; (ii) in the event of a sale of any of the Properties, to repay an amount equal to the proportion of the market value of the Property sold to the total market value of the Properties as determined by the Lender based on the latest annual valuation reports of the Properties; and (iii) not to provide any guarantee for any other entities except for secured borrowing at the Project Company level for which new properties acquired with existing mortgages is permitted; (b) after the listing of CRCT in the SGX-ST, the total consolidated borrowings shall not exceed the aggregate leverage ratio of 60.0% or such other percentage as may be prescribed by the Property Funds Guidelines subject to certain credit rating to be obtained and disclosed to the public.

The Anzhen Term Loan Facility is taken at the Project Company level by CapitaRetail Anzhen and is secured by a legal mortgage over Anzhen Mall. The Anzhen Term Loan Facility is repayable in full at maturity on 30 June 2011. However, CapitaRetail Anzhen has the option to make prepayments without prepayment fees. The Anzhen Term Loan Facility bears an interest corresponding to 90.0% of the People's Bank of China base lending rate and reprices on a semi-annual basis.

For the Forecast Year 2007 and the Projection Year 2008, the Manager has assumed interest at a fixed rate of 4.50% per annum for the Trust Term Loan Facility, and at a fixed rate of 6.00% per annum for the Anzhen Term Loan Facility. The assumed weighted average effective interest rate for the Forecast and Projection Years is 4.99% per annum which is inclusive of all margins, amortisation of debt arrangement fee, charges and upfront fees to be incurred in relation to the Facilities. (See "Profit Forecast and Profit Projection — Assumptions — (IX) Interest on External Loans".)

The Manager intends to put in place a commercial mortgage-backed securitisation (**"CMBS"**) structure either in China or offshore before the maturity of the Trust Term Loan Facility in order to optimise the capital structure and cost of capital, with a possible prepayment of the Trust Term Loan Facility and replacement with the CMBS structure.

In addition, the Manager intends to have CRCT enter into a two-year non-deliverable cross-currency interest rate swap in respect of the Trust Term Loan Facility (which is in US dollars) for an equivalent notional amount of RMB which would provide for an RMB equivalent fixed rate funding over the tenure of the Trust Term Loan Facility.

# UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

The Manager is unable to prepare pro forma consolidated statements of total return, consolidated statement of cash flows and consolidated balance sheet to show the pro forma historical financial performance of CRCT as:

- two of the seven Properties (Wangjing Mall and Xinwu Mall) are newly developed and have very limited operating track records. Wangjing Mall was only recently completed while Xinwu Mall only commenced operations in December 2005. As such, the period of operations is too short for the Manager to practicably construct meaningful historical pro forma financial information;
- two of the Properties, Jiulong Mall and Jinyu Mall were acquired from independent third parties and indirectly held by the Sponsor for only a few months prior to the date of this Prospectus. The Sponsor indirectly acquired Anzhen Mall in July 2005 and took a master lease over Qibao Mall in May 2005. Accordingly, the historical financial information relating to these four Properties are unavailable from the vendors or lessor (in the case of Qibao Mall) and the Sponsor's ownership period or possession period (in the case of Qibao Mall) of these Properties is too short for the Manager to construct meaningful historical pro forma financial information;
- Zhengzhou Mall, Jinyu Mall and Anzhen Mall were wholly-occupied by the Beijing Hualian Group for their retail operations prior to their disposal to the Sponsor. Accordingly, even if the historical financial information relating to these Properties were made available, the Manager would not be able to identify the property-related expenses of the vendors from the expenses incurred by the vendors in connection with their overall business operations. There would also not be any historical rental income for these Properties as they were wholly-occupied by the vendors. Accordingly, the relevant information to prepare the historical pro forma financial information is unavailable to the Manager;
- three of the Properties (Anzhen Mall, Zhengzhou Mall and Jinyu Mall) and the majority of the GRA of a fourth Property (Jiulong Mall) have been under master lease arrangements since the Sponsor acquired them from the vendors. The Sponsor has also implemented major asset enhancement and repositioning initiatives in respect of Qibao Mall (since it took possession in May 2005) to reposition it as a "one-stop" retail mall. Accordingly, any attempt to construct historical pro forma financial information based on the historical financial statements of these five Properties (in the unlikely event that they are made available to the Manager) may be misleading to investors and not meaningful for comparison purposes as there is an implicit assumption that CRCT would have achieved the same performance as those presented in the historical pro forma financial information; and
- should historical pro forma financial information be prepared based on the terms of the master lease arrangements for Anzhen Mall, Zhengzhou Mall, Jinyu Mall and Jiulong Mall, such information will be in the nature of a forecast and will not reflect the historical financial results and position of CRCT with respect to these Properties. As such, the Manager believes that such historical pro forma financial information may be of little value to investors in deciding whether to acquire the Units and a forecast and projection based on, amongst other things, the terms of the master lease arrangements would be more meaningful to investors.

For the reasons set out above, the SGX-ST has granted CRCT a waiver from the requirement to prepare historical pro forma financial information, comprising the consolidated statements of total return, consolidated statement of cash flows and consolidated balance sheet. *In lieu* of such historical pro forma financial information, the Manager has prepared the unaudited pro forma consolidated balance sheet below setting out the assets and liabilities of CRCT as at the Listing Date (the "**Unaudited Pro Forma Consolidated Balance Sheet**"), upon completion of the Offering.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of the assumptions and the accounting policies set out in Appendix B, "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date". The Unaudited Pro Forma Consolidated Balance Sheet should be read together with these assumptions and accounting policies.

The objective of the Unaudited Pro Forma Consolidated Balance Sheet of CRCT is to show what the financial position might be at the Listing Date, on the basis as described above. However, the Unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of the financial position that would be attained by CRCT on the Listing Date. The Unaudited Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of CRCT's financial position.

| | **Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date** |
|---|---|
| | **(S$'000)** |
| **Non-current assets** | |
| Investment properties[(1)(2)] | 688,945 |
| Deferred tax assets | 5,352 |
| | 694,297 |
| **Current assets** | |
| Trade and other receivables | 2,769 |
| Cash and cash equivalents | 27,567 |
| | 30,336 |
| **Total assets** | **724,633** |
| **Non-current liabilities** | |
| Security deposits | 2,230 |
| Interest-bearing borrowings[(3)] | 212,649 |
| | 214,879 |
| **Current liabilities** | |
| Trade and other payables | 33,653 |
| Provision for taxation | 220 |
| | 33,873 |
| **Total liabilities** | **248,752** |
| **Minority interest[(4)]** | **11,167** |
| **Net assets attributable to Unitholders** | **464,714** |
| Number of Units in issue ('000) | 475,631 |
| NAV per Unit (S$) | 0.98[(2)(5)] |

**Notes:**

(1) It has been assumed that:

(i) the legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing. (See "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL");

(ii) the strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong. (See "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL"); and

(iii) the payment of the rental for Zhengzhou Mall commences on 1 December 2006, as agreed with the Beijing Hualian Group.

(2) Based on a valuation of RMB3,451,000,000 (S$688,945,035) by CBRE, the Independent Valuer appointed by the Manager.

(3) Comprises principal amount of borrowings of S$213,489,507 after deducting transaction costs of S$840,404.

(4) Includes a loan from the minority shareholder of Wuhu SZITIC of RMB70.6 million (S$14.1 million). (See Appendix B "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date – Notes to the Unaudited Pro Forma Consolidated Balance Sheet – Minority Interest").

(5) Based on a valuation of RMB3,792,000,000 (S$757,021,029) by Knight Frank, the Independent Valuer appointed by the Trustee, the NAV per Unit is S$1.13.

# PROFIT FORECAST AND PROFIT PROJECTION

*Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee or any other person, or that these results will be achieved or are likely to be achieved. See "Forward-looking Statements" and "Risk Factors". Investors in the Units are cautioned not to place undue reliance on these forward-looking statements that are valid only as of the date of this Prospectus.*

***None of the Vendor, the Sponsor, CRCT, the Manager, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers or the Trustee guarantees the performance of CRCT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and projected yields stated in the following table are calculated based on (i) the Offering Price and (ii) the assumption that the Listing Date is 1 December 2006. Such yields will vary accordingly if the Listing Date is after 1 December 2006 and in relation to investors who purchase Units in the secondary market at a market price that differs from the Offering Price.***

The financial year end of CRCT is 31 December. CRCT's first accounting period is for the period from 23 October 2006, being the date of its constitution, to 31 December 2007 (with the **"Forecast Year 2007"** or **"Forecast"** being the period from 1 January 2007 to 31 December 2007) and its next accounting period will be for the period from 1 January 2008 to 31 December 2008 (the **"Projection Year 2008"** or **"Projection"**). The profit forecast and profit projection is based on the assumptions set out in this section of the Prospectus and should be read together with the report set out in Appendix A, "Independent Accountants' Report on the Profit Forecast and Profit Projection", as well as the assumptions and the sensitivity analysis set out in this section of the Prospectus.

Investors in the Units should read the whole of this "Profit Forecast and Profit Projection" section together with the report set out in Appendix A, "Independent Accountants' Report on the Profit Forecast and Profit Projection".

The following table sets forth CRCT's forecast and projected Consolidated Statements of Total Return for the Forecast Year 2007 and the Projection Year 2008, respectively.

**Forecast and Projected Consolidated Statements of Total Return**

| | Forecast Year 2007 (1 January 2007 to 31 December 2007) | Projection Year 2008 (1 January 2008 to 31 December 2008) |
|---|---|---|
| | **(S$'000)** | **(S$'000)** |
| **Gross Revenue** | | |
| Gross Rent | 77,012 | 81,696 |
| Carpark income | 203 | 599 |
| Other income | 384 | 768 |
| **Total Gross Revenue** | **77,599** | **83,063** |
| **Property Operating Expenses** | | |
| Land rental | (4,328) | (4,328) |
| Property tax | (5,781) | (5,781) |
| Business tax | (3,930) | (4,204) |
| Property management fees | (2,892) | (3,111) |
| Other property operating expenses | (9,949) | (10,752) |
| **Total Property Operating Expenses** | **(26,880)** | **(28,176)** |
| **Net Property Income** | **50,719** | **54,887** |
| **Administrative expenses** | | |
| Manager's management fees | (3,800) | (4,004) |
| Trustee's fee | (211) | (211) |
| Other trust operating expenses | (1,463) | (1,463) |
| **Total administrative expenses** | **(5,474)** | **(5,678)** |
| **Interest expenses** | **(10,707)** | **(11,382)** |
| **Net profit** | **34,538** | **37,827** |
| Income tax | (6,319) | (7,119) |
| **Total return for the year after income tax** | **28,219** | **30,708** |
| **Minority interest** | **(621)** | **(860)** |
| **Total return for the year attributable to Unitholders before distribution** | **27,598** | **29,848** |

**Reconciliation from total return attributable to Unitholders to total Unitholders' distribution:**

| | Forecast Year 2007 (1 January 2007 to 31 December 2007) | Projection Year 2008 (1 January 2008 to 31 December 2008) |
|---|---|---|
| | (S$'000) | (S$'000) |
| Total return attributable to Unitholders from consolidated statements of total return | 27,598 | 29,848 |
| Distribution adjustments(1) | 1,673 | 1,481 |
| **Total Unitholders' distribution(2)** | **29,271** | **31,329** |
| **Unitholders' distribution:** | | |
| — from operations(3) | 8,290 | 9,759 |
| — from Unitholders' contributions(3) | 20,981 | 21,570 |
| **Total Unitholders' distribution(2)** | **29,271** | **31,329** |
| **Units in issue ('000)(4)** | **477,527** | **479,440** |
| **Distribution per Unit(2)(4)(5) (cents)** | **6.13** | **6.53** |
| **Distribution yield(2)** | **5.42%** | **5.78%** |

**Notes:**

(1) These include the portion of the Manager's Performance Fees of S$2.0 million and S$2.2 million which are payable in the form of Units for Forecast Year 2007 and Projection Year 2008 respectively, and deducting the annual transfer to the general reserve fund of S$0.3 million and S$0.7 million in Forecast Year 2007 and Projection Year 2008 respectively.

(2) Assuming distribution of 100.0% of Distributable Income.

(3) It is assumed that there will be a delay in the repatriation of dividend from the Project Companies attributed to the time that may be required for tax audit clearance in China. For example, for the Forecast Year 2007 it is assumed that there will be a delay in the repatriation of S$3.0 million, which will be distributed to the Unitholders out of the Unitholders' contributions by drawing upon CRCT's working capital. If there has been no delay in dividend repatriation, distribution from operations and distribution from the Unitholders' contributions for the Forecast Year 2007 would have been S$11.3 million and S$18.0 million, respectively. (See "Distributions".)

(4) The increase in the number of Units in issue is a result of the assumed payment of the Manager's Performance Fees for the relevant period in the form of Units issued at an assumed issue price per Unit of S$1.13 (see "Assumptions — Trust Level Assumptions — (VI) Manager's Management Fees").

(5) It has been assumed that:

(i) the legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing. (See "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL");

(ii) the strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong. (See "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL"); and

(iii) the payment of the rental for Zhengzhou Mall commences on 1 December 2006, as agreed with the Beijing Hualian Group.

## Assumptions

The major assumptions made in preparing the Forecast and Projected Consolidated Statements of Total Return are set out below. The Manager considers these assumptions to be appropriate and reasonable as at the date of this Prospectus.

## Project Company Level Assumptions

### (I) Gross Revenue

Gross Revenue is the aggregate of Gross Rent, carpark income and other income earned from the Properties. A summary of the assumptions used in calculating the Gross Revenue is set out as follows:

#### (a) Gross Rent

The Gross Rent comprises base rents and service charges and, unless expressly stated, excludes advertising and promotion levy and turnover rent. The percentage of forecast and projected Gross Rent attributable to Committed Leases (including letters of offer which are to be followed up with tenancy agreements to be signed by the parties) for the Properties as at 31 August 2006, are estimated as follows:

| | **Forecast Year 2007 (1 January 2007 to 31 December 2007)** | **Projection Year 2008 (1 January 2008 to 31 December 2008)** |
|---|---|---|
| Gross Rent attributable to Committed Leases (as percentage of total Gross Rent) | 89.1% | 83.3% |

The Manager has used rents payable under the Committed Leases to forecast and project the Gross Rent, which will be RMB385,760,000 (S$77,012,000) for the Forecast Year 2007 and RMB409,226,000 (S$81,696,000) for the Projection Year 2008.

Anzhen Mall is fully leased to the Beijing Hualian Group under a 20-year master lease which expires in 2025. The master lease agreement provides for an annual step-up increase in the base rent of 1.0%, plus a percentage of gross sales turnover if the turnover exceeds an agreed threshold.

Zhengzhou Mall is fully leased to the Beijing Hualian Group under a 20-year master lease which expires in 2026. Starting from the fourth year, there will be an increase of 2.0% in the base rent, followed by a progressive annual increase of 1.0% from the fifth year onwards. There is an additional potential upside through a percentage of tenants' gross sales turnover if the turnover exceeds an agreed threshold.

Jinyu Mall is fully leased to the Beijing Hualian Group under a three-year master lease which expires in 2009. Over the three-year master lease period, the Manager intends to progressively recover area from the master lessee, the Beijing Hualian Group, to be subsequently reconfigured and leased directly to specialty tenants. The annual rent from the Beijing Hualian Group would be proportionately reduced by the rental revenue contribution of the area recovered. The Manager believes that the rent which can be achieved from direct leasing of the recovered space to specialty tenants would be higher than the rent paid by the Bejing Hualian Group under a master lease arrangement. Thus, there would be upside in the Gross Rent through the recovery of the specialty area from Beijing Hualian Group. After the third year when the current lease expires, the Beijing Hualian Group would lease only the supermarket area for a further 17 years, with built-in step-up in the base rent.

For the remaining Properties which are not under master leases, the typical lease term is 15 to 20 years for anchor tenants, five to seven years for mini-anchor tenants and three years for specialty tenants. Most of the leases provide for an annual step-up in the base rent. In addition, most of the leases also contain provisions for rent to be payable at the then applicable base rent or at a percentage of gross sales turnover, whichever is the higher.

The Manager has not factored turnover rents into the Forecast Year 2007 and the Projection Year 2008 (together, the "**Forecast and Projection Years**") as most of the Properties have started operations only recently and it would be difficult to reliably estimate turnover rent figures for each tenant. As at 31 August 2006, approximately 88.9% and 63.2% out of all Committed Leases (by number and by GRA respectively) of the Properties have leases structured with turnover rents. The Manager believes that the portfolio is exposed to potential upside from turnover rents, in particular for those assets located in non top-tier cities such as Xinwu Mall, where the current level of consumer spending is low, and future growth in retail spending is expected to increase at a relatively higher rate compared to the top-tier cities such as Shanghai and Beijing.

Following the expiry of a Committed Lease during the Forecast and Projection Years, the Manager has used the following process to forecast and project the Gross Rent for the periods following such expiry:

- the Manager has assessed the market rent for each portion of GRA of each of the Properties as at 31 August 2006. The Market Rent is the rent which the Manager believes could be achieved if each lease was renegotiated as at 31 August 2006 and is estimated with reference to the rental payable pursuant to comparable leases for tenancies that have recently been negotiated, the effect of competing shopping centres, assumed tenant retention rates on lease expiry, likely market conditions, inflation levels and tenant demand levels.
- if a Committed Lease expires in the Forecast and Projection Years, the Manager has assumed that the rental rate for a new lease (or a lease renewal) which commences in the Forecast and Projection Years is the Market Rent, increased by the forecast or projected growth rate in accordance with the methodology set out in paragraph (c) below or the actual rent (if the lease agreement or letter of offer has been entered into).

### Occupancy

The Committed Occupancy as at 31 August 2006 and the average occupancy for the Forecast and Projection Years are set out in the table below.

| **Properties** | **Committed Occupancy as at 31 August 2006(1)** | **Forecast Year 2007 (1 January 2007 to 31 December 2007)** | **Projection Year 2008 (1 January 2008 to 31 December 2008)** |
|---|---|---|---|
| | **(%)** | **(%)** | **(%)** |
| Wangjing Mall | 89.9 | 95.8 | 100.0 |
| Jiulong Mall | 100.0 | 100.0 | 100.0 |
| Anzhen Mall | 100.0 | 100.0 | 100.0 |
| Qibao Mall | 65.8 | 90.5 | 100.0 |
| Zhengzhou Mall | 100.0 | 100.0 | 100.0 |
| Jinyu Mall | 100.0 | 88.9 | 100.0 |
| Xinwu Mall(2) | 66.7 | 84.9 | 100.0 |
| **Weighted Average** | **89.9** | **95.4** | **100.0** |

**Notes:**

(1) Based on Committed Leases (including letters of offers which are to be followed up with tenancy agreements to be signed by the parties) for the Properties.

(2) Based on CRCT's 51.0% ownership interest in Xinwu Mall.

In the case of Wangjing Mall, Qibao Mall and Xinwu Mall, the average committed occupancy rates as at 31 August 2006 is low as these malls are either newly completed (in the case of Wangjing Mall and Xinwu Mall) or asset enhancement works had recently been completed (in the case of Qibao Mall). Additional leases have been signed up since 31 August 2006. The committed occupancy rates as at 31 October 2006 of Xinwu Mall and Qibao Mall are 80.5% and 74.0%, respectively, increasing the portfolio weighted average occupancy rate to 91.6%.

**(b) Carpark income and other income**

Carpark income includes revenue earned from the operations of the carparks located at the Properties. Other income includes signage licence fee, casual leasing and other miscellaneous income from the Properties. It is assumed that there is carpark income only for Wangjing Mall. For Xinwu Mall and Qibao Mall, the anchor tenants are hypermarkets and it is typical for such malls with hypermarkets not to charge carpark fees. The Manager will monitor the market conditions and charge parking fees when the demand for carpark increases. For the remaining Properties which are under master leases, carpark income, if any, is received directly by the master lessees.

**(c) Market Rent growth rates**

The table summarises the Market Rent growth rates assumed for the Forecast and Projection Years for the Properties which are not under master lease, namely Wangjing Mall, Qibao Mall and Xinwu Mall. These growth assumptions reflect the Manager's assessment of the Market Rent growth rates having factored in consumer price inflation, the outlook for the Chinese economy including gross domestic product growth rates and the strong outlook for retail sales in the respective cities in China in which the Properties are located, as well as the demand level for tenancies in the Properties.

The Market Rent growth rates have been used to forecast and project the Gross Rent payable under the assumed new leases (or lease renewals) signed in the Forecast and Projection Years. The Market Rent growth rates set out below are annual figures but have been assumed to apply to the relevant Gross Rent compounded on a monthly basis.

| | **Forecast Year 2007** | **Projection Year 2008** |
|---|---|---|
| **Market Rent growth rates (excluding turnover rents)** | 6.0% | 6.0% |

**(d) Lease renewals and vacancy allowances**

For leases expiring in the Forecast and Projection Years, where the actual vacancy periods are already known pursuant to commitments to lease which are in place as at 31 August 2006, the actual vacancy periods have been used in the Forecast and Projection Years.

For the other leases expiring in the Forecast and Projection Years, it has been assumed that leases representing 50.0% of the Gross Rent derived from such leases expiring in 2006 to 2008 will be renewed and will not experience any vacancy period. It has been assumed that leases representing the remaining 50.0% of the Gross Rent derived from the other leases expiring in the Forecast and Projection Years will experience a one-month vacancy period before rent becomes payable under a new lease.

## (II) Property Operating Expenses

### (a) Land rental

This is applicable only to Qibao Mall. The property is currently under a master lease with the landlord, Jin Qiu, for a period of 20 years with the option to renew for a further 19 years up to 2043.

### (b) Property tax

The assumptions on property tax for the Properties are set out in the table below. There is no property tax payable for Qibao Mall as it is under a master lease with the landlord, as explained under "— Land rental".

| | **Basis for computation of Property Tax** |
|---|---|
| Wangjing Mall | 1.2% per annum based on 70.0% of the total acquisition cost(1) of the Property |
| Jiulong Mall | 1.2% per annum based on 70.0% of the total acquisition cost(1) of the Property |
| Anzhen Mall | 1.2% per annum based on 70.0% of the total acquisition cost(1) of the Property |
| Qibao Mall | Not applicable |
| Zhengzhou Mall | 12.0% per annum of Gross Revenue |
| Jinyu Mall | 1.2% per annum based on 90.0% of the total acquisition cost(1) of the Property |
| Xinwu Mall | 1.2% per annum based on 70.0% of the total acquisition cost(1) of the Property |

**Note:**

(1) Comprising the cost of the Property and capitalised acquisition-related expenses.

### (c) Business Tax

The assumptions for computation of Business Tax are set out in the table below.

| | **% of Gross Rent** |
|---|---|
| Wangjing Mall | 5.000% |
| Jiulong Mall | 5.000% |
| Anzhen Mall | 5.000% |
| Qibao Mall | 5.025%(1) |
| Zhengzhou Mall | 5.500%(1) |
| Jinyu Mall | 5.000% |
| Xinwu Mall | 5.000% |

**Note:**

(1) Includes local surcharges.

**(d) Property Management Fee**

The Property Management Fee is based on 2.0% per annum of Gross Revenue of the Properties plus 2.0% per annum of Net Property Income of the Properties and 0.5% per annum of Net Property Income of the Properties *in lieu* of leasing commissions otherwise payable to the Property Manager and/or third party agents.

**(e) Other Property Operating Expenses (staff costs, utilities, repair and maintenance, advertising and promotion, general and administration and insurance)**

Anzhen Mall, Zhengzhou Mall, Jinyu Mall and the majority of the GRA of Jiulong Mall are under master leases where the master lessee is responsible for the other property operating expenses such as staff costs, utilities, repair and maintenance, advertising and promotion, general and administration and insurance. Therefore, such expenses are not forecast and projected for these properties. In the case of the remaining properties excluding Wangjing Mall, the property operating expenses for the Forecast and Projection Years are expected to increase by 5.0% per annum.

The other property operating expenses are estimated based on the following assumptions which are benchmarked against the Sponsor's operating assets in China:

Staff costs — based on a typical organisation structure of about 50 personnel per property, comprising centre manager, leasing team, marketing and communications team, operations team, finance, IT and human resource personnel.

Utilities — based on typical consumption levels of comparable operating malls and average electricity, water and gas rates for each category of mechanical and electrical equipment as well as lighting equipment.

Repair and maintenance — based on typical level of routine repair and maintenance expenses of comparable operating malls.

Advertising and promotion — based on approximately 1.5% to 4.0% of Gross Revenue, benchmarked against comparable operating malls.

General and administration — based on typical level of miscellaneous administrative expenses of comparable operating malls, and comprises expenses such as statutory fees, printing and stationery, computer equipment, entertainment, provision of doubtful debts and write off of bad debts.

Insurance — based on quotations received from prospective insurers for the Properties.

**(III) Depreciation**

Depreciation expenses at the Project Companies consists of the depreciation of property, plant, equipment, including capitalised acquisition-related expenses. Properties are depreciated on a straight-line basis over the remaining term of the lease, based on 90.0% of the total acquisition costs.

**(IV) General Reserves**

Under the regulations of China, there is a requirement for WFOEs to apportion 10.0% of its net profit after tax to the general reserves account until such reserve reaches 50.0% of the company's registered capital. The Manager has assumed a 10.0% provision for general reserves for all the Project Companies.

### Barbados Company Level Assumptions

**(V) Operating Expenses at Barbados Company Level**

The annual operating expenses at the Barbados Company level comprise fees for corporate secretariat services, annual tax returns filing services, accounting and auditing services. The Manager has assumed no growth in the annual operating expenses at the Barbados company level for the Forecast and Projection Years.

### Trust Level Assumptions

**(VI) Manager's Management Fees**

The Manager's Base Fee is 0.25% per annum of the value of the Deposited Property. In addition, there is a Manager's Performance Fee of 4.0% per annum of the Net Property Income of CRCT. Both components are payable quarterly in accordance with the Trust Deed.

It is assumed that the Base Fee will be paid in cash and the Performance Fee will be paid in the form of Units although the Manager may elect to receive the Performance Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine). The issue price of the Units will be determined based on the 10-Day Volume Weighted Average Price. The Manager has assumed the 10-Day Volume Weighted Average Traded Price to be S$1.13 for the Forecast and the Projection Years for the purpose of computing the number of Units for the Performance Fee.

**(VII) Trustee's Fee**

The Trustee's fee is up to 0.03% per annum of the value of the Deposited Property, subject to a minimum amount of S$15,000 per month, and is accrued daily and paid monthly. It is calculated based on the forecast and projected Deposited Property at the end of each month in accordance with the Trust Deed.

**(VIII) Capital Structure**

The capital structure of CRCT comprises a combination of Unitholders' equity and external borrowings (financing at both the Project Company and trust levels).

CRCT has in place the following debt facilities:

- the US$105.0 million two-year Trust Term Loan Facility; and
- the RMB350.0 million five-year secured Anzhen Term Loan Facility.

The Anzhen Term Loan Facility has been fully drawn down and the Trust Term Loan Facility is expected to be partially drawn down up to an amount of US$90.0 million, resulting in an aggregate leverage level of 30.0% as at the Listing Date.

The Trust Term Loan Facility is taken at the trust level by the Trustee and is repayable in full at maturity. However, CRCT has the option to make prepayments.

The Trust Term Loan Facility bears a floating interest rate of 0.50% per annum above the USD LIBOR.

The Manager intends to put in place a CMBS structure either in China or offshore before the maturity of the Trust Term Loan Facility in order to optimise the capital structure and cost of capital, with a possible prepayment of the Trust Term Loan Facility and replacement with the CMBS structure.

The Anzhen Term Loan Facility is taken at the Project Company level by CapitaRetail Anzhen and is secured by a mortgage over the Property. The Anzhen Term Loan Facility is repayable in full at maturity on 30 June 2011. However, CapitaRetail Anzhen has the option to make prepayments without incurring prepayment fees.

The Anzhen Term Loan Facility bears an interest corresponding to 90.0% of the People's Bank of China base lending rate and reprices on a semi-annual basis.

### (IX) Interest on External Loans

The Manager has assumed the following interest rates for the Forecast and Projection Years:

- Trust Term Loan Facility — 4.50% per annum
- Anzhen Term Loan Facility — 6.00% per annum

The assumed weighted average effective interest rate for the Forecast and Projection Years is 4.99% per annum which is inclusive of all margins, amortisation of debt arrangement fee, charges and upfront fees to be incurred in relation to the Facilities. (See "— Sensitivity Analysis" for the impact of changes in interest rates on the forecast and projected distribution yield.)

### (X) Repayment of Shareholder's Loan

Based on China accounting standards, depreciation of real estate is a mandatory expense at the Project Company level when determining the net profits from operations of a Project Company that would be available for payment as dividends. Although this acts to reduce China corporate income tax, it effectively traps cash in the Project Companies as depreciation is not a cash expense.

However, the Properties are treated as real properties carried at valuation under Singapore Financial Reporting Standards and hence are not depreciated. Accordingly, such depreciation of real properties is not treated as an expense item when computing the Distributable Income of CRCT. To distribute this portion, there is a need to extract the cash that is trapped in the Project Company in the form of depreciation expense. Hence, a principal repayment of shareholder's loan is made per annum and this repayment sum is equal to the lower of:

- depreciation expense for the period; and
- profit before taxes and depreciation.

(See "Structure of CRCT" and "Distributions".)

### (XI) Interest on Shareholder's Loan

It is assumed that the interest rates on the shareholder's loans extended by the Trustee to the Barbados Companies and by the Barbados Companies to the Project Companies will be 6.26% and 7.50% per annum respectively. The lower interest rate at the Barbados Company level reflects the withholding and business taxes payable at the Project Company level in respect of the interest on the shareholder's loan.

**(XII) Other Expenses**

Other expenses of CRCT include recurring operating expenses such as annual listing fees, valuation fees, legal fees, registry and depository charges, accounting, audit and tax adviser's fees, postage, printing and stationery costs, costs associated with the preparation of annual reports, investor communications costs and other miscellaneous expenses.

**(XIII) Currency and Interest Rate Exposure**

The Manager intends to enter into a two-year non-deliverable RMB cross-currency interest rate swap to hedge the currency and interest rate exposure for the notional amount of the Trust Term Loan Facility (which is in US dollars). For the equity portion, there is a general market expectation that the RMB will appreciate against the Singapore dollar and the US dollar. Hence, the Manager has taken a view not to hedge the currency exposure relating to the equity portion. However, the Manager will monitor the market conditions and enter into a hedging position if and when deemed appropriate.

**(XIV) Capital Expenditure**

An allowance for expected capital expenditure on the Properties has been included for the Forecast and Projection Years. It has been assumed that capital expenditure will be funded from bank borrowings for the Forecast and Projection Years. Capital expenditure incurred is capitalised as part of the Deposited Property and has no impact on distribution other than incurring additional interest expense on the bank borrowings, the Manager's Base Fee and Trustee's fee.

| | **Forecast Year 2007 (1 January 2007 to 31 December 2007)** | **Projection Year 2008 (1 January 2008 to 31 December 2008)** |
|---|---|---|
| **Capital Expenditure** | RMB43.0 million | RMB35.0 million |

**(XV) Investment Properties**

For the financial year ending 31 December 2007 and the financial year ending 31 December 2008, the Manager has made a hypothetical assumption that the value of the Properties is S$688,945,035 (the "**Property Values**"). It has been assumed that the Property Values of the Properties will only increase by the amount of forecast and projected capital expenditure described in paragraph (XIV) above for the Forecast and the Projection Years. The assumption is applied when estimating the Property Value and the value of the Deposited Property for the purposes of forecasting and projecting the Base Fee component of the Manager's management fees and the Trustee's fee, respectively.

**(XVI) Taxes**

The following taxes have been factored into the Forecast and Projection:

- China deed tax
- China corporate income tax
- China business tax
- China property tax
- China stamp duty
- China withholding tax on offshore interest payment
- Barbados corporate income tax

(See "Taxation".)

### (XVII) Accounting Standards and Policies

The Manager has assumed that there will be no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the Forecast or Projection.

Significant accounting policies adopted by the Manager in the preparation of the Forecast and Projection is set out in Appendix B, "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date".

### (XVIII) Other Assumptions

The following additional assumptions have been made in preparing the Forecast and Projection:

- There will be no material changes in taxation legislation or other applicable legislation.
- The tax exemption and tax ruling remain valid.
- All leases are enforceable and will be performed in accordance with their terms.
- The legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing. (See "Risk Factors — CRCT may exercise its right under a put option and sell CRCI Barbados to CRTL".)
- The strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong. (See "Risk Factors — CRCT may exercise its right under a put option and sell CapitaRetail Jiulong to CRTL".)
- The payment of the rental for Zhengzhou Mall commences on 1 December 2006, as agreed with the Beijing Hualian Group.
- The property portfolio remains unchanged throughout the Forecast and Projection Years.
- 100.0% of the Distributable Income will be distributed.
- There will be no change in the fair value of all financial instruments throughout the Forecast and Projection Years.
- There will be no asset enhancements throughout the Forecast and Projection Years in relation to the Asset Enhancement Arrangement between CapitaRetail Jiulong and Beijing Jia Li (see "Business and Properties — Jiulong Mall").

### *Sensitivity Analysis*

The forecast and projected distributions included in this Prospectus are based on a number of key assumptions that have been outlined earlier in this section.

Unitholders should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast or projected in this Prospectus are to be expected. To assist Unitholders in assessing the impact of these assumptions on the Forecast and Projection, a series of tables demonstrating the sensitivity of the distribution per Unit to changes in the key assumptions are set out below.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movements in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

***Market Rent Growth Rates***

Changes in market rental's growth rates for the leases not committed as at 31 August 2006 impact the Net Property Income of CRCT. The Market Rent base case rental growth rate adopted are set out earlier in this section. The impact of variations in the growth rates on distribution per Unit is set out below.

| | Distribution per Unit | |
|---|---|---|
| **Market Rent growth rates** | **Forecast Year 2007 (cents)** | **Projection Year 2008 (cents)** |
| 4.0% | 6.13 | 6.52 |
| **Base Case (6.0%)** | 6.13 | 6.53 |
| 8.0% | 6.13 | 6.54 |

***Vacancy Allowance for Retail Leases***

Changes in vacancy allowances assessed by the Manager impact the Gross Rent of CRCT. The base case vacancy allowance assumptions are set out earlier in this section. The impact of variations in the vacancy allowance on distribution per Unit is set out below.

| | Distribution per Unit | |
|---|---|---|
| **Vacancy Allowance** | **Forecast Year 2007 (cents)** | **Projection Year 2008 (cents)** |
| 75.0% of expiring leases incur one month vacancy period | 6.12 | 6.51 |
| **Base Case**(1) | 6.13 | 6.53 |
| 25.0% of expiring leases incur one month vacancy period | 6.13 | 6.54 |

**Note:**

(1) Assumes 50.0% of expiring leases incur one-month vacancy period.

The above sensitivity analysis on the Market Rent growth rate and vacancy allowance for retail leases do not result in any meaningful variance in the distribution per Unit over the Forecast and Projection Years. The lack of DPU sensitivity is attributed to the fact that for a significant portion of the Properties, Gross Rent is supported by long-term master leases and other long-term leases which provide for rental income stability and which are expected to expire beyond the Forecast and Projection Years.

### *Property Operating Expenses*

Changes in property operating expenses impact the Net Property Income of CRCT. The base case property operating expenses assumed in the Forecast and Projection are set out earlier in this section. The impact of variations in property operating expenses on distribution per Unit is set out below.

| | Distribution per Unit | |
|---|---|---|
| **Property Operating Expenses** | **Forecast Year 2007 (cents)** | **Projection Year 2008 (cents)** |
| 2.5% above estimate[(1)] | 6.09 | 6.50 |
| **Base case**[(2)] | 6.13 | 6.53 |
| 2.5% below estimate[(3)] | 6.17 | 6.55 |

**Notes:**

(1) Implies an increase of 2.5% in Property Operating Expenses.

(2) Assumes Property Operating Expenses as described in paragraph (II) Property Operating Expenses.

(3) Implies a decrease of 2.5% in Property Operating Expenses.

### *Interest Rate on External Loans*

Changes in interest rate of the external loans impact the interest expenses, and therefore the distributable income of CRCT. The base case interest rates assumed in the Forecast and Projection are set out earlier in this section. The impact of variations in interest rates on distribution per Unit is set out below.

| | Distribution per Unit | |
|---|---|---|
| **Interest Rate on External Loan** | **Forecast Year 2007 (cents)** | **Projection Year 2008 (cents)** |
| 50 bps below the Base Case | 6.32 | 6.74 |
| **Base Case**[(1)] | 6.13 | 6.53 |
| 50 bps above the Base Case | 5.93 | 6.32 |

**Note:**

(1) Assumes interest rate of 4.5% per annum on the Trust Term Loan Facility and 6.00% per annum on the Anzhen Term Loan Facility.

## KEY INVESTMENT HIGHLIGHTS

**CRCT is the first pure-play China Retail REIT offering in Singapore**

- ***CRCT is the first pure-play China REIT in Singapore***

  CRCT will benefit from its first mover advantage of being the first REIT in Singapore with purely China assets and also as the first REIT in Asia with purely China-based retail assets. Being the first, CRCT would cater to the strong demand for a quality China-based investment product with the backing of a respected sponsor, such as CapitaLand Limited.

- ***Quality retail properties in China anchored by major international and domestic retailers***

  The Properties benefit from the well-established brand names of their anchor tenants and their market leadership in their respective trade sectors. A significant portion of the Properties' tenancies consists of major international and domestic retailers such as Wal-Mart, Carrefour and the Beijing Hualian Group under master leases or long-term leases. Wal-Mart is the world's largest retailer by sales with over US$315.0 billion in annual sales for the financial year ended 31 January 2006 and 6,000 stores under operations across 15 countries. Carrefour is the largest retailer in Europe and the second largest retailer worldwide by sales with over US$94.0 billion in annual sales in 2005 and 7,000 stores under operations internationally. The Beijing Hualian Group is the sixth largest retailer in China by sales with annual sales of over US$2.6 billion and 74 stores under operations in China in 2005. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

  The Properties have a large combined tenant base of 253 tenants (as at 31 August 2006). In addition to the tenants mentioned above, other tenants in the Properties include companies such as B&Q, Sport 100, Sizzler, Pizza Hut, KFC and Watson's. These tenants represent a wide variety of consumer trade sectors and provide trade and product diversification for the Properties.

- ***"One-stop-shop" retail malls with locations in large population catchment areas and accessibility to a broad range of consumer target markets***

  The CRCT portfolio consists of quality retail properties which are strategically located in each of their respective districts. The Properties are in localities with large and growing population catchment which range from 281,000 to 698,000 people in size.

  The Properties offer a "one-stop-shop" retail mall experience encompassing a wide array of goods and services including family-oriented shopping, dining and entertainment options. The Properties are often the only or are among the few retail malls offering one-stop shopping in their respective trade areas, thus drawing high volumes of shoppers to the Properties.

  (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

- ***Significant asset enhancement opportunities***

  The Manager has identified significant asset enhancement opportunities through reconfiguration of retail units, improvement of tenancy mix, conversion of ancillary areas into productive retail space and other proactive asset management measures. Specifically, three of the Properties, namely, Jiulong Mall, Zhengzhou Mall and Jinyu Mall, have been identified by the Manager as candidates for asset enhancement initiatives designed to increase the rental cash flow of the Properties. (See "Business and Properties — Competitive Strengths — Potential for asset enhancement in the future and "Business and Properties — Asset Enhancement Initiatives".)

**Exposure to the rapidly growing retail market in China**

- ***China is one of the fastest growing economies in the world resulting in a burgeoning middle class in China with increasing disposable income and appetite for retail consumption***

  China is the most populous country in the world, with almost 1.3 billion people in 2005 and is an emerging global economic power. When measured in US$ exchange rate terms, the economy of China is the world's fourth largest in 2005 at approximately US$1.8 trillion. More importantly, the economy of China is the second largest in the world when measured by purchasing power parity, with an adjusted GDP exceeding US$9.4 trillion in 2005. Between 1996 and 2004, the economy of China achieved strong growth of 8.3% per annum for private consumption expenditure (also known as household consumption expenditure) of which retail spending is a significant component.

  The economic growth has translated to a strong growth in real incomes which have grown at an average rate of 12.8% per annum since 1998. This, in turn, has given rise to a burgeoning middle class, with an estimated population of between 130 million and 250 million people, with increasing disposable income and appetite for retail consumption.

  (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

- ***China is experiencing a retail boom and retail sales are forecast to grow aggressively***

  China is currently in the midst of a retail boom, with increases in consumer buying power in recent years driving double-digit retail sales growth. This is driven in part by the deregulation of the retail market, which has allowed foreign retailers to enter the market. There are currently over 1,000 foreign retailers in China compared with just 314 two years ago.

  The Manager believes that China will continue to attract high levels of foreign investment with the continuing arrivals of foreign retailers which has been instrumental in facilitating the rapid expansion of the market. Accordingly, the CRCT platform provides investors with an opportunity to gain exposure to China's rapidly developing retail property market and participate in its long-term growth potential.

  Retail sales in China are forecast to grow in nominal terms at an average rate of 10.0% per annum from RMB4.2 trillion in 2005 to RMB7.4 trillion in 2011, and has spurred the recent expansion of the world's leading retailers, such as Wal-Mart and Carrefour, across various cities in China.

  The retail industry in China is further supported by general macroeconomic developments such as the continuing transformation of regional and local economies, rising employment, and continuing influx of foreign direct investments. Urbanisation is also a driving factor in the growth of retail demand. In 2004, it is estimated that 543 million people or 41.8% of the PRC population are resident in urban areas. Over the next seven years, it is expected that the urban population will increase by 20 million per annum to reach 683 million or 50.7% of the PRC population by 2011. The rise of an urban consumer class is usually accompanied by an increase in per capita disposable income and an improvement in the overall standard of living. The Manager believes that these factors, when combined with the growing presence of large global retailers in China and the development of the domestic retail market support a trend towards greater consumer spending and acceleration of retail sales volume across urban centres in China. The market expansion of large retailers, such as Wal-Mart, Beijing Hualian Group and Carrefour, is expected to fuel competition for existing and new retail space.

  (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

**Strong acquisition growth potential supported by secured and proprietary pipeline**

- ***CRCT has been granted Rights of First Refusal over properties from the Development and Incubator Funds***

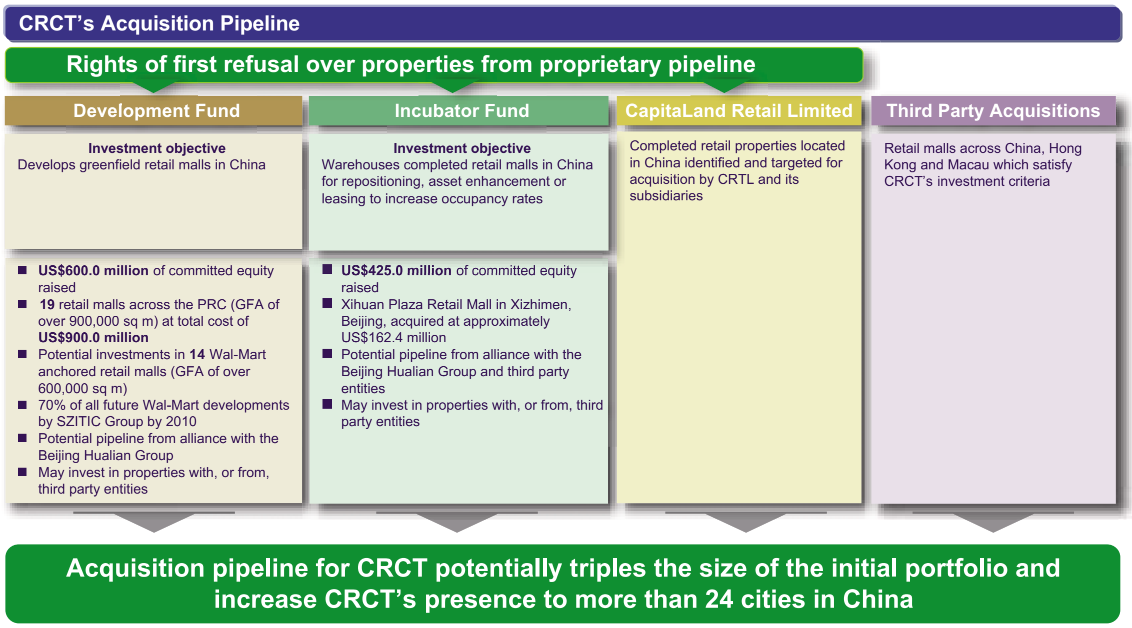
  CRCT will be provided with long-term growth support *via* the two private funds established by the Sponsor, the Development Fund and the Incubator Fund, which provide acquisition pipeline to potentially triple CRCT's initial portfolio of the seven Properties and increase CRCT's presence to more than 24 cities in China. (See "CRCT's Acquisition Pipeline" and "Map of CRCT's Acquisition Pipeline".)

  The Development Fund and the Incubator Fund have granted rights of first refusal to CRCT over the properties that they are proposing to sell (see "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Rights of First Refusal").

- ***CRTL's Right of First Refusal***

  In addition, CRTL has also granted, first to CRCT and then to the Incubator Fund, a right of first refusal over future completed retail properties located in China which are identified and targeted for acquisition by CRTL or its subsidiaries. (See "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Rights of First Refusal".)

  The table below illustrates CRCT's acquisition pipeline through the Rights of First Refusal from the Development Fund, the Incubator Fund and CRTL.




  The Manager believes that the rights of first refusal granted to CRCT by the Development Fund, the Incubator Fund and CRTL will greatly enhance CRCT's long-term growth potential given the size and quality of the pipeline.

- ***The Development Fund***

  The Development Fund has the financial strength, retail development and management expertise to acquire land in China for development into successful retail malls which can be offered to CRCT for acquisition. The Development Fund was formed on 6 June 2006, with a total committed equity capital from its investors of US$600.0 million, which would allow a maximum total asset size of approximately US$1.5 billion.

The Sponsor has secured for investment by the Development Fund, a pipeline consisting primarily of retail mall developments, to be anchored by Wal-Mart when completed, and which are jointly held by the Sponsor and SZITIC, a Chinese state-owned trust and investment firm or its subsidiary or associate. The Development Fund may also invest in projects owned by the Sponsor or jointly invest in projects with third party entities.

Pursuant to its joint venture with SZITIC, the Sponsor already jointly owns, thereby securing for investment by the Development Fund, a portfolio of 19 retail mall developments across China with an estimated total GFA of over 900,000 sq m of aggregate GFA and an aggregate value of approximately US$900.0 million. The portfolio includes the Wal-Mart Asia headquarters development in Shenzhen, which comprises retail and office space. The Wal-Mart Asia headquarters houses Sam's Club, a Wal-Mart warehousing shopping concept which caters to more affluent and higher-spending consumers, like the middle-to upper-middle-class households. More than half of the 19 retail malls will commence operations by the end of 2006.

Under the joint venture with SZITIC, the Sponsor also has the right to invest in an additional 14 Wal-Mart anchored retail malls located in China, covering approximately 600,000 sq m of GFA, and up to 70.0% of future Wal-Mart projects located in China to be developed by the SZITIC Group by the end of 2010.

- ***The Incubator Fund***

  The Incubator Fund invests in retail malls in China with good long-term potential to generate quality income after repositioning, asset enhancement initiatives or leasing activities to increase occupancy rates. The Incubator Fund will be able to offer these malls to CRCT for acquisition when they meet CRCT's investment criteria and targeted returns upon completion of such repositioning, asset enhancement initiatives or leasing activities.

  The Incubator Fund was formed on 6 June 2006 and has a total committed equity capital of US$425.0 million from its investors, which allows a maximum total asset size of approximately US$1.1 billion.

  Pursuant to the Sponsor's strategic alliance with the Beijing Hualian Group, the Incubator Fund may invest in a potential pipeline of retail malls to be anchored by the Beijing Hualian Group. The pipeline includes the prime Xihuan Plaza Retail Mall in Xizhimen, Beijing which was acquired at approximately US$162.4 million. Phase one of the mall, which measures over 72,500 sq m, is expected to commence operations by the second quarter of 2007.

  The Incubator Fund may also explore acquisition opportunities with third party entities.

**CRCT's Sponsor is CapitaLand Limited, a well-established real estate player with a proven track record of managing real estate across Asia**

- ***Global presence and established track record of the CapitaLand Group***

  The Sponsor, CapitaLand Limited, is one of the largest listed real estate companies in Asia, with extensive operational experience in property development, property fund management and investments and real estate financial services. The multinational company's core businesses in property, hospitality and real estate financial services are focused in gateway cities in Asia Pacific, Europe and the Middle East. The Sponsor's property and hospitality portfolio spans more than 70 cities in nearly 18 countries, with total assets exceeding S$18.7 billion as at 30 June 2006. The listed subsidiaries and associates of CapitaLand Limited include The Ascott Group, CMT, CCT and ART (which are listed in Singapore) and AustraLand Property Group (which is listed in both Singapore and Australia).

For the period ended 30 June 2006, the CapitaLand Group reported profit after tax and minority interests of S$288.7 million, a 35.2% increase compared to S$213.6 million in the period ended 30 June 2005.

(See "The Sponsor")

- ***Established three pioneering REITs listing in Singapore***

  The Sponsor has extensive experience in creating, managing and investing in property funds and real estate financial products. It identifies attractive assets for injection into new property funds to meet the risk-return profiles of local and international investors.

  It has leveraged on opportunities within the asset base of the CapitaLand Group in the origination of, and investment in, several pioneering REITs listed in Singapore and property funds, including CMT, CCT, ART, CapitaLand China Development Fund Pte. Ltd., CapitaLand China Residential Fund Ltd., CapitaRetail Japan Fund Private Limited, Arc-CapitaLand Residences Japan Private Limited, CapitaRetail Singapore Limited, the Development Fund and the Incubator Fund. The Sponsor also acts as the strategic partner to The Link Management Limited and holds an approximate 4.0% stake in The Link REIT (see "The Sponsor").

- ***Significant presence as a real estate developer in China and supported by local professionals***

  The CapitaLand Group has established a significant presence as a real estate developer in China with more than 12 years of operations. The Sponsor is supported by a staff strength of approximately 1,800 staff located in China (as at 31 August 2006), comprising predominantly local professionals. Its multi-local strategy, which is aimed at delivering world-class competencies with deep understanding of the China real estate market, has enabled the Sponsor to enhance and grow its presence in the China real estate market over the past 12 years. Through its indirect wholly-owned subsidiary, CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"), the Sponsor has established its reputation and track record as a leading developer of premium homes and commercial properties in China, being in China since 1994. Its property portfolio spans more than 30 cities with a total project expenditure of over RMB30 billion. As at mid-2006, CapitaLand China has sold over 6,000 residential units, with more than 35,000 units in the pipeline. The residential developments include Oasis Riviera and Parc Tresor in Shanghai, La Foret in Beijing, Jinshazhou project in Guangzhou, Jiangbei project in Ningbo and Gongshu project in Hangzhou. CapitaLand China has completed approximately 270,000 sq m of commercial and integrated projects, including the flagship Raffles City Shanghai. There is currently approximately 390,000 sq m of commercial space in the pipeline, including Raffles City Beijing and Capital Tower Beijing.

  The Manager believes that CRCT can leverage on the Sponsor's established track record, global presence, financial strength and scale of operations, expertise in integrated shopping centres, operations, overseas reach and network of relationships in the China retail sector, to grow in the following ways:

  - the Sponsor has an established track record in creating, managing and investing in property funds and real estate financial products, and will be able to contribute to the growth of CRCT; and
  - the Manager can also leverage on the Sponsor's business presence in China, as well as its established network of relationships with retailers and China developers to expand CRCT's portfolio in China in the longer term.

  The multi-sourced portfolio comprising the Properties, which includes greenfield developments, acquisitions from third party and retail operators who are the strategic partners of the Sponsor and a master-leased asset from the landowner, also demonstrates the capability of the Sponsor's comprehensive retail business platform which provides access to the full spectrum of retail opportunities in various tiered cities across China.

**Unique integrated retail and capital management platform with extensive knowledge of the China retail mall sector and the Properties under management**

- The Manager has access to an integrated retail and capital management platform which combines the Sponsor's retail capabilities and strategic partnerships with local partners and CRCT's management capabilities to optimise and enhance properties under management, as well as to source, execute and integrate real estate acquisitions. The team has demonstrated its capabilities to acquire land, develop projects and manage retail malls in the first-, second- and third-tier cities in China.
- The Sponsor's integrated retail and capital management platform includes the whole spectrum of services ranging across the various lifecycle stages of asset management as highlighted below.


- The Sponsor's integrated retail and capital management platform is supported by a total staff strength of about 1,025 (as at 31 August 2006) in both Singapore and China, out of which there is a predominantly local management team of 680 dedicated and experienced real estate professionals (as at 31 August 2006) with a track record of successfully sourcing, executing and integrating real estate acquisitions as well as capital management in China.
- The Manager believes that the Unitholders will benefit from the experience of key staff members of the Manager and the Property Managers in the fields of asset management and property management in the retail property industry.
- The Manager will leverage on the extensive experience and contacts of its executive officers in China to source, originate and structure deals. The Manager also believes that the Unitholders will benefit from the experience of the executive officers of the Property Managers, who were involved in the management of the Properties prior to their acquisitions by CRCT and are very familiar with the Properties.

(See "The Manager and Corporate Governance".)

- The Manager possesses established and disciplined retail management skills to optimise the revenue from the portfolio and undertake asset enhancements where appropriate.

**CRCT aims to provide stable and growing distributions**

- ***Stable rent structure with potential upside***

  Three of the Properties (Anzhen Mall, Zhengzhou Mall and Jinyu Mall) and the majority of the GRA of a fourth Property (Jiulong Mall) are let out under master leases. The master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall are long-term with a tenure of 20 years, which help to ensure stable cash flows. The long-term master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall also contain provisions for upside in rental revenues through step-ups in the base rent, with the master leases over Anzhen Mall and Zhengzhou Mall providing for an additional potential upside through a percentage of tenants' gross sales turnover if the turnover exceeds an agreed threshold.

  For the remaining Properties which are not under master leases, the typical lease term is 15 to 20 years for anchor tenants, five to seven years for mini-anchor tenants and three years for specialty tenants. Most of the leases provide for an annual step-up in the base rent. In addition, most of the leases also contain provisions for rent to be payable at the then applicable base rent or at a percentage of gross sales turnover, whichever is the higher. These lease structures help to provide stability and potential upside in rental revenues for CRCT.

- ***Majority of Gross Rent in the Forecast Year 2007 and Projection Year 2008 are attributable to key anchor tenants***

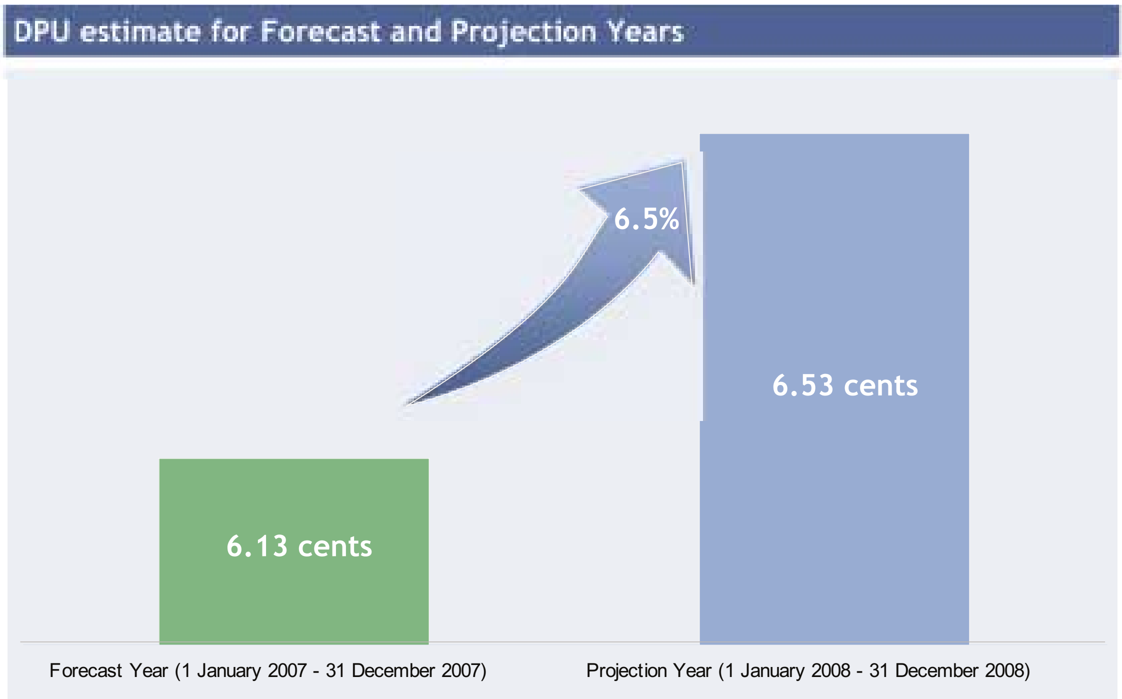
  54.2% and 52.3% of the Gross Rent in the Forecast Year 2007 (commencing from 1 January 2007 to 31 December 2007) and the Projection Year 2008 (commencing from 1 January 2008 to 31 December 2008), respectively, are attributable to key anchor tenants, such as Wal-Mart, Carrefour and the Beijing Hualian Group which are among the leading retailers in China, and which have long-term leases of 15 to 20 years at the Properties.

- ***High distribution payout ratio***

  CRCT commits to distribute at least 90.0% of Distributable Income in each financial year. The actual distribution to the Unitholders may be greater than 90.0% of Distributable Income considering the growth profile of CRCT and to the extent that the Manager believes it to be appropriate. For the Forecast Year 2007 and the Projection Year 2008, CRCT will, to the extent possible, distribute such level of Distributable Income in excess of 90.0% in order to meet the Manager's forecast and projection set out in the "Profit Forecast and Profit Projection" section of the Prospectus.

  Distributions will be paid on a semi-annual basis for the six-month periods ending 30 June and 31 December of each year. However, CRCT's first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2007 and will be paid by the Manager on or before 30 September 2007. Subsequent distributions will take place on a semi-annual basis (see "Distributions").

  The Manager has forecast the DPU to increase approximately 6.5%, from approximately 6.13 cents per Unit in respect of the Forecast Year 2007 to approximately 6.53 cents per Unit in respect of the Projection Year 2008.




- ***Tax efficiency optimises distributions***

  CRCT's holding structure seeks to optimise tax efficiency and hence, cash flow distributions from the Properties to Unitholders (see "Taxation" and Appendix E, "Independent Taxation Report").

**As a substantial unitholder, the Sponsor's interests are substantially aligned with those of the Unitholders**

- Upon completion of the Offering, the Sponsor will, through its wholly-owned subsidiary, Retail Crown Pte. Ltd. hold 95,130,513 Units, which will be 20.0% of the Units in issue (assuming that the Over-allotment Option is exercised in full). Together with the 95,100,000 Units which are held by its associate, CMT, this is equivalent to an aggregate interest of 40.0% of the outstanding Units see "Information Concerning the Units"). To demonstrate the Sponsor's commitment to CRCT, the Sponsor has agreed to (a) a lock-up arrangement during the First Lock-up Period in respect of all of the Lock-up Units and (b) a lock-up arrangement during the Second Lock-up Period in respect of 50.0% of the Lock-up Units, subject to certain exceptions. (See "Plan of Distribution — Lock-up Arrangements"). Although the Sponsor, will (through the Relevant Entities) be at liberty to sell or dispose of 50.0% of the Lock-up Units after the First Lock-up Period and all of the Lock-up Units after the Second Lock-up Period, it is the intention that the Sponsor remains committed to the continued growth and success of CRCT and be a long-term investor in CRCT by holding a substantial interest in CRCT for the long term.

  With the Sponsor's interest in CRCT and the fact that the Manager is a wholly-owned subsidiary of the Sponsor, there will be a substantial alignment of interest for the Sponsor to support the growth of CRCT.

**Management fee structure to incentivise and align interests of the Manager with those of the Unitholders**

- The management fees payable to the Manager have a performance-based element which is designed to align the interests of the Manager with those of the Unitholders, and incentivise the Manager to grow revenues and minimise operating costs. Under the Trust Deed, the Manager is entitled to receive a Base Fee of 0.25% per annum of the value of CRCT's Deposited Property (excluding investments in the nature of real estate held directly by CRCT or indirectly through one or more Special Purpose Vehicles), a Performance Fee of 4.00% per annum of the Net Property Income in the relevant financial year (calculated before accounting for this additional fee in that financial year) and an Authorised Investment Management Fee of 0.5% of the value of Authorised Investments which are not real estate either held directly or indirectly (unless such Authorised Investment, which is not real estate, is an interest in a property fund (either a real estate investment trust or private property fund) wholly managed by a wholly-owned subsidiary of the Sponsor for which no Authorised Investment Management Fee will be payable).

  Any increase in the rate above the permitted limit or any change in the structure of these fees must be approved by a resolution proposed and passed by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution (an **"Extraordinary Resolution"**) at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

  (See "The Manager and Corporate Governance — Manager's Fees".)

**Tax Exemptions in Singapore**

- CRCT will receive part of its Distributable Income in the form of dividends and interest from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. These two forms of income will be exempt from Singapore income tax under Section 13(12) of the Income Tax Act. Distributions made by CRCT out of such tax-exempt income are exempt from tax in the hands of all Unitholders. No tax will be deducted at source from this component of the distribution.

CRCT will receive the other part of its Distributable Income in the form of principal repayment of its shareholder's loans by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. This other part of the Distributable Income represents the cash trapped by depreciation at the Project Companies level arising from the mandatory China accounting requirement to provide for depreciation on real properties. As the cash trapped cannot be repatriated in the form of dividends, the Project Companies will use the cash to repay their shareholder's loans owing to CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. These three Barbados Companies will in turn use the cash received to repay their shareholder's loans owing to CRCT.

Distributions made out of this part of CRCT's Distributable Income that is received in the form of the principal repayment of its shareholder's loans by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will be treated as a return of capital for Singapore income tax purposes and will not be taxed in the hands of Unitholders. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of this portion of the distribution will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain when the Units are disposed of. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

(See "Taxation" and Appendix E, "Independent Taxation Report".)

# STRATEGY

The Manager's principal investment strategy is to invest in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau. CRCT currently owns and invests in a portfolio of Properties located in five various cities of China and, should suitable opportunities arise, the Manager intends to grow the portfolio to include other geographic markets where CRCT does not presently operate.

In accordance with the requirements of the Listing Manual, the Manager's investment strategy for CRCT will be adhered to for at least three years following the Listing Date, unless otherwise agreed by Unitholders by Extraordinary Resolution in a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. After the expiry of the three-year period, the Manager may from time to time change the principal investment strategy of CRCT so long as the Manager has given not less than 30 days' prior notice of the change to the Trustee and the Unitholders by way of an announcement *via* SGXNET.

The Manager intends to hold the properties for long-term investment purposes and will place strong emphasis on regular maintenance, periodic renovation and capital improvement, as deemed necessary to maintain the attractiveness and marketability of the Properties.

The Manager's key financial objective is to provide Unitholders with a competitive rate of return for their investment by ensuring regular and stable distributions to Unitholders and achieving long-term growth in distributions and net asset value per Unit.

Specifically, the Manager intends to seek to increase the cash flow, current income and, consequently, the value of its existing Properties, and to seek continued growth through the following:

- **Enhancing value through proactive asset management and asset enhancement strategy**
- **Capitalising on acquisitions growth model supported by proprietary pipeline**
- **Leveraging on complementary local partnerships and local industry knowledge of experienced Chinese staff**
- **Capital Management Strategy**

### Enhancing value through proactive asset management and asset enhancement strategy

The Manager, in conjunction with the Property Managers, will seek to further enhance the portfolio's competitive strengths by optimising occupancies and GRA, and improving rental cash flow in order to increase property yields.

The Properties benefit from the asset management expertise of key executive officers of the Sponsor. The Sponsor has a long and proven track record in managing and enhancing properties. For instance, under the management of the Sponsor's indirect wholly-owned subsidiary, CMTML, CMT's annualised DPU has grown at a compounded annual growth rate of approximately 11.7% from an annualised DPU of 7.35 cents in 2002 to 10.23 cents in 2005. The growth in CMT's annualised DPU demonstrates the Sponsor's managerial ability in structuring and executing yield-accretive acquisitions, extracting value through asset enhancements and reconfigurations, as well as active leasing. The Manager will leverage on such in-house expertise to create additional value for CRCT through proactive management of the Properties with the aim of enhancing their yield potential.

- ***Active management of properties to generate organic growth:*** The Manager, working closely with the Property Managers, will undertake proactive measures to manage the Properties such as:
  - improving the existing retail offering, tenant mix and marketing activities in order to attract higher shopper traffic and achieve greater tenancy demand;
  - increasing the income from turnover rent; and
  - carrying out marketing and promotional initiatives to increase visibility of the Properties and attract shopper traffic.

- ***Increasing value of the properties through asset enhancement initiatives:*** The Manager will explore different strategies and opportunities to carry out asset enhancement activities on the Properties or other future acquisitions. The Manager has identified the following proactive asset management strategies to enhance and improve operating returns of the Properties:
  - reconfiguring certain retail units or floor plates to achieve better efficiency and higher rental potential;
  - converting certain ancillary areas into productive retail space;
  - creating new retail units and kiosks in common areas; and
  - undertaking retrofitting and refurbishments of the Properties, where necessary, to actively manage retail space and enhance overall positioning of the Properties to attract shoppers traffic and quality tenants.

  (See "Business and Properties — Competitive Strengths — Potential for the asset enhancement in the future and "Business and Properties — Asset Enhancement Initiatives".)

- ***Established and disciplined retail management skills:*** The Manager possesses established and disciplined retail management skills to optimise the revenue from the portfolio and undertake asset enhancements where appropriate.

- ***Continuing to minimise Property Expenses:*** The Manager will work closely with the Property Managers to minimise Property Expenses without compromising the quality of services. Some of the areas identified for cost management include:
  - routine maintenance checks to reduce repair related expenses; and
  - optimisation of use of mechanical and electrical equipment to reduce energy costs.

  By minimising operating expenses, the Manager aims to further increase Net Property Income, thereby resulting in growing Distributions to Unitholders.

  The Manager will leverage on the in-house expertise to create additional value for CRCT through active management of Properties with the aim of enhancing their yield potential.

**Capitalising on acquisitions growth model supported by proprietary pipeline**

The Manager will identify, evaluate and pursue yield-accretive acquisition opportunities with attractive cash flow growth and yield profile, and potential for compelling rate of return on invested capital. The Manager will appropriately identify, evaluate and pursue value-enhancing acquisitions of properties from the Development and Incubator Funds as well as CRTL and third party entities. CRCT has been granted rights of first refusal over properties from the Development and Incubator Funds established by the Sponsor. In addition, CRTL has also granted, first to CRCT and then to the Incubator Fund, a right of first refusal over future completed retail properties located in China which are identified and targeted for acquisition by CRTL or its subsidiaries. (See "Certain Agreements relating to CapitaRetail China

Trust and the Properties — Rights of First Refusal".) It will also seek to acquire additional income-producing properties used primarily for retail purposes subject to the regulations as set out in the Property Funds Guidelines and which are in line with CRCT's investment objectives to enhance yields and returns for the Unitholders while improving portfolio diversification.

In evaluating CRCT's acquisition opportunities, the Manager will focus on the following investment criteria with respect to a property or portfolio of properties under consideration:

- **Risk-adjusted thresholds for rate of return on investment and accretion to Unitholders' DPU**

  The Manager will endeavour to acquire properties with rates of return above CRCT's risk-adjusted weighted average cost of capital and which are expected to maintain or enhance CRCT's distribution yield to Unitholders.

- **Potential for value-adding opportunities through selective asset enhancement**

  The Manager will evaluate the acquisitions in terms of their potential asset enhancement opportunities to improve the operating returns of the Properties after acquisition. Such asset enhancement opportunities include:

  - improve the existing retail offering, tenant mix and marketing activities in order to attract higher shopper traffic and achieve greater tenancy demand;
  - reconfigure certain retail units or floor plates to achieve better efficiency and higher rental potential;
  - convert certain ancillary areas into productive retail space;
  - create new retail units and kiosks in common areas; and
  - undertake retrofitting and refurbishments of the properties, where necessary, to actively manage retail space and enhance overall positioning of the properties to attract shopper traffic and quality tenants.

- **Tenant mix and occupancy characteristics**

  The Manager seeks to reduce its operating and leasing risks by maintaining high portfolio occupancy rate, minimising near-term lease roll-over risks, and focusing on a large tenant base consisting primarily of market-leading domestic and multinational retailers. In keeping with that objective, the Manager will target to acquire properties with high, or potential to demonstrate strong growth in, occupancy rates, well-staggered lease expiry profile, and strong tenant base with good credit standing. The Manager will also actively manage leasing risks by ensuring sufficient diversification of trade sectors exposure across the portfolio.

- **Location**

  The Manager will assess acquisition opportunities from the perspective of both the broader market and the location-specific aspects of where the properties are situated. The Manager will evaluate a range of location-related criteria including, but not necessarily limited to, ease of access, connectivity to major transportation hubs such as major highways and roads, metro lines and other public transportation networks, visibility of premises from the surrounding catchment pools, and immediate presence and concentration of competitors offering similar retail shopping format.

- **Building and facilities specifications**

  The Manager will endeavour to conduct thorough property due diligence and adhere strictly to the relevant quality specifications, with due consideration given to the size and age of the buildings, with respect to potential properties to be acquired by CRCT. It will also ensure that the acquisition properties are in compliance with local legal and zoning regulations. The properties will be assessed by independent experts relating to repairs, maintenance and capital expenditure requirements in the short and medium-term.

The Manager intends to hold the Properties on a long-term basis. However, it is possible that a property or portfolio of properties may be sold, in whole or in part, as circumstances warrant, for example, if the Manager considers that such property or portfolio of properties no longer offer attractive growth prospects for CRCT. Under these circumstances, the Manager may consider selling the property or portfolio of properties and utilise the proceeds for alternative investments in properties that meet its investment criteria. The Manager intends to utilise its network of relationships, including that with the Sponsor's partners, its ability to identify under-performing assets and its ready access to capital to achieve favourable returns on invested capital and growth in cash flow.

**Leveraging on complementary local partnerships and local industry knowledge of experienced China staff**

CRCT will benefit from the strong relationships which the Sponsor enjoys with leading local partners, such as the Beijing Hualian Group and the SZITIC Group (with whom the Sponsor has established a joint venture for the acquisition of Wal-Mart anchored development properties located in China). The Manager will seek to cultivate and develop complementary strategic partnerships with other leading local partners in the future based on the successful model of the Sponsor's current partnerships. The Manager firmly believes that these strategic partnerships will enhance CRCT's future growth prospects.

The Manager further believes that the Sponsor's favourable relationships with key anchor tenants, such as Wal-Mart and the Beijing Hualian Group, will offer an opportunity to CRCT in sourcing future acquisition properties and prospective tenants. The Manager will endeavour to capitalise on the increasing presence of major retailers across China by continuously seeking new strategic partnerships with other leading retailers to augment its growth strategy.

In addition, the Manager has access to the Sponsor's integrated China retail and capital management platform which is supported by a predominantly local management team of about 680 professionals (as at 31 August 2006). The platform provides CRCT with a competitive advantage by allowing the Manager to capitalise on the local real estate industry knowledge, the acquisitions and management expertise of its China staff. These factors will assist the Manager in sourcing potential acquisitions, as well as managing the day-to-day operations of the Properties.

**Capital management strategy**

The Manager endeavours to employ an optimal capital structure, appropriate risk management and finance strategy with an intention to maximise the risk-adjusted returns to Unitholders.

The Manager intends to achieve the above by:

- ***Optimal capital structure strategy:*** The Manager aims to optimise the capital structure and cost of capital, within the borrowing limits set out in the Property Fund Guidelines. The Manager will endeavour to employ an optimal capital structure, comprising an appropriate mix of debt and equity in financing the acquisition of Properties and asset enhancement activities of its properties. The Manager's strategy of the management of capital involves adopting and maintaining appropriate aggregate leverage level to ensure optimal returns to Unitholders, while maintaining flexibility in respect of future capital expenditures or acquisitions.

  In addition, CRCT has in place the unsecured two-year Trust Term Loan Facility of US$105.0 million, as well as a five-year secured Anzhen Term Loan Facility of RMB350.0 million. The Trust Term Loan Facility is taken at the trust level by the Trustee while the Anzhen Term Loan Facility is taken at the Project Company level by CapitaRetail Anzhen, the Project Company which owns Anzhen Mall. The Trust Term Loan Facility is expected to be partially drawn down in an amount of US$90.0 million while the Anzhen Term Loan Facility has been fully drawn down.

  The Manager intends to have CRCT enter into a two-year non-deliverable swap for RMB in respect of the Trust Term Loan Facility (which is in US dollars) for a notional amount of RMB to be delivered.

  The Manager intends to put in place a CMBS structure either in China or offshore before the maturity of the Trust Term Loan Facility in order to optimise the capital structure and cost of capital, with a possible prepayment of the Trust Term Loan Facility and replacement with the CMBS structure.

- ***Proactive interest rate management strategy*:** The Manager endeavours to utilise interest rate hedging strategies where appropriate to optimise risk-adjusted returns to Unitholders. The Manager will adopt a proactive interest rate management policy to manage the risk associated with changes in interest rates on the loan facilities while also seeking to ensure that CRCT's ongoing cost of debt capital remains competitive.

- ***Managing exposure to foreign exchange*:** CRCT will own the Properties *via* SPVs located in China where cash flows from the properties is recognised in RMB, that are held by holding companies in Barbados where cash flows are recognised in USD before flowing through to the CRCT REIT level where cash flows are recognised in SGD. These various levels of holding expose CRCT to fluctuations in the cross currency rates of RMB, SGD and USD. The Manager currently does not intend to adopt any currency hedging due to their positive outlook on the RMB and the SGD. However, going forward based on the prevailing market conditions, the Manager intends to adopt appropriate hedging strategies to minimise any risks associated with forex thereby ensuring optimal returns to Unitholders.

**Access to China equity capital markets**

Subject to favourable equity market and regulatory conditions in China, the Manager may decide to undertake an equity raising in one or more stock market exchanges in China in the future, to broaden CRCT's access to the China equity capital markets. The Manager believes that, over time, access to the expanding China equity capital markets for the purpose of raising capital to fund acquisitions will enhance its competitive advantage and allow it to tap into more resources and enjoy cost-of-capital benefits, thereby improving the growth potential of CRCT.

## BUSINESS AND PROPERTIES

### Overview

CRCT is a Singapore-based REIT established with the objective of investing on a long term basis in a diversified portfolio of income-producing real estate used primarily for retail purposes and located primarily in China, Hong Kong and Macau.

CRCT currently owns and invests in a portfolio consisting of the Properties located in various cities of China. The Properties are strategically located within large population catchment areas and are accessible *via* major transportation routes or access points. The Properties are positioned as one-stop family-oriented shopping, dining and entertainment destinations for the sizeable population catchment areas in which they are located.

Through the ownership of SPVs, CRCT's property portfolio, as at the date of this Prospectus, comprises the following retail properties located in China:

- **100.0% interest in Wangjing Mall**(1)(2), a retail mall located in the popular Wangjing residential hub in the Chaoyang District;
- **100.0% interest in Jiulong Mall**(2)(3), a retail mall located in the Chaoyang District, in close proximity to the Beijing CBD;
- **100.0% interest in Anzhen Mall**(2), a retail mall located in the Chaoyang District;
- **100.0% interest in Qibao Mall**(2)(4), a retail mall located in the Min Hang District, which is popular amongst the expatriate community in Shanghai;
- **100.0% interest in Zhengzhou Mall**(2), a retail mall located at the heart of Zhengzhou's prime retail district — Er Qi District;
- **100.0% interest in Jinyu Mall**(2), a retail mall located in the Saihan District, near the heart of Huhehaote's main retail cluster belt; and
- **51.0% interest in Xinwu Mall**(2), a retail mall located in the heart of the Xinwu District in Wuhu.

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**Notes:**

(1) CapitaRetail Wangjing does not currently own the legal title to the Property and only has contractual rights in respect of the Property. The Trustee owns 100.0% of the equity interest of CapitaRetail Wangjing through CRCI Barbados. Xin Yi, the developer of Wangjing Mall, currently holds the land use certificate to Wangjing Mall. CapitaRetail Wangjing has entered into an agreement with Xin Yi (the developer of Wangjing Mall) and CRCI Barbados to acquire Wangjing Mall from Xin Yi. An application for the issuance of the legal title to Wangjing Mall in the name of CapitaRetail Wangjing, together with the relevant documents, will be made to the Chinese real estate administrative authorities.

(2) Refers to CRCT's ultimate interest in each of the Properties through its ownership of one or more SPVs.

(3) CapitaRetail Jiulong does not currently own the legal title to the Property but has contractual rights to the rental income in respect of the whole mall. The relevant documents for the transfer of the strata titles in respect of the basement and first levels of Jiulong Mall to CapitaRetail Jiulong have been submitted to the China real estate administrative authorities and it is expected that the transfer of the strata titles is a matter of procedure and will be effected after the Listing Date. The strata titles for the second and third levels of Jiulong Mall are currently held by Beijing Jia Li and cannot be transferred to CapitaRetail Jiulong as Beijing Jia Li is party to certain legal proceedings whereby the second and third levels of Jiulong Mall are subject to a court injunction under China laws.

(4) Qibao Mall will be held by CRCT under a master lease through CRCI Alpha Barbados, which owns CapitaRetail Dragon, which entered into the master lease with Jin Qiu, the legal owner of Qibao Mall. The master lease expires in January 2024, with the right to renew for a further term of 19 years and two months. Accordingly, the land use right is owned by Jin Qiu.

### Operations of Project Companies

Each Project Company currently employs, or is expected to employ, up to about 50 personnel to mainly provide day-to-day operational services in relation to the relevant Property, which will include:

- property management services, such as regular maintenance of mechanical and electrical equipment;
- retail management services, such as tenancy mix planning and negotiation of leases, licences and concessions, lease administration, planning and coordination of marketing and promotional programmes; and
- financial control services, such as supervision and control of all collections and receipts, payments and expenditure relating to the relevant Property.

As such personnel are mainly engaged to provide day-to-day property maintenance and retail property management services, the Manager believes that the risks of such personnel causing significant losses to the Project Companies, and hence indirectly to CRCT, are low.

In addition, the total costs of employing the personnel to provide the day-to-day operational services amount or will generally amount to less than 10.0% of the total revenue of the relevant Property held by the relevant Project Company.

### Competitive Strengths

The Manager believes that the competitive strengths of the Properties include:

- **Quality retail properties in strategic locations with large and growing population catchments**

  The initial portfolio consists of quality properties strategically located in large, well-established and growing population catchment areas with access to public transportation facilities such as mass rapid transit stations, train stations and bus stations for both local and inter-provincial transport routes. The trade areas served by the Properties are characterised by above-average income and retail spending levels and population catchments which range from 281,000 to 698,000 people in size. Future population growth in these trade areas is expected to outpace the nationwide projected growth rate of approximately 0.5% per annum.

  The Properties offer a "one-stop-shop" retail mall experience encompassing a wide array of goods and services including family-oriented shopping, dining and entertainment options. The Properties are often the only or are among the few retail malls offering one-stop shopping in their respective trade areas, thus drawing high volumes of shoppers to the Properties.

- **Geographical diversification**

  The Properties are located in various cities of China, providing exposure to the rapidly expanding retail markets of Beijing, Shanghai, Zhengzhou, Huhehaote and Wuhu. The Manager believes that the geographical diversification of the Properties reduces CRCT's dependence on any single regional market and, accordingly, enhances the stability of future earnings.

  The Manager has identified additional properties in other parts of China, in line with its investment strategy, which will further diversify CRCT's portfolio geographically. For instance, taking into consideration the pipeline properties in the Development Fund and the Incubator Fund, CRCT would have the potential to acquire additional properties and expand its reach across to more than 24 cities in China.

- **Stable and quality tenant base**

  The Properties benefit from the well-established brand names of their anchor tenants and their market leadership in their respective trade sectors. A significant portion of the Properties' tenancies consists of major international and domestic retailers such as Wal-Mart, Carrefour and the Beijing Hualian Group under master leases or long-term leases. Wal-Mart is the world's largest retailer by sales with over US$315.0 billion in annual sales for the financial year ended 31 January 2006 and 6,000 stores under operations across 15 countries. Carrefour is the largest retailer in Europe and the second largest retailer worldwide by sales with over US$94.0 billion in annual sales in 2005 and 7,000 stores under operations internationally. The Beijing Hualian Group is the sixth largest retailer in China by sales with annual sales of over US$2.6 billion and 74 stores under operations in China in 2005. (See Appendix D, "Independent Overview Report on the China Retail Property Market".)

  The Properties have a large combined tenant base of 253 tenants (as at 31 August 2006). In addition to the tenants mentioned above, other tenants in the Properties include companies such as B&Q, Sport 100, Sizzler, Pizza Hut, KFC and Watson's. These tenants represent a wide variety of consumer trade sectors and provide trade and product diversification for the Properties.

  (See "Business and Properties — Certain Information on the Properties — Tenant Profile".)

- **Favourable lease structure with upside potential**

  CRCT's favourable lease structure helps to provide Unitholders with a stable and growing rental cash flow.

  Three of the Properties (Anzhen Mall, Zhengzhou Mall and Jinyu Mall) and the majority of the GRA of a fourth Property (Jiulong Mall) are let out under master leases. The master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall are long-term with a tenure of 20 years, which help to ensure stable cash flows. The long-term master leases over Anzhen Mall, Zhengzhou Mall and Jiulong Mall also contain provisions for upside in rental revenues through step-ups in the base rent, with the master leases over Anzhen Mall and Zhengzhou Mall providing for an additional potential upside through a percentage of tenants' gross sales turnover if the turnover exceeds an agreed threshold.

  For the remaining Properties which are not under master leases, the typical lease term is 15 to 20 years for anchor tenants, five to seven years for mini-anchor tenants and three years for specialty tenants. Most of the leases have an annual step-up in the base rent. In addition, most of the leases also contain provisions for rent to be payable at the then applicable base rent or at a percentage of gross sales turnover, whichever is the higher. These lease structures help to provide stability and potential upside in rental revenues for CRCT.

  In order to ensure timeliness, accuracy and accountability in the calculation of turnover rent of the Properties, there is in place a POS System at each of Wangjing Mall, Qibao Mall and Xinwu Mall which automatically records the amount of sales achieved by the tenants.

  While percentage turnover rents provide further upside potential to the total rental revenues, the Manager has adopted a conservative approach and has not quantified the impact of percentage turnover rent in the "Profit Forecast and Profit Projection".

- **Potential for asset enhancement in the future**

  The Manager has identified various potential asset enhancements opportunities for Jiulong Mall, Zhengzhou Mall and Jinyu Mall to enhance and improve their operating returns, subject to obtaining approvals from the relevant authorities (see "Business and Properties — Asset Enhancement Initiatives").

### Certain information on the Properties

### Gross Rent

The Gross Rent contribution of the Properties as at 31 August 2006 and the forecast and projected Gross Rent contributions of the Properties are set out in the following table:

| Property | As at 31 August 2006[1] (Annualised) (RMB '000) | Forecast Year 2007 (RMB '000) | Percentage of total Gross Rent (%) | Projection Year 2008 (RMB '000) | Percentage of total Gross Rent (%) |
|---|---|---|---|---|---|
| Wangjing Mall | 106,432 | 116,040 | 30.8 | 123,692 | 31.1 |
| Jiulong Mall | 40,744 | 40,958 | 10.9 | 41,470 | 10.4 |
| Anzhen Mall | 75,000 | 76,080 | 20.2 | 76,841 | 19.3 |
| Qibao Mall | 36,921 | 62,672 | 16.7 | 70,531 | 17.7 |
| Zhengzhou Mall | 47,500 | 47,500 | 12.6 | 47,500 | 11.9 |
| Jinyu Mall | 27,000 | 23,500 | 6.2 | 27,000 | 6.8 |
| Xinwu Mall[2] | 7,091 | 9,695 | 2.6 | 11,318 | 2.8 |
| **Total[2]** | **340,688** | **376,445** | **100.0** | **398,352** | **100.0** |

**Notes:**

(1) Based on Committed Leases.

(2) Based on CRCT's 51.0% ownership interest in Xinwu Mall.

### Valuation

The value of each of the Properties as at 30 September 2006, as determined by the Independent Valuers, is set out in the following table:

| Property | Value as determined by CBRE as at 30 September 2006 | Value as determined by Knight Frank as at 30 September 2006 | Percentage of aggregate value of the Properties as determined by CBRE | Value (as determined by CBRE) per sq m[1] |
|---|---|---|---|---|
| | (RMB '000) | (RMB '000) | (%) | (RMB) |
| Wangjing Mall | 1,102,000 | 1,175,000 | 31.9 | 16,326 |
| Jiulong Mall | 414,000 | 457,000 | 12.0 | 8,359 |
| Anzhen Mall | 772,000 | 838,000 | 22.4 | 17,771 |
| Qibao Mall | 264,000 | 297,000 | 7.6 | 3,630 |
| Zhengzhou Mall | 454,000 | 540,000 | 13.2 | 4,916 |
| Jinyu Mall | 315,000 | 316,000 | 9.1 | 7,511 |
| Xinwu Mall[2] | 130,000 | 169,000 | 3.8 | 2,865 |
| **Total/Weighted Average[3]** | **3,451,000** | **3,792,000** | **100.0** | **8,359** |

**Notes:**

(1) Value per sq m computed based on GRA.

(2) Assuming CRCT owns 100.0% of Xinwu Mall.

(3) Based on GRA.

## Occupancy

The table below sets out information on the occupancy rates of the Properties as at 31 August 2006.

| Property | Occupancy Rates[1] (%) |
|---|---|
| Wangjing Mall | 89.9[3] |
| Jiulong Mall | 100.0 |
| Anzhen Mall | 100.0 |
| Qibao Mall | 65.8[3] |
| Zhengzhou Mall | 100.0 |
| Jinyu Mall | 100.0 |
| Xinwu Mall[2] | 66.7[3] |
| **Weighted average occupancy rate** | **89.9** |

**Notes:**

(1) Based on Committed Leases as at 31 August 2006.

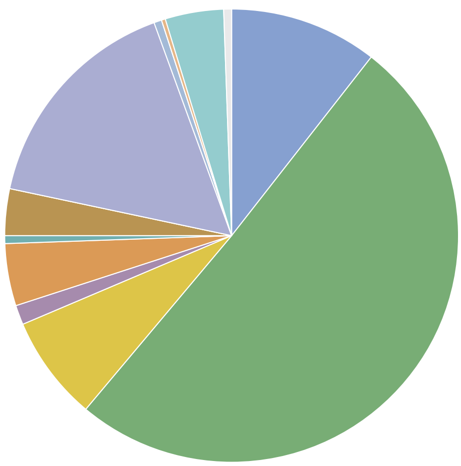
(2) Based on CRCT's 51.0% ownership interest in Xinwu Mall.

(3) The Manager believes that the average occupancy rates at these malls can be increased further with Wangjing Mall being only recently completed and Xinwu Mall having commenced operations in December 2005 while asset enhancement works have only been recently completed at Qibao Mall.

## Tenant Profile

The following chart provides a breakdown by Gross Rent (from Committed Leases) of the various trade sub-sectors represented in the Properties as at 31 August 2006:

**Portfolio trade sector analysis (By Gross Rent)**



| Trade sub sector | Contribution (%) |
|---|---|
| Department Store | 50.4 |
| Fashion | 16.2 |
| Supermarket / Hypermarket | 10.6 |
| Food & Beverage / Food Court | 7.7 |
| Sports & Fitness | 4.4 |
| Home Furnishings | 4.3 |
| Services | 3.3 |
| Leisure & Entertainment | 1.4 |
| Gifts & Specialty | 0.5 |
| Others | 0.5 |
| Electronic / IT | 0.4 |
| Toys | 0.3 |
| Education / School | 0.0 |
| Books & Stationery | 0.0 |
| Hobbies | 0.0 |

The table below sets out information on the 10 largest tenants of the Properties (in terms of Gross Rent based on Committed Leases as at 31 August 2006):

| Tenant | Trade Sub-sector | Lease Expiry | % of total Gross Rent based on Committed leases[1] as at 31 August 2006 (%) |
|---|---|---|---|
| Beijing Hualian Group | Department Store/ Supermarket | October 2009 — October 2026 | 52.1 |
| Carrefour | Hypermarket/Supermarket | January 2024 — March 2024 | 8.2 |
| B&Q | Home Furnishings | April 2024 | 3.8 |
| Sport 100 | Sports & Fitness | June 2011 — September 2011 | 2.8 |
| Wal-Mart | Hypermarket/Supermarket | January 2021 | 0.7 |
| Party Land | Leisure & Entertainment | January 2012 | 1.0 |
| Powerhouse Gym | Sports & Fitness | December 2012 | 1.0 |
| IT | Fashion | September 2010 | 0.7 |
| Esprit | Fashion | June 2007 — September 2009 | 0.7 |
| Pin Qi Pizza (品奇比萨) | Food & beverage | September 2009 | 0.7 |
| **Total** | | | **71.7%** |

**Note:**

(1) Based on CRCT's 51.0% ownership interest in Xinwu Mall.

### Expiries

As at 31 August 2006, nine of the leases occupying 64.5% of the total GRA of the Properties are long-term leases of at least 15 years.

### Lease expiry profile of CRCT's portfolio as at 31 August 2006

The following table illustrates the lease expiry profile of CRCT's portfolio by GRA as at 31 August 2006:

| Period | Total number of leases expiring[1] | GRA of leases expiring[1] (sq m) | Expiring leases as a percentage of GRA[1] (%) |
|---|---|---|---|
| FY2006 | 12 | 255 | 0.1 |
| FY2007 | 32 | 1,639 | 0.4 |
| FY2008 | 79 | 7,468 | 1.9 |
| Beyond FY2008 | 130 | 341,852 | 87.5 |
| Vacant | N.A. | 39,418 | 10.1 |
| **Total** | **253** | **390,632** | **100.0** |

**Note:**

(1) Based on CRCT's 51.0% ownership interest in Xinwu Mall.

### Marketing and Leasing Activities

The Properties will be actively marketed by the Property Managers to prospective tenants in desired target groups through advertisements in the print media, direct calls and liaising with property consultants. The consultants and prospective tenants are also regularly updated with the information on the available units for rental at each of the malls. The Property Managers will also undertake property tours of the premises with prospective tenants on a regular basis to market the vacant units.

The Manager will also explore opportunities for joint marketing efforts with the original vendors of the Properties by drawing upon their established network in China, as well as exploring mutually beneficial opportunities and initiatives.

The Manager believes that such a proactive leasing approach and strategy will assist CRCT to attract quality tenants to the Properties.

### Lease Agreements and Lease Management

The lease agreements entered into for the Properties contain terms and conditions, including those relating to duration of the lease, provision of security deposit, as well as alteration and improvement works, generally found in most retail lease agreements in China. The Manager believes that the terms are in line with generally accepted market practice and procedures. In certain instances, these terms have been modified to accommodate the specific needs of major tenants, such as right to space expansion, rent-free fitting out period, subletting and assignment rights.

When a prospective tenant has committed to a lease, a security deposit in the form of cash or banker's guarantee equal to three months' gross rent is typically payable. The tenant will take possession of the premises after it has made the requisite payments and has formally executed the lease agreement. Rent and service charges are payable monthly.

As tenant retention is critical to minimising the turnover of leases, the Property Managers will maintain close communication and a good working relationship with the existing tenants. Dialogues and meetings for lease renewal will be held with tenants whose leases are due to expire. Arrears management procedures will also be enforced to ensure timely payment of rent. The Manager believes that these proactive steps to retain tenants and reduce rental in arrears will help maintain a stable income stream for CRCT.

### Property Management Agreements

The Properties comprising the initial portfolio of CRCT are each managed, or to be managed, by a Property Manager in accordance with the terms of the relevant Property Management Agreement.

The initial term for each of these Property Management Agreements is five years.

#### *Property Manager's Services*

The services provided by each Property Manager for the relevant Property under its management include the following:

- property management services for the relevant Property, subject to the overall management of the relevant Project Company's property management services, including (i) establishing operating budgets and annual plans for the operation, management, marketing and maintenance of the relevant Property, (ii) operating and maintaining the relevant Property in accordance with such operating budgets and annual plans (and revisions thereof), (iii) co-ordinating, reviewing and maintaining at all times certain insurance coverage with the assistance of insurance advisers, and (iv) maintaining books of accounts and records in respect of the operation of the relevant Property; and

- lease management services, including (i) recommending leasing strategy and negotiating leases, licenses and concessions, (ii) supervising and controlling all collections and receipts, payments and expenditure relating to the Property, and (iii) lease administration.

Additionally, each Property Manager will have dedicated personnel for each relevant Property and also a centralised team of personnel that provides expertise on leasing, technical services, tenancy co-ordination, marketing and communications, etc. at a group level. This is to provide strategic support to the Properties, for example, in establishing strategic relationships with key tenants and tenancy co-ordination work.

#### *Fees*

Under each property management agreement, each Property Manager is entitled to the following fees on each Property of CRCT under its management:

- a fee of 2.0% per annum of the Gross Revenue for each Property;
- a fee of 2.0% per annum of the Net Property Income for each Property; and
- a fee of 0.5% per annum of the Net Property Income for each Property *in lieu* of leasing commissions otherwise payable to the Property Manager and/or third party agents.

#### *Reimbursable Amounts*

Under each Property Management Agreement, each Property Manager is, in addition to its fees, fully reimbursed for (i) the employment costs and remuneration relating to centre management and other personnel engaged solely for the provision of services for the relevant Property under its management, and (ii) the allocated employment costs and remuneration relating to the centralised team of personnel engaged exclusively to provide group services for the Properties under its management, as approved in each annual budget by the relevant Project Company.

#### *Expenses*

Each Property Manager, with the prior written approval of the relevant Project Company, is authorised to utilise funds deposited in operating accounts (which are separate from the collection accounts into which all rental income are paid) of CRCT to make payment of all costs and expenses incurred in the operation and management of each Property, within an annual budget approved by the relevant Project Company.

#### *Termination*

The relevant Project Company may terminate the appointment of the relevant Property Manager for the relevant Property under its management on the occurrence of certain specified events, which include the liquidation or cessation of business of the relevant Property Manager. The relevant Project Company may also terminate the appointment of the relevant Property Manager specifically in relation to the relevant Property under its management in the event of a sale of such Property subject to prior written notice, or if the relevant Property Manager, after receipt of written notice, fails to remedy any breach of its obligations in relation to such Property. Each Property Manager may also be terminated of its appointment if CRCT is terminated.

### Insurance

CRCT has insurance for the Properties that the Manager believes is consistent with industry practice in China. This includes property damage, business interruption insurance and public liability insurance (including personal injury) policies. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including acts of war and acts of terrorism. (See Risk Factors — “Risks Relating to Investing in Real Estate — CRCT may suffer material losses in excess of insurance proceeds”.)

## Legal Proceedings

None of CRCT, the Manager and/nor the Property Managers is currently involved in any material litigation nor, to the best of the Manager's knowledge, in any material litigation currently contemplated or threatened against CRCT, the Manager or the Property Managers.

## Encumbrances

**Anzhen Mall** — In connection with the Anzhen Term Loan Facility for an amount of RMB350.0 million, the building and the right to the land are subject to an outstanding mortgage in favour of Oversea-Chinese Banking Corporation Ltd, Shanghai Branch, pursuant to a mortgage agreement entered into on 13 March 2006 between CapitaRetail Anzhen and Oversea-Chinese Banking Corporation Ltd, Shanghai Branch.

**Qibao Mall** — Qibao Mall, which is owned by Jin Qiu and leased to CapitaRetail Dragon Mall (Shanghai) Co., Ltd. under a master lease agreement, is subject to a bank mortgage which has been granted by Jin Qiu to secure a loan. The interest of the bank as mortgagee under the mortgage is subordinated to the interest of CapitaRetail Dragon Mall (Shanghai) Co., Ltd. under the master lease agreement.

**Zhengzhou Mall** — Zhengzhou Mall is currently subject to a mortgage in respect of a loan which was taken up by the Beijing Hualian Group. Payment of the full consideration by CRCI Alpha Barbados to the Beijing Hualian Group for the acquisition of Beijing Hualian Plaza (Henan) Co., Ltd. (the Project Company which owns Zhengzhou Mall) has been made and the Beijing Hualian Group is taking the necessary steps to discharge the mortgage. CRCT has obtained an undertaking from the Beijing Hualian Group that it will service payments of the principal and interest as scheduled until the mortgage is discharged.

## Competition

The retail property sector in China remains highly competitive. The principal competitive factors include rental rates, quality and location of properties, supply of comparable space and changing business needs of tenants. The accessibility to and trade mix within a retail property are also major factors in attracting shoppers and tenants.

### Wangjing Mall

***Existing***: Wangjing Mall currently faces competition from Wangjing International Commercial Centre which comprises about 85,700 sq m of GRA, anchored by Ito Yokado and located approximately 1.5 km away. The only other retail outlets in Wangjing is in the form of specialty markets and street front retail which are not comparable to Wangjing Mall. In the short-term (pre-2008), Wangjing Mall is likely to benefit from limited competition in its main trade area.

***Future***: The competitive environment of the trade area is expected to intensify over the next five years, with the planned development of a number of hypermarkets and shopping centres. This could potentially impact the sales growth that can be achieved at Wangjing Mall. The main competitive developments are as follows:

- a shopping centre to be anchored by E-Mart is currently planned approximately 500 metres north-west of Wangjing Mall. The construction of the shopping centre has not commenced. It is planned for completion in 2007/08, and is likely to comprise about 64,300 sq m of GRA;
- a shopping centre to be anchored by Wal-Mart is currently planned approximately 0.8 km south-east of Wangjing Mall. It is expected to be completed in 2007/08, and will comprise around 71,400 sq m of GRA; and

- a shopping centre anchored by Carrefour is expected to be built on a site adjacent to the IKEA store, approximately 2 km south of Wangjing Mall. Preliminary planning is currently in place and the centre is expected to encompass around 35,700 sq m of retail GRA.

**Jiulong Mall**

***Existing***: Jiulong Mall currently faces competition only from Century Mart which is anchored by Lianhua and located 1.2 km to the west. The Century Mart has a GRA of 32,900 sq m and is located in an established retail strip, and is easily accessible to the main trade area residents. It also provides courtesy buses to and from the nearby residential estates.

***Future***: Jiulong Mall currently benefits from the limited competition. However, this could easily intensify with the completion of the following developments:

- Red Star Meikailong, a furniture store scheduled to open in 2006 with a GRA of 71,400 sq m, is currently planned approximately 1.2 km south-east of Jiulong Mall. The store is expected to compete albeit at a low level due to the lack of a departmental store with the Carrefour Hypermarket and B&Q hardware and home appliances store; and
- Hymall Hypermarket (which is co-owned by Tesco) with a GRA of 28,600 sq m will be located approximately 1.5 km to the north-east of Jiulong Mall and scheduled to open in 2007. Although it is located on eastern side of a major motorway, it can be reasonably expected to compete strongly with Jiulong Mall, restricting its draw to the north and east.

**Anzhen Mall**

***Existing***: Anzhen Mall currently faces competition from a number of competitors in the trade area.

There are three department stores operating in close proximity within a three to four km radius to the north of Anzhen Mall. This includes the North Star Shopping Centre which is considered to be the closest competitor. It opened in 1990 and spans over a GRA of 42,900 sq m. Despite being an older style department store, it enjoys significant traffic due to surrounding hotels and office blocks.

Situated four km north of Anzhen Mall is the Piaoliang Shopping Centre which opened in 2001 and has a GRA of 32,900 sq m. Further to the east is the Ito Yokado Market Place department store which opened in 2001 and has a GRA of 57,100 sq m.

To the west of Anzhen Mall are two more shopping malls namely Cuiwei department store (GRA of 45,700 sq m) and the Wu Mart Plaza (GRA of 38,600 sq m).

***Future***: Beichen Building Shopping Centre, which is a future development to the north of Anzhen Mall is under construction and scheduled to open in 2007. This centre, which is approximately 2.8 km from Anzhen Mall, will have GRA of 71,400 sq m and will provide some competition to Anzhen Mall. However, this new centre is expected to draw most of its trade from the north and should benefit from the population growth associated with development of Olympic Park. It is therefore considered unlikely that this new centre will have a significant impact on Anzhen Mall.

**Qibao Mall**

***Existing***: Qibao Mall currently faces significant competition from a group of three malls located approximately one km to the south of the mall on Qi Xin Road. These three properties include the Qibao Hymall, the Riverside Department Store and Diamond City. The most direct competitor to Carrefour in Qibao Mall is the Qibao Hymall hypermarket complex. The presence of these three properties and, particularly, the hypermarket may limit the ability of Carrefour to draw crowds from the southern areas of the mall.

In addition to these centres, there is also a degree of competition coming from the two adjacent properties to Qibao Mall which were developed as part of the overall Qibao Mall complex and these include the New World department store and the other retail complex to the immediate south of Qibao Mall.

The other competing malls namely, Kai Bai Plaza, Dong Fong Guo Mao as well as the Joinbuy Home centre, are located to the north of the mall. These malls are older (save for Kai Bai Plaza) and have a high number of very small sized tenants and primarily cater to the middle-to-lower income group. Qibao Mall, on the other hand, with its higher quality of tenants and fit-out and finishes, is aimed directly at the middle-to-upper income group.

***Future***: There is a planned future development due for completion in 2007, Hui Heng centre, which is part of a larger mixed-use construction project located directly opposite Diamond City or approximately 1.5 km south of the mall. However, the composition of this centre is as yet unknown at present.

**Zhengzhou Mall**

***Existing***: Zhengzhou Mall currently faces significant competition within its main trade area, with the main competition coming from similar concept malls within the CBD.

Zhengzhou Mall's most direct competitors are the Kingbird City Department Store and the Dennis Department Store, both of which are one-stop shopping centres in the neighbourhood. Kingbird City, located approximately 200 metres from the Zhengzhou Mall, is a five-storey retail mall spanning across GRA of 71,400 sq m.

***Future***: The key competitors of Zhengzhou Mall are the proposed Dennis Shopping Mall (which is currently under construction and is located in close proximity to Zhengzhou Mall) and Fang Yuan Chuang Shi Centre (which is located on the periphery of the primary trade area approximately 2.8 km from Zhengzhou Mall). Both malls are expected to be completed in 2008. However, Fang Yuan Chuang Shi Centre is unlikely to impact the performance of Zhengzhou Mall considering the distance between the two centres as well as the different target market of the Fang Yuan Chuang Shi Supermarket.

**Jinyu Mall**

***Existing***: The main competition to Jinyu Mall is from the Huhehaote CBD, which is located approximately two km to the north-west of Jinyu Mall. The majority of the competitors are located in the CBD, with the most significant being Weiduoli Plaza, which was built in 2003 and has a GRA of 90,000 sq m and houses the Weiduoli department store.

To the north of Jinyu Mall and to the east of the CBD are four competiting centres targeting the lower-end of the market. These centres are the New Century Plaza, Nailun Plaza, Quan Ye Chang and Jiuzhou Plaza. To the west of Jinyu Mall is the Weiduoli Supermarket, which opened in 2005 and has a GRA of 10,700 sq m.

***Future***: Jinying International Group is expected to undertake a large scale mixed-use integrated development in the CBD. The overall development is required to include office space, a high-end five-star hotel and over 328,000 sq m of retail GRA. This development will significantly increase the supply of retail floorspace in the CBD, and further strengthen the CBD as a retail precinct. It is expected to have some impact on Jinyu Mall but the extent of the impact will be dependent on its overall quality, tenant mix, retail planning and management.

**Xinwu Mall**

***Existing***: Xinwu Mall currently benefits from limited direct competition offering the one-stop-shop concept. This situation is expected to alter over the next five years as international and domestic retailers expand their store networks and increase their exposure to smaller cities. The current competing retail facilities are as follows:

Century Mart Zhongshan Road Store, a 21,400 sq m (GRA) retail mall located 1.0 km south of Xinwu Mall. The Century Mart spans across three levels and is anchored by a Lianhua supermarket. The Lianhua supermarket covers two levels and there are retail specialties on the remaining floor, including Lacoste Leather, KFC and Motorola. The mall targets the middle-end consumer.

The Anhui Shangzhidu Huayu Shopping Centre, a three level 50,000 sq m (GRA) retail mall located 1.0 km south of Xinwu Mall. The centre houses a department store and is aimed at the middle-to-upper class segment of the market.

Wuhu Nanjing Xin Bai Building, a 40,000 sq m (GRA) retail mall spread across five levels, is located 1.0 km south of Xinwu Mall. The mall houses a department store which sells predominantly jewellery, fashion and electronics goods. It is aimed at the middle-to-upper income segment of the market.

Century Mart Nanrui Store, a 34,300 sq m (GRA) retail mall located 3.2 km south of Xinwu Mall. This mall has three levels and is anchored by a Lianhua supermarket on the second and third floors.

***Future***: The competitive environment in Wuhu is expected to intensify over the next five years with the planned development of a number of hypermarkets and shopping centres. This could potentially have some bearing on the sales growth that can be achieved by Xinwu Mall. The main future competing developments are as follows:

The Global ERA Shopping Mall currently planned alongside Xinwu Mall. The mall will be part of an integrated development, which, upon completion, will have a retail podium, a five-star hotel, offices and a residential precinct. The retail mall is expected to be approximately 57,100 sq m (GRA) in size, including a department store which will target the middle-to-upper income segment of the market.

- C Mall is currently planned for development and will be located 1.2 km north-east of Xinwu Mall.
- Auchan Mall is currently planned for development and will be located 3.3 km north of Xinwu Mall.

Anchor retailers, such as the Hong Kong Tonglouwan Department Store, Ou Shang and Carrefour, are currently seeking to establish a presence in Wuhu and may be potential tenants for the proposed C Mall and Auchan Mall projects.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

**Information regarding the Title of the Properties**

***Terms of Land Use Rights***

There are two types of title registrations in China, namely land registration and building registration. Land registration is effected by the issue of land use right certificate (土地使用权证) by the relevant authority to the land owner evidencing that the land owner has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate (房屋所有权证) to the building owner evidencing that the building owner has obtained building ownership rights in respect of the building. According to the Land Registration Regulations (土地登记规则) promulgated by the State Land Administration Bureau on 18 November 1989 and amended on 18 December 1995 (the amendment became effective on 1 February 1996), and the Administration Rules on Regulations of Urban Real Estate Property (城市房屋权属登记管理办法) promulgated by the Ministry of Construction on 27 October 1997, implemented on 1 January 1998 and revised subsequently on 15 August 2001, all land use rights and building ownership rights which are duly registered are protected by law.

The two different systems are commonly maintained separately in many cities in China. However, in Shenzhen, Guangzhou, Shanghai and some other major cities, the two systems have been consolidated and a single composite real estate and land use right certificate will be issued to evidence the ownership of both land use rights and the buildings erected thereon. Such single composite real estate and land use right certificate is in compliance with the Law of the Administration of Urban Real Estate of China (中华人民共和国城市房地产管理法) and the Administration Rules on Regulations of Urban Real Estate Property.

Under the Provisional Regulations of China concerning the Grant and Assignment of the Right to Use State-Owned Land Use Rights in Urban Areas (中华人民共和国城镇国有土地使用权出让和转让条例) promulgated by the State Council of China on 19 May 1990, the use of state land is dependent on the grant of a land use right by the Chinese government to a land user for a definite period subject to the payment of a land premium by the land user. The maximum term of such grants depends on the use of the land, as follows:

- up to 70 years for residential use;
- up to 50 years for industrial use or for public (*e.g.* educational, technology, cultural, public health or sports) use;
- up to 40 years for commercial (which includes wholesale and retail), tourism and entertainment uses; and
- up to 50 years for all other uses (which include office and warehouse).

(See "Overview of Relevant Laws and Regulations in China".)

### *Wangjing Mall*

The State Owned Land Use Right Certificate for Wangjing Mall (held in the name of Beijing Xin Yi Real Estate Development Co., Ltd., the developer of Wangjing Mall) was granted by the Land and Resources Bureau of Beijing on 19 May 2005. This confers on Beijing Xin Yi Real Estate Development Co., Ltd. the right to use the premises for commerce up to 15 May 2043, the right to use the complex up to 15 May 2053 and the right to use the underground garage up to 15 May 2053.

The table below sets out some particulars of the State Owned Land Use Right Certificate.

| | |
|---|---|
| **Certificate no.** | (2005) No. 10369 |
| **Date** | 19 May 2005 |
| **Land User** | Beijing Xin Yi Real Estate Development Co., Ltd. |
| **Location** | No. 33 Guang Shun North Street, Chaoyang District, Beijing, China |
| **Site Area** | 22,160.46 sq m |
| **Expiry of Term** | For commerce: 15 May 2043<br>For complex: 15 May 2053<br>For underground garage: 15 May 2053 |
| **Permitted Use** | Complex |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Land and Resources Bureau of Beijing |

The Building Ownership Certificate for Wangjing Mall has not been issued to Beijing Xin Yi Real Estate Development Co., Ltd. Upon submitting the relevant documents to the China real estate administrative authorities, Beijing Xin Yi Real Estate Development Co., Ltd. will obtain the Building Ownership Certificate. Thereafter, Beijing Xin Yi Real Estate Development Co., Ltd. and CapitaRetail Beijing Wangjing Real Estate Co., Ltd. will need to submit certain documents to the China real estate administrative authorities for the State Owned Land Use Right Certificate to be transferred to, and for the Building Ownership Certificate to be issued in the name of, CapitaRetail Beijing Wangjing Real Estate Co., Ltd.

### *Jiulong Mall*

The State Owned Land Use Right Certificate for Jiulong Mall (held in the name of Beijing Jia Li Real Estate Development Co., Ltd., the vendor of Jiulong Mall) was granted by the Land Resources and House Administrative Bureau of Beijing on 21 November 2002. This confers on Beijing Jia Li Real Estate Development Co., Ltd. the right to use the land until 10 July 2042.

The table below sets out some particulars of the State Owned Land Use Right Certificate.

| | |
|---|---|
| **Certificate no.** | (2002) No. 0295 |
| **Date** | 21 November 2002 |
| **Land User** | Beijing Jia Li Real Estate Development Co., Ltd. |
| **Location** | No. 31 Guangqu Road, Chaoyang District, Beijing, China |
| **Site Area** | 30,704.67 sq m |
| **Expiry of Term** | 10 July 2042 |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Land Resource and House Administrative Bureau of Beijing |

The Building Ownership Certificate for Jiulong Mall is currently in the name of Beijing Jia Li Real Estate Development Co., Ltd. The table below sets out some particulars of the Building Ownership Certificate.

| **Certificate no.** | **Floor Area** | **Description** |
|---|---|---|
| No. 00740 | 49,526.38 sq m | Three levels above ground, basement level and other accessory buildings |

An application, together with the relevant documents, have been made to the Chinese real estate administrative authorities for the issuance of the Building Ownership Certificate in respect of the basement and first levels in the name of CapitaRetail Beijing Jiulong Real Estate Co., Ltd. The second and third levels are subject to a court injunction.

### *Anzhen Mall*

The three State Owned Land Use Right Certificates for Anzhen Mall (held in the name of CapitaRetail Beijing Anzhen Real Estate Co., Ltd., the Project Company indirectly owned by the Trustee) were granted by the Land and Resources Bureau of Beijing. These confer on CapitaRetail Beijing Anzhen Real Estate Co., Ltd. the right to use the land up to 3 June 2042 in respect of the first land area, up to 5 March 2042 in respect of the second land area and up to 7 October 2034 in respect of the third land area.

The table below sets out some particulars of the three State Owned Land Use Right Certificates.

| | |
|---|---|
| **Certificate no.** | (2005) No. 10374 |
| **Land User** | CapitaRetail Beijing Anzhen Real Estate Co., Ltd. |
| **Location** | No. 4 Section 5 of Anzhen Xi Li, Chaoyang District, Beijing, China |
| **Site Area** | 4,517.56 sq m |

| | |
|---|---|
| **Expiry of Term** | 3 June 2042 |
| **Permitted Use** | Commercial purpose |
| **Type of Land Use Right** | Grant and transfer |
| **Issue Authority** | Land and Resources Bureau of Beijing |

| | |
|---|---|
| **Certificate no.** | (2005) No. 10375 |
| **Land User** | CapitaRetail Beijing Anzhen Real Estate Co., Ltd. |
| **Location** | No. 4 Section 5 of Anzhen Xi Li, Chaoyang District, Beijing, China (one floor underground and three floors above ground) |
| **Site Area** | 7,559.42 sq m |
| **Expiry of Term** | 5 March 2042 |
| **Permitted Use** | Commercial purpose |
| **Type of Land Use Right** | Grant and transfer |
| **Issue Authority** | Land and Resources Bureau of Beijing |

| | |
|---|---|
| **Certificate no.** | (2005) No. 1290007 |
| **Date** | 4 July 2005 |
| **Land User** | CapitaRetail Beijing Anzhen Real Estate Co., Ltd. |
| **Location** | No. 2 Building and No. 3 Building of Section 5 of Anzhen Xi Li, Chaoyang District, Beijing, China |
| **Site Area** | 262.30 sq m |
| **Expiry of Term** | 7 October 2034 |
| **Permitted Use** | Commercial purpose |
| **Type of Land Use Right** | Grant and transfer |
| **Issue Authority** | Land and Resources Bureau of Beijing |

The three Building Ownership Certificates for Anzhen Mall are currently in the name of CapitaRetail Anzhen Real Estate Co., Ltd. The table below sets out some particulars of the three Building Ownership Certificates.

| Certificate no. | Floor Area | Description |
|---|---|---|
| No. 10238 | 25,003.8 sq m | Three levels above ground and basement level. |
| No. 10237 | 14,942.46 sq m | The fourth and fifth levels above ground. |
| No. 1290007 | 3,496.0 sq m | Other accessory buildings |

***Qibao Mall***

The Shanghai Certificate of Real Estate Ownership for Qibao Mall (held in the name of Shanghai Jin Qiu (Group) Co., Ltd., the legal owner of Qibao Mall) was granted by the Shanghai Housing and Land Resource Administration Bureau on 10 March 2003. This confers on Shanghai Jin Qiu (Group) Co., Ltd. the right to use the land on which Qibao Mall resides until 10 March 2043.

The Shanghai Certificate of Real Estate Ownership also states that the building on the land is owned by Shanghai Jin Qiu (Group) Co., Ltd.

The table below sets out some particulars of the Shanghai Certificate of Real Estate Ownership in relation to the land on which Qibao Mall resides.

| | |
|---|---|
| **Certificate no.** | (2004) No. 047731 |
| **Date** | 30 June 2004 |
| **Land User** | Shanghai Jin Qiu (Group) Co., Ltd. |
| **Location** | No. 3655, Qi Xin Road, Min Hang District Shanghai, China |
| **Site Area** | 55,837 sq m |
| **Construction Area** | 83,985.99 sq m |
| **Expiry of Term** | 10 March 2043 |
| **Lot No.** | 678 street 1/2, Qibao Town, Min Hang District |
| **Permitted Use** | Commercial |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Shanghai Housing and Land Resource Administration Bureau |

***Zhengzhou Mall***

The State Owned Land Use Right Certificate for Zhengzhou Mall (held in the name of Beijing Hualian Plaza (Henan) Co., Ltd., the company established in China which is indirectly owned by the Trustee) was granted by the Land and Resources Bureau of Zhengzhou on 1 June 2004. This confers on the right to use the land until 31 May 2042.

The table below sets out some particulars of the State Owned Land Use Right Certificate.

| | |
|---|---|
| **Certificate no.** | 0626 |
| **Date** | 1 June 2004 |
| **Land User** | Beijing Hualian Plaza (Henan) Co., Ltd. |
| **Location** | East Minzhu Road, Northern Jiefang Road |
| **Site Area** | 26,784.1 sq m |
| **Expiry** | 31 May 2042 |
| **Lot No.** | EQ1-339-11 |
| **Permitted Use** | Commercial |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Land and Resources Bureau of Zhengzhou |

The nine Building Ownership Certificates for Zhengzhou Mall are currently in the name of Beijing Hualian Plaza (Henan) Co., Ltd.

| Certificate no. | Floor Area | Description |
|---|---|---|
| 0401048603 | 2,342.99 sq m | Basement level |
| 0401048604 | 15,208.16 sq m | First level and its mezzanine level |
| 0401048594 | 16,282.35 sq m | Second level and its mezzanine level |
| 0401048592 | 481.72 sq m | A portion of the third level |
| 0401048593 | 2,897.30 sq m | A portion of the third level |

| Certificate no. | Floor Area | Description |
|---|---|---|
| 0401048607 | 12,923.52 sq m | A portion of the third level and its mezzanine level |
| 0401048598 | 16,282.35 sq m | Fourth level and its mezzanine level |
| 0401048590 | 13,033.07 sq m | Fifth and sixth levels |
| 0401048609 | 12,904.39 sq m | Basement level of the western building |

Zhengzhou Mall is currently subject to a mortgage in respect of a loan which was taken up by the Beijing Hualian Group. Payment of the full consideration by CRCI Alpha Barbados to the Beijing Hualian Group for the acquisition of Beijing Hualian Plaza (Henan) Co., Ltd. (the Project Company which owns Zhengzhou Mall) has been made and the Beijing Hualian Group is taking the necessary steps to discharge the mortgage. CRCT has obtained an undertaking from the Beijing Hualian Group that it will service payments of the principal and interest as scheduled until the mortgage is discharged.

***Jinyu Mall***

The two State Owned Land Use Right Certificates for Jinyu Mall (held in the name of CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd., the Project Company indirectly owned by the Trustee) were granted by the Land and Resources Bureau of Huhehaote on 21 September 2006. These confer on CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd. the right to use the land until 20 March 2041 in respect of the first land area, and 11 March 2041 in respect of the second land area.

The table below sets out the particulars of the two State Owned Land Use Right Certificates.

| | |
|---|---|
| **Certificate no.** | Hu Guo Yong (2006) No. 00421 |
| **Date** | 21 September 2006 |
| **Land User** | CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd. |
| **Location** | South Side, No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia |
| **Site Area** | 10,564.4 sq m |
| **Expiry** | 20 March 2041 |
| **Lot No.** | 1-09-08-4-(1) |
| **Permitted Use** | Commercial |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Land and Resources Bureau of Huhehaote Municipality |

| | |
|---|---|
| **Certificate no.** | Hu Guo Yong (2006) No. 00420 |
| **Date** | 21 September 2006 |
| **Land User** | CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd. |
| **Location** | East Side, Xi Lin South Street, Saihan District, Huhehaote, Inner Mongolia |
| **Site Area** | 5,999.9 sq m |
| **Expiry** | 11 March 2041 |
| **Lot No.** | 1-09-08-4 |
| **Permitted Use** | Commercial |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Land and Resources Bureau of Huhehaote Municipality |

The two Building Ownership Certificates for Jinyu Mall are currently in the name of CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd. The table below sets out some particulars of the Building Ownership Certificates.

| Certificate no. | Floor Area | Description |
|---|---|---|
| No. 2006045938 | 18,802.2 sq m | First, fourth and fifth levels |
| No. 2006045940 | 23,135.42 sq m | Basement, second and third levels |

***Xinwu Mall***

The State Owned Land Use Right Certificate for Xinwu Mall (held in the name of Wuhu SZITIC Commercial Property Co., Ltd., was granted by the Land and Resources Bureau of Wuhu on 12 August 2004. This confers on Wuhu SZITIC Commercial Property Co., Ltd., the right to use the land until 29 May 2044.

The table below sets out the particulars of the State Owned Land Use Right Certificates.

| | |
|---|---|
| **Certificate no.** | 199 |
| **Date** | 12 August 2004 |
| **Land User** | Wuhu SZITIC Commercial Property Co., Ltd. |
| **Location** | Intersection of Zhongshan North Road and Yinhua South Road |
| **Site Area** | 20,000 sq m |
| **Expiry** | 29 May 2044 |
| **Permitted Use** | Commercial and service |
| **Type of Land Use Right** | Grant |
| **Issue Authority** | Land and Resources Bureau of Wuhu |

The Building Ownership Certificate for Xinwu Mall is currently in the name of Wuhu SZITIC Commercial Property Co., Ltd., The table below sets out some particulars of the Building Ownership Certificate.

| Certificate no. | Floor Area | Description |
|---|---|---|
| No. 2006 033240 | 59,623.5 sq m | Four levels above ground and the basement level. |

# WANGJING MALL

嘉茂购物中心•望京

*No. 33 Guangshun North Street, Blk 213, Chaoyang District, Beijing*


**Beijing Profile**

Beijing, the capital of China, is the centre of the nation's politics, culture and international exchanges. Its population is estimated in 2006 at 15.7 million with 78.0% or 12.2 million residents in the urban localities. Beijing boasts a highly educated workforce and a large university graduate population. The city has many research institutes and universities and an abundance of high-quality technical and scientific personnel. These attributes have been instrumental in attracting foreign research and development institutions to the city and in contributing to the urbanisation theme. This is clearly reflected in Beijing's average per capita income of urban residents of approximately RMB19,933, compared to the average per capita income of rural residents which is estimated at RMB8,615.

Beijing is China's second largest retail market, second only to Shanghai, and has performed strongly over the last decade. This is proven by the strong retail sales growth, which is expected to reach RMB204 billion in 2006 representing 12.5% over the sales achieved in 2005. In addition, the average annual retail spending per capita for urban residents of Beijing is estimated at RMB13,470, which is higher than the Beijing average of RMB11,576. Beijing is one of the most well-connected cities in China with excellent accessibility to and within the various parts of the city. The city's infrastructure is expected to improve even further as transportation networks and infrastructure are being constructed and renovated in preparation for the 2008 Olympics.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

### Description

Wangjing Mall is a five-level retail podium with a seven-level tower above the podium. It is prominently located in the densely populated Wangjing residential suburb, which is located approximately 13 km north-east of the Beijing CBD.

Wangjing is amongst the most densely populated residential suburbs in Beijing. It has witnessed a significant amount of high-rise residential developments that have been completed over the last few years. This trend of large residential developments and the rise in population catchment is expected to continue with residential projects being planned and under construction in the vicinity of the mall over the next two to three years. It is estimated that the resident population in the localities surrounding the mall is approximately 153,167 within a two km radius, and 301,833 within a four km radius. Also, the trade area population is expected to grow at approximately 3.5% per annum and has resulted in a heavy demand for stores and outlets catering to the population catchment in the vicinity.

The mall can be conveniently accessed by key highways such as the airport expressway, Jingcheng Expressway and the major 4th and 5th Ring Roads. It is well served by numerous bus routes and is in close proximity to the Wangjingxi train station, which is approximately 1.7 km away.

Wangjing Mall is amongst the first comprehensive multi-tenanted and professionally-managed one-stop shopping mall in the locality attracting shopper traffic from all age groups and income levels. The positioning of the mall is differentiated from other retail outlets in the vicinity in terms of the diverse tenant base and complementary trade mix. The Manager believes that the comprehensive shopping experience concept with a wide variety of internationally renowned brand names, such as Esprit, Nike, Calvin Klein Jeans and Subway, would attract the high density of expatriate population in the Wangjing locality.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

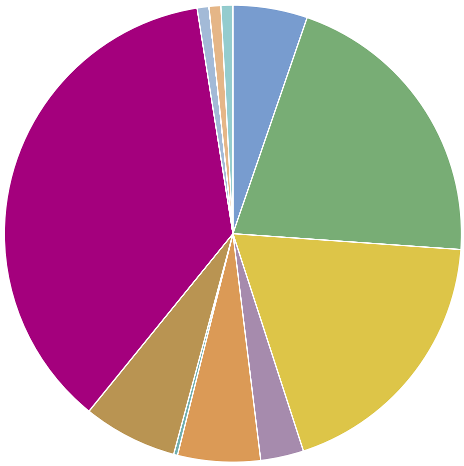
### Tenant Profile

As at 31 August 2006, Wangjing Mall has 115 retail tenants based on Committed Leases. The tenant profile of Wangjing Mall comprises a diverse set of tenants from a wide variety of industries. The mall is anchored by Beijing Hualian Group, which is the sixth largest retailer in China by sales with annual sales of over US$2.6 billion and 74 stores under operations in China in 2005, occupying approximately 51.2% of the GRA of the mall. The other prominent tenants include Sport 100, which is one of China's premier sporting goods and apparel retailer.

The lease terms of Wangjing Mall's 10 largest tenants (in terms of Gross Rent) range from three years to 20 years. There is an annual step-up provision in a majority of its leases. In addition, most of the leases contain provisions for rent to be payable at the applicable base rent or at a percentage of gross sales turnover, whichever is higher.

The following chart provides a breakdown by Gross Rent (from Committed Leases) of the various trade sub-sectors represented in Wangjing Mall as at 31 August 2006:

**Wangjing Mall — Trade sector analysis (By Gross Rent)**



| Trade sub sector | Contribution (%) |
|---|---|
| Fashion | 36.6 |
| Department Store | 20.8 |
| Food & Beverage / Food Court | 18.7 |
| Services | 6.6 |
| Sports & Fitness | 5.9 |
| Supermarket / Hypermarket | 5.4 |
| Leisure & Entertainment | 3.2 |
| Toys | 0.9 |
| Gifts & Specialty | 0.8 |
| Home Furnishings | 0.8 |
| Electronic / IT | 0.3 |
| Education / School | 0.0 |
| Books & Stationery | 0.0 |
| Hobbies | 0.0 |
| Others | 0.0 |

The table below sets out information on the 10 largest tenants of Wangjing Mall based on Committed Leases as at 31 August 2006:

| Tenant | Business sector | Expiry date | Percentage of total Gross Rent based on Committed Leases as at 31 August 2006 (%) |
|---|---|---|---|
| Beijing Hualian Department Store | Department Store | September 2026 | 20.8 |
| Beijing Hualian Supermarket | Supermarket | September 2026 | 5.4 |
| Sport 100 | Sports & Fitness | September 2011 | 3.9 |
| Party Land | Leisure & Entertainment | January 2012 | 3.2 |
| IT | Fashion | September 2010 | 2.3 |
| Pin Qi Pizza (品奇比薩) | Food & Beverage/ Food Court | September 2009 | 2.1 |
| Da Shi Dai (大食代) | Food & Beverage/ Food Court | September 2011 | 1.9 |
| Sizzler | Food & Beverage/ Food Court | September 2009 | 1.8 |
| ebase Ladies | Fashion | September 2009 | 1.7 |
| Ozone | Sports & Fitness | February 2012 | 1.6 |
| 10 largest tenants | | | 44.7 |
| Other tenants | | | 55.3 |
| **Total** | | | **100.0** |

**Expiries**

The following table sets out the expiry profiles of the tenancies at Wangjing Mall as at 31 August 2006:

| Period | Total number of leases expiring | Expiring leases as % of total monthly Gross Rent (%) | Expiring leases as a percentage of GRA (%) |
|---|---|---|---|
| FY2006 | — | — | — |
| FY2007 | 13 | 2.2 | 0.5 |
| FY2008 | 16 | 6.2 | 1.7 |
| Beyond FY2008 | 86 | 91.6 | 87.7 |
| Vacant | | | 10.1 |
| **Total** | **115** | **100.0** | **100.0** |

## JIULONG MALL

九龙商厦

*No. 31 Guangqu Road, Chaoyang District, Beijing*


### Beijing Profile

(See "— Wangjing Mall — Beijing profile").

### Description

Jiulong Mall is a four-level retail mall in the Chaoyang District of Beijing, and is in close proximity to the CBD.

The Chaoyang District is an expansive and well-known precinct of Beijing and also the city's second most populated precinct. The residents of this region can be classified as belonging to the middle-upper class. The mall currently serves an estimated population catchment of approximately 142,000 within a two km radius, and 530,882 within a four km radius. It is estimated that the trade area population will grow at around 2.4% per annum, on par with the growth rates of the malls in the portfolio. The average annual retail spending per capita for the trade area is approximately RMB17,498, which is approximately 30.0% higher than the average for Beijing.

The mall is well served by bus routes and is in close proximity to two subway stations, Guomao and Dawanglu, which are approximately 1.8 km and 1.9 km to the north of the mall, respectively. The accessibility of the mall coupled with its strong residential catchments and proximity to the CBD attract heavy shopper traffic throughout the year. Also, the main Guangqu motorway is currently undergoing widening plans as part of the infrastructural improvements initiated by the government near the mall. These improvements will help in the expansion of the mall's catchment area due to the improved road access quality.

The widespread spectrum of tenants at the mall provides shoppers with a one-stop-shop experience, which differentiates the positioning of the mall from existing smaller retail outlets in the locality. The mall is the only one-stop shopping destination in the locality, with a strong hypermarket/supermarket anchor (Carrefour), drawing significant shopper traffic from the nearby CBD workers and neighbouring residential areas.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

### Tenant Profile

As at 31 August 2006, Jiulong Mall has six retail tenants based on Committed Leases. The tenant profile of Jiulong Mall consists of a few large tenants (in terms of Gross Rent) catering to the mass market, such as Carrefour and B&Q, as well as China CITIC Bank (which has a branch office and an ATM centre on the ground floor). The mall is anchored by Carrefour, the largest retailer in Europe and the second largest retailer worldwide by sales with over US$94.0 billion in annual sales in 2005 and 7,000 stores under operations internationally, Carrefour occupies part of the ground, and the whole of the second and third floors. B&Q, another anchor tenant, is an internationally renowned hardware products retailer which occupies the whole of the basement floor and part of the ground floor.

Majority of the leases are structured with annual step-ups in the base rent.

The table below sets out information on the three largest tenants of Jiulong Mall based on Committed Leases as at 31 August 2006:

| **Tenant** | **Business sector** | **Expiry date** | **Percentage of total Gross Rent based on Committed Leases as at 31 August 2006 (%)** |
|---|---|---|---|
| Carrefour | Hypermarket/ Supermarket | February 2024 | 58.3 |
| B&Q | Home appliances/ renovations | April 2024 | 31.7 |
| China CITIC Bank | Bank | March 2008 | 4.4 |
| 3 largest tenants | | | 94.4 |
| Other tenants | | | 5.6 |
| **Total** | | | **100.0** |

### Expiries

The following table sets out the expiry profiles of the tenancies at Jiulong Mall as at 31 August 2006:

| **Period** | **Total number of leases expiring** | **Expiring leases as % of total monthly Gross Rent (%)** | **Expiring leases as a percentage of GRA (%)** |
|---|---|---|---|
| FY2006 | — | — | — |
| FY2007 | 2 | 5.1 | 0.3 |
| FY2008 | 1 | 4.4 | 1.3 |
| Beyond FY2008 | 3 | 90.5 | 98.4 |
| Vacant | | | 0.0 |
| **Total** | **6** | **100.0** | **100.0** |

**Asset Enhancement Arrangement with Vendor**

CapitaRetail Jiulong and Beijing Jia Li, the vendor of Jiulong Mall, entered into an asset enhancement arrangement (the **"Asset Enhancement Arrangement"**) in connection with the sale and purchase of Jiulong Mall. Under the Asset Enhancement Arrangement, subject to obtaining the approvals from the relevant authorities and Carrefour and B&Q (the two largest anchor tenants of the mall and from whom CapitaRetail Jiulong will be recovering, and/or reconfiguring the use of, leased area to optimise the use of retail space in the mall as a whole), CapitaRetail Jiulong and Beijing Jia Li will work towards enhancing the value of the Property through implementing certain asset enhancement initiatives to increase the GFA.

The Manager believes that the Asset Enhancement Arrangement is in the interests of enhancing the value of Jiulong Mall, and that Beijing Jia Li should be compensated for its efforts in assisting the Manager in the implementation of the asset enhancement initiatives, which will include its assistance in obtaining the relevant regulatory approvals.

The Manager will determine the NPI of the Property or the Property post-asset enhancement (**"Enhanced Property"**), as the case may be, on a half-yearly basis, on 30 June and 31 December of each year.

***Payment Arrangement***

Beijing Jia Li will be entitled to the payment of RMB13,556,550 if:

$$\frac{\mathbf{A}}{\text{51,334 sq m}} \geq \text{RMB9,000 per sq m}$$

where **A** (being the value of the Property or the Enhanced Property, as the case may be) = $\frac{\text{NPI}}{9.0\%}$

This amount (RMB13,556,550) effectively compensates Beijing Jia Li for the value derived by the Manager from the use of the Civil Defence Shelter Area (1,808 sq m) for retail purposes.

Upon the completion of the asset enhancement initiatives, and provided that the overall NPI yield of the Enhanced Property exceeds 9.0%, the following payment arrangement will be made:

(a) for capital value of up to RMB10,000 per sq m, based on the GRA of 51,334 sq m, Beijing Jia Li and CapitaRetail Jiulong will share the upside in the ratio of 75:25.

(b) for capital value of more than RMB10,000 per sq m based on the GRA of 51,334 sq m, Beijing Jia Li and CapitaRetail Jiulong will share the excess over RMB10,000 per sq m in the ratio of 50:50.

The above sharing basis will be determined twice, one month and seven months after the operations of the Enhanced Property.

In calculating the NPI yield of the Enhanced Property, the total costs of implementing the asset enhancement initiatives, which shall include the costs of constructing the new GFA, costs of compensating tenants for the recovering and/or reconfiguring the use of their leased area (if any) and other related costs, are added to the original purchase price.

## ANZHEN MALL

安贞华联商厦

*Section 5 of Anzhen Xi Li, Chaoyang District, Beijing*


### Beijing Profile

(See " — Wangjing Mall — Beijing profile").

### Description

Anzhen Mall is a six-level retail mall. The mall is located approximately 11 km north-west of the CBD in the Chaoyang District, the second most populous precinct in Beijing. It is adjacent to the North 3rd Ring Road and easily accessible due to its proximity to a major bus terminal. The area is densely populated and is situated to the south of the planned Olympic Village.

The Chaoyang District is an expansive and well-known precinct of Beijing, and is the city's second most populated precinct. The residents of this region can be classified as primarily middle-upper class. The mall is a well-established shopping complex widely popular with the local residents in the developed residential community in its vicinity. The mall currently serves a population catchment of approximately 293,000 within a 2 km radius, and more than 671,375 within a 4 km radius. The trade area residents have an estimated average annual retail spending per capita of RMB17,833, which is higher than the Beijing average of RMB11,576.

The mall is conveniently accessible due to its proximity to a major bus terminal with connections to the surrounding regions. The mall is also well served by trains at the Andingmen and Guloudajie subway stations (2.5 km to the south) on the Circle Line, and the Liufang, Guangximen and Shaoyaoju stations (2 to 3 km to the east) which form part of the urban railway network. The accessibility to the mall, given its proximity to rail and road transfer hubs, attracts heavy shopper traffic. Also, the main front entrance of the shopping mall is commonly used by the public as a central meeting place, which has significant shopper traffic and connects well to the surrounding major roads.

Anzhen Mall is amongst the most recognised in the area, and is one of the few comprehensive one-stop-shop concept-based malls in the locality. It provides a comprehensive shopping experience with a wide variety of product offerings. The mall has shown a steady trading performance, and is well-known amongst locals as their basic necessity shopping destination. Its established position attracts recurring shopper traffic from the surrounding catchments. The wide product range from strong international and local brands coupled with a popular retailer is a premier attraction for shoppers to visit the mall.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

### Tenant Profile

The whole of Anzhen Mall is leased to Beijing Hualian Group for 20 years under a master lease which expires in 2025. The master lease provides for an annual step-up in the base rent of 1.0%, plus a percentage of the gross sales turnover exceeding an agreed threshold.

The table below sets out information on Beijing Hualian Group, the master lessee of Anzhen Mall as at 31 August 2006:

| Tenant | Business sector | Expiry date | Percentage of total Gross Rent based on Committed Leases as at 31 August 2006 (%) |
|---|---|---|---|
| Beijing Hualian Group | Supermarket, department store | July 2025 | 100.0 |
| **Total** | | | **100.0** |

## QIBAO MALL

**嘉茂购物广场•七宝**

*No. 3655, Qi Xin Road, Min Hang District, Shanghai*


**Shanghai Profile**

Shanghai is the largest city in China and also the country's industrial, commercial and financial centre. It is located along the east coast at the mouth of the Yangtze River with a population of approximately 17 million people. Since 2000, its population growth rate has averaged 0.6% per annum and, beginning in 2004, has exceeded China's population growth rate. It is widely regarded as the citadel of the Chinese economy and is a popular destination for international tourists.

The Shanghai economy has grown impressively over the past decade with nominal Gross Regional Product per capita growing at over 11.0% per annum, which can be attributed to the strong growth in urban employment. It has amongst the best transportation infrastructure in China, hence providing easy access to and within the city. The city is well connected by road and rail networks to the various important hubs, enabling ease of access for residents and tourists. The government has invested heavily in infrastructure in the region as evidenced by the improvements in transportation facilities and highways.

Shanghai is also China's largest retail centre with numerous landmark retail districts, such as Nanjing Road, one of the world's busiest shopping streets and amongst the most popular tourist attractions in China, and Huai Hai Road, Shanghai's most fashionable and stylish shopping avenue. The Shanghai retail market will be a beneficiary of the 2010 World Expo, which is expected to attract an estimated five million visitors to the city.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

**Description**

Qibao Mall is owned by Jin Qiu and leased to CapitaRetail Dragon Mall (Shanghai) Co. Ltd. under a master lease. The master lease expires in January 2024, with the right to renew the master lease for a further term of 19 years and two months from January 2024.

The master lease entered into between CapitaRetail Dragon and Jiu Qiu has been registered with the Shanghai Municipality Registrar of Real Estate and both CapitaRetail Dragon and Jiu Qiu have received a Certificate of Registration of Real Estate of Shanghai Municipality. The master lease is thus validly registered under the applicable laws of China. The master lease also provides that, during the term of the master lease, Jiu Qiu must give CapitaRetail Dragon three months' notice of its intention to sell the mall and the proposed terms of the sale. CapitaRetail Dragon will then have the first right to acquire the mall under the same terms. The master lease provides that if CapitaRetail Dragon does not exercise its right to acquire the mall, Jin Qiu may then sell the mall to a third party buyer but must transfer all its rights and obligations under the master lease to such third party buyer. Accordingly, such third party buyer will continue to be bound by the master lease and CapitaRetail Dragon will not lose its contractual rights under the master lease with Jin Qiu in the event that Jin Qiu sells Qibao Mall to a third party. Under applicable China laws, the master lease will also be legally enforceable against a mortgagee of Qibao Mall existing subsequent to the master lease.

Qibao Mall is a four-level retail mall with a carpark comprising approximately 491 parking lots. The mall is located in the Min Hang district, a growing mid-to-high-end residential locality, with a population of 116,000 as at 2006. The district has recently witnessed significant growth in residential developments and is fast becoming a popular destination amongst the expatriate community, primarily due to its proximity to international schools and the airport. The district has a growing number of affluent residents, bolstered primarily by the significant growth in expatriate population. The main trade area within the Min Hang district (covering about 15 square km) has average per capita incomes and spending levels that are slightly above the Shanghai urban average. This places Qibao Mall in a favourable position to capitalise on the affluent local catchment with strong purchasing power.

The mall is amongst the few shopping destinations in the locality with quality multi-tenant and multi-product offerings. The mall provides nearby residents with a comprehensive one-stop shopping experience with its professional management and strong tenant mix. It targets the middle-income and family oriented segment of the retail market in the vicinity through selection of the tenant mix, type of advertising and promotional activities and its overall public identity. The adjacent Hong Kong New World Department Store, which will be connected to Qibao Mall *via* a second-storey bridge (provided by Qibao Mall), also serves to provide synergy with the mall's tenant mix and helps attract shoppers to the mall.

Following the completion of the asset enhancement activities at the mall, the Manager expects to bring in a number of F&B outlets and fashion chains with strong brand names, leading to an improvement in revenues and shopper traffic.

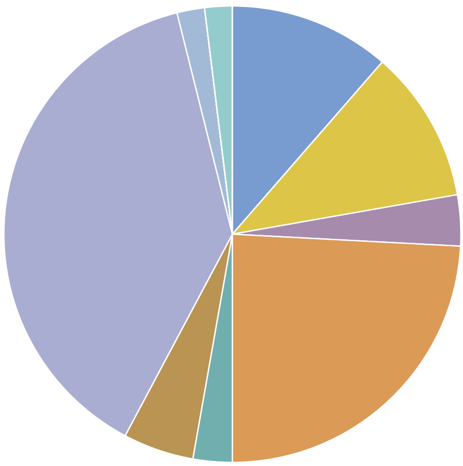
**Tenant Profile**

As at 31 August 2006, Qibao Mall has 72 retail tenants based on Committed Leases. The tenant profile of Qibao Mall is diverse and represents a wide variety of industry sub-sectors. The mall is anchored by Carrefour which enjoys very strong brand presence and recognition in China and has seen most of their stores performed well. For example, the Gubei Carrefour hypermarket/supermarket located about eight km east of Qibao Mall, is one of the most successful stores in Shanghai. Over time, the Carrefour at Qibao Mall is also expected to perform well, drawing large number of shoppers to the mall.

The other prominent tenants include Sport 100, one of China's premier sporting goods and apparel retailer.

The following chart provides a breakdown by Gross Rent (from Committed Leases) of the various trade sub-sectors represented in Qibao Mall as at 31 August 2006:

**Qibao Mall — Trade sector analysis (By Gross Rent)**



| Trade sub sector | Contribution (%) |
|---|---|
| Fashion | 38.1 |
| Sports & Fitness | 24.1 |
| Supermarket / Hypermarket | 11.5 |
| Food & Beverage / Food Court | 10.8 |
| Services | 5.0 |
| Leisure & Entertainment | 3.5 |
| Electronic / IT | 3.0 |
| Gifts & Specialty | 2.0 |
| Home Furnishings | 2.0 |
| Department Store | 0.0 |
| Education / School | 0.0 |
| Books & Stationery | 0.0 |
| Hobbies | 0.0 |
| Toys | 0.0 |
| Others | 0.0 |

The table below sets out information on the 10 largest tenants of Qibao Mall based on Committed Leases as at 31 August 2006:

| Tenant | Business sector | Expiry date | Percentage of total Gross Rent based on Committed Leases as at 31 August 2006 (%) |
|---|---|---|---|
| Sport 100 | Sports & Fitness | June 2011 and August 2011 | 14.7 |
| Carrefour | Hypermarket/ Supermarket | January 2024 | 11.6 |
| Powerhouse Gym | Sports & Fitness | December 2012 | 8.9 |
| Di Xin Tong (迪信通) | Electrical | June 2008 | 2.7 |
| Vero Moda/Jack &Jones | Fashion | April 2007 | 2.4 |
| Esprit | Fashion | June 2007 | 2.4 |
| Lang Sha (浪莎) | Entertainment | February 2014 | 2.1 |
| Jin Bo Li (金伯利) | Fashion | October 2008 | 1.8 |
| Shu Nu Wu (淑女屋) | Fashion | June 2008 | 1.8 |
| G2000 | Fashion | April 2008 | 1.7 |
| 10 largest tenants | | | 50.1 |
| Other tenants | | | 49.9 |
| **Total** | | | **100.0** |

## Expiries

The following table sets out the expiry profiles of the tenancies at Qibao Mall as at 31 August 2006:

| **Period** | **Total number of leases expiring** | **Monthly Gross Rent of expiring leases (%)** | **Expiring leases as a percentage of GRA (%)** |
|---|---|---|---|
| FY2006 | — | — | — |
| FY2007 | 3 | 5.2 | 0.9 |
| FY2008 | 44 | 39.6 | 6.4 |
| Beyond FY2008 | 25 | 55.2 | 58.5 |
| Vacant | | | 34.2 |
| **Total** | **72** | **100.0** | **100.0** |

## ZHENGZHOU MALL

郑州华联商厦

*No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan*



### Zhengzhou Profile

Zhengzhou, the capital of Henan Province, is located at approximately 600 km south of Beijing in the central part of China. The Henan region is an important agricultural province and the most populous with nearly 100 million people. It is China's leading producer of wheat, cereals, oil bearing crops and beef. Zhengzhou is an important transit city in China due to the role it plays in linking the four zones of the country.

The city consists of six districts, five smaller cities, one county and has a population of nearly 7.2 million people, of which over 4.2 million live in the urban area. Over the past decade, the city has experienced strong economic growth with Gross Regional Product per capita growth over the past decade at approximately 13.5% per annum. Income per capita of the urban population is above China average, as is retail spending, which is estimated at RMB9,750 per capita for 2006.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

### Description

Zhengzhou Mall is a seven-level retail mall at the heart of Zhengzhou's prime retail district, the Er Qi District.

The estimated resident population of the primary trade area is 448,000. This area consists of the CBD as well as established suburbs, and experiences relatively strong population growth. Combined with the secondary trade area, the total estimated population is approximately 698,000. The population growth in the main trade area has been relatively strong and, despite an expected slowing of growth, is still expected to post a healthy 2.7% per annum growth over the next five years. Retail spending per capita of both the primary and secondary trade areas is forecasted to grow by about 8.8% per annum over the next five years.

The mall has an adjacent open area of approximately 6,910 sq m (approximately 26.0% of the total land area), currently used as an open-air carpark. The mall is easily accessible *via* key arterial roads and draws shoppers from all over the city. In addition, the mall's central location in the retail cluster of the city allows it to benefit from the regular crowd of shoppers and visitors.

### Tenant Profile

The whole of Zhengzhou Mall is leased to the Beijing Hualian Group for 20 years under a master lease which expires in 2026. Starting from the fourth year, there will be an increase of 2.0% in the base rent, followed by a progressive annual increase of 1.0% from the 5th year onwards. There is additional potential upside through a percentage of tenants' gross sales turnover if the turnover exceeds an agreed threshold.

The table below sets out information on Beijing Hualian Group, the master lessee of Zhengzhou Mall as at 31 August 2006:

| Tenant | Business sector | Expiry date | Percentage of total Gross Rent based on Committed Leases as at 31 August 2006 (%) |
|---|---|---|---|
| Beijing Hualian Group | Supermarket, department store | October 2026 | 100.0 |
| **Total** | | | **100.0** |

## JINYU MALL

嘉茂购物中心•赛罕

*No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia*


**Huhehaote Profile**

Huhehaote is the capital city of Inner Mongolia Autonomous Region. It is the political, economic and cultural centre of the region. It is accessible by three national highways, among which No. 110 is the main artery connecting the city to Beijing. Huhehaote is also linked *via* national railway lines to, among others, Beijing, Shanghai, Nanjing, and international lines to Ulan Bator and Moscow.

Huhehaote has a population of 2.5 million, with an urban population of 1.4 million. The urban population of Huhehaote has experienced relatively strong growth of 3.9% per annum in the period of 1980 to 2004, compared to 1.0% growth of the overall population in the Inner Mongolia province. The city's main industries include electric power, textiles, petrochemicals, machinery, food processing and tourism. Huhehaote Municipality has made a concerted effort to develop the city's economy, which includes attracting both domestic and foreign investments. Since the 10th five-year plan, there has been an encouraging inflow of foreign capital, which has helped to transform the economic and social development of Inner Mongolia.

Under this "going global" strategy, the foreign economic and technological cooperation of Inner Mongolia has progressed with good results. Presently, Inner Mongolia has established trade ties with clients of over 80 countries and regions. The fields of cooperation are continuously expanding, especially in the industries of, among others, dairy, biological medicine, chemicals, metals, textile, telecommunications and cigarettes.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

### Description

Jinyu Mall is a five-level retail mall located near the heart of Huhehaote's main retail cluster belt. The mall is easily accessible *via* the major road transportation networks and is amongst the largest one-stop shopping destinations in Huhehaote.

The mall has an estimated resident population of 168,000 within a two km radius and 281,000 within a 4 km radius, primarily due to its proximity to international schools and the airport. The population of the main trade area is forecasted to grow at about 0.6% per annum, due to the redevelopment of the tobacco factory opposite the mall, plans for high-density residential apartments in surrounding area in the next few years, as well as the upgrading of rural housing to the south of the mall.

The city is experiencing rapid urbanisation and increasing income growth, with total retail spending per capita by the trade area residents forecasted to grow by about 8.0% per annum over the next five years. This would represent a good opportunity for Jinyu Mall to leverage on these positive factors to establish a strong positioning in the retail market as a "one-stop" retail mall, differentiating it from the other older retail stores in the vicinity.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

Although the mall does not have any on site parking, there are parking lots available in the surrounding premises which shoppers at the mall can have access to. However, the most popular mode of transport to the mall is by foot, cycling and taxis as private car ownership in Huhehaote is low.

### Tenant Profile

Jinyu Mall is anchored by Beijing Hualian Group under a master lease for an initial term of three years. Beijing Hualian Group operates a supermarket and a department store in the mall.

The three-year master lease provides upfront stability in rental revenue to the mall for the first three years as the Manager carries out its asset enhancement and proactive leasing plans (see "Business and Properties — Asset Enhancement Initiatives").

The table below sets out information on Beijing Hualian Group, the master lessee of Jinyu Mall as at 31 August 2006:

| Tenant | Business sector | Expiry date | Percentage of total Gross Rent based on Committed Leases as at 31 August 2006 (%) |
|---|---|---|---|
| Beijing Hualian Group | Department Store/ Supermarket | October 2009 | 100.0 |
| **Total** | | | **100.0** |

## XINWU MALL

## 嘉信茂广场•新芜

*No. 79 Zhongshan North Road, Xinwu District, Wuhu, Anhui*



### Wuhu Profile

Wuhu is situated in Anhui on the south of the Yangtze River. It is the most important of Anhui's Yangtze River ports and the site of one of Anhui's three state-level Economic Development Technology Zones, which specialise in sectors such as automobiles, building materials and electronics. Wuhu is also home to Chery Automobile, the fastest growing independent automaker in China, that exports cars to Europe and North America.

Wuhu and Anhui have experienced strong economic growth over the past decade. Over the five year period, Wuhu's economy has doubled from RMB20 billion in 2000 to RMB40 billion in 2005 and currently accounts for around 7.0% of the Anhui's GRP, despite having just over 3.0% of the Province's resident population base.

The rapid population growth coupled with rising incomes has contributed to significant growth in Wuhu's retail market. In 2006, the average per capita income of urban Wuhu residents (predominantly in downtown Wuhu) is estimated at RMB 10,784. This compares with the average per capita income of rural residents of Wuhu, estimated at RMB 4,392 in 2006. In 2006, Wuhu's retail sales are estimated at RMB 10.8 billion, which represents 12.0% growth on the 2005 figure of RMB 9.7 billion. Based on Wuhu's estimated resident population of 2.3 million, Wuhu residents, average retail spending is RMB4,275 per annum. Spending by Wuhu urban residents is higher at RMB6,576.

(See Appendix D, "Independent Overview Report on the China Retail Property Market".)

### Description

Xinwu Mall is a four-level retail mall with a total of 449 parking lots. The construction of the mall was completed in 2005 and it commenced operations in December 2005. The mall is located at the intersection of Zhongshan North Road and Yinhu South Road which is approximately one km north of the CBD. The mall is also in the vicinity of the Fenghuang Food Street and Zhongshan Road Shopping Street, both amongst the most popular locations in the city.

The mall's main target market is the densely populated local residential catchment. It benefits from the strong catchment population which includes the working community in downtown Wuhu. There is also the potential for the mall to benefit from a small tourist volume as there are over 20 hotels located within a 4 km radius of the mall.

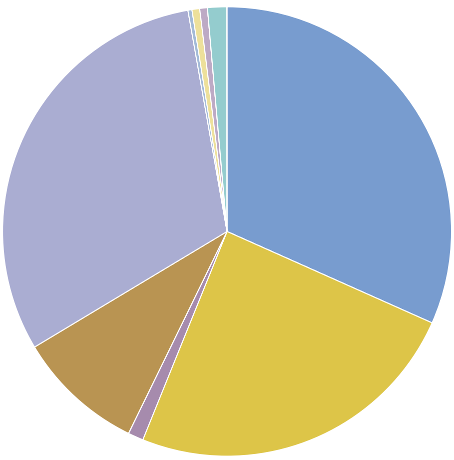
Xinwu Mall enjoys the first mover advantage of being amongst the first one-stop shopping, dining and entertainment destinations in the locality due to the lack of competitors with similar retail offering strategy or scale to attract visitors from its surrounding areas. The mall's anchor tenant, Wal-Mart, positions it as a desirable destination for the middle class shoppers.

### Tenant Profile

As at 31 August 2006, Xinwu Mall has 57 retail tenants based on Committed Leases. The mall has a diverse mix of tenants offering a wide variety of products and services, including F&B outlets and fashion stores. The mall is anchored by Wal-Mart hypermarket. The other prominent tenants include KFC, Nike and Lai Lai Yong He Soy-Bean Milk (来来永和豆浆).

The following chart provides a breakdown by Gross Rent (from Committed Leases) of the various trade sub-sectors represented in Xinwu Mall as at 31 August 2006:

**Xinwu — Trade sector analysis (By Gross Rent)**



| Trade sub sector | Contribution (%) |
|---|---|
| Supermarket / Hypermarket | 31.7 |
| Fashion | 30.7 |
| Food & Beverage / Food Court | 24.3 |
| Services | 9.2 |
| Home Furnishings | 1.4 |
| Leisure & Entertainment | 1.3 |
| Books & Stationery | 0.5 |
| Hobbies | 0.5 |
| Gifts & Specialty | 0.4 |
| Department Store | 0.0 |
| Sports & Fitness | 0.0 |
| Electronic / IT | 0.0 |
| Education / School | 0.0 |
| Toys | 0.0 |
| Others | 0.0 |

The table below sets out information on the 10 largest tenants of Xinwu Mall based on Committed Leases as at 31 August 2006:

| Tenant | Business sector | Expiry date | Percentage of total Gross Rent based on committed leases as at 31 August 2006 (%) |
|---|---|---|---|
| Wal-Mart | Hypermarket/ Supermarket | January 2021 | 31.6 |
| Tian Lan (天澜) | Fashion | February 2009 | 4.9 |
| Han Du BBQ (韩都烧烤) | Food & Beverage/ Food Court | November 2011 | 4.2 |
| Fu Lin Jewellery | Fashion | December 2008 | 3.9 |
| KFC | Food & Beverage/ Food Court | July 2016 | 3.5 |
| Lai Lai Yong He Soy-Bean Milk (来来永和豆浆) | Food & Beverage/ Food Court | August 2011 | 3.4 |
| Shi Zhong Pharmacy | Services | December 2008 | 2.6 |
| A Li Lang Korean Food (阿里郎韩国料理) | Food & Beverage/ Food Court | February 2009 | 2.2 |
| 来自纽约欢乐西餐厅 | Food & Beverage/ Food Court | January 2010 | 2.2 |
| Jin Ling Duck Vermicelli (金陵鸭血粉丝汤) | Food & Beverage/ Food Court | February 2008 | 1.6 |
| 10 largest tenants | | | 60.1 |
| Other tenants | | | 39.9 |
| **Total** | | | **100.0** |

## Expiries

The following table sets out the expiry profiles of the tenancies at Xinwu Mall as at 31 August 2006:

| Period | Total number of leases expiring | Monthly Gross Rent of expiring leases (%) | Expiring leases as a percentage of GRA (%) |
|---|---|---|---|
| FY2006 | 12 | 7.9 | 1.1 |
| FY2007 | 14 | 11.0 | 2.2 |
| FY2008 | 18 | 22.6 | 5.0 |
| Beyond FY2008 | 13 | 58.5 | 58.4 |
| Vacant | | | 33.3 |
| **Total** | **57** | **100.0** | **100.0** |

### Asset Enhancement Initiatives

The Manager believes that further opportunities exist to promote growth through the addition and/or optimisation of retail space in the Properties, and has formulated asset enhancement schemes aimed at increasing the performance and yield of the Properties. As part of its ongoing asset management strategy, the Manager will, from time to time, evaluate and implement asset enhancement schemes for the Properties, where appropriate, in order to optimise the use of retail space and enhance returns for CRCT.

Subject to the requisite approvals and permits being obtained and the Manager's assessment of prevailing market conditions, development costs, impact on the Net Property Income of the Properties and other relevant factors, the Manager's current objective is to implement asset enhancement schemes over the next three to five years. However, the Manager may bring forward or defer the implementation schedule depending on the Manager's assessment of all relevant factors at the material time.

No significant asset enhancement scheme has presently been considered for Wangjing Mall and Xinwu Mall as they are newly completed.

The Manager has identified certain potential asset enhancement initiatives in respect of three Properties as set out below.

### Jiulong Mall

The Manager believes that, being a newly completed shopping mall, Jiulong Mall is in excellent condition and is expected to require low maintenance outlays. However, the Manager believes that there are opportunities to enhance the Property's earnings potential through the expansion of the GFA of Jiulong Mall.

Pursuant to the Asset Enhancement Arrangement, and subject to obtaining the approvals from the relevant authorities, Carrefour and B&Q (the two largest anchor tenants of the mall and from whom CapitaRetail Jiulong will be recovering, and/or reconfiguring the use of, leased area to optimise the use of retail space in the mall as a whole), CapitaRetail Jiulong and Beijing Jia Li will work towards enhancing the value of the Property through the following asset enhancement initiatives to create additional rentable area:

- converting the building's current roof-top level into approximately 6,850 sq m of retail space. The current building is designed to support an additional level and has in place the necessary structural provisions;
- leasing out the Civil Defence Shelter Area as retail space; and
- converting part of the open-air carpark area beside the existing building into retail space, by building on it a four-storey annex block (to yield additional retail space as well as house the carpark lots) that will be connected to the existing building. This will allow the Manager to reconfigure and optimise the use of retail space.

The proposed asset enhancement initiatives under the Asset Enhancement Arrangement are subject to obtaining the approvals from the relevant authorities and are expected to create up to approximately 11,000 sq m of additional GFA.

**Zhengzhou Mall**

Zhengzhou Mall has an adjacent open area of about 6,910 sq m in size (or approximately 26.0% of the total land area) within the boundary of the Property. It is currently used as an open-air carpark for the mall. The Manager believes that the open area can be converted into rentable area, thereby potentially increasing the Property's earning potential and enhancing the value of the Property.

The asset enhancement initiative further entails the expansion of the existing supermarket within the mall's premises. This can be done by constructing a three-storey retail annex block with a rooftop carpark on the open area and leasing part of the space to the Beijing Hualian Supermarket. The prominent frontage of the annex would bring the entire mall closer to the main road and enhance its visibility. In addition, the Manager believes that the crowd-pulling effect of the supermarket would help increase shopper traffic and enhance shopper circulation to the rest of the mall.

The basement level of the new annex block can be extended to connect with the main block. An air-conditioned walkway can be constructed to connect the new annex to the main block to provide a seamless and integrated shopping experience, as well as to optimise the rental value of the walkway area.

In addition, an enclosed carpark can be built on the top floor of the new annex to provide an in-house parking area for the convenience of shoppers. These asset enhancement plans, which are subject to approval by the relevant authorities, are expected to enhance the attractiveness of the mall as a convenient one-stop shopping, dining and entertainment destination for local residents to shop in comfort for a wide range of goods and services.

The proposed asset enhancement initiatives in respect of Zhengzhou Mall are subject to obtaining the approvals from the relevant authorities and are expected to create up to approximately 12,000 sq m of additional GFA.

**Jinyu Mall**

Jinyu Mall is currently anchored by the Beijing Hualian Group under a master lease for an initial term of three years. Over the three-year master lease period, the Manager intends to progressively recover area from the master lessee, Beijing Hualian Group, to be subsequently reconfigured and leased directly to specialty tenants. It is envisaged that the current unutilised 4th and 5th levels would be an entertainment hub for local residents. The Manager is of the opinion that the rent achievable from direct leasing of the recovered space to specialty tenants would be higher than the rent currently payable by the Beijing Hualian Group under a master lease arrangement. Thus, upside in the Gross Rent can be achieved through the recovery of the area from the Beijing Hualian Group. Following the third anniversary of the current master lease, Beijing Hualian Group is expected to lease only the area for its core supermarket trade for a further 17 years with built-in rent step-up.

The proposed asset enhancement initiatives in respect of Jinyu Mall are subject to obtaining the approvals from the relevant authorities and are expected to recover up to approximately 32,000 sq m of GFA.

The initial layout plans illustrating the proposed asset enhancement initiatives are set out at Appendix H, "Proposed Layout Plans for Asset Enhancements".

# THE RETAIL PROPERTY MARKET IN THE PRC

UrbisJHD has been commissioned to conduct a study to provide an independent overview on the PRC retail property market for the purpose of inclusion in this Prospectus.

The purpose of the report is to provide an independent review of the retail market in the PRC together with a review of each of the subject malls in CRCT including reference to their catchment and trading outlook.

The key findings and conclusions arising out of the analysis contained in this report are summarised below:

**Economic Growth**

1. With a population of 1.3 billion people, the PRC is the largest country in the world and has the second largest economy when measured by Purchasing Price Parity (PPP). In 2005, the PRC's GDP adjusted for PPP exceeded US$9.4 trillion. When measured in USD exchange rate terms, the PRC economy is the fourth largest at US$1.8 trillion.
2. There have been some significant changes to the PRC economy over the last 25 years. It has developed from a centrally planned system largely closed to international trade to a more open market oriented economy that has a rapidly growing private sector and is a major player in the global economy. International trade has developed, and finance and trade services have also become more important drivers of economic growth. The fast paced growth has gradually shifted the PRC economy away from its agrarian base to a more modernised, manufacturing and services based economy.
3. The PRC has consistently been one of the fastest growing economies in recent years. Average real GDP growth has been an impressive 8.7% per year over the 25 year period commencing 1980. Over the most recent five year period (2000-2005) the average real growth in GDP has been at a similar level at 8.2% per annum. This is the highest rate of growth for all of the Asian economies and typically two-to-three times greater than the GDP growth experienced in most western countries.
4. More importantly, the PRC economy is expected to continue its strong growth with real GDP growth forecast at 9.1% for 2006 and averaging 8.1% per annum for the next decade. As such the PRC is expected to remain the fastest growing economy in Asia, and one of the fastest growing economies in the world.

**Rising Real Incomes**

5. Accompanying the strong economic growth have been significant increases in the overall standard of living and in real incomes. Over the 1990-2004 period, real incomes grew at an impressive rate of 9.4% per annum with an even higher average rate of growth (12.8% per annum) occurring since 1998.
6. Despite the extraordinary real income growth experienced over recent years, there has been a growing gap in household income between urban and rural residents. The average urban per capita income currently is three times higher than the average rural per capita income. The higher levels of income witnessed in the urban areas are largely attributable to the rapid population and economic growth that has occurred in many PRC cities.

### Increasing Urbanisation

7. Although the PRC has the largest population of any country in the world, its rate of population growth has been gradually declining, from an average of around 1.5% per annum in the 1980's, to 1.1% per annum in the 1990's, to its current level of around 0.6% per annum. This lower average population growth is the outcome of both an ageing population and the government's one-child policy. Despite population growth only being 0.6% per annum, this still represents a significant annual growth of 7-8 million additional people per year.

8. There has been a strong trend towards urbanisation of the population with the onset of solid economic growth. In 1980, over 80% of the population lived in rural areas. Over time, and with the modernisation of both the economy as a whole, and major cities in particular, the urban population has grown to 42% in 2004 whilst the rural population has fallen to 58%. On this basis the urban population since 1990 has grown at an average rate of 4.1% per annum whereas the rural population has declined, by an average rate of -0.8% per annum.

9. At present the PRC has over 50 cities with a population of above 1 million people. The two largest cities are Shanghai and Beijing, with Shanghai ranked in the top 10 largest cities in the world. Within the PRC the Top 10 cities are as follows :

**The People's Republic of China**
**Top 10 Cities by Total Population, 2005**

| Rank | City | Population |
|---|---|---|
| 1 | Shanghai | 18,150,000 |
| 2 | Beijing | 12,100,000 |
| 3 | Shenzhen | 10,750,000 |
| 4 | Guangzhou | 9,550,000 |
| 5 | Chongqing | 9,350,000 |
| 6 | Wuhan | 9,100,000 |
| 7 | Tianjin | 6,350,000 |
| 8 | Shanyang | 4,550,000 |
| 9 | Xi'an | 3,600,000 |
| 10 | Nanjing | 3,500,000 |

*Source: www.citypopulation.de; UrbisJHD*

### Implications for Retail

10. The strong economic growth forecast to continue in the short to medium term provides a positive outlook for the retail market in the PRC. As has been seen previously in other economies, economic growth and improvements in the standard of living are primary drivers of growth in retail sales and household consumption. The same phenomenon is being witnessed in the PRC whereby there is a burgeoning middle class with growing real incomes. This coupled with a significant shift from rural living to urban living, and the concentration of major shopping centres and retail outlets in urban areas, bodes well for retail growth in suburban retail malls in the PRC in the future.

11. The significance of the growing urbanisation of the PRC, and the increased living standards, should not be understated. Household ownership will continue to increase, which will require additional furnishings and expenditures. As household incomes continue to increase along with disposable income, the retail sector stands to benefit from the expected increase in retail consumption.

**Retail Sales Growth & Inflation**

12. Retail sales growth in the PRC has been highly correlated to GDP growth. Retail sales growth has averaged approximately 2%-3% per annum higher than GDP growth over the past 10 years.

13. Nominal retail sales growth (*i.e.* including inflation) over the past 10 years has averaged an impressive 12.5% per annum and for 2005 total retail sales for the PRC were estimated at RMB 4.2 trillion. Looking forward, retail sales for the PRC are forecast to grow in nominal terms at an average rate of 10.0% per annum through to 2011 thereby reaching RMB 7.4 trillion in 2011.

14. Consumer price inflation ("**CPI**") in the PRC has averaged only 1.4% per annum over the past five years and retail price inflation ("**RPI**") has been lower. CPI is forecast to average 2.7% per annum through to 2011 while RPI is forecast at 1.2% per annum.

**Brand Acceptance**

15. The westernisation of PRC consumption behaviour over the past decade has contributed positively to the spread of brand acceptance. Increasing prevalence of TV viewership, higher education and increasing level of domestic and international travel have brought the PRC consumer in contact with traditional marketing channels. Retailers have gained greater and deeper access to consumers and this has led to more exposure to brands and subsequently greater brand acceptance among their target markets.

16. This has contributed to the success of specialty stores, which are now becoming the most popular apparel retail format in the PRC. Furthermore, PRC consumers have also accepted supermarkets and hypermarkets as the principal location to purchase food.

17. Whilst traditionally PRC consumers have favoured domestic brands, they have also grown more accustomed to foreign retailers and brands that have appeared in the market over recent years. These foreign retailers have made a conscious effort to localise their marketing and employ local staff. Foreign retailers using these techniques have been able to gain traction in the market and establish a good reputation. In particular, the unique operations strategy of world giants such as Wal-Mart, Carrefour and IKEA have greatly stimulated new consumption demand among PRC consumers and, as a result, have expanded the retail market.

18. The retail boom experienced by the PRC over the past decade has precipitated the establishment of new retail formats in the market. This has encouraged the expansion of domestic retailers and the entry of foreign retailers to the market.

**Shopping Mall Provision**

19. Prior to the significant market reforms introduced in the 1980's, the PRC had very limited organised retail, with virtually no malls and an insignificant middle class. The opening up of the PRC economy over the past two decades has been associated with a "retail boom" which has resulted in an explosion in the amount of shopping centre floorspace appearing throughout the nation. The shopping centre explosion in the PRC is expected to continue into the foreseeable future, buoyed by rapid increases in consumer spending and the removal of laws that restricted access to all but the largest and best funded, international retailers. Furthermore, residential development and associated population increases in smaller cities across the nation are beginning to attract investors willing to develop big new shopping malls.

20. The PRC has become home to some of the biggest and most extravagant shopping malls in the world. This includes a pair of mega malls in Beijing (Golden Resources with a GFA of 680,000 sq m GFA) and the southern factory city of Dongguan (South China Mall at 845,000 sq m GFA) which are in the top 10 largest shopping malls in the world.

**Future Outlook for Retail Property**

21. In our view, the overall outlook for retail property in the PRC is sound with strong growth anticipated in retail sales. This is attributable to number of factors including anticipated strong growth of the economy; rising incomes; the increasing acceptance of western-style living and brand consciousness; the ongoing shift from rural areas to cities (estimated 15-20 million persons per annum); and the very strong desire by many international retailers to gain presence within the PRC, not only in the major cities, but also in many of the secondary cities. Other factors of less importance, but still of significance, include higher levels of car ownership; increased demand for luxury merchandise and brands; greater acceptance of the hypermarket format for food and grocery shopping and finally the ongoing and increased acceptance of the retail mall as the preferred format for convenience/food shopping needs and higher order shopping.

**CapitaRetail China Trust**

22. CRCT's portfolio consists of seven shopping malls located across five various cities. Three of these centres are in Beijing, one is in Shanghai and the other three are in Huhehaote, Zhengzhou and Wuhu. All of these cities are key regional commercial centres and have a population in excess of 1 million people.

23. The seven malls range in size from 41,937.6 to 92,355.9 sq m of GFA. The properties anchor tenants include the Beijing Hualian Group, Carrefour and Wal-Mart, who are leaders in the operation of hypermarkets and other retail formats in the PRC and, in the case of Carrefour and Wal-Mart, in the international marketplace. Wal-Mart is the world's largest retailer with over US$315.0 billion in annual sales in the 2005-06 financial year and 6,000 stores under operations across 15 countries. Carrefour is the largest retailer in Europe and the second largest retailer worldwide with over US$118.0 billion in annual sales in 2005 and 7,000 stores under operations internationally. Beijing Hualian Group is the sixth largest retailer in the PRC with annual sales of over US$2.6 billion and 74 stores under operations in the PRC in 2005.

24. Whilst some of the malls are located in the CBD, most are located within suburban districts with expected strong population growth over the next several years. Typical trade area retail spending market growth over the next five years for each of these retail malls is estimated to average between 8%-13% per annum.

25. Over the next five years, each of the seven malls is expected to experience growing competition, partly to be offset by future growth in the spending market. Overall, the average sales growth for the portfolio of seven malls is expected to be around 8% per annum.

# THE MANAGER AND CORPORATE GOVERNANCE

**The Manager**

The Manager, CapitaRetail China Trust Management Limited, was incorporated in Singapore under the Companies Act on 1 August 2006. It has a paid-up capital of S$1,000,000, with a registered office at 39 Robinson Road, #18-01 Robinson Point, Singapore 068911 and its telephone and facsimile numbers are (65) 6536 1188 and (65) 6536 3788 respectively.

The Manager is an indirect wholly-owned subsidiary of the Sponsor.

**Directors of the Manager**

The Board is entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the Directors:

| Name | Age | Address | Position |
|---|---|---|---|
| Mr Hsuan Owyang | 78 | 7 Ardmore Park #15-02<br>Pin Tjoe Court<br>Singapore 259954 | Chairman and<br>Independent Director |
| Mr Liew Mun Leong | 60 | 49 Chancery Lane<br>Singapore 309578 | Deputy Chairman and<br>Non-Executive Director |
| Mr Victor Liew Cheng San | 60 | 32 Cairnhill Road #03-03<br>Silver Tower<br>Singapore 229657 | Independent Director |
| Ms Chew Gek Khim | 45 | 74 Grange Road<br>#05-00<br>Singapore 249578 | Independent Director |
| Mr Dilhan Pillay Sandrasegara | 43 | 18 Ford Avenue<br>Singapore 268697 | Independent Director |
| Mr Kee Teck Koon | 50 | 4A Wimborne<br>Singapore 436628 | Non-Executive Director |
| Mr Olivier Lim Tse Ghow | 42 | 335 Bukit Timah Road<br>#15-01<br>Singapore 259718 | Non-Executive Director |
| Mr Pua Seck Guan | 42 | 9 Jalan Yasin<br>Singapore 417982 | Non-Executive Director |
| Mr Lim Beng Chee | 39 | 214 Upper East Coast Road<br>#03-01<br>Singapore 466402 | Executive Director and<br>Chief Executive Officer |

None of the Directors are related to one another, any substantial shareholder of the Manager or any Substantial Unitholder.

## Experience and Expertise of the Board of Directors

Information on the business and working experience of the Directors is set out below:

### Mr Hsuan Owyang

Mr Hsuan Owyang is the Chairman as well as an Independent Director of the Board. With more than 50 years of experience in both the public and private sectors, Mr Owyang's portfolio includes chairmanship of the Housing and Development Board from 1983 to 1998, the Institute of Policy Studies from 1989 to 2004 and the East Asian Institute management board since 1997. He has also been a pro-Chancellor of Nanyang Technological University since 1995. In recognition of Mr Owyang's numerous contributions, he was conferred the Distinguished Alumni Award by the Harvard Club of Singapore in 1987 and was awarded the Meritorious Service Medal by the Singapore Government in 1993.

### Mr Liew Mun Leong

Mr Liew Mun Leong is the Deputy Chairman and a Non-Executive Director of the Board and is concurrently the President and Chief Executive Officer of CapitaLand Group. He is also the Deputy Chairman of The Ascott Group Limited and Raffles Holdings Limited, subsidiaries of CapitaLand Limited which are listed on Singapore Exchange Securities Trading Limited. He is also the Deputy Chairman of CapitaMall Trust Management Limited (the manager of CapitaMall Trust, the first and largest listed real estate investment trust in Singapore), CapitaCommercial Trust Management Limited (the manager of CapitaCommercial Trust) and Ascott Residence Trust Management Limited (the manager of Ascott Residence Trust). He is also a Director of CapitaLand Hope Foundation.

In addition, Mr Liew chairs the Civil Aviation Authority of Singapore (CAAS).

With more than 20 years of experience in construction and real estate in Singapore and overseas, Mr Liew has participated in a number of public sector infrastructural development projects in Singapore, including the development and construction of Changi International Airport. For five years, he was the Chief Executive Officer of the Singapore Institute of Standards and Industrial Research (SISIR), a statutory board responsible for Singapore's national standards and industrial research and development to support the manufacturing industry in Singapore. Thereafter, he headed a public-listed engineering and construction company in Singapore. From 1997 to 1998, Mr Liew was elected the President of International Organisation for Standardisation (ISO).

Mr Liew graduated from the University of Singapore with a Civil Engineering degree in 1970 and is a registered professional civil engineer. In 2006, he was awarded The Business Times Outstanding CEO of the Year Award.

### Mr Victor Liew Cheng San

Mr Victor Liew Cheng San is an Independent Director of the Board. He is currently a Corporate Advisor at Temasek Holdings (Pte) Ltd, and serves as Director on various boards both within and outside the Temasek Group of companies. Previously, he spent 30 years in the financial sector before retiring as Head of Global Markets and a member of the Management Committee of a major local bank. He has also served as Chairman of the Singapore International Monetary Exchange Ltd (SIMEX) and a board member of the Singapore Exchange Ltd (SGX).

Mr Liew graduated from the University of Singapore in 1973 with a degree of Bachelor of Social Sciences with Honours.

**Ms Chew Gek Khim**

Ms Chew Gek Khim is Deputy Chairman and the Chief Executive Officer of the Tecity Group, a group of private investment companies founded by the late banker and philanthropist, Tan Sri Tan Chin Tuan. She has been with the Tecity Group since 1987.

As the Chief Executive Officer, she oversees the Tecity Group's equity investments worldwide. She has also been actively involved in the acquisition and management of the Tecity Group's property investments, which include residential properties in Singapore as well as its commercial properties overseas.

Having been a Non-Executive Director of Robinsons & Company Limited for 18 years, she is familiar with the business of retail. She has also been a Non-Executive Director of Raffles Holdings Limited since 1 October 1999.

She is the Deputy Chairman of the Tan Chin Tuan Foundation in Singapore and the Tan Sri Tan Foundation in Malaysia and is active in community service and volunteers at a few non-profit organisations.

A lawyer by training, Ms Chew graduated from the National University of Singapore in 1984, and joined the local law firm of Drew & Napier where she specialised in corporate law.

**Mr Dilhan Pillay Sandrasegara**

Mr Dilhan Pillay Sandrasegara is an Independent Director of the Board. A lawyer, Mr Pillay is a Partner and Head of the Capital Markets and Corporate practice group at WongPartnership and a Director of its joint law venture firm, Clifford Chance Wong Pte. Ltd. He has 17 years of experience in the legal industry, having worked at Shook Lin & Bok between 1989 and 1992, and at WongPartnership (and its predecessor firm) thereafter. In the course of his legal career, Mr Pillay has been involved in the establishment of real estate funds and in real estate acquisitions, financing and securitisation transactions.

Mr Pillay holds a Bachelor of Laws Honours degree from the National University of Singapore and a Master of Laws degree from Cambridge University. He was admitted to the Singapore Bar in 1989.

**Mr Kee Teck Koon**

Mr Kee Teck Koon is a Non-Executive Director of the Manager and is currently the Deputy Chairman of CapitaLand Commercial and Integrated Development Limited, CapitaLand Retail Limited and CapitaLand Financial Limited. He is also a Director of CapitaCommercial Trust Management Limited and CapitaMall Trust Management Limited. From November 2000 to 1 April 2003, he was the Managing Director and the Chief Executive Officer of The Ascott Group Limited. Between 1996 and 2000, he was the Managing Director and Chief Executive Officer of Somerset Holdings Limited, and was also an Executive Vice President at Pidemco Land Limited. Prior to that, Mr Kee held senior management appointments with several other organisations. He started his career in 1979 with the Singapore Armed Forces and the Ministry of Defence where he remained until 1991.

Mr Kee holds a Master of Arts in Engineering Science from Oxford University, United Kingdom.

**Mr Olivier Lim Tse Ghow**

Mr Olivier Lim Tse Ghow is a Non-Executive Director of the Manager and is concurrently the Group Chief Financial Officer of CapitaLand Limited. He is also a Non-Executive Director of CapitaCommercial Trust Management Limited and CapitaMall Trust Management Limited, and an Alternate Director of The Ascott Group Limited. Prior to joining CapitaLand Limited, Mr Lim was Director and Head of the Real Estate Unit, Corporate Banking in Citibank, Singapore. He has more than 16 years experience in banking and finance, spanning diverse areas such as corporate finance, investment banking and real estate financial products and services.

Mr Lim holds a First Class Honours degree in Civil Engineering from the Imperial College of Science, Technology and Medicine, London.

**Mr Pua Seck Guan**

Mr Pua Seck Guan is a Non-Executive Director of the Manager. He is concurrently the Chief Executive Officer of CapitaMall Trust Management Limited (the manager of CapitaMall Trust, the first and largest listed real estate investment trust in Singapore). He also holds the portfolio of Chief Executive Officer of CapitaLand Retail Limited and CapitaLand Financial Limited (Real Estate Capital Management — Retail).

Mr Pua has over 16 years of real estate experience in property investment, development, management, financing and structuring, and establishment of private/listed real estate funds. Since the listing of CapitaMall Trust, he has been responsible for the setting of its strategic direction and the implementation of strategies to deliver sustainable growth to unitholders of CapitaMall Trust. Private retail property funds which Mr Pua was involved in creating include the CapitaRetail China Development Fund and the CapitaRetail China Incubator Fund (together worth an equity size of over US$1 billion), CapitaRetail Japan Fund and CapitaRetail Singapore Limited.

Before joining CapitaLand Limited, Mr Pua held senior positions with Lend Lease Asia Holdings Pte Ltd and public-listed Hotel Properties Limited.

Mr Pua has a Master of Science degree in Civil Engineering from the Massachusetts Institute of Technology, USA and a Bachelor of Science degree in Building (First Class Honours) from the National University of Singapore.

**Mr Lim Beng Chee**

Mr Lim Beng Chee is an Executive Director of the Board and the Chief Executive Officer of the Manager. He is concurrently the Chief Investment Officer and Head, Group Investments and Asset Management of CapitaLand Retail Limited. Mr Lim has more than six years of real estate investment and asset management experience. Prior to joining CapitaMall Trust Management Limited as an Investment Manager, he was part of the team sponsored by CapitaLand Limited to operate and create property funds such as CapitaLand China Residential Fund, CapitaRetail Japan Fund, CapitaRetail China Incubator Fund and CapitaRetail China Development Fund. He also held the portfolio of Acting Finance Manager of CapitaMall Trust Management Limited from 16 March 2004 to 17 June 2004.

Mr Lim holds a Master of Business Administration (Accountancy) degree from the Nanyang Technological University of Singapore and a Bachelor of Arts degree in Physics (Honours) from Oxford University, United Kingdom.

A list of the present and past directorships of each Director of the Manager over the last five years preceding the Latest Practicable Date is set out in Appendix G, "List of Present and Past Principal Directorships of Directors and Executive Officers".

Mr Dilhan Pillay Sandrasegara, an Independent Director, is a partner at WongPartnership, which is the legal adviser to the International Underwriters and the Singapore Underwriters as to Singapore law. WongPartnership will receive professional fees for legal services rendered in connection with the Offering. Although Mr Pillay is a partner at WongPartnership, he was not the partner rendering legal services in connection with the Offering.

**The Key Roles of the Board**

The key roles of the Board are to:

- guide the corporate strategy and directions of the Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- oversee the proper conduct of the Manager.

The nine-member Board of Directors comprises four Independent Directors, one Executive Director and four Non-Executive Directors. Mr Lim Beng Chee, an Executive Director, is the Chief Executive Officer of the Manager. The Audit Committee of the Board comprises Mr Victor Liew Cheng San, Ms Chew Gek Khim, Mr Dilhan Pillay Sandrasegara and Mr Olivier Lim Tse Ghow. Mr Victor Liew Cheng San has been appointed as the Chairman of the Audit Committee.

The Board meets to review the key activities and business strategies of the Manager. The Board intends to meet regularly, at least once every quarter, to deliberate the strategic policies of CRCT, including acquisitions and disposals, approval of the annual budget and review of the performance of CRCT.

Each Director has been appointed on the basis of his professional experience and his potential to contribute to the proper guidance of CRCT. The Directors will contribute in different ways, including using their personal contacts to further the interest of CRCT.

Save for Mr Lim Beng Chee, each of the Directors has experience in being a director of public listed companies (whether in Singapore or overseas) (see "The Manager and Corporate Governance — Experience and Expertise of the Board of Directors"). Therefore, they have the appropriate experience to act as directors of the Manager and are familiar with the rules and responsibilities of a director of a public listed company. As for Mr Lim, appropriate arrangements will be put in place to orientate him in being a director of a public listed entity.

The Board has approved a set of internal controls which sets out approval limits for capital expenditure, investments and divestments and bank borrowings, as well as arrangements in relation to cheque signatories. In addition, sub-limits are also delegated to various management levels to facilitate operational efficiency.

Changes to regulations and accounting standards are monitored closely by the members of the Audit Committee. To keep pace with regulatory changes, where these changes have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially convened sessions involving the relevant professionals. Management also provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

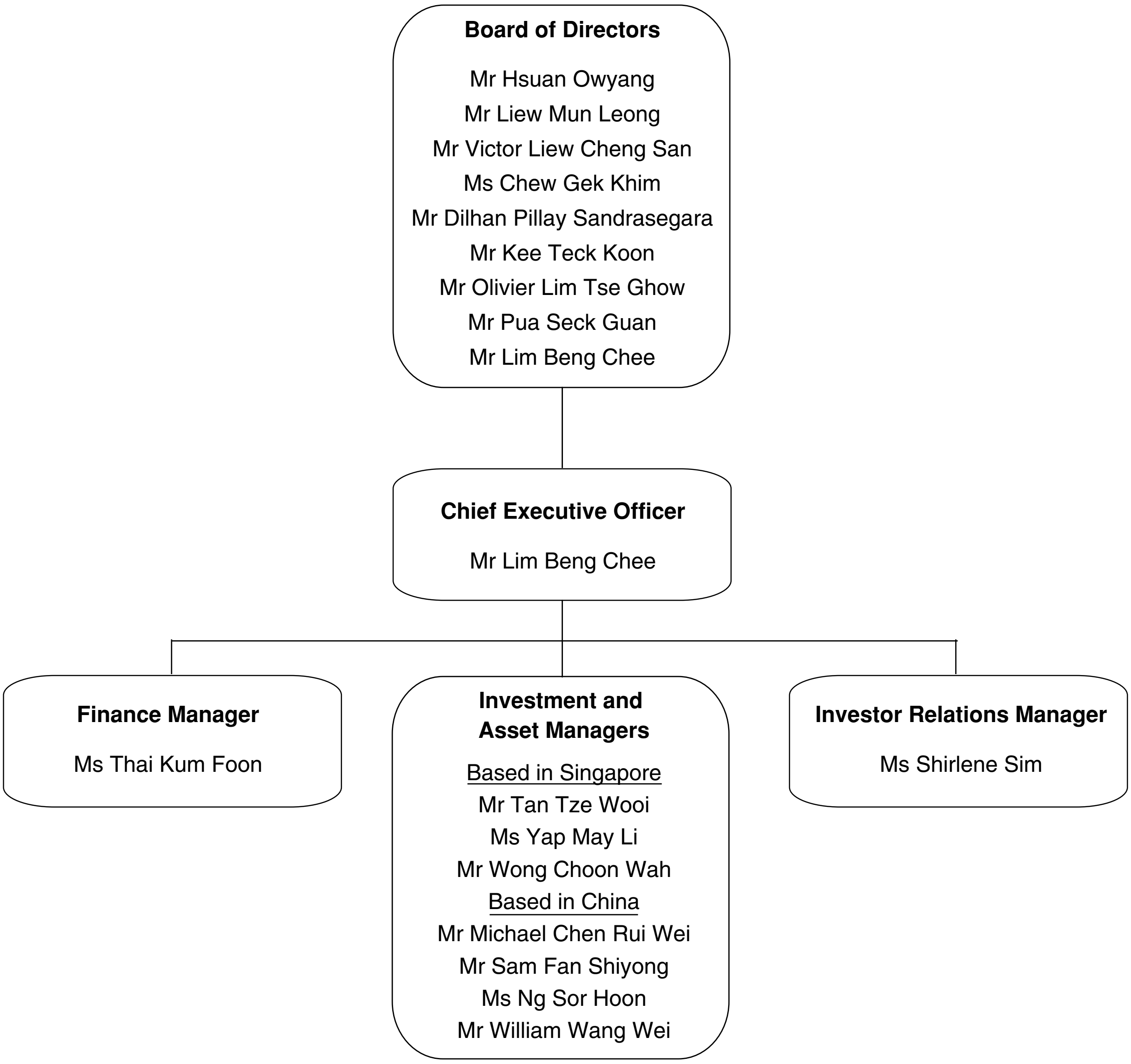
The majority of the Directors are either non-executive or independent of the management. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board, Mr Hsuan Owyang is an Independent Director, while the Chief Executive Officer, Mr Lim Beng Chee is an Executive Director.

There is a separation of the roles and responsibilities between the Chairman and the Chief Executive Officer of the Manager. The Chairman is responsible for the overall management of the Board, as well as ensuring that the members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans while the Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager.

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attends to corporate secretarial administration matters and attends all Board meetings. The Board also has access to independent professional advice where appropriate.

**Management Reporting Structure of the Board**




**Roles of the Executive Officers of the Manager**

The **Chief Executive Officer** of the Manager is responsible for working with the Board to determine the strategy for CRCT. The Chief Executive Officer will also work with the other members of the Manager's management team to ensure that CRCT is operated in accordance with the Manager's stated investment strategy. Additionally, he will be responsible for planning the future strategic development of CRCT.

The Chief Executive Officer is also responsible for strategic planning, the day-to-day operations of CRCT and working with the Manager's investment, asset management, financial and compliance personnel in meeting the strategic, investment, and operational objectives of CRCT.

The **Finance Manager** is in charge of the Finance Team, which is responsible for the keeping and reporting of CRCT's financial condition as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of CRCT's assets. The Finance Manager will work closely with the Investment and Asset Managers to provide the projection of the rental returns, carry out accounting in relation to the rental collections and the operating expenses incurred in the course of managing and operating the properties in CRCT's portfolio, and monitor any outstanding rents. The Finance Manager's responsibilities also cover the preparation of statutory accounts, co-ordination with external auditors, management of tax affairs, as well as the preparation of CRCT's performance reports for the Unitholders and investors.

The **Investment and Asset Managers** are responsible for two integrated functions — investments and asset management. With respect to investments, the team is responsible for identifying, researching and evaluating potential acquisitions and related investments with a view to enhancing CRCT's portfolio and is concurrently responsible for divestments where a property is no longer strategic or if it fails to enhance the value of CRCT's portfolio or fails to be yield accretive. The team will also recommend and analyse potential asset enhancement initiatives. In order to support these various initiatives, the team will develop financial models to test the financial impact of different courses of action. These findings will be research-driven to help develop and implement the proposed initiatives.

With respect to asset management, the team is responsible for formulating the business plans in relation to CRCT's properties with short, medium and long term objectives, and with a view to maximising the rental income of CRCT *via* proactive asset management. The team will work closely with the Property Managers to implement CRCT's strategies so as to ensure that the properties in CRCT's portfolio maximise their income generation potential and minimise their expense base without compromising their marketability. The team will also focus on the operations of CRCT's properties, the implementation of the short to medium term objectives of CRCT's portfolio and will supervise the Property Managers in the implementation of CRCT's property-related strategies.

The **Investor Relations Manager** is responsible for facilitating communications and liaising with the Unitholders. This includes regular statutory reporting, such as producing annual reports to the Unitholders, and reporting to the SGX-ST in compliance with the Listing Manual. The principal objective of the Investor Relations Manager is to provide exceptional service to the Unitholders by maintaining continuous disclosure and transparent communications with the Unitholders and the market. The Investor Relations Manager will assist the Chief Executive Officer in facilitating and co-coordinating the formulation of strategic plans focused primarily on the creation of value for the Unitholders, and in promoting and marketing CRCT to the Unitholders, prospective investors and the media through regular communications, roadshows, events and internet website.

## Experience and Expertise of the Executive Officers

Information on the working experience of the executive officers of the Manager is set out below:

### Mr Lim Beng Chee

Mr Lim Beng Chee is the Chief Executive Officer of the Manager. Details of his working experience is set out in the section "Experience and Expertise of the Board of Directors".

### Ms Thai Kum Foon

Ms Thai Kum Foon is the Finance Manager of the Manager. She has extensive experience in corporate finance, including spearheading and developing alternative financing opportunities, as well as successfully brokering numerous loan syndications and structured finance deals. She is concurrently the Senior Vice President and Head, Group Finance & Corporate Services of CapitaLand Retail Limited, where she is responsible for overseeing and directing its financial activities and corporate services functions, including accounting and compliance, treasury, structuring, sourcing and management of funds, as well as supporting the acquisition and divestment activities under CapitaLand Retail Limited.

Ms Thai has more than 19 years of experience in finance and accounting where her responsibilities covered treasury, corporate finance, tax, insurance, legal, company secretarial and intellectual property administration functions. She worked with Coopers & Lybrand, Texas Instruments Singapore Pte Ltd, and was the Financial Controller cum Company Secretary of TECH Semiconductor Singapore Pte. Ltd. prior to joining CapitaLand Retail Limited.

Ms Thai holds a Bachelor of Accountancy degree from the National University of Singapore, and is qualified as a chartered secretary with the Institute of Chartered Secretaries and Administrators. She is a Certified Public Accountant (CPA) with the Institute of Certified Public Accountants of Singapore, and is a CPA (associate) of CPA Australia.

**Mr Tan Tze Wooi**

Mr Tan Tze Wooi is an Investment and Asset Manager of the Manager. Prior to joining the Manager, he has been an Investment and Asset Manager with CapitaMall Trust Management Limited since 2005.

Mr Tan was concurrently a member of the investment and asset management team of CapitaLand Retail Limited, responsible for migrating and implementing the best practices of CapitaMall Trust in the new China markets. He worked closely with the Property Managers to ensure that the business plans at the property level are executed diligently. These responsibilities include overseeing financing, legal, tax, operational matters in relation to the investments. Mr Tan has been actively involved in evaluating new investment opportunities, and has played a key role in completing several transactions involving CRCT.

Prior to joining CapitaMall Trust Management Limited, Mr Tan was with Standard Chartered Bank, where he was responsible for credit research, managing client relationships in corporate banking (real estate sector), and worked closely with the capital markets team and other product partners in delivering banking solutions. He also has more than four years of financial experience at KPMG, where he led engagement teams in carrying out various assignments across industries.

Mr Tan is a Chartered Financial Analyst (CFA) charterholder and holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University of Singapore.

**Ms Yap May Li**

Ms Yap May Li is an Investment and Asset Manager of the Manager. Prior to this appointment, Ms Yap was an Investment and Asset Manager with CapitaMall Trust Management Limited, the manager of CapitaMall Trust from early 2003. She was concurrently part of the investment and asset management team in CapitaLand Retail Limited, and was responsible for structuring and managing private equity retail property funds in regional markets. Her responsibilities also included evaluation of new acquisitions, asset management and investor relations with respect to the private equity funds.

Ms Yap played an instrumental role in the structuring and creation of the CapitaRetail China Development Fund and the CapitaRetail China Incubator Fund, with a total equity size of over US$1.0 billion. She was also a key member of the core team responsible for the creation of CapitaRetail Japan Fund, a US$450.0 million private equity fund investing in income-producing retail properties in Japan.

Prior to joining CapitaMall Trust Management Limited, Ms Yap has amassed about seven years of experience in financial analysis, project management, policy planning and business process re-engineering in both the private and public sectors, including companies such as Singapore Press Holdings Ltd.

Ms Yap is a Chartered Financial Analyst (CFA) charterholder and holds a Bachelor of Business Administration (Honours) degree from the National University of Singapore.

**Mr Wong Choon Wah**

Mr Wong Choon Wah is an Investment and Asset Manager of the Manager. Prior to this appointment, he was an Investment and Asset Manager of CapitaMall Trust Management Limited.

Before joining CapitaMall Trust Management Limited, Mr Wong was an engineer at the Urban Redevelopment Authority (URA) and has over five years of real estate experience in strategic planning, project management and business process re-engineering. He was also a key member of the team responsible for the planning and development of the Marina South area, and was also involved in projects such as the Business & Financial Centre (BFC) and the first Integrated Resort (IR) in Singapore.

Mr Wong holds a Master of Engineering degree and a Master of Art degree from the University of Cambridge, United Kingdom.

**Mr Michael Chen Rui Wei**

Mr Michael Chen Rui Wei is an Investment and Asset Manager of the Manager. Mr Chen has over two years of experience in real estate investment and asset management. Prior to joining the Manager, he was a fund analyst at CapitaMall Trust Management Limited since 2004, where he was responsible for developing and maintaining financial and asset models to analyse the performance of CMT at the property level, as well as preparing asset reports on properties.

Concurrent to his appointment with CapitaMall Trust Management Limited, Mr Chen was also a member of the investment and asset management team with CapitaLand Retail Limited, where his primary focus was on the China retail real estate market. He was part of the team spearheading CapitaLand's partnership with the SZITIC Group on the investment and asset management of an extensive pipeline of retail mall development projects to be anchored by Wal-Mart across various cities in China.

Mr Chen holds a Bachelor of Business Management degree (*cum laude*) majoring in Finance from the Singapore Management University.

**Mr Sam Fan Shiyong**

Mr Sam Fan Shiyong is an Investment and Asset Manager of the Manager. Prior to joining CapitaLand in 2006, Mr Fan was a Senior Investment Manager with Noahtimes Consulting Ltd in Beijing and Shanghai since 2001, providing investment advisory services to more than 20 companies including real estate firms.

Mr Fan was with Shanghai Bao Steel Group, under its Corporate Finance division, for six and a half years before he joined British Sugar Plc as Investment Manager in 1997. In 2000, he was appointed as the Financial Controller of Broadway Industrial Group Ltd, and was responsible for its East China operations.

Mr Fan holds a Master of Business Administration degree from the University of Oxford and a Master of Science degree from Shanghai Jiaotong University.

**Mr William Wang Wei**

Mr William Wang Wei is an Investment and Asset Manager of the Manager. Prior to joining CapitaLand in 2006, he was head of Strategic Planning Department in Shanghai Forte Land (Beijing). He has four years of experience in the China real estate industry, particularly in areas such as marketing, investment, finance and strategic planning as well as sectors such as residential, office and retail.

In 2003, Mr Wang was part of the strategy formulating team of China Resources Land, a leading developer in China. In 2004, he joined another major developer in China, Shanghai Forte Land, as a Strategic Planning Manager, where he created the Strategic Planning Department in 2005 which is responsible for strategic planning, industry and competitor research, improvement of operating system, investment and investment management.

Mr Wang holds a Bachelor of Arts degree in Business Administration from Beijing University.

**Ms Ng Sor Hoon**

Ms Ng Sor Hoon is an Investment and Asset Manager of the Manager. Prior to this appointment, Ms Ng was an Investment and Asset Manager of CapitaLand Retail Limited, and was based in Beijing.

From 2001 to 2004, she was with the Consulting & Research Department in DTZ Debenham Tie Leung (SEA) Pte Ltd, where she carried out market, feasibility, and other real estate related consultancy studies including advice on matters concerning property tax objections and appeals. She was subsequently awarded the Asian Business Fellowship in 2005 when she worked with Ascendas China. During her term with Ascendas China in Shanghai, she undertook various roles including business development, office/retail marketing and advertising and promotions. Her duties included deal sourcing (acquisition and development), evaluation of deals, conducting feasibility & financial studies and deal structuring for properties in Shanghai. She was elected the Vice-Chairman (Property Group) of the Shanghai Singapore Business Association (SSBA) in 2005 where she organised property forums and networking sessions.

Ms Ng graduated with a Bachelor of Science in Real Estate (Second Upper Class Honours) degree from the National University of Singapore.

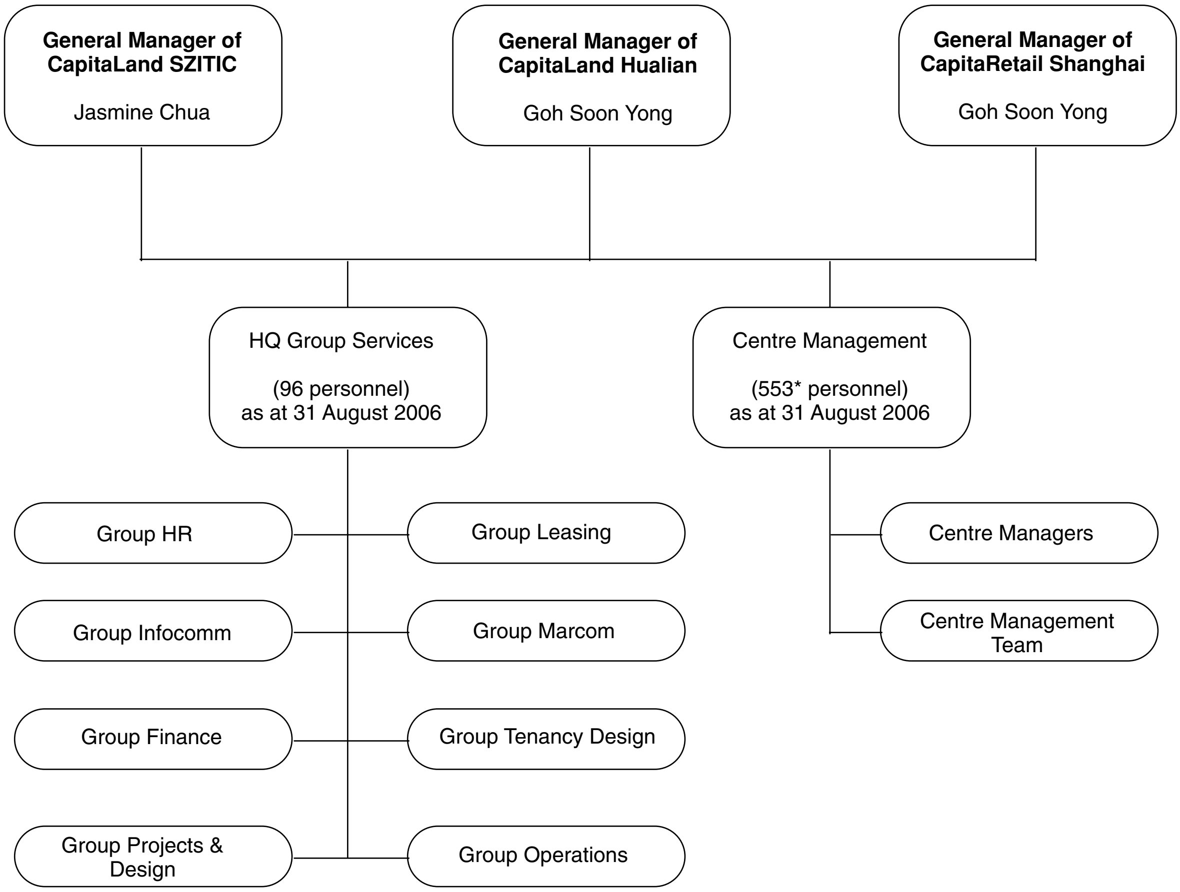
**Ms Shirlene Sim**

Ms Shirlene Sim is the Investor Relations Manager of the Manager. She has close to five years of real estate related experience in various roles with the Urban Redevelopment Authority of Singapore (URA), where her responsibilities included marketing and branding, media strategies, policy and research. Her last held role with URA was as Executive Place Manager for the Marina Bay Development Agency, where she was responsible for developing publicity and media strategies as well as leading the marketing and place branding project for the Marina Bay project.

Ms Sim holds a First Class Honours Bachelor of Science (Economics) from London School Of Economics & Political Science, United Kingdom.

A list of the present and past directorships of each Executive Officer of the Manager over the last five years preceding the Latest Practicable Date is set out in Appendix G, "List of Present and Past Principal Directorships of Directors and Executive Officers".

**Management Reporting Structure of CapitaLand Hualian, CapitaRetail Shanghai and CapitaLand SZITIC**




* This includes the personnel managing properties other than the Properties which comprise the initial property portfolio of CRCT as the Property Managers also manage other properties which the Sponsor, as well as the property funds established by the Sponsor directly or indirectly, invest in. Out of the 553 personnel, there are 156 personnel managing the Properties as at 31 August 2006.

**Executive Officers of the Property Managers**

CapitaLand SZITIC, CapitaLand Hualian and CapitaRetail Shanghai are all appointed the Property Managers of the Properties.

Information on the working experience of the Executive Officers of the Property Managers is set out below:

**Ms Jasmine Chua**

Ms Jasmine Chua is the General Manager of CapitaLand SZITIC. Prior to joining CapitaLand SZITIC, Ms Chua was responsible for asset and property management of both CapitaLand's retail portfolio and third party management contracts in China. She played a key role in leading and motivating her team in China towards achieving positive performance results and value creation for the retail centres under her charge. Besides China, she has also provided asset management and retail management consultancy services to Gurney Plaza, a premier shopping centre in Penang, Malaysia.

Ms Chua was previously the Centre Director of various retail centres, including Tampines Mall, Clarke Quay and Plaza Singapura.

Ms Chua has over 15 years of experience in the management of real estate.

Ms Chua holds a Bachelor of Science (Estate Management) (Honours) degree from the National University of Singapore.

**Mr Goh Soon Yong**

Mr Goh Soon Yong is the General Manager of CapitaLand Hualian and CapitaRetail Shanghai. Prior to joining CapitaLand Hualian and CapitaRetail Shanghai, Mr Goh was the Vice President of Retail Overseas (China), CapitaLand Retail Limited where he was responsible for overseeing all retail joint venture projects with Beijing Hualian Group, as well as commercial projects under CapitaLand China Holdings Pte Ltd.

Mr Goh joined CapitaLand Retail Limited as Vice President, Asset Management in January 2003. In October 2003, he assumed the role of General Manager of Raffles City Shanghai. He presently oversees all CapitaLand Retail Limited joint venture projects with the Beijing Hualian Group as well as all commercial projects under CapitaLand China Holding Pte Ltd in China. Prior to joining CapitaLand Retail Limited, he had over 15 years of management experience in real estate.

Mr Goh holds a Bachelor of Science (Estate Management) (Honours) degree and a Master of Science (Real Estate Management) degree from the National University of Singapore.

**Roles and Responsibilities of the Manager**

The Manager has general powers of management over the assets of CRCT. The Manager's main responsibility is to manage CRCT's assets and liabilities for the benefit of the Unitholders.

The Manager will set the strategic direction of CRCT and give recommendations to the Trustee on the acquisition, divestment or enhancement of assets of CRCT in accordance with its stated investment strategy.

The Manager has covenanted in the Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner and to ensure that the business of CRCT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for CRCT at arm's length.

Further, the Manager will prepare property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions. The purpose of these plans is to explain the performance of CRCT's properties.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual, the CIS Code (including the Property Funds Guidelines), the Trust Deed, the tax ruling and all relevant contracts. The Manager will be responsible for all regular communications with the Unitholders.

The Manager may require the Trustee to borrow on behalf of CRCT (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the Manager considers, among other things, that such borrowings are necessary or desirable in order to enable CRCT to meet any liabilities or to finance the acquisition of any property. However, the Manager must not direct the Trustee to incur a borrowing if to do so would mean that CRCT's aggregate leverage exceed the limit stipulated by the MAS based on the value of its Deposited Property immediately prior to the time the borrowing is incurred.

In the absence of fraud, gross negligence, wilful default or breach of the Trust Deed by the Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the Trust Deed. In addition, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, gross negligence, wilful default or breach of the Trust Deed by the Manager. The Manager may, in managing CRCT and in carrying out and performing its duties and obligations under the Trust Deed, with the written consent of the Trustee, appoint such person to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

**Manager's Fees**

The Manager is entitled under the Trust Deed to management fees comprising:

- (in respect of Authorised Investments which are in the form of Real Estate whether held directly by CRCT, or indirectly through one or more SPVs) a Base Fee of 0.25% per annum of the value of the Deposited Property and a Performance Fee of 4.00% per annum of the Net Property Income in the relevant financial year (calculated before accounting for the Performance Fee in that financial year); and
- (in respect of Authorised Investments which are not in the form of Real Estate whether held directly by CRCT, or indirectly through one or more SPVs) an Authorised Investment Management Fee of 0.5% per annum of the value of such Authorised Investments which, unless such Authorised Investment is an interest in a property fund (either a real estate investment trust or private property fund wholly managed by a wholly-owned subsidiary of the Sponsor) in which case no Authorised Investment Management Fee shall be payable in relation to such Authorised Investment.

The Manager may elect to receive the management fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine).

Any increase in the rate above the maximum permitted level or any change in the structure of the Manager's management fees must be approved by an Extraordinary Resolution of the Unitholders passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

The Manager is also entitled to:

- (for any Authorised Investment acquired from time to time by the Trustee on behalf of CRCT) an acquisition fee of (i) up to 1.5% of the purchase price in the case of any Authorised Investment acquired by CRCT for less than S$200.0 million and (ii) 1.0% of the purchase price in the case of any Authorised Investment acquired by CRCT for S$200.0 million or more; and
- a divestment fee of 0.5% of the sale price (after deducting the interest of any co-owners or co-participants) of any Authorised Investment sold or divested from time to time by the Trustee on behalf of CRCT.

The acquisition fee payable in respect of any Authorised Investment acquired from time to time by the Trustee on behalf of CRCT, from the Development Fund, the Incubator Fund or CRTL shall be 1.0% of the purchase price paid by CRCT.

No acquisition fee is payable for the acquisition of the initial property portfolio of CRCT.

Any payment to third party real estate agents or brokers in connection with the acquisition or divestment of any Authorised Investment of CRCT shall be paid by the Manager to such persons out of the Deposited Property of CRCT or the assets of the relevant SPV, and not out of the acquisition fee or the divestment fee received or to be received by the Manager.

The acquisition fee and the divestment fee are payable to the Manager in the form of cash and/or Units (as the Manager may elect) at the then prevailing market price provided that in respect of any acquisition and sale or divestment of real estate assets from/to interested parties, such a fee should, if required by the applicable laws, rules and/or regulations, be in the form of Units issued by CRCT at prevailing market price(s) and subject to such transfer restrictions as may be imposed. At present, the Property Funds Guidelines prescribe that such Units should not be sold within one year from date of their issuance. Any increase in the rate above the maximum permitted level or any change in the structure of the Manager's acquisition fee or divestment fee must be approved by an Extraordinary Resolution of the Unitholders passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

In relation to Authorised Investments in the form of real estate owned or held, or to be owned or held, either directly or indirectly, by a SPV, the fees payable to the Manager shall be calculated on the same basis as if such real estate, or the pro-rated share of such real estate in the case where the interest of CRCT in the SPV is partial, had been held directly by the Trustee.

**Annual Reports**

An annual report will be issued by the Manager to the Unitholders within three months from the end of each accounting period of CRCT, containing, among other things, the following key items:

(i) details of all real estate transactions entered into during the accounting period;

(ii) details of CRCT's real estate assets;

(iii) if applicable, with respect to investments other than real estate property:

  (a) a brief description of the business;

  (b) proportion of share capital owned;

  (c) cost;

  (d) (if relevant) Directors' valuation and in the case of listed investments, market value;

  (e) dividends received during the year (indicating any interim dividends);

  (f) dividend cover or underlying earnings; and

  (g) net assets attributable to investments;

(iv) cost of each property held directly or indirectly by CRCT;

(v) annual valuation of each property held directly or indirectly by CRCT;

(vi) analysis of changes in fair value of each property held directly or indirectly by CRCT;

(vii) annual rental income for each property of CRCT;

(viii) occupancy rates for each property held directly or indirectly by CRCT;

(ix) remaining term for each of the leasehold properties held directly or indirectly by CRCT;

(x) amount of distributable income held pending distribution;

(xi) details of assets other than real estate;

(xii) details of CRCT's exposure to derivatives;

(xiii) details of CRCT's investments in other property funds;

(xiv) details of borrowings by the Trustee and other financial accommodation to the Trustee in relation to CRCT;

(xv) value of the Deposited Property and the net asset value of CRCT at the beginning and end of the financial year under review;

(xvi) the prices at which the Units were quoted at the beginning and end of the accounting period, and the highest and lowest prices at which the Units were traded on the SGX-ST during the accounting period;

(xvii) volume of trade in the Units during the accounting period;

(xviii) the aggregate value of all transactions entered into by the Trustee (for and on behalf of CRCT) with an "interested party" (as defined in the Property Funds Guidelines) or with an "interested person" (as defined in the Listing Manual) during the financial year under review;

(xix) total operating expenses of CRCT in respect of the accounting period, including expenses paid to the Manager and interested parties (if any) and the Trustee, and taxation incurred in relation to properties held directly or indirectly by CRCT;

(xx) historical performance of CRCT, including rental income obtained and occupancy rates for each property in respect of the accounting period and other various periods of time (*e.g.* one-year, three-year, five-year or 10-year) and any distributions made;

(xxi) total amount of fees paid to the Trustee;

(xxii) name of the Manager, together with an indication of the terms and duration of its appointment and the basis of its remuneration;

(xxiii) total amount of fees paid to the Manager and the price(s) at which they were issued in part payment thereof;

(xxiv) total amount of fees paid to the Property Managers;

(xxv) an analysis of realised and unrealised surpluses or losses, stating separately profits and losses of listed and unlisted investments, if applicable; and

(xxvi) any extraordinary items.

The first annual report will cover the period from 23 October 2006, being the date of constitution of CRCT to 31 December 2007.

Additionally, CRCT will announce its net asset value on a quarterly basis. Such announcements will be based on the latest available valuation of the real estate and real estate-related assets held directly or indirectly by CRCT, which will be conducted at least once a year (as required under the Property Funds Guidelines).

**Retirement or Removal of the Manager**

The Manager shall have the power to retire in favour of a corporation approved by the Trustee to act as the manager of CRCT.

Also, the Manager may be removed by notice given in writing by the Trustee if:

- the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the Manager;
- the Manager ceases to carry on business;
- the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed;
- the Unitholders, by passing an Ordinary Resolution, shall so decide (without any Unitholder being disenfranchised);
- for good and sufficient reason, the Trustee is of the opinion, and so states in writing, that a change of the Manager is desirable in the interests of the Unitholders; or
- the MAS directs the Trustee to remove the Manager.

Where the Manager is removed on the basis that a change of the Manager is desirable in the interests of the Unitholders, the Manager has a right under the Trust Deed to refer the matter to arbitration. Any decision made pursuant to such arbitration proceedings is binding upon the Manager, the Trustee and all the Unitholders.

## Corporate Governance of the Manager

The following outlines the main corporate governance practices of the Manager.

### *Board of Directors of the Manager*

The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of CRCT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of Directors. The Board has established a framework for the management of the Manager and CRCT, including a system of internal control and a business risk management process. The Board consists of nine members, four of whom are Independent Directors. None of the Directors has entered into any service contract directly with CRCT.

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a non-executive Director;
- the Board should comprise Directors with a broad range of commercial experience including expertise in funds management and the property industry; and
- at least one-third of the Board should comprise Independent Directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

### *Audit Committee*

The Audit Committee is appointed by the Board from among the Directors and is composed of four members, a majority of whom (including the Chairman of the Audit Committee) are required to be Independent Directors. As at the date of this Prospectus, the members of the Audit Committee are Mr Victor Liew Cheng San, Ms Chew Gek Khim, Mr Dilhan Pillay Sandrasegara and Mr Olivier Lim Tse Ghow, three of whom are Independent Directors. Mr Victor Liew Cheng San has been appointed as the Chairman of the Audit Committee. The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and review of the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- reviewing any conflict of interest issues between CRCT and CRTL in the acquisition of interests in properties located in China which are used primarily for retail purposes and proposing measures to resolve such conflicts;
- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such types of transactions constituting "Related Party Transactions");
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing with CRCT;

- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors, without the presence of the Executive Officers, at least on an annual basis;
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and the internal audit report;
- investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

***Dealings in Units***

The Trust Deed requires each Director to give notice to the Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest. (See "The Formation and Structure of CapitaRetail China Trust — Directors' Declaration of Unitholdings".)

The Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of CRCT's annual and semi-annual results and (where applicable) property valuations and two weeks before the public announcement of CRCT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and
- at any time while in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce *via* SGXNET the particulars of its holdings in the Units and any changes thereto within two Business Days after the date on which it acquires or disposes of any Units, as the case may be. The Manager has also undertaken that it will not deal in the Units in the period commencing one month before the public announcement of CRCT's annual and semi-annual results and (where applicable) property valuations and two weeks before the public announcement of CRCT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations.

***Management of Business Risk***

The Board will meet quarterly or more often, if necessary, and will review the financial performance of the Manager and CRCT against a previously approved budget. The Board will also review the business risks of CRCT, examine liability management and will act upon any comments from the auditors of CRCT.

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and CRCT. In assessing business risk, the Board will consider the economic environment and risks relevant to the property industry. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. The management meets regularly to review the operations of the Manager and CRCT and discuss any disclosure issues.

### *Conflict of Interests*

The Manager has instituted the following procedures to deal with conflict of interests issues:

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as CRCT.
- All executive officers will be employed by the Manager.
- All resolutions in writing of the Directors in relation to matters concerning CRCT must be approved by a majority of the Directors, including at least one Independent Director.
- At least one-third of the Board shall comprise Independent Directors.
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude nominee Directors of the Sponsor and/or its subsidiaries.
- In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Directors.
- It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee or any person for and on behalf of CRCT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee or such person) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee or such person, on behalf of CRCT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee or any person for and on behalf of CRCT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

## Related Party Transactions

### *The Manager's Internal Control System*

The Manager has established an internal control system to ensure that all future Related Party Transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of CRCT and the Unitholders. As a general rule, the Manager must demonstrate to its Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations or appraisal reports from independent professional valuers (in accordance with the Property Funds Guidelines).

The Manager will maintain a register to record all Related Party Transactions which are entered into by CRCT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into. The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by CRCT. The Audit Committee shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Guidelines have been complied with. Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S$100,000.0 in value but below 3.0% of the value of CRCT's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of CRCT's net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of CRCT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of the Unitholders.

Where matters concerning CRCT relate to transactions entered into or to be entered into by the Trustee for and on behalf of CRCT with a related party of the Manager (which would include relevant Associates thereof) or CRCT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of CRCT and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or CRCT. If the Trustee is to sign any contract with a related party of the Manager or CRCT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

Save for the transactions described under "— Related Party Transaction in Connection with the Setting Up of CRCT" and "— Exempted Agreements", CRCT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of CRCT's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in CRCT's annual report for the relevant financial year.

***Role of the Audit Committee for Related Party Transactions***

The Audit Committee will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

### *Related Party Transactions in Connection with the Setting Up of CRCT*

CRCT, has entered into a number of transactions with the Manager and certain related parties of the Manager in connection with the setting up of CRCT. These Related Party Transactions are as follows:

- The Trustee, on behalf of CRCT, has entered into the Trust Deed with the Manager. The terms of the Trust Deed are generally described in "The Formation and Structure of CapitaRetail China Trust".
- The Trustee has entered into the Barbados Share Purchase Agreements in respect of each of the Barbados Companies with CapitaLand Retail China. (See "Certain Agreements relating to CapitaRetail China Trust and the Properties").
- The Project Companies indirectly held by the Trustee, on behalf of CRCT have entered into the Property Management Agreements with the Property Managers for the operation, maintenance, management and marketing of the Properties. (See "Business and Properties — Property Management Agreements".)

The Manager considers that the Property Managers has the necessary expertise and resources to perform the property management, lease management project management services, property tax services and marketing services for the Properties.

Based on its experience, expertise and knowledge of contracts, the Manager believes that the Property Management Agreements were made on normal commercial terms and is not prejudicial to the interests of CRCT and the Unitholders.

Save as disclosed in this Prospectus, the Trustee has not entered into any other transactions with the Manager or any related party of the Manager in connection with the setting up of CRCT.

### *Exempted Agreements*

The fees and charges payable by CRCT to the Manager under the Trust Deed, and to the Property Managers under the Property Management Agreements (collectively, the **"Exempted Agreements"**), each of which constitutes a Related Party Transaction, are deemed to have been specifically approved by the Unitholders upon purchase of the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect CRCT. However, the renewal of such agreements will be subject to Rules 905 and 906 of the Listing Manual.

## Future Related Party Transactions

As a REIT, CRCT is regulated by the Property Funds Guidelines and the Listing Manual. The Property Funds Guidelines regulate, among other things, transactions entered into by the Trustee (for and on behalf of CRCT) with an interested party relating to CRCT's acquisition of assets from or sale of assets to an interested party, CRCT's investment in securities of or issued by an interested party and the engagement of an interested party as property management agent or marketing agent for CRCT's properties. Depending on the materiality of transactions entered into by CRCT for the acquisition of assets from, the sale of assets to or the investment in securities of or issued by, an interested party, the Property Funds Guidelines may require that an immediate announcement *via* SGXNET be made, and may also require that the approval of the Unitholders be obtained.

The Listing Manual regulates all interested person transactions, including transactions already governed by the Property Funds Guidelines. Depending on the materiality of the transaction, CRCT may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain the Unitholders' prior approval for the transaction (Rule 906 of the Listing Manual). The Trust Deed requires the Trustee and the Manager to comply with the provisions of the Listing Manual relating to interested person transactions as well as such other guidelines relating to interested person transactions as may be prescribed by the SGX-ST to apply to real estate investment trusts.

The Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, including a general mandate in relation to leases and/or licence agreements to be entered into with interested persons, and all transactions conducted under such general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee will appoint an independent financial adviser (without being required to consult the Manager) pursuant to Rule 920(1)(b)(v) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of CRCT and the Unitholders.

Both the Property Funds Guidelines and the Listing Manual requirements would have to be complied with in respect of a proposed transaction which is *prima facie* governed by both sets of rules. Where matters concerning CRCT relate to transactions entered or to be entered into by the Trustee for and on behalf of CRCT with a related party (either an "interested party" under the Property Funds Guidelines or an "interested person" under the Listing Manual) of the Manager or CRCT, the Trustee is required to ensure that such transactions are conducted in accordance with applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question.

The Manager is not prohibited by either the Property Funds Guidelines or the Listing Manual from contracting or entering into any financial, banking or any other type of transaction with the Trustee (when acting other than in its capacity as trustee of CRCT) or from being interested in any such contract or transaction, provided that any such transaction shall be on normal commercial terms and is not prejudicial to the interests of CRCT and the Unitholders. The Manager shall not be liable to account to the Trustee or to the Unitholders for any profits or benefits or other commissions made or derived from or in connection with any such transaction. The Trustee shall not be liable to account to the Manager or to the Unitholders for any profits or benefits or other commission made or derived from or in connection with any such transaction.

## THE SPONSOR

The Sponsor, CapitaLand Limited, is one of the largest listed property companies in Asia. Headquartered in Singapore, the multinational company's core businesses in property, hospitality and real estate financial services are focused in gateway cities in Asia Pacific, Europe and the Middle East. The Sponsor's property and hospitality portfolio spans more than 70 cities in nearly 18 countries, with total assets exceeding S$18.7 billion as at 30 June 2006. The Sponsor also leverages on its significant real estate asset base and market knowledge to develop real estate financial products and services in Singapore and the region.

The Sponsor's listed subsidiaries and associates include the following REITs — CMT (Singapore's first REIT), CCT (Singapore's first commercial REIT), and ART (Singapore's first pan-Asian serviced residence REIT).

For the period ended 30 June 2006, the CapitaLand Group reported profit after tax and minority interests of S$288.7 million, a 35.2% increase compared to S$213.6 million in the period ended 30 June 2005.

The Sponsor, through its indirect wholly-owned subsidiary, CapitaLand China, is well established as a reputable real estate developer in China through its 12 years of operations in China and its proven track record. The Sponsor's property portfolio in China spans more than 30 cities with a total project expenditure of over RMB30 billion. As at mid-2006, CapitaLand China has sold over 6,000 residential units, with more than 35,000 units in the pipeline. The residential developments include Oasis Riviera and Parc Tresor in Shanghai, La Foret in Beijing, Jinshazhou project in Guangzhou, Jiangbei project in Ningbo and Gongshu project in Hangzhou. CapitaLand China has completed approximately 270,000 sq m of commercial and integrated projects, including the flagship Raffles City Shanghai. There is currently approximately 390,000 sq m of commercial space in the pipeline including Raffles City Beijing and Capital Tower Beijing.

The Sponsor also has a joint venture with Pantaloon Retail (India) Ltd to manage close to 50 malls across 30 cities and 14 states across India.

CapitaLand Limited has extensive experience in creating, managing and investing in property funds and real estate financial products. It identifies attractive assets for injection into new property funds to meet the risk-return profiles of local and international investors. It has leveraged on opportunities within the asset base of the CapitaLand Group in the origination of, and investment in, several property funds, including:

- **CapitaMall Trust**

  In 2002, CMT became the first REIT to be listed on the SGX-ST. It is managed by CMTML, which is an indirect wholly-owned subsidiary of the Sponsor. CMT owns ten quality shopping centres in Singapore and its investment strategy is to invest in real estate in Singapore which is income-producing and which is used, or substantially used, for retail purposes. The investment portfolio of CMT is S$4.3 billion and its market capitalisation as at 31 August 2006 was approximately S$3.3 billion.

- **CapitaCommercial Trust**

  CCT is Singapore's first commercial REIT listed in May 2004. Its investment objective is to own and invest in real estate and real estate-related assets in Singapore and abroad which are income-producing and used, or predominantly used, for commercial purposes. CCT currently owns a S$3.6 billion portfolio of nine prime properties in the Singapore CBD and Downtown Core. CCT is managed by CapitaCommercial Trust Management Limited ("**CCTML**"), an indirect wholly-owned subsidiary of CapitaLand Group. The market capitalisation of CCT as at 31 August 2006 was approximately S$1.8 billion.

- **Ascott Residence Trust**

  ART, listed in March 2006, is the first Pan-Asian serviced residence REIT established with the objective of investing on a long term basis primarily in serviced residences real estate and related assets, which are income-producing. Its current asset portfolio comprises 14 serviced residences and rental housing property located in Singapore, China, Japan, Vietnam, Philippines and Indonesia. These properties are predominantly used as serviced residences or rental housing properties in the Pan-Asian region. ART is managed by Ascott Residence Trust Management Limited which is a direct wholly-owned subsidiary of The Ascott Group Limited, a leading international serviced residence company. The market capitalisation of ART as at 31 August 2006 was S$517.7 million.

- **CapitaRetail Japan Fund Private Limited**

  CapitaRetail Japan Fund Private Limited was established in 2004 by CapitaLand Financial Limited, a member of the CapitaLand Group, as a closed-end private fund to provide institutional investors with an opportunity to invest in retail investment properties in Japan. To date, CapitaRetail Japan Fund Private Limited has acquired five properties in Japan with a portfolio value of approximately Yen 43.3 billion (La Park Mizue in Tokyo, Izumiya Hirakata in Osaka, Vivit Square in Tokyo and Ito Yokado Chitose and Ito Yokado Eniwa in Hokkaido).

- **CapitaRetail Singapore Limited**

  CapitaRetail Singapore Limited was established in 2004 by CapitaLand Retail Limited as a special purpose vehicle to issue EUR81.0 million and S$329.0 million in principal amounts of bonds secured on three retail malls in Singapore (Bukit Panjang Plaza, Lot One Shoppers' Mall and Rivervale Mall) held by CapitaRetail Singapore Limited through separate single purpose trusts.

- **CapitaLand China Development Fund Pte. Ltd.**

  The US$400.0 million fund was closed in October 2005. The fund is sponsored by the Sponsor and co-marketed by Citigroup to invest in development projects in China. The fund will focus on residential, office, mixed and serviced apartment developments in the high density growth centres namely in the Bohai Gulf Region, Yangtze River Delta, Western/Central China and Pearl River Delta.

- **CapitaLand China Residential Fund Ltd.**

  The US$61.0 million fund was launched in October 2003 to invest in mid to high-end residential development projects in Shanghai, Beijing and Guangzhou to capitalise on the growth of the residential property market in China.

- **CapitaRetail China Development Fund**

  The Development Fund invests primarily in the development of retail malls in various cities of China. The Sponsor has, through its strategic alliance with SZITIC (a Chinese state-owned trust and investment firm) secured a pipeline of development projects for the Development Fund. The pipeline comprises mainly retail mall developments in China undertaken or to be undertaken by the SZITIC Group. The Development Fund may also invest in retail mall developments in China with third parties.

  The Development Fund has the financial strength, retail development and management expertise to acquire land in China for development into successful retail malls that can be offered to CRCT for acquisition. The Development Fund was formed on 6 June 2006, with a total committed capital from its investors of US$600.0 million, which would allow a maximum total asset size of approximately US$1.5 billion.

- **CapitaRetail China Incubator Fund**

  The Incubator Fund invests in retail malls in China with good long-term potential to generate quality income after repositioning, asset enhancement initiatives or leasing activities to increase occupancy rates. The Incubator Fund will be able to offer these malls to CRCT for acquisition when they meet CRCT's investment criteria and targeted returns after such repositioning, asset enhancement initiatives or leasing activities. The Sponsor has, through its strategic alliance with Beijing Hualian, secured a pipeline of retail malls in China for acquisition by the Incubator Fund. The pipeline consists of retail malls in China that are owned or to be owned by the Beijing Hualian Group. The Incubator Fund may also invest in retail malls in China with third parties. The Incubator Fund was formed on 6 June 2006 and has a total committed capital of US$425.0 million from its investors, which allows a maximum total asset size of approximately US$1.1 billion.

# THE FORMATION AND STRUCTURE OF CAPITARETAIL CHINA TRUST

*The Trust Deed is a complex document. The following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Trust Deed. Investors should read the Trust Deed itself to confirm specific information and obtain a detailed understanding of CRCT. The Trust Deed is available for inspection at the registered office of the Manager at 39 Robinson Road, #18-01 Robinson Point, Singapore 068911.*

**Background**

CRCT was constituted as a private trust on 23 October 2006 under the Trust Deed, entered into between the Trustee and the Manager. The private trust was established to acquire the Properties with the intention that it would eventually be converted into a listed REIT.

**The Trust Deed**

CRCT is a REIT constituted by the Trust Deed and is principally regulated by the SFA and the CIS Code (including the Property Funds Guidelines).

The terms and conditions of the Trust Deed shall be binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

**Operational Structure**

CRCT is a Singapore-based REIT established with the investment objective of investing on a long term basis in real estate and real estate-related assets, directly or indirectly through the ownership of one or more SPVs. The Manager's principal investment strategy is to invest in a diversified portfolio of income-producing properties located primarily in China, Hong Kong and Macau and used primarily for retail purposes. CRCT currently owns and invests in a portfolio, comprising the Properties located in various cities of China.

CRCT aims to generate returns for its Unitholders by owning, buying and actively managing such properties in line with its investment strategy, including the disposal of any property that is identified by the Manager at any time, to have limited scope for growth.

Subject to the restrictions and requirements in the Property Funds Guidelines, the Listing Manual and the Tax Ruling, the Manager is also authorised under the Trust Deed to invest in investments which need not be real estate. The Manager may use certain financial derivative instruments for hedging purposes or efficient portfolio management provided that such financial derivative instruments are not used to gear CRCT's overall investment portfolio or are intended to be borrowings of CRCT. CRCT presently does not have any intention to invest in options, warrants, commodities, futures contracts, unlisted securities and precious metals.

For further details of the investment objectives and policies of the Manager, see Clause 9 of the Trust Deed.

**The Units and the Unitholders**

The rights and interests of the Unitholders are contained in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee.

Each Unit represents an undivided interest in CRCT. A Unitholder has no equitable or proprietary interest in the underlying assets of CRCT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of CRCT. A Unitholder's right is limited to the right to require due administration of CRCT in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee or the Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the assets of CRCT (or any part thereof), including all its Authorised Investments, and waives any rights it may otherwise have to such relief. If the Trustee or the Manager breaches or threatens to breach its duties or obligations to the Unitholder under the Trust Deed, the Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction, and the Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee, exercise any right in respect of the assets of CRCT or any part thereof or lodge any caveat or other notice affecting the real estate assets and real estate-related assets of CRCT (or any part thereof), or require that any Authorised Investments forming part of the assets of CRCT be transferred to such Unitholder.

No certificate shall be issued to the Unitholders by either the Manager or the Trustee in respect of Units issued to the Unitholders. For so long as CRCT is listed on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or de-listed permanently, the Manager shall pursuant to the Depository Services Agreement appoint CDP as the Unit depository for CRCT, and all Units issued will be represented by entries in the register of the Unitholders kept by the Trustee or the agent appointed by the Trustee in the name of, and deposited with, CDP as the registered Unitholder of such Units. The Manager or the agent appointed by the Manager shall issue to CDP not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under a moratorium and the expiry date of such moratorium and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

There are no restrictions under the Trust Deed or Singapore law on a person's right to purchase (or subscribe for) Units and to own Units. The Securities Industry Council has released a consultation paper in early 2006, proposing, among others, that the Code of Mergers and Takeovers should apply to real estate investment trusts. If this particular proposal is put through, acquisitions of Units which may result in a change in effective control of CRCT will be subject to the mandatory provisions of the Code of Mergers and Takeovers, such as a requirement to make a general offer for Units.

**Issue of Units**

The following is a summary of the provisions of the Trust Deed relating to the issue of Units in CRCT.

The Manager has the exclusive right to issue Units. Subject to the following sub-paragraphs (1), (2) and (3) below and to such laws, rules and regulations as may be applicable (including the provisions of the Listing Manual and the Trust Deed), for so long as CRCT is listed on the SGX-ST or any other Recognised Stock Exchange, the Manager may issue Units on any Business Day at an Issue Price equal to the "market price", without the prior approval of the Unitholders in a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed. For this purpose, "market price" shall mean (i) the volume weighted average price for a Unit (if applicable, of the same Class) for all trades on the SGX-ST, or such other Recognised Stock Exchange on which CRCT is listed, in the ordinary course of trading on the SGX-ST or, as the case may be, such other Recognised Stock Exchange, for the period of 10 Business Days (or such other period as may be prescribed by the SGX-ST or relevant Recognised Stock Exchange) immediately preceding the relevant Business Day;

or (ii) if the Manager believes that the calculation in (i) above does not provide a fair reflection of the market price of a Unit, an amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee), as being the fair market price of a Unit.

(1) The Manager shall comply with the rules in the Listing Manual in determining the Issue Price, including the issue price per unit (**"Issue Price"**) for a rights issue on a *pro-rata* basis to all existing Unitholders, the Issue Price of a Unit issued other than by way of a rights issue offered on a pro-rata basis to all existing Unitholders and the Issue Price for any reinvestment of distribution arrangement.

(2) Where Units are issued as full or partial consideration for the acquisition of an Authorised Investment by CRCT in conjunction with an issue of Units to raise cash for the balance of the consideration for the said Authorised Investment (or part thereof) or to acquire other Authorised Investments in conjunction with the said Authorised Investment, the Manager shall have the discretion to determine that the Issue Price of a Unit so issued as full or partial consideration shall be the same as the Issue Price for the Units issued in conjunction with an issue of Units to raise cash for the aforesaid purposes.

(3) Following the new Rule 887 of the Listing Manual which came into effect on 1 September 2006, the Manager may issue new Units without the prior approval of Unitholders in a general meeting if the issue (together with any other issue of Units in the same financial year) would not exceed 10.0% of the Units in issue. The scope of the general mandate to be given in a general meeting of the Unitholders is limited to the issue of an aggregate number of additional Units which must not exceed 50.0% of the total number of Units in issue, of which the aggregate number of additional Units to be issued other than on a pro rata basis to the existing Unitholders must not exceed 20.0% of the total number of Units in issue (the **"Unit Issue Mandate"**).

By purchasing the Units under the Offering, investors are deemed to have approved and given the Manager the Unit Issue Mandate, such mandate expiring on 31 December 2007.

If in connection with an issue of a Unit, any requisite payment of the Issue Price for such Unit has not been received by the Trustee before the seventh Business Day after the Unit was agreed to be issued (or such other date as the Manager and the Trustee may agree), the Manager may cancel its agreement to issue such Unit and upon notice being given to the Trustee, such Unit will be deemed never to have been issued or agreed to be issued. In such an event, the Manager may, at its discretion, charge the investor (and retain the same for its own account) (i) a cancellation fee of such amount as the Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit, and (ii) an amount (if any) by which the Issue Price of such Unit exceeds the repurchase price applying if such Unit was requested to have been repurchased or redeemed on the same day.

**Suspension of Issue of Units**

The Manager or the Trustee may, with the prior written approval of the other and subject to the Listing Manual, or the listing rules of any other relevant Recognised Stock Exchange, suspend the issue of Units during:

- any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;
- the existence of any state of affairs which, in the opinion of the Manager or the Trustee (as the case may be), might seriously prejudice the interests of the Unitholders as a whole or the Deposited Property;
- any breakdown in the means of communication normally employed in determining the price of any assets of CRCT or the current price thereof on the SGX-ST or any other relevant Recognised Stock Exchange, or when for any reason the prices of any assets of CRCT cannot be promptly and accurately ascertained;

- any period when remittance of money which will or may be involved in the realisation of any asset of CRCT or in the payment for such asset of CRCT cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS;
- in relation to any general meeting of the Unitholders, any 48 hour period before such general meeting or any adjournment thereof; or
- when the business operations of the Manager or the Trustee in relation to CRCT are substantially interrupted or closed as a result of, or arising from, pestilence, war, acts of terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Manager or the Trustee (as the case may be) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised (as set out above) exists, upon the declaration in writing thereof by the Manager or the Trustee (as the case may be).

In the event of any suspension while CRCT is listed on the SGX-ST and/or any other Recognised Stock Exchange(s), the Manager shall ensure that immediate announcement of such suspension is made through the SGX-ST or the relevant Recognised Stock Exchange.

**Redemption of Units**

The Trust Deed provides that any redemption of Units will be carried out in accordance with the Property Funds Guidelines, the rules of the Listing Manual (if applicable) and all other applicable laws and regulations. With respect to any terms which are necessary to carry out such redemption but are not prescribed by the Property Funds Guidelines, the rules in the Listing Manual and any laws and regulations, these terms shall be determined by mutual agreement between the Manager and the Trustee.

However, for so long as the Units are listed on the SGX-ST, the Unitholders have no right to request the Manager to repurchase or redeem their Units while the Units are listed on the SGX-ST and/or any other Recognised Stock Exchange. It is intended that the Unitholders may only deal in their listed Units through trading on the SGX-ST.

**Rights and Liabilities of the Unitholders**

The key rights of the Unitholders include rights to:

- receive income and other distributions attributable to the Units held;
- receive audited accounts and the annual reports of CRCT; and
- participate in the termination of CRCT by receiving a share of all net cash proceeds derived from the realisation of the assets of CRCT less any liabilities, in accordance with their proportionate interests in CRCT.

No Unitholder has a right to require that any Authorised Investment be transferred to him.

Further, the Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of the Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit from doing anything which may result in:

- CRCT ceasing to comply with applicable laws and regulations; or

- the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the Issue Price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of CRCT in the event that the liabilities of CRCT exceed its assets.

Under the Trust Deed, every Unit carries the same voting rights.

**Amendments of the Trust Deed**

Subject to the third paragraph below, after CRCT is listed, save where an amendment to the Trust Deed has been approved by an Extraordinary Resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed, no amendment may be made to the provisions of the Trust Deed unless the Trustee certifies, in its opinion, that such amendment:

- does not materially prejudice the interests of the Unitholders and does not operate to release, to any material extent, the Trustee or the Manager from any responsibility to the Unitholders;
- is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or
- is made to correct a manifest error.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

Notwithstanding any of the above, the Manager and the Trustee may, with the written approval of the competent authorities, alter certain provisions in Clause 9 of the Trust Deed relating to the use of derivatives.

**Meeting of the Unitholders**

Under applicable law and the provisions of the Trust Deed, CRCT will not hold any meetings for the Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10.0% of the total Units issued request a meeting to be convened.

A meeting of the Unitholders when convened may:

- by Extraordinary Resolution and in accordance with the Trust Deed, sanction any modification, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed;
- by Extraordinary Resolution and in accordance with the Trust Deed, sanction a supplemental deed increasing the maximum permitted limit or any change in the structure of the Manager's management fees, acquisition fee and divestment fee and the Trustee's fee;
- by Extraordinary Resolution and in accordance with the Trust Deed, remove the auditors;
- by Extraordinary Resolution and in accordance with the Trust Deed, remove the Trustee;
- by Extraordinary Resolution and in accordance with the Trust Deed, direct the Trustee to take any action pursuant to Section 295 of the SFA; and
- by Extraordinary Resolution and in accordance with the Trust Deed, delist CRCT after it has been listed.

Any decision to be made by resolution of the Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the SFA, the CIS Code or the Listing Manual.

Except as otherwise provided for in the Trust Deed, 14 days' notice at the least (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Unitholders in the manner provided in the Trust Deed. The quorum at a meeting shall not be less than two Unitholders present in person or by proxy, holding or representing one-tenth in value of all the Units for the time being in issue. Each notice shall specify the place, day and hour of the meeting, and the terms of the resolutions to be proposed, and each such notice may, in general, be given by advertisement in the daily press and in writing to each stock exchange on which CRCT is listed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of such special business.

Voting at a meeting shall be by a show of hands unless a poll is demanded by the chairman of the meeting, or by five or more Unitholders present in person or by proxy, or holding or representing one tenth in value of all the Units represented at the meeting. Unitholders do not have different voting rights on account of the number of votes held by a particular Unitholder. On a show of hands, every Unitholder has one vote. On a poll, every Unitholder has one vote for each Unit of which it is the Unitholder. The Trust Deed does not contain any limitation on non-Singapore resident or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

Neither the Manager nor any of its Associates shall be entitled to vote or be counted as part of a quorum at a meeting convened to consider a matter in respect of which the Manager or any of its Associates has a material interest save for an ordinary resolution duly proposed to remove the Manager, in which case, no Unitholder shall be disenfranchised.

For so long as the Manager is the manager of CRCT, the controlling shareholders (as defined in the Listing Manual) of the Manager and of any of its Associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or of any of its Associates have a material interest.

**Substantial Holdings**

Under Section 137B of the Securities and Futures Act, Substantial Unitholders will be required to notify the Trustee of their deemed and direct holdings and any subsequent change in the percentage level of such holdings (rounded down to the next whole number) or their ceasing to hold 5.0% or more of the total number of Units within two Business Days of acquiring such holdings or of such changes or such cessation.

Under Section 137A of the Securities and Futures Act, Substantial Unitholders must also, within the same time limit, submit such notifications to the SGX-ST.

Failure to comply with either Section 137A or Section 137B of the Securities and Futures Act constitutes an offence and will render a Substantial Unitholder liable to a fine on conviction.

**Directors' Declaration of Unitholdings**

Under the Trust Deed, the Directors are required to give notice to the Manager of their acquisition of Units or of changes to the number of Units which they hold or in which they have an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which they hold or in which they have an interest, as applicable. Upon such notification, the Manager will promptly announce such interests or changes *via* SGXNET.

A Director is deemed to have an interest in Units in the following circumstances:

- Where the Director is the beneficial owner of a Unit (whether directly through a direct Securities Account (as defined herein) or indirectly through a depository agent or otherwise), he is deemed to have an interest in that Unit.
- Where a body corporate is the beneficial owner of a Unit and the Director is entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in the body corporate, he is deemed to have interest in that Unit.
- Where the Director's spouse or infant child (including step-child and adopted child) has any interest in a Unit, he is deemed to have an interest in that Unit.
- Where the Director, his spouse or infant child (including step-child and adopted child):
  - has entered into a contract to purchase a Unit;
  - has a right to have a Unit transferred to any of them or to their order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;
  - has the right to acquire a Unit under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or
  - is entitled (otherwise than by reason of any of them having been appointed a proxy or representative to vote at a meeting of the Unitholders) to exercise or control the exercise of a right attached to a Unit, not being a Unit which any of them holds,

  the Director is deemed to have an interest in that Unit.
- Where the property subject to CRCT consists of or includes a Unit and the Director knows or has reasonable grounds for believing that he has an interest under CRCT and the property subject to CRCT consists of or includes such Unit, he is deemed to have an interest in that Unit.

**The Trustee**

The trustee of CRCT is HSBC Institutional Trust Services (Singapore) Limited. The Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act 2005, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. The Trustee has a paid-up capital of S$5,150,000.00 and has a place of business in Singapore at 21 Collyer Quay, #14-01 HSBC Building Singapore 049320. The Trustee is independent of the Manager.

**Powers, Duties and Obligations**

The Trustee's powers, duties and obligations are set out in the Trust Deed. The powers and duties of the Trustee include:

- acting as trustee of CRCT and, in such capacity, safeguarding the rights and interests of the Unitholders, for example, by satisfying itself that transactions it enters into for and on behalf of CRCT with a related party of the Manager or CRCT are conducted on normal commercial terms, are not prejudicial to the interests of CRCT and the Unitholders, and in accordance with all applicable requirements under the Property Funds Guidelines and/or the Listing Manual or the rules of other relevant Recognised Stock Exchange(s) relating to the transaction in question;
- holding the assets of CRCT on trust for the benefit of the Unitholders in accordance with the Trust Deed; and
- exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of CRCT.

The Trustee has covenanted in the Trust Deed that it will exercise all due care, diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of the Unitholders.

In the exercise of its powers, the Trustee may (on the recommendation of the Manager) and subject to the provisions of the Trust Deed, acquire or dispose of any property, borrow and encumber any asset.

The Trustee may, subject to the provisions of the Trust Deed, appoint and engage:

- a person or entity to exercise any of its powers or perform its obligations; and
- any real estate agents or managers, including a related party of the Manager, in relation to the management, development, leasing, lease management, marketing, property management, purchase or sale of any of real estate assets and real estate-related assets.

Subject to the Trust Deed and the Property Funds Guidelines, the Manager may direct the Trustee to borrow or raise money or obtain other financial accommodation for the purposes of CRCT, both on a secured and unsecured basis.

The Trustee must carry out its functions and duties and comply with all the obligations imposed on it and set out in the Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Guidelines), the Tax Ruling and all other relevant laws. It must retain CRCT's assets, or cause CRCT's assets to be retained, in safe custody and cause CRCT's accounts to be audited. It can appoint valuers to value the real estate assets and real estate-related assets of CRCT.

The Trustee is not personally liable to a Unitholder in connection with the office of the Trustee except in respect of its own fraud, gross negligence, wilful default, breach of duty or breach of trust. Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of CRCT over which the Trustee has recourse, provided that the Trustee has acted without fraud, gross negligence, wilful default, breach of trust or breach of the Trust Deed. The Trust Deed contains certain indemnities in favour of the Trustee under which it will be indemnified out of the assets of CRCT for liability arising in connection with certain acts or omissions. These indemnities are subject to any applicable laws.

**Retirement and Replacement of the Trustee**

The Trustee may retire or be replaced under the following circumstances:

- The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee (such appointment to be made in accordance with the provisions of the Trust Deed).
- The Trustee may be removed by notice in writing to the Trustee by the Manager:
  - if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee;
  - if the Trustee ceases to carry on business;
  - if the Trustee fails or neglects after reasonable notice from the Manager to carry out or satisfy any material obligation imposed on the Trustee by the Trust Deed;
  - if the Unitholders by Extraordinary Resolution duly passed at a meeting of the Unitholders held in accordance with the provisions of the Trust Deed, and of which not less than 21 days' notice has been given to the Trustee and the Manager, shall so decide; or
  - if the MAS directs that the Trustee be removed.

**Trustee's Fee**

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property, subject to a minimum of S$15,000 per month, excluding out-of-pocket expenses and GST.

CRCT will also pay the Trustee a one-time inception fee of S$25,000.

The Trustee's fee will be subject to review three years from the Listing Date.

Any increase in the maximum permitted amount or any change in the structure of the Trustee's fee must be passed by an Extraordinary Resolution of the Unitholders at a Unitholders' meeting convened and held in accordance with the provisions of the Trust Deed.

**Termination of CRCT**

Under the provisions of the Trust Deed, the duration of CRCT shall end on the earliest of:

- the date on which CRCT is terminated by the Manager in such circumstances as set out under the provisions of the Trust Deed, as described below; and
- the date on which CRCT is terminated by the Trustee in such circumstances as set out under the provisions of the Trust Deed, as described below.

The Manager may in its absolute discretion terminate CRCT by giving notice in writing to all Unitholders and the Trustee not less than three months in advance and to the MAS not less than seven days before the termination in any of the following circumstances:

- if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue CRCT;
- if the NAV of the Deposited Property shall be less than S$50.0 million after the end of the first anniversary of the date of the Trust Deed or any time thereafter; and
- if at any time CRCT becomes unlisted after it has been listed.

Subject to the SFA and any other applicable law or regulation, CRCT may be terminated by the Trustee by notice in writing in any of the following circumstances, namely:

- if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Manager or if any encumbrancer shall take possession of any of its assets or if it shall cease business and the Trustee fails to appoint a successor manager in accordance with the provisions of the Trust Deed;
- if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue CRCT; or
- if within the period of three months from the date of the Trustee expressing in writing to the Manager the desire to retire, the Manager shall have failed to appoint a new trustee in accordance with the provisions of the Trust Deed.

The decision of the Trustee in any of the events specified above shall be final and binding upon all the parties concerned but the Trustee shall be under no liability on account of any failure to terminate CRCT pursuant to the paragraph above or otherwise. The Manager shall accept the decision of the Trustee and relieve the Trustee of any liability to it therefor and hold it harmless from any claims whatsoever on its part for damages or for any other relief.

Generally, upon the termination of CRCT, the Trustee shall, subject to any authorisations or directions given to it by the Manager or the Unitholders pursuant to the Trust Deed, sell the Deposited Property and repay any borrowings incurred on behalf of CRCT in accordance with the Trust Deed (together with any interest accrued but remaining unpaid) as well as all other debts and liabilities in respect of CRCT before distributing the balance of the Deposited Property to the Unitholders in accordance with their proportionate interests in CRCT.

# CERTAIN AGREEMENTS RELATING TO CAPITARETAIL CHINA TRUST AND THE PROPERTIES

*The agreements discussed in this section are complex documents and the following is a summary only. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of CRCT. The agreements are available for inspection at the registered office of the Manager at 39 Robinson Road, #18-01 Robinson Point, Singapore 068911 for a period of six months from the date of this Prospectus.*

***Share Purchase Agreement in respect of CRCI Alpha Barbados***

On 8 November 2006, CapitaLand Retail China and the Trustee entered into a share purchase agreement ("**CRCI Alpha SPA**") pursuant to which CapitaLand Retail China agreed to sell and the Trustee agreed to purchase the entire issued share capital of CRCI Alpha Barbados. The price paid by the Trustee was made up of the acquisition cost, holding costs and transaction costs of the relevant Properties. The price was calculated on such basis as to put the Trustee in a position as if it had owned CRCI Alpha Barbados and the underlying project companies (whether by acquisition or by incorporation) at the outset in place of CapitaLand Retail China. Completion of the sale and purchase of the entire issued share capital of CRCI Alpha Barbados took place on the same day as the signing of the CRCI Alpha SPA.

As the respective State Owned Land Right Certificates and Building Ownership Certificates over Jiulong Mall had not been issued to CapitaRetail Jiulong in respect of the basement and first level as well as the second and third levels of Jiulong Mall and CapitaRetail Jiulong did not therefore have legal title to the basement and first levels as well as the second and third levels of Jiulong Mall at the time the CRCI Alpha SPA was entered into, it was further provided in the CRCI Alpha SPA that a put option agreement would be entered into between CRCI Alpha Barbados and CRTL immediately after the completion of the sale of the entire issued share capital of CRCI Alpha Barbados. In this respect, CapitaLand Retail China agreed to deliver to the Trustee the Jiulong Put Option Agreement duly signed by CRTL as one of the items for the completion of the sale of the entire issued share capital of CRCI Alpha Barbados.

The CRCI Alpha SPA contained limited representations and warranties given by CapitaLand Retail China in favour of the Trustee in respect of the sale of the entire issued share capital of CRCI Alpha Barbados to the Trustee.

The CRCI Alpha SPA is governed by the laws of Singapore.

(See "— Jiulong Put Option Agreement" for more details on the Jiulong Put Option.)

***Share Purchase Agreement in respect of CRCI Barbados***

On 8 November 2006, CapitaLand Retail China and the Trustee entered into a share purchase agreement ("**CRCI Barbados SPA**") pursuant to which CapitaLand Retail China agreed to sell and the Trustee agreed to purchase the entire issued share capital of CRCI Barbados. The price paid by the Trustee was made up of the acquisition cost, holding costs and transaction costs of the relevant Property. The price was calculated on such basis as to put the Trustee in a position as if it had owned CRCI Barbados and the underlying project company (whether by acquisition or by incorporation) at the outset in place of CapitaLand Retail China. Completion of the sale and purchase of the entire issued share capital of CRCI Barbados took place on the same day as the signing of the CRCI Barbados SPA.

As the State Owned Land Use Right Certificate and Building Ownership Certificate over Wangjing Mall had not yet been issued to CapitaRetail Wangjing and CapitaRetail Wangjing did not therefore have legal title to Wangjing Mall at the time the CRCI Barbados SPA was entered into, it was further provided in the CRCI Barbados SPA that a put option agreement would be entered into between the Trustee and

CRTL immediately after the completion of the sale of the entire issued share capital of CRCI Barbados. In this respect, CapitaLand Retail China agreed to deliver to the Trustee the Wangjing Put Option Agreement duly signed by CRTL as one of the items for the completion of the sale of the entire issued share capital of CRCI Barbados.

The CRCI Barbados SPA further contained limited representations and warranties given by CapitaLand Retail China in favour of the Trustee in respect of the sale of the entire issued share capital of CRCI Barbados to the Trustee.

The CRCI Barbados SPA is governed by the laws of Singapore.

(See "— Wangjing Put Option Agreement" for more details on the Wangjing Put Option.)

***Share Purchase Agreement in respect of CRCI Gamma Barbados***

On 8 November 2006, CapitaLand Retail China and the Trustee entered into a share purchase agreement ("**CRCI Gamma SPA**") pursuant to which CapitaLand Retail China agreed to sell and the Trustee agreed to purchase the entire issued share capital of CRCI Gamma Barbados. The price paid by the Trustee was made up of the acquisition cost, holding costs and transaction costs of the relevant Property. The price was calculated on such basis as to put the Trustee in a position as if it had owned CRCI Gamma Barbados and the underlying project company (whether by acquisition or by incorporation) at the outset in place of CapitaLand Retail China. Completion of the sale and purchase of the entire issued share capital of CRCI Gamma Barbados took place on the same day as the signing of the CRCI Gamma SPA.

The CRCI Gamma SPA contained limited representations and warranties given by CapitaLand Retail China in favour of the Trustee in respect of the sale of the entire issued share capital of CRCI Gamma Barbados to the Trustee.

The CRCI Gamma SPA is governed by the laws of Singapore.

***Rights of First Refusal***

***Right of First Refusal from the Development Fund***

On 8 November 2006, an agreement was entered into between the Manager, the Trustee, CapitaRetail China Fund Management Pte. Ltd., as manager of the Incubator Fund (the "**Incubator Fund Manager**"), CapitaLand Retail Trustee Pte. Ltd., as trustee of the Incubator Fund (the "**Incubator Fund Trustee**"), CapitaRetail China Fund Management Pte. Ltd., as manager of the Development Fund (the "**Development Fund Manager**") and CapitaLand Retail Trustee Pte. Ltd., as trustee of the Development Fund (the "**Development Fund Trustee**") pursuant to which the Development Fund granted, first to CRCT (for so long as CapitaRetail China Trust Management Limited remains the manager of CRCT and the Sponsor and/or any of its subsidiaries remains a controlling shareholder of CapitaRetail China Trust Management Limited) and then to the Incubator Fund (for so long as CapitaRetail China Fund Management Pte. Ltd. remains the manager of the Incubator Fund and a subsidiary of the Sponsor), a right of first refusal (the "**Development Fund Right of First Refusal**") over any proposed offer of sale of Relevant Development Fund Properties (as defined herein) by the Development Fund Trustee (the "**Proposed Development Fund Sale**").

For the purposes of this agreement, a "**controlling shareholder**" means a person who (i) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares of the company and (ii) in fact exercises control over the company.

A "**Relevant Development Fund Property**" means a property and, if applicable, the shares or equity interests in a single purpose company or entity which holds such property.

The Development Fund Right of First Refusal will come into effect from the Listing Date.

Any Relevant Development Fund Property will first be offered to CRCT and, in the event that CRCT is deemed not to have exercised the Development Fund Right of First Refusal, such Relevant Development Fund Property will then be offered to the Incubator Fund.

Subject to applicable laws, regulations and government policies (including those in other countries relating to property ownership by foreign persons), the Development Fund Trustee will give written notice to the Manager and the Trustee or (as the case may be) the Incubator Fund Manager and the Incubator Fund Trustee (the **"Development Fund Vendor's Notice"**) which shall contain (a) the price at which the Development Fund Trustee proposes to sell the Relevant Development Fund Property and (b) the proposed terms and conditions of the Proposed Development Fund Sale.

In the event that:

- the Trustee or (as the case may be) the Incubator Fund Trustee does not give written notice (**"Notice of Interest in the Relevant Development Fund Property"**) to the Development Fund Trustee of its interest in considering the purchase of such Relevant Development Fund Property for CRCT or (as the case may be) the Incubator Fund, within seven days (or such longer period as may be mutually agreed between the relevant parties) from the date of the receipt of the Development Fund Vendor's Notice by the Trustee or (as the case may be) the Incubator Fund Trustee;
- (subject to the Trustee or (as the case may be) the Incubator Fund Trustee having issued the Notice of Interest in the Relevant Development Fund Property) the Trustee or (as the case may be) the Incubator Fund Trustee does not enter into a binding commitment (in the form of a sale and purchase agreement or a put and call option agreement, whether conditional or unconditional) for the purchase of the Relevant Development Fund Property within 30 days (or such longer period as may be mutually agreed between the relevant parties) from the date of the issuance of the Notice of Interest in the Relevant Development Fund Property by the Trustee or (as the case may be) the Incubator Fund Trustee; or
- the proposed purchase of the Relevant Development Fund Property is aborted by the Trustee or (as the case may be) the Incubator Fund Trustee,

CRCT or (as the case may be) the Incubator Fund will be deemed not to have exercised the Development Fund Right of First Refusal and the Development Fund Trustee will be entitled to sell the Relevant Development Fund Property to a third party subject to the conditions set out below.

In the event that (within a period of three months commencing from (and including) the date on which the Incubator Fund is deemed not to have exercised the Development Fund Right of First Refusal (the **"Development Fund Window Period"**)) the Development Fund Trustee decides to sell the Relevant Development Fund Property to a third party on terms and conditions more favourable than those set out in the Development Fund Vendor's Notice, the Development Fund Right of First Refusal will apply.

If, by the expiry of the Development Fund Window Period:

- no binding commitment for the sale of the Relevant Development Fund Property is entered into with any other party; or
- there is a failure to complete the sale and purchase of the Relevant Development Fund Property,

any subsequent proposed sale of such Relevant Development Fund Property will continue to be subject to the Development Fund Right of First Refusal. For the avoidance of doubt, the Development Fund Right of First Refusal will continue to apply whether such subsequent proposed sale of the Relevant Development Fund Property is on terms and conditions equal to, less favourable or more favourable than those set out in the Development Fund Vendor's Notice.

### *Right of First Refusal from the Incubator Fund*

On 8 November 2006, an agreement was entered into between the Manager, the Trustee, the Incubator Fund Manager and the Incubator Fund Trustee pursuant to which the Incubator Fund granted to CRCT a right of first refusal (the **"Incubator Fund Right of First Refusal"**) over any proposed offer of sale of Relevant Incubator Fund Properties (as defined herein) by the Incubator Fund Trustee (the **"Proposed Incubator Fund Sale"**).

A **"Relevant Incubator Fund Property"** means a property and, if applicable, the shares or equity interests in a single purpose company or entity which holds such property.

The Incubator Fund Right of First Refusal will come into effect from the Listing Date and will continue to operate for so long as CapitaRetail China Trust Management Limited remains the manager of CRCT and the Sponsor and/or any of its subsidiaries remains as a controlling shareholder of CapitaRetail China Trust Management Limited.

For the purposes of this agreement, a **"controlling shareholder"** means a person who (i) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares of the company and (ii) in fact exercises control over the company.

Subject to applicable laws, regulations and government policies (including those in other countries relating to property ownership by foreign persons), the Incubator Fund Trustee will give written notice to the Manager and the Trustee (the **"Incubator Fund Vendor's Notice"**) which shall contain (a) the price at which the Incubator Fund Trustee proposes to sell the Relevant Incubator Fund Property and (b) the proposed terms and conditions of the Proposed Incubator Fund Sale.

In the event that:

- the Trustee does not give written notice (**"Notice of Interest in the Relevant Incubator Fund Property"**) to the Incubator Fund Trustee of its interest in considering the purchase of such Relevant Incubator Fund Property for CRCT within seven days (or such longer period as may be mutually agreed between the Trustee, the Manager, the Incubator Fund Trustee and the Incubator Fund Manager) from the date of the receipt of the Incubator Fund Vendor's Notice by the Trustee;
- (subject to the Trustee having issued the Notice of Interest in the Relevant Incubator Fund Property) the Trustee does not enter into a binding commitment (in the form of a sale and purchase agreement or a put and call option agreement, whether conditional or unconditional) for the purchase of the Relevant Incubator Fund Property within 30 days (or such longer period as may be mutually agreed between the Trustee, the Manager, the Incubator Fund Trustee and the Incubator Fund Manager) from the date of the issuance of the Notice of Interest in the Relevant Incubator Fund Property by the Trustee; or
- the proposed purchase of the Relevant Incubator Fund Property is aborted by the Trustee,

CRCT will be deemed not to have exercised the Incubator Fund Right of First Refusal and the Incubator Fund Trustee will be entitled to sell the Relevant Incubator Fund Property to a third party subject to the conditions set out below.

In the event that (within a period of three months commencing from (and including) the date on which CRCT is deemed not to have exercised the Incubator Fund Right of First Refusal (the **"Incubator Fund Window Period"**)) the Incubator Fund Trustee decides to sell the Relevant Incubator Fund Property to a third party on terms and conditions more favourable than those set out in the Incubator Fund Vendor's Notice, the Incubator Fund Right of First Refusal will apply.

If, by the expiry of the Incubator Fund Window Period:

- no binding commitment for the sale of the Relevant Incubator Fund Property is entered into with any other party; or

- there is a failure to complete the sale and purchase of the Relevant Incubator Fund Property,

any subsequent proposed sale of such Relevant Incubator Fund Property will continue to be subject to the Incubator Fund Right of First Refusal. For the avoidance of doubt, the Incubator Fund Right of First Refusal will continue to apply whether such subsequent proposed sale of the Relevant Incubator Fund Property is on terms and conditions equal to, less favourable or more favourable than those set out in the Incubator Fund Vendor's Notice.

***Right of First Refusal from CRTL***

On 8 November 2006, an agreement was entered into between the Manager, the Trustee, the Incubator Fund Manager, the Incubator Fund Trustee and CRTL pursuant to which CRTL granted, first to CRCT (for so long as CapitaRetail China Trust Management Limited remains the manager of CRCT and the Sponsor and/or any of its subsidiaries remains a controlling shareholder of CapitaRetail China Trust Management Limited) and then to the Incubator Fund (for so long as CapitaRetail China Fund Management Pte. Ltd. remains the manager of the Incubator Fund and a subsidiary of the Sponsor), a right of first refusal (the **"CRTL Right of First Refusal"**) over any Relevant Completed Retail Properties (as defined herein) which may in the future be identified and targeted for acquisition by CRTL or any of its subsidiaries (each, a **"CRTL Entity"**).

For the purposes of this agreement, a **"controlling shareholder"** means a person who (i) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares of the company and (ii) in fact exercises control over the company.

A **"Relevant Completed Retail Property"** means a completed retail property situated in China, which shall include any mixed-use project which has a substantial retail component and, if applicable, the shares or equity interests in a single purpose company or entity which holds such retail property. "Completed" refers to retail property in respect of which structural work has been completed and "mixed-use project which has a substantial retail component" means at least 65.0% of the GFA of the project is let out for retail use or at least 65.0% of its rental income is derived from retail tenants.

The CRTL Right of First Refusal will come into effect from the Listing Date.

Any Relevant Completed Retail Property will first be offered to CRCT and, in the event that CRCT is deemed not to have exercised the CRTL Right of First Refusal, such Relevant Completed Retail Property will then be offered to the Incubator Fund.

Subject to applicable laws, regulations and government policies (including those in other countries relating to property ownership by foreign persons), a CRTL Entity will given written notice to the Manager and the Trustee or (as the case may be) the Incubator Fund Manager and the Incubator Fund Trustee (**"CRTL's Notice"**) of any proposed offer of sale (**"Proposed Sale"**) of a Relevant Completed Retail Property made to such CRTL Entity, which shall contain (a) the price at which the Relevant Completed Retail Property is offered for sale to the relevant CRTL Entity and (b) the proposed terms and conditions of the Proposed Sale.

In the event that:

- the Trustee or (as the case may be) the Incubator Fund Trustee does not give written notice (**"Notice of Interest"**) to the relevant CRTL Entity of its interest in considering the purchase of such Relevant Completed Retail Property for CRCT or (as the case may be) the Incubator Fund, within seven days (or such longer period as may be mutually agreed between the relevant parties) from the date of the receipt of CRTL's Notice by the Trustee or (as the case may be) the Incubator Fund Trustee;
- (subject to the Trustee or (as the case may be) the Incubator Fund Trustee having issued the Notice of Interest) the Trustee or (as the case may be) the Incubator Fund Trustee does not enter into a binding commitment (in the form of a sale and purchase agreement or a put and call option

agreement, whether conditional or unconditional) for the purchase of the Relevant Completed Retail Property within 30 days (or such longer period as may be mutually agreed between the relevant parties) from the date of the issuance of the Notice of Interest by the Trustee or (as the case may be) the Incubator Fund Trustee; or

- the proposed purchase of the Relevant Completed Retail Property is aborted by the Trustee or (as the case may be) the Incubator Fund Trustee,

CRCT or (as the case may be) the Incubator Fund will be deemed not to have exercised the CRTL Right of First Refusal and the relevant CRTL Entity will be free to purchase such Relevant Completed Retail Property without any accountability, liability or obligation to CRCT or the Incubator Fund.

***Wangjing Put Option Agreement***

On 8 November 2006, the Trustee (as Wangjing Option Holder) and CRTL (as Wangjing Option Grantor) entered into the Wangjing Put Option Agreement pursuant to which the Wangjing Option Holder was granted the right to require the Wangjing Option Grantor to purchase all (and not some only) the Wangjing Option Shares (as defined herein) in the event that CapitaRetail Wangjing does not acquire the legal title of Wangjing Mall by certain specified periods for the consideration, and on the terms and subject to the conditions, contained in the Wangjing Put Option Agreement.

***Exercise of the Wangjing Put Option***

The Wangjing Put Option may be exercisable by the Wangjing Option Holder only during the Wangjing Put Option Period (as defined herein) and on the terms set out in the Wangjing Put Option Agreement.

In the event that CapitaRetail Wangjing has not obtained legal title to Wangjing Mall as evidenced by the issuance of the State Owned Land Use Right Certificate and the Building Ownership Certificate by the relevant China authorities to CapitaRetail Wangjing on or before the expiry of 12 months from the Listing Date (the **"Wangjing Triggering Event"**), the Wangjing Option Holder shall as soon as practicable thereafter convene a meeting of the Unitholders of CRCT in accordance with the Trust Deed for the purpose of seeking their approval for the retention of Wangjing Mall in the portfolio of CRCT.

The Wangjing Put Option may be exercised by the Wangjing Option Holder during the relevant Wangjing Put Option Period by serving on the Wangjing Grantor a notice of exercise of the Wangjing Put Option (**"Wangjing Put Option Notice"**).

The Wangjing Put Option shall automatically lapse if it is not exercised by the Wangjing Option Holder in accordance with the terms of the Wangjing Put Option Agreement prior to, and may not in any event be exercised after, the expiry of the Wangjing Put Option Period.

***Wangjing Put Option Price***

The consideration for the purchase of the Wangjing Option Shares shall be the Wangjing Put Option Price, which shall be the higher of (i) the net asset value of CRCI Barbados as at the date of service of the Wangjing Put Option Notice as determined from the audited consolidated accounts of CRCI Barbados and CapitaRetail Wangjing duly audited by the Independent Accountant (as defined herein) taking into account the value of Wangjing Mall based on the average of the valuation conducted by two Independent Valuers as at the date of service of the Wangjing Put Option notice; and (ii) the net asset value of CRCI Barbados based on the value attributed to Wangjing Mall for purposes of the Listing (the **"IPO Value of Wangjing Mall"**), in each case, also taking into account all transaction costs incurred directly or indirectly, by CRCT for the acquisition of Wangjing Mall (including, but not limited to brokerage, stamp duties, acquisition fees and conveyancing fees). Based on the Offering Price, the IPO Value of Wangjing Mall is S$241,737,808.

### *Jiulong Put Option Agreement*

On 8 November 2006, CRCI Alpha Barbados (as Jiulong Option Holder) and CRTL (as Jiulong Option Grantor) entered into the Jiulong Put Option Agreement pursuant to which the Jiulong Option Holder was granted the right to require the Jiulong Option Grantor to purchase all (and not some only) the Jiulong Option Equity Interest (as defined herein) in the event that (i) CapitaRetail Jiulong does not acquire the strata titles in respect of the basement and first levels of Jiulong Mall and/or the strata titles in respect of the second and third levels of Jiulong Mall by certain specified periods; or (ii) at any time from the completion of the Offering, China courts order a sale of the strata titles in respect of the second and third levels of Jiulong Mall, whichever is the earlier, and in each case, on the terms and subject to the conditions, contained in the Jiulong Put Option Agreement.

### *Exercise of the Jiulong Put Option*

The Jiulong Put Option may be exercisable by the Jiulong Option Holder only during the Jiulong Put Option Period (as defined herein) and on the terms set out in the Jiulong Put Option Agreement.

In the event that CapitaRetail Jiulong has not obtained the strata titles to the basement and first levels of Jiulong Mall and/or the second and third levels of Jiulong Mall as evidenced by the issuance of the relevant State Owned Land Use Right Certificates and the Building Ownership Certificates by the relevant China authorities to CapitaRetail Jiulong on or before the expiry of 12 months from the Listing Date (the **"Jiulong Triggering Event"**), the Trustee shall as soon as practicable thereafter convene a meeting of the Unitholders of CRCT in accordance with the Trust Deed for the purpose of seeking their approval for the retention of Jiulong Mall in the portfolio of CRCT.

The Jiulong Put Option may be exercised by the Jiulong Option Holder during the relevant Jiulong Put Option Period or in the event that China courts order a sale of the strata titles in respect of the second and third levels of Jiulong Mall by serving on the Jiulong Option Grantor a notice of exercise of the Jiulong Put Option (**"Jiulong Put Option Notice"**).

The Jiulong Put Option shall automatically lapse if it is not exercised by the Jiulong Option Holder in accordance with the terms of the Jiulong Put Option Agreement prior to, and may not in any event be exercised after, the expiry of the Jiulong Put Option Period.

### *Jiulong Put Option Price*

The consideration for the purchase of the Jiulong Option Equity Interest shall be the Jiulong Put Option Price, which shall be the higher of (i) the net asset value of CapitaRetail Jiulong as at the date of service of the Jiulong Put Option Notice as determined from the audited consolidated accounts of CapitaRetail Jiulong duly audited by the Independent Accountant; and (ii) net asset value of CapitaRetail Jiulong based on the value attributed to Jiulong Mall for purposes of the Listing (the **"IPO Value of Jiulong Mall"**), taking into account all transaction costs incurred directly or indirectly, by CRCT for the acquisition of Jiulong Mall (including, but not limited to brokerage, stamp duties, acquisition fees and conveyancing fees). Based on the Offering Price, the IPO Value of Jiulong Mall is S$91,208,316.

"**CRCT Unitholders' Approval"** means, in the event that CapitaRetail Wangjing does not obtain the legal title to Wangjing Mall by the expiry of 12 months from the Listing Date or CapitaRetail Jiulong does not obtain the strata titles in respect of the basement and first levels of, and/or the second and third levels of, Jiulong Mall by the expiry of 12 months from the Listing Date, the approval by the Unitholders passed by way of an Ordinary Resolution (as defined herein) for the retention of Wangjing Mall or, as the case may be, Jiulong Mall in the portfolio of CRCT;

"**Independent Accountant"** means the public accounting firm duly appointed in accordance with the Wangjing Put Option Agreement or, as the case may be, the Jiulong Put Option Agreement;

"**Jiulong Option Equity Interest"** means the entire equity interest from time to time of CapitaRetail Jiulong;

"**Jiulong Put Option Period**" means:

(i) in the event that CRCT Unitholders' Approval (as defined herein) is not obtained for the retention of Jiulong Mall in the portfolio of CRCT after the occurrence of the Jiulong Triggering Event, the period of three months from the date of the meeting of CRCT Unitholders at which CRCT Unitholders' Approval was not obtained; and

(ii) in the event that CRCT Unitholders' Approval is obtained for the retention of Jiulong Mall in the portfolio of CRCT after the occurrence of the Jiulong Triggering Event but CapitaRetail Jiulong still does not obtain the strata titles in respect of the second and third levels of Jiulong Mall within the six months after the date of the meeting of CRCT Unitholders at which CRCT Unitholders' Approval was obtained, the period of three months from the date of expiry of the six-month period;

"**Ordinary Resolution**" means a resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders (which shall exclude such Unitholders which are associates of the Wangjing Option Grantor or, as the case may be, the Jiulong Option Grantor) convened in accordance with the provisions of the Trust Deed.

"**Wangjing Option Shares**" means all the shares from time to time comprised in the total issued share capital of CRCI Barbados; and

"**Wangjing Put Option Period**" means:

(i) in the event that CRCT Unitholders' Approval is not obtained for the retention of Wangjing Mall in the portfolio of CRCT after the occurrence of the Wangjing Triggering Event, the period of three months from the date of the meeting of CRCT Unitholders at which CRCT Unitholders' Approval was not obtained; and

(ii) in the event that CRCT Unitholders' Approval is obtained for the retention of Wangjing Mall in the portfolio of CRCT after the occurrence of the Wangjing Triggering Event but CapitaRetail Wangjing still does not obtain the legal title to Wangjing Mall within the six months after the date of the meeting of CRCT Unitholders at which CRCT Unitholders' Approval was obtained, the period of three months from the date of expiry of the six-month period.

***The Sponsor's Role as a Strategic Partner to the Manager of The Link REIT***

The Sponsor had in 2004 entered into a cooperation agreement (the "**Cooperation Agreement**") with The Link Management Limited to act as the strategic partner in connection with the management of The Link REIT, which is listed on The Stock Exchange of Hong Kong Limited. Pursuant to the Cooperation Agreement, unless the Sponsor has obtained prior written consent from The Link Management Limited, the Sponsor is not permitted to:

(i) participate or invest in (other than as principal investing in individual properties in Hong Kong), or provide services to, any company, Collective Investment Scheme (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being (the "**SFO**")) or asset management company that owns, operates or manages shopping centres and/or carparks in Hong Kong;

(ii) solicit or contact (with a view to the engagement or employment by any person) any employee, officer or manager of The Link Management Limited or any person who has been an employee, officer or manager of The Link Management Limited within the previous one-year period, except for any employees of the Sponsor who are seconded to The Link Management Limited pursuant to the secondment agreement between The Link Management Limited and the Sponsor dated 19 November 2004 (as supplemented by a supplemental agreement dated 4 November 2005) in respect of the secondment by the Sponsor of some of its employees to The Link Management Limited; or

(iii) enter into any negotiation with respect to any investment in any shopping centres and/or carparks in Hong Kong, unless it has notified The Link Management Limited in writing of any such real estate investment opportunity and allowed The Link Management Limited the right of first refusal over such real estate investment opportunity. If The Link Management Limited decides to exercise its right to pursue the real estate investment opportunity, it must notify the Sponsor of its decision within 15 Business Days[1] from the date of the Sponsor's notification to The Link Management Limited of such real estate investment opportunity.

Such restrictions will not apply to the Sponsor in respect of its investments in:

(i) any company, Collective Investment Scheme (as defined in the SFO) or asset management company that exists as of the date of the Cooperation Agreement;

(ii) not more than 5.0% of the issued shares or debentures of any company listed, or dealt in, on any Specified Stock Exchange (as defined in the SFO); and/or

(iii) the issued shares or debentures of any company which (or the subsidiary of which): (i) owns, operates or manages shopping centres and/or carparks in Hong Kong; or (ii) results in such company being a subsidiary of the Sponsor, provided that:

  (a) such company's or its subsidiary's ownership, operation or management of the shopping centres and/or carparks in Hong Kong does not comprise more than 15% of its total consolidated asset value or that the revenue from such operation or management does not comprise more than 15.0% of its total consolidated revenues;

  (b) such company or its subsidiary does not own, operate or manage a shopping centre with a net lettable retail area exceeding 150,000 square feet and which is located within a three kilometre radius of a shopping centre owned by The Link REIT; and

  (c) such company or its subsidiary does not own, operate or manage a carpark with more than 500 carpark spaces and which is located within a three kilometre radius of a carpark owned by The Link REIT.

These restrictions shall continue to apply for a period of one year after the termination of the Cooperation Agreement. The Sponsor has agreed to procure that each of its associates will similarly comply with these restrictions. For the purpose of this agreement, "Associate" means any of the Sponsor's holding company, subsidiary or fellow subsidiary or any other subsidiaries of such holding company.

1 For the purposes of this Cooperation Agreement, "Business Days" means a day (excluding Sundays, public holidays and days on which a tropical cyclone warning number 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9.00 a.m. and 5.00 p.m. (Hong Kong time) on weekdays and 9.00 a.m. and 12.00 noon (Hong Kong time) on Saturdays) on which licensed banks are open for general business in Hong Kong.

## OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN CHINA

The Provisional Regulations of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中华人民共和国城镇国有土地使用权出让和转让暂行条例》) (**"Urban Land Regulations"**) promulgated by the State Council in May 1990 and the Urban Real Estate Law promulgated by the Eighth Meeting of the Standing Committee of the Eighth National People's Congress in July 1994 permit transfer, leasing and mortgage of granted land use right and properties constructed on the land.

### *The land system*

China law distinguishes between the ownership of land and the right to use land.

According to the Constitution of China, unless specified by law, all land in the cities is owned by the State while land in the rural and suburban areas, unless otherwise specified by law, is owned by collectives. House sites (宅基地), privately farmed crop land (自留地) and hilly land (自留山) are also owned by collectives. The State may expropriate or take over land and pay compensation in accordance with law if such land is required for public benefit.

Under the Urban Land Regulations, a system for the grant and transfer of state land use right in urban areas was implemented. Pursuant to this system, all local and foreign companies, enterprises and other organizations and individuals in China are permitted to acquire land use right and to develop and operate property in accordance with the laws and regulations.

Pursuant to The Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (关于规范房地产市场外资准入和管理的意见) promulgated jointly by the Ministry of Construction, Ministry of Commerce, National Development and Reform Commission, People's Bank of China, State Administration for Industry and Commerce and State Administration of Foreign Exchange on 11 July 2006, certain restrictions were implemented to regulate the acquisition and transfer of China real property or equity interests in property owning companies by foreigners. For example, foreign individuals are not allowed to acquire real property except for those who have worked or studied in China for over one year and are acquiring such property for self use, and foreign companies without a branch or representative office in China must apply to establish a foreign invested enterprise under China laws in order to own and develop real property.

Under the Urban Land Regulations, the grant for use of State land refers to the grant of a land use right by the State to a land user for a definite period subject to the payment of a land premium by the land user. The maximum term of the grant depends on the type of use of the land. Such term is generally as follows:

(a) up to 70 years for residential use;

(b) up to 50 years for industrial use;

(c) up to 50 years for education, science, culture, public health or physical education uses;

(d) up to 40 years for commercial, tourism and entertainment uses; and

(e) up to 50 years for comprehensive utilization or all other uses.

Upon expiration of the term of grant, it is possible for a land user to renew such term subject to the execution of a new land use right grant contract and payment of a land use right grant premium. If the term of the grant is not renewed, the land use right of the land and ownership of any building thereon will revert to the State without compensation.

### *Grant of land use right*

Land use rights may be granted by agreement, public auction, tender or bidding.

The Urban Real Estate Law provides that: "land use right for commercial use, tourism, entertainment and construction of luxury flats shall be sold by public auction wherever it is feasible, and may be sold by mutual agreement if sale by public auction or competitive bidding is not feasible". On 30 April 2001, the State Council promulgated a Notice on Strengthening the Administration of State-owned Land (《关于加强国有土地资产管理的通知》) which stipulates that the supply of State-owned construction land shall be announced to the public unless there are concerns regarding State security or confidentiality issues. If, after a scheduled supply of land for commercial development and other use is announced, there are two or more prospective investors who intend to develop the same land parcel, the relevant land parcel shall be made available to the market by the government at the municipal or county levels through competitive bidding or public auction.

On 9 May 2002, the Ministry of Land and Resources of China promulgated the Regulations on the Grant of State-owned Land Use Rights through Competitive Bidding, Public Auction and Public Tender (《招标拍卖挂牌出让国有土地使用权规定》). Pursuant to the regulations, land for operational use (including commercial use, tourism, entertainment and commodity housing development) will be granted by competitive bidding, public auction or public tender and, in the case of land for use other than commercial use, tourism, entertainment and commodity housing development, if there are two or more prospective purchasers after the announcement of the relevant land supply schedule, then the grant of the land use right shall be made by competitive bidding, public auction or public tender.

On 11 June 2003, the Ministry of Land and Resources of China promulgated the Regulations on Granting of State Owned Land Use Rights by Agreement (《协议出让国有土地使用权规定》). According to these regulations, land use right may be granted by way of agreement if it is not required under applicable laws and regulations that the land use right be granted by public auction, tender or bidding.

Upon signing of the contract for the grant of land use right, the grantee is required to pay the land grant premium in accordance with the terms of the contract. Once the land grant premium is paid in full, the contract may be submitted to the relevant local bureau for the issue of a land use right certificate evidencing the grant of land use right.

### *Transfer of land use right*

Subject to any restrictions imposed, the party to which the land use right is granted may transfer such land use right. The transfer may be by way of sale, exchange or gift. The term of land use right for the transferred land is the original term granted under the contract of grant of land use right less the term, which has already been enjoyed by the original grantee.

A transfer of land use right must be evidenced by a written contract. Upon such transfer, all rights and obligations contained in the original contract for the grant of land use right by the State are deemed to be simultaneously transferred to the transferee, together with any buildings and other fixtures on the land. The transfer must be duly registered at the relevant local land bureau and a new certificate of land use right will be issued and the original land use right certificate of land use right will be suspended.

Under Article 38 of the Urban Real Estate Law, in relation to a transfer of the real estate for which land use right were acquired by way of grant, the following conditions must be met:

(a) the land use right grant premium for the grant of land use right must have been paid in full in accordance with the land use right grant contract and a certificate of land use right (土地使用权证书) must have been obtained;

(b) investment in or development of such land must have been made or carried out in accordance with terms of the land use right grant contract;

(c) if the investment or development involves the construction of building on the land, more than 25.0% of the total amount of investment or development must have been made or completed; and

(d) where the investment or development involves a large tract of land, conditions for the use of the land for industrial or other construction purposes must have been met.

When a real estate is transferred with a finished building, title certificate for the building is also needed.

### *Termination of land use right*

A land use right will terminate upon the expiration of the term of the grant specified in the relevant land use right grant contract. Land use right may also terminate upon withdrawal of the land use right by the State or by loss of the land etc.

The State generally will not withdraw a land use right prior to the expiration of its term of grant under the land use right grant contract. In exceptional circumstances, and if it is in the public interest, the State has the right to assume the land use right in accordance with law and offer compensation to the land user, having regard to the period for which the land user has already enjoyed in respect of the land and the actual circumstance relating to the use and development of the land.

Upon expiry of the term of grant under the land use right grant contract, the land use right of the land and ownership of the buildings and fixtures erected thereon will revert to the State without compensation unless renewal application is granted. The land user will have to take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the term of the land use right and such application will be granted unless for public benefit the land needs to be taken back, if the application is granted, the land user is required to enter into a new land use right grant contract, pay a land use right grant premium and effect the necessary registration of the renewed right.

### *Documents of title*

There are two types of title registrations in China, namely land registration and building registration. Land registration is effected by the issue of land use right certificate by the relevant authority to the land user evidencing that the land user has obtained land use right (土地使用权证). The building registration is the issue of a building ownership certificate (房屋所有权证) to the building owner evidencing that the building owner has obtained building ownership rights in respect of the building. According to the Land Registration Regulations (《土地登记规则》) promulgated by the State Land Administration Bureau on 18 November 1989 and amended on 18 December 1995 (the amendment became effective on 1 February 1996), and the Administration Rules on Regulations of Urban Real Estate Property (《城市房屋权属登记管理办法》) promulgated by the Ministry of Construction on 27 October 1997, implemented on 1 January 1998 and revised subsequently on 15 August 2001, all land use right and building ownership rights which are duly registered are protected by law.

The two different systems are commonly maintained separately in many cities in China. However, in Shenzhen, Guangzhou, Shanghai and some other major cities, the two systems have been consolidated and a single composite real estate and land use right certificate (房地产权证) will be issued to evidence the ownership of both land use right and the buildings erected thereon. Such single composite real estate and land use right certificate is in compliance with the Urban Real Estate Administration and the Administration Rules on Regulations of Urban Real Estate Property (《城市房屋权属登记管理办法》).

### *Pre-sale of Commodity Buildings*

In accordance with the Urban Real Estate Law and the Measures for Administration of Pre-sale of Commodity Buildings (《城市商品房预售管理办法》) (**"Pre-sale Measures"**) promulgated by the Ministry of Construction in November 1994, and revised in August 2001and July 2004 respectively, a commodity building may only be pre-sold provided that: 1) the assignment price has been paid in full for the assignment of the land use right involved and a land use right certificate has been obtained; 2) a Permit for Construction Works Planning and a Permit for Commencement of Works have been obtained; 3) the funds invested in the development of the commodity buildings put to pre-sale represent 25.0% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and 4) the pre-sale shall be registered and a Permit for Pre-sale of Commodity Buildings shall be obtained by the Property developer. After the pre-sale agreement concerning a commodity building has been executed, the above agreement shall be registered with the real property administrative authority. Then the parties involved shall go through the title registration procedures and the purchaser shall obtain a renewed building ownership certificate and land use certificate.

In Beijing, according to the Notice concerning Executing and Registering the Beijing Pre-sale Commodity Buildings Agreement on the Internet (《北京市建设委员会关于北京市商品房预售合同实行网上签约和预售登记管理工作的通知》) issued by Construction Commission of Beijing City, real estate development enterprises and purchasers shall execute and register pre-sale commodity building agreements through the Internet.

***Assignment of the Property***

Pursuant to the Administration of the Assignment of Urban Real Property Provisions (《城市房地产转让管理规定》) (the "**Assignment Administration**") promulgated in August 1995 and revised in August 2001 by the Ministry of Construction, a real property owner can transfer his real property by means of sale, gift or other lawful means. Where a building is assigned, the ownership of the building and land use right occupied by the building shall be assigned simultaneously. The following real property may not be assigned: (1) land use right occupied by the real property were acquired by means of grant, if assignment of such land use right would fail to meet the stipulated conditions as set out in the article 10 of the Assignment Administration; (2) real property which was sealed or the rights to which were restricted in any other form by a ruling or decision of judicial or administrative authorities in accordance with the law; (3) land use right occupied by which have been recovered in accordance with the law; (4) commonly owned real property, if the other common owners have not given their common consent; (5) the title of the property is under dispute; (6) real property which has not been registered and a title certificate of which has not been obtained; and (7) other circumstances in which assignment is prohibited under law or administrative regulations.

***Leasing of the Property***

Leasing of urban real properties is also governed by the laws and regulations above as well as the Contract Law of China (《中华人民共和国合同法》) promulgated by the Second Meeting of the Standing Committee of the Ninth National People's Congress in March 1999 and the Measures for Administration of Leasing of Urban Buildings (《城市房屋租赁管理办法》) promulgated by the Ministry of Construction in April 1995. Under these Laws and regulations, owners of buildings in China are entitled to lease their buildings through a written lease. The lease shall be filed with the real property administrative authority at municipality or county level. The term of the lease may not be longer than 20 years. The lessor shall perform the obligation of maintenance of the leased property, except as otherwise agreed upon by the parties. If the lessor intends to sell out a leased property, it shall, within a reasonable time limit before the sale, notify the lessee and the lessee shall have a priority right to buy the leased property on equal terms and conditions.

***Mortgage of the Property***

The grant of mortgages in China is governed by the Security Law of China (《中华人民共和国担保法》) and Administrative Measures on Mortgage of Urban Real Estate (《城市房地产抵押管理办法》) issued by the Ministry of Construction in 1997 and revised in 2001. Under this law, all mortgage agreements must be in writing.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate and land use right certificate and/or land use right certificate by the mortgagor and registration of the mortgage with appropriate authorities. Where ownership rights to a lawfully acquired building are mortgaged, the land use right for such building within the area of its occupancy shall be deemed to have been mortgaged together with the building/property simultaneously.

*Management of the Property*

The State council promulgated the Property Management Rules (《物业管理条例》) (**"Property Management Rules"**) on 8 June 2003, which came into effect on 1 September 2003. The rules stipulate that owners in a common property management region shall organize the Owners Meeting (业主大会)) and make the Owners Commission (业主委员会) through election. However, owners perform jointly duties of the Owners Meeting and the Owners Commission if there is only one owner or there are only a few owners whom all agreed not to organize the Owners Commission. The Owners Meeting has the right to appoint and dismiss property management enterprises, to elect and replace commissioners of the Owners Commission, and to formulate systems that provide use of shared regions and facilities and maintenance of the public order and environment. The Owners Commission is responsible for the execution of the management duties mentioned.

Pursuant to the Property Management Rules, the quorum for an Owners Meeting requires owners representing more than 1/2 of all voting rights in respect of the property. The following matters shall only be passed by a majority of owners holding over 2/3 of all voting rights in respect of the property:

(a) formulating and amending the deed of mutual convents or rules of proceedings of the Owners Meeting; or

(b) appointing or dismissing the property management company; or

(c) proposing to use and/or set or vary the periodic contributions for the special repair fund.

Other resolutions may be passed by a majority of owners representing more than 1/2 of all voting rights in respect of the property.

Under the Measures for the Administration of Qualifications of Property Management Enterprises (《物业管理企业资质管理办法》) promulgated by the Ministry of Construction on 17 March 2004, effective from 1 May 2004, a property management enterprise shall apply for examination of its qualification by the qualification approval authority according to the said measures. A property management enterprise that has passed such examination will be issued with Qualification Certificate evidencing the qualification classification by the relevant authority. No enterprise may engage in property management without undertaking a qualification examination conducted by the authority and obtaining a Qualification Certificate.

Property management fees comprise the property management cost and property managers' remuneration. The exact amount of property management fees payable to a property management enterprise as remuneration may be agreed by the contracting parties by reference to the two methods. According to the Rules on Property Management Service Fees (《物业服务收费管理办法》) jointly promulgated by the National Development and Reform Commission and the Ministry of construction on 13 November 2003, the exact amount of property management fees payable to property management enterprise as remuneration may be entered into between the owners and property management enterprises by reference to a fixed management fee (包干制) or a percentage based management fee (酬金制). The property management enterprise may collect a fixed management fee from the property owners to cover all the operating cost incurred for property management. The property management enterprise itself shall account for any shortfall and retain any surplus. The property management enterprise may also charge its management fees by reference to a fixed percentage of the total management fees collected, the balance of the total management fees collected will be used for covering the operating cost incurred for property management, the property owners shall account for any shortfall and retain any surplus.

### ***Company Law***

On 29 December 1993, the Standing Committee of the Eighth National People's Congress adopted the Company Law of China (《中华人民共和国公司法》) (the **"Company Law"**), which came into effect on 1 July 1994 and was amended on 25 December 1999, 28 August 2004 and 27 October 2005 respectively.

The Company Law governs two types of companies, namely companies incorporated in China with limited liability and companies incorporated in China as joint stock limited companies. Both types of companies have the status of an enterprise legal person. The liability of shareholders of a limited company is limited to the extent of the amount of capital contributed by them and the company is liable to its creditors to the full amount of the assets owned by it. The liability of shareholders of joint stock limited companies is limited to the extent of the amount of shares owned by them and the company is liable to its creditors to the full amount of the assets owned by it.

Based on the relevant provisions in China Company law, Sino-Foreign Equity Joint Venture law and Wholly Foreign Investment Enterprise Law:

- an EJV should first pay off its income tax before it makes allocation of its gross profit. The reserve funds, the employee award, the benefit and welfare funds and the enterprise development funds as provided under the article of associations of the enterprise should also be paid off prior to the company making allocations of any profit. Then the EJV should allocate the net profit in proportion to the percentages of registered capital paid by each shareholder or investor. The percentage of reserve funds, employee award, benefit and welfare funds and enterprise developing fund is determined by the board of directors; and
- a WFOE when distributing its after-tax profits for a given year shall allocate 10.0% of profits to its statutory common reserve. It shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50.0% of its registered capital.

If the WFOE's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. The WFOE may, if so resolved by the shareholders' meeting or the shareholders' general meeting, make allocations to the discretionary common reserve from their after-tax profits after making allocations to the statutory common reserve from the after-tax profits.

A WFOE's after-tax profits remaining after it has made up its losses and made allocations to its common reserve shall be distributed based on the percentages as agreed previously by shareholders or based on the percentage that shareholders actually paid up.

# TAXATION

*The following summary of certain Singapore, Barbados and China income tax consequences of the purchase, ownership and disposition of the Units is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units and does not purport to apply to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisers concerning the application of Singapore tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Units arising under the laws of any other tax jurisdictions.*

## SINGAPORE TAXATION

### Taxation of CRCT

#### *Dividends and interest from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados*

CRCT has obtained approval from the IRAS for the following income to be exempt from Singapore income tax under Section 13(12) of the Income Tax Act:

(a) dividends; and

(b) interest (on shareholder's loans extended to CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados),

payable by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados out of underlying rental income derived from the Properties by the Project Companies.

The approval is granted subject to certain conditions, including the condition that the Trustee is a tax resident of Singapore.

The tax exemption also applies to dividends payable by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados out of gains, if any, derived from the disposal of their shares in the Project Companies.

#### *Principal repayment of shareholder's loans by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados*

The amounts received by CRCT from the repayment of the principal amount of its shareholder's loans are capital in nature and are hence not taxable in the hands of the Trustee.

#### *Gains on disposal of shares*

Singapore does not impose tax on capital gains. In the event that CRCT disposes of its shares in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados, gains arising from the disposal will not be liable to Singapore income tax unless the gains are considered income of a trade or business. The gains may also be liable to tax if the shares in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados were acquired with the intent or purpose of making a profit from their subsequent disposal and not for long-term investment purposes.

Gains arising from the sale of shares in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados, if considered to be trading gains, will be assessed to tax on the Trustee.

**Taxation of CRCT's Unitholders**

**CRCT's Distributions**

Subject to CRCT's distribution policy (see "Distributions"), CRCT's distributions will mainly be made out of the following receipts:

- tax-exempt dividends and interest received or receivable from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados; and
- capital receipts from the principal repayment of its shareholder's loans by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados.

***Distributions out of tax-exempt dividends and interest***

Unitholders will be exempt from Singapore income tax on distributions made out of CRCT's tax-exempt income, *i.e.* dividends and interest from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. No tax will be deducted at source on such distributions.

For this purpose, although the profits derived from the Properties for a distribution period can only be received in Singapore by CRCT in the form of dividends from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados subsequent to the distribution period, CRCT has obtained a tax ruling from the IRAS to treat distributions based on tax-exempt dividends that CRCT expects to receive from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados within 9 months after the end of the relevant financial year to which the profits distributed relate as distributions made out of tax-exempt income.

This tax ruling is subject to a rollover adjustment mechanism. Under this mechanism, the amount of tax-exempt income that CRCT expects to receive is compared with the actual amount of tax-exempt income it subsequently receives from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. In the event that the actual amount is lesser, the amount of tax-exempt income available for distribution for the distribution period ending immediately after the receipt of the tax-exempt income will be reduced by the amount of tax-exempt income over-distributed.

***Distributions out of capital receipts***

Unitholders will not be subject to Singapore income tax on distributions made by CRCT out of its capital receipts, comprising mainly amounts received from principal repayment of its shareholder's loans by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados. These distributions will be treated as return of capital for Singapore income tax purposes. This tax treatment is confirmed by way of a tax ruling from the IRAS and applies to the extent the aggregate amount of such distributions does not exceed the capital of CRCT.

For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain when the Units are disposed of. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

***Distributions out of gains from the disposal of shares in the Barbados Companies***

Distributions made out of gains from the disposal of shares in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados, that is if the Manager exercises its discretion to distribute such gains, will

- not be assessable to tax on the Unitholders if the gains are determined to be capital gains for Singapore income tax purposes, unless the distributions are considered gains or profits of a trade or business carried on by the Unitholder, for example, if the Units are held as trading or business assets; or

- be assessable to tax on the Unitholders if the gains are determined to be trading gains for Singapore income tax purposes, unless the Unitholder is specifically exempt from tax on such distributions, for example, if he is an individual who holds the Units as investment assets. Tax on such trading gains will be assessed on, and collected from, the Trustee and the tax paid by the Trustee will be imputed as a tax credit to Unitholders who are liable to tax on such distributions. This treatment of imputing the tax paid as a credit to Unitholders will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the trustee will be exempt from tax in the hands of unitholders.

**Disposal of Units**

Singapore does not impose tax on capital gains. Any gains on disposal of the Units are not liable to Singapore income tax provided the Units are held as investment assets. Where the Units are held as trading assets of a trade or business carried on in Singapore, any gains on disposal of the Units are liable to Singapore income tax under Section 10(1)(a) of the Income Tax Act. Where the Units are not held as trading or business assets but the Unitholder had no intention to hold the Units for purposes of long-term investment, any gains on disposal of the Units could be construed as "gains or profits of an income nature" liable to tax under Section 10(1)(g) of the Income Tax Act.

**Stamp Duty**

Stamp duty will not be imposed on instruments of transfers relating to the Units. In the event of a change of trustee for CRCT, stamp duty on any document effecting the appointment of a new trustee and the transfer of trust assets from the incumbent trustee to the new trustee will be charged at a nominal rate not exceeding S$10.00 as specified under Article 3(g)(ii) of the First Schedule to the Stamp Duties Act, Chapter 312 of Singapore.

## BARBADOS TAXATION

### Income Tax

***General***

In general, companies domiciled and tax resident in Barbados are subject to corporate income tax on their worldwide income. The prevailing corporate tax rate is 25.0%.

A company is considered resident in Barbados for tax purposes if its central management and control is situated in Barbados.

Capital gains are not taxable in Barbados unless the gains are regarded as income in nature.

***Taxation of CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados***

CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados are companies incorporated under the Companies Act, Chapter 308 of the Laws of Barbados and licensed under the International Business Companies Act, Chapter 77 of the Laws of Barbados (each an **"International Business Company"**). Provided its central management and control is situated in Barbados, CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will each be regarded a resident of Barbados for Barbados income tax purposes.

As International Business Companies resident in Barbados, CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will be liable to Barbados corporate income tax on their worldwide income at the following reduced rates of tax (the **"IBC rates"**):

| **Taxable Profits** | **Rate of Tax** |
|---|---|
| The first US$5.0 million | 2.5% |
| On the next US$5.0 million | 2.0% |
| On the next US$5.0 million | 1.5% |
| Amounts exceeding US$15.0 million | 1.0% |

In addition, CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados are entitled to a foreign tax credit in respect of taxes paid in a foreign jurisdiction, provided that the credit does not reduce the tax payable in Barbados in respect of income derived from that jurisdiction to less than 1.0% of their taxable income.

*Interest income from China*

Interest income derived by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados from loans to the Project Companies will be subject to tax in Barbados at the IBC rates of tax in the year of income in which the interest income is received. CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will be allowed to claim a foreign tax credit for the China withholding tax imposed on the interest, currently at the rate of 10.0%, to the extent that the credit does not reduce the tax payable in Barbados to less than 1.0% of their taxable income.

*Dividends from China*

Dividends derived by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados from the Project Companies will be subject to tax in Barbados at the IBC rates of tax in the year of income in which the dividends are received. CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will be allowed to claim a foreign tax credit for the China income tax payable by the Project Companies on the profits out of which the dividends are paid (as their shareholdings in the Project Companies are at least 10.0% of the capital of the Project Companies), in addition to China withholding tax, if any, imposed on the dividends. The amount of foreign tax credit allowable is to the extent that it does not reduce the tax payable in Barbados by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados to less than 1.0% of their taxable income.

*Gains on disposal of shares in Project Companies*

There is no capital gains tax in Barbados. Gains on disposal of shares in the Project Companies will therefore not be subject to tax in Barbados, unless these gains are considered income in nature. However, gains realised by an International Business Company on the sale of securities or assets to a non-resident of Barbados or another International Business Company are exempt from tax in Barbados. Therefore, the gains realised by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados on the sale of their shares in the Project Companies, even if considered income in nature, will be exempt from Barbados tax if the shares are sold to a non-resident of Barbados or another International Business Company.

*Dividends and interest payable to CRCT*

Dividends and interest received by the Trustee from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados, being International Business Companies, will not be subject to any withholding tax in Barbados.

*Proceeds from redemption of redeemable preference shares or gains on disposal of common shares*

Proceeds received by the Trustee from the redemption of redeemable preference shares or gains derived from the disposal of the common shares in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados will not be subject to any tax in Barbados.

**Stamp Duty**

The transfer of shares in CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados to an International Business Company or a non-resident of Barbados is exempted from ad valorem stamp duty and property transfer tax. A US$5 nominal stamp duty is payable on such transfer.

## TAXATION IN CHINA

***Corporate Income Tax***

A foreign investment enterprise holding property for rental in China is subject to corporate income tax on the profits derived from the rental activities. Project Companies are subject to corporate income tax on their taxable profits, including gains on disposal of property, at 33.0%.

***Business Tax***

Project Companies are liable to business tax at the rate of 5.0% on the gross rental and other related services income derived from the Properties.

According to GSF 1997 No. 35, foreign enterprises with no establishment in China will not be subject to business tax on interest income derived from China. However, the State Administration of Taxation issued GSF 2006 No. 62 on 30 April 2006 to abolish GSF 1997 No. 35. Consequently, interest income received by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados from the respective Project Companies is subject to business tax at 5.0%, although the collection of this tax may not be currently enforced in many provinces.

***Property Tax (also known as "Urban Real Estate Tax")***

Project Companies as the lessors and owners of the Properties (except in the case of Qibao Mall) are liable to property tax. Based on current practice, property tax is charged on the owners of real property in China at 1.2% on the original cost of the property net of a deduction of 10.0% to 30.0%, depending on the location of the property or at 12.0% on gross rental income from the property. The original cost of the property refers to the cost as recorded in the fixed assets account. A deduction of 10.0% to 30.0%, depending on the location of the property, on the original cost may be allowed at the discretion of the local government in arriving at the tax base for determining property tax.

***Stamp Duty***

Stamp duty is imposed on chargeable documents as specified under the Stamp Duty Provisional Rules. Chargeable documents are those enforceable in China. Stamp duty is levied at 0.1% on rental contract, 0.005% on loan contract and 0.05% on contract for the transfer of real estate. Stamp duty on chargeable contracts and agreements is payable by each party to the contracts.

***Deed Tax***

Deed tax, at the rate of 3.0% to 5.0% on gross sales value, is payable by the buyer.

### *Land Appreciation Tax ("LAT")*

LAT is charged on gains arising from the transfer of real estate in China. It is calculated on the following progressive rates based on the percentage of taxable gain over total deductible costs:

| Percentage of taxable gain over total deductible costs | Tax rate |
|---|---|
| Portion not exceeding 50.0% | 30.0% |
| Portion exceeding 50.0% but not exceeding 100.0% | 40.0% |
| Portion exceeding 100.0% but not exceeding 200.0% | 50.0% |
| Portion exceeding 200.0% | 60.0% |

In practice, the local tax authorities in many provinces have yet to strictly enforce the collection of LAT. This appears to be changing and it is known that the local tax bureaus in certain provinces have begun to pursue the payment of LAT.

### *Withholding Tax*

*Interest payment*

Interest payable by the Project Companies on shareholder's loans from CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados is currently subject to withholding tax at the rate of 10.0%.

*Dividend payment*

Dividends payable by the Project Companies to CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados are currently exempt from withholding tax.

### *Disposal of shares in Project Companies*

Capital gains realised by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados on the sale of the shares in the Project Companies are subject to withholding tax at a rate of 10.0% unless the tax exemption provided under the China-Barbados tax treaty is applicable. Under the China-Barbados tax treaty, capital gains arising from the sale of shares in a China company by a resident of Barbados are exempted from tax in China. Therefore, provided the China tax bureau is satisfied that CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados are tax residents of Barbados, any gains on disposal of shares in the Project Companies would not be subject to tax in China.

The transfer of the shares in the Project Companies will be subject to stamp duty at 0.05% on the transfer value, payable by both the transferor and transferee.

# PLAN OF DISTRIBUTION

The Vendor is making an offering of 193,300,000 Units (representing 40.6% of the total number of Units in issue as at the date of this Prospectus) for sale at the Offering Price under the Placement and the Singapore Public Offer, of which, 11,000,000 Reserved Units (representing 5.7% of the Offering) under the Singapore Public Offer will be reserved for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries. 29,000,000 Units will be offered under the Singapore Public Offer, subject to an increase of up to an additional 4,000,000 Units with a corresponding decrease in the number of Units offered under the Placement. Units may be re-allocated between the Placement and the Singapore Public Offer, at the discretion of the Underwriters (in consultation with the Vendor, CRTL and the Manager), in the event of excess applications in one and a deficit of applications in the other, subject to any applicable law. In the event that any of the Reserved Units are not purchased, such Units will be made available to satisfy over-subscriptions in the Placement and/or the Singapore Public Offer (other than the Reserved Tranche).

Under the Placement, the Vendor intends to offer the Units by way of an placement through the Underwriters to investors, including institutional and other investors outside and in Singapore. Subject to the terms and conditions set forth in the Underwriting Agreement, the Vendor is expected to effect the sale of, and the Underwriters are expected to severally, but not jointly, procure purchasers for, and failing which, to purchase and to pay for, the 164,300,000 Units in the amounts set forth opposite their respective names below.

| International Underwriters | Number of Units |
|---|---|
| J.P. Morgan (S.E.A.) Limited | 62,820,000 |
| UBS AG, acting through its business group, UBS Investment Bank | 62,820,000 |
| China International Capital Corporation Limited | 38,660,000 |
| **Total** | 164,300,000 |

The Singapore Public Offer is open to members of the public in Singapore. Subject to the terms and conditions set forth in the Underwriting Agreement, and concurrently with the Placement, the Vendor has agreed to appoint the Singapore Underwriters to severally, but not jointly, procure purchasers for, and failing which, to purchase, and to pay for the 29,000,000 Units, in the amounts set forth opposite their respective names below.

| Singapore Underwriters | Number of Units |
|---|---|
| J.P. Morgan (S.E.A.) Limited | 14,500,000 |
| UBS AG, acting through its business group, UBS Investment Bank | 14,500,000 |
| **Total** | 29,000,000 |

The Units will be offered at the Offering Price. The Offering Price per Unit in the Placement and the Singapore Public Offer will be identical. Purchasers of the Units may be required to pay any applicable stamp duties, taxes and/or other similar charges in accordance with the laws and practices of the country of purchase, in addition to the Offering Price.

Among the factors that were considered in determining the Offering Price were the level of investor demand for the Units and the prevailing market conditions in the securities markets. The Units will be purchased at a premium of 15.3% to the NAV per Unit.

The Manager, CRTL and the Vendor have agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities.

The Underwriting Agreement also provides that the obligations of the Underwriters to procure purchasers for, and failing which to purchase, and to pay for the Units in the Offering are subject to certain conditions contained in the Underwriting Agreement.

The Underwriting Agreement may be terminated by each of the Underwriters at any time prior to payment being made for the Units, upon the occurrence of certain events including, among other things, any material adverse change, or any development involving a prospective material adverse change, in local, national or international financial, political, industrial, economic or market conditions or any occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict, and in each case, in the sole opinion of the Underwriters, following consultation with the Manager, the Vendor and CRTL be likely to prejudice materially the success of the Offering.

The Underwriters and their respective affiliates may engage in transactions with, and perform services for, the Trustee, the Manager, the Vendor, the Sponsor, CRTL and CRCT in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with the Trustee, the Manager, the Vendor, the Sponsor, CRTL and CRCT, for which they have received, or may in the future receive, customary compensation.

**Over-allotment and Stabilisation**

The Vendor has granted the Over-allotment Option to JPMorgan, the Stabilising Manager, on behalf of the Underwriters, for the purchase of up to 28,800,000 Units at the Offering Price for each Unit. The number of Units subject to the Over-allotment Option will not be more than 14.9% of the total number of Units under the Offering. The Stabilising Manager may exercise the Over-allotment Option (on behalf of the Underwriters), in consultation with the other Underwriters, in full or in part, on one or more occasions, within 30 days from the date of commencement of trading of the Units on the SGX-ST, to purchase from the Vendor the Over-allotment Units at the Offering Price for each Unit, solely to cover over-allotment of Units (if any) in connection with the Offering subject to any applicable laws and regulations. The total number of Units outstanding immediately after the completion of the Offering will be 475,630,513 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding.

In connection with the Over-allotment Option, the Stabilising Manager and the Vendor have entered into a unit lending agreement (the **"Unit Lending Agreement"**) dated 29 November 2006 pursuant to which the Stabilising Manager may borrow up to an aggregate of 28,800,000 Units from the Vendor (also the Unit Lender) for the purpose of effecting over-allotment or stabilisation activities in connection with the Offering. The Stabilising Manager will re-deliver to the Unit Lender, such number of Units which have not been purchased pursuant to the exercise of the Over-allotment Option no later than the date of expiry of the Over-allotment Option (or such earlier time as may be agreed between the parties).

In connection with the Offering, the Stabilising Manager (or any person acting on its behalf) may, in consultation with the other Underwriters, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake stabilisation action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, (ii) the date that the Stabilising Manager has bought on the SGX-ST an aggregate of 28,800,000 Units representing not more than 14.9% of the total number of Units in the Offering, and (iii) the date falling 30 days after the date of adequate public disclosure of the Offering Price of the Units. Any profit after expenses derived, or any loss sustained, as a consequence of the Over-allotment Option or stabilising activities shall be for the account of the Underwriters.

None of CRCT, the Manager, the Vendor, the Sponsor, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers and the Stabilising Manager makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the Units. In addition, none of CRCT, the Manager, the Vendor, the Sponsor, the International Underwriters, the Singapore Underwriters, DBS, the Financial Advisers and the Stabilising Manager makes any representation that the Stabilising Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Stabilising Manager will be required to make a public announcement *via* SGXNET in relation to the total number of Units purchased by the Stabilising Manager, not later than 12.00 noon on the next trading day of the SGX-ST after the transactions are effected. The Stabilising Manager will also be required to make a public announcement *via* SGXNET in relation to the cessation of stabilising action and the number of Units in respect of which of the Over-allotment Option has been exercised not later than 8.30 a.m. on the next trading day of the SGX-ST immediately following the day of cessation of stabilising action.

**Lock-up Arrangements**

***The Strategic Investors***

Subject to the exceptions described below, each of Retail Crown Pte. Ltd., the Vendor (to the extent that any of the Over-allotment Units subject to the Over-allotment Option are returned to it), CMT, PGGM and Great Eastern has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) directly or indirectly, conditionally or unconditionally offer, sell or contract to sell, grant any option to purchase, charge or otherwise grant security over, create any encumbrance over or otherwise sell or dispose of or enter into any transaction or arrangement which is designed to, or might reasonably be expected to, result in such sale or disposition (whether by actual sale or disposition or effective economic sale or disposition due to cash settlement or otherwise) of (a) all or any of its respective Strategic Investor Units (or any interest therein or in respect thereof) or any other securities convertible into or exchangeable for its respective Strategic Investor Units or which carry rights to subscribe for or purchase its respective Strategic Investor Units or deposit any of its respective Strategic Investor Units (or any securities convertible into or exchangeable for its respective Strategic Investor Units or which carry rights to subscribe for or purchase its respective Strategic Investor Units) in any depository receipt facilities during the First Lock-up Period and (b) more than 50.0% of its respective Strategic Investor Units (or any interest therein or in respect thereof) or any other securities convertible into or exchangeable for more than 50.0% of its respective Strategic Investor Units or which carry rights to subscribe for or purchase its respective Strategic Investor Units or deposit more than 50.0% of its respective Strategic Investors Units (or any securities convertible into or exchangeable for more than 50.0% of its respective Strategic Investor Units or which carry rights to subscribe for or purchase more than 50.0% of its respective Strategic Investor Units) in any depository receipt facilities during the Second Lock-up Period, or agree to do, or announce any intention to do, any of the foregoing, other than as required by applicable laws or regulations.

The restrictions described in the preceding paragraph do not apply to:

- the transfer of the Strategic Investor Units to and between the wholly-owned subsidiaries of the relevant transferor provided that each such subsidiary has executed and delivered to the Underwriters a similar undertaking to the reasonable satisfaction of the Underwriters to the effect of the restrictions described above, to remain in effect for the remainder of the relevant Lock-up Periods; or

- any securities lending arrangement with the Vendor or any sale or transfer of Units by the Vendor to cover the over-allotment of Units (if any).

If, for any reason, the Offering is not completed by 31 December 2006, the lock-up arrangements described above will be terminated.

***The Sponsor***

Subject to the exceptions described below, the Sponsor has agreed with the Underwriters that it will not, nor cause or permit any of Retail Crown Pte. Ltd., the Vendor (to the extent that the Over-allotment Units are returned to it) and/or any other entity (which is wholly-owned by the Sponsor) from the date on which such entity legally or beneficially owns the Lock-up Units (each, a "Relevant Entity") to, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) directly or indirectly offer, conditionally or unconditionally offer, sell or contract to sell, grant any option to purchase, charge or otherwise grant security over, create any encumbrance over or otherwise sell or dispose of or enter into any transaction or arrangement which is designed to, or might reasonably be expected to, result in such sale or disposition (whether by actual sale or disposition or effective economic sale or disposition due to cash settlement or otherwise) of (a) all or any of the Lock-up Units held by such Relevant Entity (or any interest therein or in respect thereof) or any other securities convertible into or exchangeable for Lock-up Units or which carry rights to subscribe for or purchase Lock-up Units or deposit any Lock-up Units (or any securities convertible into or exchangeable for Lock-up Units or which carry rights to subscribe for or purchase Lock-up Units) in any depository receipt facilities during the First Lock-up Period; and (b) more than 50.0% of the Lock-up Units held by such Relevant Entity (or any interest therein or in respect thereof) or any other securities convertible into or exchangeable for more than 50.0% of the Lock-up Units or which carry rights to subscribe for or purchase Lock-up Units or deposit more than 50.0% of the Lock-up Units (or any securities convertible into or exchangeable for more than 50.0% of the Lock-up Units or which carry rights to subscribe for or purchase more than 50.0% of the Lock-up Units) in any depository receipt facilities during the Second Lock-up Period, or agree to do, or announce any intention to do, any of the foregoing, other than as required by applicable laws or regulations.

The restriction described in the preceding paragraph does not apply to:

- the transfer of Lock-up Units to and between the wholly-owned subsidiaries of the Sponsor provided that each such subsidiary has executed and delivered to the Underwriters a similar undertaking to the reasonable satisfaction of the Underwriters to the effect of the restrictions described in the preceding paragraph, to remain in effect for the remainder of the Lock-up Periods; or

- any securities lending arrangement with the Vendor or any sale or transfer of the Over-allotment Units pursuant to the over-allotment of Units (if any).

If, for any reason, the Offering is not completed by 31 December 2006, the lock-up arrangements described above will be terminated.

***The Manager***

Subject to the exceptions described below, the Manager has agreed with the Underwriters that it will not (and will not cause or permit CRCT to), without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) directly or indirectly, conditionally or unconditionally, offer, issue, sell, contract to issue or sell, grant any option to purchase, charge or otherwise grant security over, create any encumbrance over or otherwise sell or dispose of, or enter into any transaction or arrangement (excluding commitments or arrangements for the sale and purchase of additional properties, whether in the form of a sale and purchase agreement or a put and call option agreement) which is designed to, or might reasonably be expected to, result in such issuance, sale or disposition (whether by actual issuance, sale or disposition or effective economic issuance, sale or disposition due to cash settlement or otherwise) of any Units (or any other interest therein or in respect thereof) or any other securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units or deposit any Units (or any securities convectable into or exchangeable for Units or which carry rights to subscribe for or purchase Units) in any depository receipt facilities, or agree to do, or announce any intention to do, any of the foregoing, other than as required by applicable laws or regulations, until the date falling 180 days from the Listing Date.

The restrictions described in the preceding paragraph do not apply to Units to be issued to the Manager in payment of any fees payable to the Manager under the Trust Deed.

If, for any reason, the Offering is not completed by 31 December 2006, the lock-up arrangements described above will be terminated.

**SGX-ST Listing**

CRCT received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, CRCT, the Manager or the Units. It is expected that the Units will commence trading on the SGX-ST on a "ready" basis on or about 8 December 2006.

Prior to this Offering, there has been no trading market for the Units. There can be no assurance that an active trading market will develop for the Units, or that the Units will trade in the public market subsequent to this Offering at or above the Offering Price.

**Offering Expenses**

The estimated amount of the expenses in relation to the Offering of S$12.0 million based on the Offering Price of S$1.13 per Unit and assuming that the Over-allotment Option is exercised in full includes the Underwriting, Selling and Management Commissions, professional and other fees and all other incidental expenses in relation to the Offering, which will be paid by the Trustee (out of the subscription proceeds paid by the Strategic Investors for the subscription of Units shortly after the constitution of CRCT)(1). A breakdown of these estimated expenses is as follows:

| | **(S$ '000)**(2) |
|---|---|
| Professional and other fees(3) | 3,700 |
| Underwriting, Selling and Management Commissions(4) | 6,300 |
| Miscellaneous Offering expenses(5) | 2,000 |
| **Total estimated expenses of the Offering**(6) | 12,000 |

**Notes:**

(1) The expenses in relation to the Offering have been paid by the Vendor to the Trustee when it subscribed for Units as a Strategic Investor during the private trust stage.

(2) Amounts exclude GST, where applicable.

(3) Includes the Financial Advisory Fee, legal advisers' fees and fees for the Independent Reporting Accountants, the Independent Tax Adviser, the Independent Valuers and other professionals' fees.

(4) Assuming that the Over-allotment Option is exercised in full and based on the Offering Price of S$1.13 per Unit. Such commissions represent 2.5% of the total proceeds of the Offering and 2.5% on a per Unit basis.

(5) Includes cost of prospectus production, road show expenses, listing and processing fees payable to the SGX-ST, and all other expenses incurred or to be incurred in connection with the Offering.

(6) The total expenses in relation to the Offering will be ultimately borne by the investors purchasing Units pursuant to the Offering as well as the Strategic Investors in accordance with their proportionate interests in CRCT upon the completion of the Offering.

## Distribution and Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Prospectus or any other offering or publicity material relating to CRCT or the Units in any country or jurisdiction (other than Singapore, where action for the purpose is required). Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material, circular, form of application or advertisement in connection with the Units may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations of any such country or jurisdiction.

Applicants for Units are recommended to consult their professional advisers if they are in any doubt as to the regulatory implications of purchasing, holding, disposing of or otherwise dealing in the Units.

### Australia

This Prospectus has not been lodged with the Australian Securities and Investments Commission, and is not a disclosure document or product disclosure statement for the purposes of Australian law. The provision of this Prospectus to any person in Australia does not constitute an offer of Units to that person or an invitation to that person to apply for the issue of Units.

Units may only be offered in Australia by the holder of an Australian financial services licence (**"Licensee"**) appointed by the Manager under an intermediary authorisation to arrange the issue of Units. A person receiving this Prospectus in Australia should not apply for Units unless this Prospectus is accompanied by an offer from the Licensee to arrange for the issue of the Units.

Units may only be issued in Australia to wholesale clients who are persons to whom an offer of units may be made in Australia without the need for a product disclosure statement under Part 7.9 of the Corporations Act 2001 (Cwlth) (**"Corporations Act"**). This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of Units in Australia. CRCT is not registered as a managed investment scheme in Australia, and no securities commission or similar authority in Australia has reviewed or in any way passed upon this document or the merits of investing in the Units. Units may not be resold in Australia within a period of 12 months after the date of issue otherwise than on a basis excluded from disclosure in accordance with sections 1012D or 1012DA of the Corporations Act.

This is not a securities recommendation or investment advice. You should seek your own financial advice.

This Prospectus has been prepared without taking account of any investor's objectives, financial situation or needs, and before acting on it, investors should consider the appropriateness of the information in this Prospectus, having regard to their own objectives, financial situation and needs.

### Denmark

This Prospectus has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark. The Units may not be offered, sold or delivered, directly or indirectly, in Denmark, except (i) to Qualified Investors as defined in the Council Directive 2003/71 EC of 4 November 2003 or (ii) otherwise in compliance with Chapter 6 of the Danish Act on Trading in Securities and the Danish Executive Order No. 306 of 28 April 2005 on the prospectus to be published before securities are admitted to listing or trading on a regulated market or if securities with a value of more than EUR 2,500,000 are being offered to the public.

**Dubai International Finance Centre**

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). It is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set out in it and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.

**European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Underwriters has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Units to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Units which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Units to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by either the Vendor or any person or entity making an offer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Units to be offered so as to enable an investor to decide to purchase or subscribe to the Units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In addition, this Prospectus must not be distributed to, passed on to, or relied or acted upon, any person in a Member State to the extent that the laws of that Member State prohibit the promotion of the Units to that person. Each Joint Lead Underwriter has represented and agreed that it has complied and will comply with any applicable laws of a Member State with respect to anything done by it in relation to the Units in, from or otherwise involving that Member State.

**Finland**

This Prospectus has not been approved by or filed with the Finnish Financial Supervision Authority pursuant to the Finnish Securities Market Act or the Mutual Funds Act. The Units may not be offered or sold, directly or indirectly, to the public in Finland and any offer or sale of the Units in Finland may be made only to qualified investors under the Securities Markets Act, and/or to less than 100 pre-selected investors or otherwise in circumstances which do not constitute a public offer under the laws of Finland.

**France**

Neither this Prospectus nor any other document relating to the Units in CRCT has been approved by the French regulator, the Autorité des Marches Financiers (AMF) and, accordingly, the Units may not be offered for subscription or sale in France, unless at the initiative and without any prior solicitation of the investors in France.

Accordingly, the Units may not be directly or indirectly offered for subscription or sale and will not be offered for subscription or sale unless at the initiative and without prior solicitation of the investors in France

**Germany**

The Units have not been notified to, registered with or approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht — Bafin*) for public offer or public distribution under German law.

Accordingly, the Units may not be distributed or offered to or within Germany by way of a public distribution or offer within the meaning of applicable German laws, public advertisement or in any similar manner. This Prospectus and any other document relating to the Units, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Units to the public in Germany or any other means of public marketing.

This Prospectus and any other document relating to the offer of the Units are strictly confidential and may not be distributed to any person or entity other than the recipient hereof to whom this Prospectus is personally addressed.

**Hong Kong**

CRCT has not been authorised by the Hong Kong Securities and Futures Commission. Accordingly, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, this Prospectus or any other advertisement, invitation or document relating to the Units which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Units which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chap. 571) of Hong Kong and any rules made thereunder.

**Ireland**

The Units and any document in respect of the Units will only be offered, placed or issued in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, without limitation, Sections 9 and 23 thereof and any Codes of Conduct Rules made under Section 37 thereof and the provisions of the Investor Compensation Act, 1998 (as amended).

Anything done in or through Ireland in connection with the Units will be in accordance with the provisions of (i) Directive 2003/6/EC as implemented into Ireland, (ii) the Irish Unit Trusts Act 1990 and (iii) the Irish Companies Acts, 1963-2005.

**Netherlands**

The Units may not be offered, sold or acquired, directly or indirectly, in The Netherlands as part of initial distribution or at any time thereafter, and neither this Prospectus nor any other document in respect of the Offering may be distributed or circulated in The Netherlands, other than to:

(a) professional investors within the meaning of Article 1 of the Regulation dated October 9, 1990 (as amended from time to time) issued pursuant to article 14 of the Investment Institutions Supervision Act of 27 June 1990 (*Wet toezicht beleggingsinstellingen 1990*); and/or

(b) investors who acquire Units for a total consideration of at least EUR 50,000 per investor, for each separate offer.

As from the date that the new Dutch omnibus Financial Supervision Act (*Wet op het financieel toezicht*) enters into force (which is expected to occur in the first quarter of 2007), the Units must be offered in accordance with such act.

In addition, all Units are and continue to be subject to the selling restriction as described for the Units under the general selling restriction for the European Economic Area set out in this Prospectus (see "Plan of Distribution — Distribution and Selling Restrictions — European Economic Area").

**Norway**

This Prospectus has not been approved by or registered with the Oslo Stock Exchange or the Norwegian Register of Business Enterprises under Chapter 5 of the Norwegian Securities Trading Act 1997, and the Units may not be offered or sold, and will not be offered or sold to any persons in Norway in any way that would constitute an offer to the public, other than in circumstances where an exemption from the duty to publish a prospectus under the Norwegian Securities Trading Act 1997 shall be applicable.

**The People's Republic of China**

The Units have not been filed with or approved by China Securities Regulatory Commission or any other regulatory authority in the People's Republic of China (the "**PRC**", for avoidance of doubt, excluding Hong Kong, Macau and Taiwan). The Units shall not be distributed, offered or delivered, directly or indirectly, within the territory of PRC, to any PRC person or entity unless such person or entity has obtained approval and/or has filed with the relevant PRC authorities, for example, the relevant Qualified Domestic Institutional Investors (the "**QDIIs**") which shall follow the relevant PRC laws and regulations applicable to QDIIs. This Prospectus or any other advertisment, invitation or document relating to the Units shall not be publicly distributed or otherwise made public available in the PRC.

**Spain**

Each Underwriter has represented and agreed that neither the Units nor this Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisiõn Nacional del Mercado de Valores*). Accordingly, the Units may not be offered or sold in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of article 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended, Royal Decree 1310/2005, of 4 November, and further relevant legislation.

**Switzerland**

The Units will not be distributed and offered, directly or indirectly, to the public in Switzerland and this Prospectus may not be publicly distributed or otherwise made publicly available in Switzerland. This Prospectus does not constitute a public offering prospectus as that term is understood pursuant to art. 652a or art. 1156 of the Swiss Code of Obligations. Neither the Manager nor the Trustee has applied nor will they apply for a listing of the Units on the SWX Swiss Exchange or any other exchange or regulated securities market in Switzerland, and consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the relevant Listing Manual. The Units being offered pursuant to this Prospectus have not been registered with the Swiss Federal Banking Commission under the Swiss Investment Fund Act. Therefore, investors do not benefit from protection under the Swiss Investment Fund Act or supervision by the Swiss Federal Banking Commission.

The Units will be distributed and offered in Switzerland, and this Prospectus will be distributed or otherwise made available in Switzerland on a private placement basis to a limited number of individually selected and approached institutional investors with a professional treasury without any public distribution, offering or marketing in or from Switzerland.

**For United Arab Emirates residents only**

Each Underwriter has represented and agreed that the Units have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and/or sale of securities. The information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No.8 of 1984 (as amended)) or otherwise, and is not intended to be an offer or an invitation to subscribe for or purchase any Units. Further, the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom**

Each Underwriter has represented, warranted and undertaken that:

(1) No deposit-taking: in relation to any Units having a maturity of less than one year:

(a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(b) it has not offered or sold and will not offer or sell any Units other than to persons:

(i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(ii) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Units would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended ("**FSMA**") by the issuer;

(2) Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Units in circumstances in which section 21(l) of the FSMA does not apply; the distribution in the United Kingdom of this Prospectus: (A) if made by a person who is not an authorised person under the FSMA, is being; made only to or, directed only at, persons falling within: (i) Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "**Financial Promotion Order**") (Investment professionals), (ii) Article 49 of the Financial Promotion Order (High net worth companies, unincorporated associates, etc.) and (iii) any other person to whom it may otherwise lawfully be made; or (B) if made by a person who is an authorised person under FSMA, is being made only to, or directed only at, persons falling within: (i) Article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 as amended (the "**Promotion of CISs Order**") (Investment professionals), (ii) Article 22 of the Promotion of CISs Order (High net worth companies, unincorporated associates, etc.) and (iii) any other person to whom it may otherwise lawfully be made; and

(3) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Units in, from or otherwise involving the United Kingdom.

In addition, all Units are subject to the same selling restrictions as described for the Units under the general selling restrictions for the European Economic Area.

**United States of America**

The Units have not been and will not be registered under the Securities Act and, accordingly may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

The Units are being offered and sold in offshore transactions, outside of the United States, in reliance on Regulation S. In addition, until 40 days after the commencement of the Offering, an offer or sale of Units within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

Each underwriter of Units will be deemed to have represented and agreed as follows:

(1) It is a non-U.S. person who is acquiring such Units in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act; and

(2) It understands that the Units have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred, at any time, within the United States.

Terms used in this subsection have the meanings given to them by Regulation S.

# CLEARANCE AND SETTLEMENT

## Introduction

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units.

Upon listing and quotation on the SGX-ST, the Units will be traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP.

It is expected that the Units will be credited into the Securities Accounts of applicants for the Units within four Market Days after the closing date for applications for the Units.

## Clearance and Settlement under the Depository System

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a S$10.00 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

## Clearing Fees

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction. The clearing fee and transfer fee may be subject to GST (currently 5.0%).

Dealings in the Units will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

# EXPERTS

KPMG, the Independent Reporting Accountants, was responsible for preparing the "Independent Accountants' Report on the Profit Forecast and Profit Projection" and the "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date" found in Appendix A and Appendix B of this Prospectus, respectively.

Knight Frank Petty Limited and CB Richard Ellis (Pte) Ltd, the Independent Valuers, were responsible for preparing the "Independent Property Valuation Summary Report" found in Appendix C of this Prospectus.

Urbis JHD Pty Ltd, the Independent China Retail Property Consultant, was responsible for preparing the section of this Prospectus entitled "Independent Overview Report on the China Retail Property Market" found in Appendix D of this Prospectus.

Ernst & Young, the Independent Tax Adviser, was responsible for preparing the "Independent Taxation Report" found in Appendix E of this Prospectus.

The Independent Reporting Accountants, the Independent Valuers, the Independent China Retail Property Consultant and the Independent Tax Adviser have each given and have not withdrawn their consents to the issue of this Prospectus with the inclusion herein of their names and their respective write-ups and reports and all references thereof in the form and context in which they respectively appear in this Prospectus, and to act in such capacity in relation to this Prospectus.

None of Allen & Gledhill, Paul Hastings, Janofsky & Walker, Commerce & Finance Law Offices, WongPartnership, King & Wood and Shook Lin & Bok makes, or purports to make, any statement in this Prospectus and none of them is aware of any statement in this Prospectus which purports to be based on a statement made by it and it makes no representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this Prospectus.

## GENERAL INFORMATION

(1) The profit forecast and profit projection contained in "Profit Forecast and Profit Projection" have been stated by the Directors after due and careful enquiry.

(2) There are no legal or arbitration proceedings pending or, so far as the Directors are aware, threatened against the Manager the outcome of which, in the opinion of the Directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position of the Manager.

(3) There are no legal or arbitration proceedings pending or, so far as the Directors are aware, threatened against CRCT the outcome of which, in the opinion of the Directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position (on a pro forma consolidated basis) of CRCT.

(4) The name, age and address of each of the Directors are set out in "The Manager and Corporate Governance — Directors of the Manager". A list of the present and past directorships of each Director and Executive Officer of the Manager over the last five years preceding the Latest Practicable Date is set out in Appendix G, "List of Present and Past Principal Directorships of Directors and Executive Officers".

(5) There is no family relationship among the Directors and executive officers of the Manager.

(6) Save as disclosed below, none of the Directors or executive officers of the Manager is or was involved in any of the following events:

- at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
- at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- any unsatisfied judgment against him;
- a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- at any time during the last 10 years, judgment been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

- disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

  in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust;
- the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

On or about February 1993, the Commercial Affairs Department investigated the affairs of Ms Chew Gek Khim as well as two of her family companies, Consultants Services (Private) Ltd and Tecity Management Pte Ltd, of which Ms Chew was director. The investigations were in relation to suspected insider trading in the shares of Robinson & Co Limited of which Ms Chew was also a director. Upon completion of the investigations on 11 June 1993, no charges were brought against Ms Chew or either of the private companies, neither was any compromise or settlement made by Ms Chew and the two companies in connection with the investigations.

(7) The financial year-end of CRCT is 31 December. The annual audited financial statements of CRCT will be prepared and sent to the Unitholders within three months of the financial year-end. The first audited financial statement of CRCT will be prepared for the period from 23 October 2006 to 31 December 2007.

(8) A full valuation of each of the real estate assets held by CRCT will be carried out at least once a year in accordance with the Property Funds Guidelines. Generally, where the Manager proposes to issue new Units or to redeem existing Units, a valuation of the real estate properties held by CRCT must be carried out in accordance with the Property Funds Guidelines. The Manager or the Trustee may at any other time arrange for the valuation of any of the real estate properties held by CRCT if it is of the opinion that it is in the best interest of the Unitholders to do so.

(9) While CRCT is listed on the SGX-ST, investors may check the SGX-ST website http://www.sgx.com for the prices at which Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers which publishes such information such as *The Straits Times, The Business Times* and *Lianhe Zaobao,* for the price range within which Units were traded on the SGX-ST on the preceding day.

(10) The Manager does not intend to receive soft dollars (as defined in the CIS Code) in respect of CRCT. Save as disclosed in this Prospectus, unless otherwise permitted under the Listing Manual, neither the Manager nor any of its Associates will be entitled to receive any part of any brokerage charged to CRCT, or any part of any fees, allowances or benefits received on purchases charged to CRCT.

(11) The dates of, parties to, and general nature of every material contract which the trustee of CRCT has entered into within the two years preceding the date of this Prospectus (not being contracts entered into in the ordinary course of the business of CRCT) are as follows:

(a) the trust deed dated 23 October 2006 constituting CRCT (as amended supplemented or otherwise modified for the time being) and the first supplemental trust deed dated 8 November 2006;

(b) the Barbados Companies Share Purchase Agreements;

(c) the Wangjing Put Option Agreement;

(d) the Jiulong Put Option Agreement; and

(e) the rights of first refusal agreements as described in "Certain Agreements Relating to CapitaRetail China Trust and the Properties — Rights of First Refusal".

(12) Copies of the following documents are available for inspection at the registered office of the Manager at 39 Robinson Road, #18-01 Robinson Point, Singapore 068911 for a period of six months from the date of this Prospectus:

(a) the material contracts referred to in paragraph 11 above, save for the Trust Deed (which will be available for inspection for so long as CRCT is in existence);

(b) the Underwriting Agreement;

(c) the Unit Lending Agreement;

(d) the Independent Accountants' Report on the Profit Forecast and Profit Projection as set out in Appendix A of this Prospectus;

(e) the Independent Accountants' Report on the Unaudited Pro Forma Balance Sheet as at the Listing Date as set out in Appendix B of this Prospectus;

(f) the Independent Property Valuation Summary Reports as set out in Appendix C of this Prospectus as well as the full valuation reports for each of the Properties;

(g) the Independent Overview Report on the China Retail Property Market as set out in Appendix D of this Prospectus;

(h) the Independent Taxation Report as set out in Appendix E of this Prospectus;

(i) the written consents of the Independent Reporting Accountants, the Independent Valuers, the Independent China Retail Property Consultant and the Independent Tax Adviser, as described in "Experts";

(j) the undertaking of the Manager to the MAS covenanting, among other things, not to deal in the Units during certain stipulated periods as described in "The Manager and Corporate Governance — Dealings in Units"; and

(k) the Depository Services Agreement.

# GLOSSARY

| | |
|---|---|
| **%** | Per centum or percentage |
| **aggregate leverage** | The ratio of CRCT's borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or Units) to the value of its Deposited Property, adjusted for the distribution of any accrued Distributable Income |
| **Anzhen Mall** | The Property located at Section 5 of Anzhen Xi Li, Chaoyang District, Beijing, China, comprising part of the initial asset portfolio of CRCT |
| **Anzhen Term Loan Facility** | The RMB350.0 million five-year secured term loan facility secured by a mortgage over Anzhen Mall |
| **Application Forms** | The printed application forms to be used for the purpose of the Offering and which form part of this Prospectus |
| **Application List** | The list of applicants subscribing for Units which are the subject of the Singapore Public Offer |
| **ART** | Ascott Residence Trust |
| **Asset Enhancement Arrangement** | The asset enhancement arrangement between CapitaRetail Jiulong and Beijing Jia Li, the vendor of Jiulong Mall |
| **Associate** | Has the meaning ascribed to it in the Listing Manual |
| **ATMs** | Automated teller machines |
| **Authorised Investments** | Refers to, in general, (i) real estate, whether freehold or leasehold, in or outside the PRC, Hong Kong or Macau, held singly or jointly, and/or by way of direct ownership or by a shareholding in a SPV; (ii) any improvement or extension of or addition to or reconstruction or renovation or other development of any real estate or any building thereon; (iii) real estate related assets, wherever the issuers, assets or securities are incorporated, located, issued or traded; (iv) listed or unlisted debt securities and listed shares or stock and (if permitted by the Authority) unlisted shares or stock of or issued by local or foreign non-property companies or corporations; (v) government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supra-national agency or a Singapore statutory board; (vi) cash and cash equivalent items; (vii) financial derivatives only for the purposes of (a) hedging existing positions in the portfolio of CRCT where there is a strong correlation to the underlying investments or (b) efficient portfolio management, provided that such derivatives are not used to gear the overall portfolio of CRCT or intended to be borrowings of CRCT; and (viii) other investment not covered by sub-paragraph (i) to (vii) of this definition but specified as a permissible investment in the Property Funds Guidelines and selected by the Manager for investment by CRCT and approved by the Trustee in writing (see the Trust Deed for details) |

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| **Authorised Investment Management Fee** | 0.5% per annum of the value of Authorised Investments which are not real estate (whether held directly by CRCT or indirectly through one or more SPVs) subject to certain qualifying conditions. |
| **Authority or MAS** | The Monetary Authority of Singapore |
| **Barbados Companies** | CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados (and each, a **"Barbados Company")** |
| **Barbados Companies Share Purchase Agreements** | CRCI Alpha SPA, CRCI Barbados SPA and CRCI Gamma SPA |
| **Base Fee** | 0.25% per annum of the value of the Deposited Property |
| **Beijing Hualian** | Beijing Hualian Group Investment Holding Co., Ltd. |
| **Beijing Hualian Group** | Beijing Hualian and its subsidiaries and associates |
| **Beijing Jia Li** | Beijing Jia Li Real Estate Development Co. Ltd. |
| **Board** | The board of Directors of the Manager |
| **Business Day** | Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading |
| **CapitaLand China** | CapitaLand China Holdings Pte Ltd, an indirect wholly owned subsidiary of CapitaLand Group |
| **CapitaLand Group** | CapitaLand Limited and its subsidiaries and associates |
| **CapitaLand Hualian** | CapitaLand Hualian Management & Consulting (Shenzhen) Co., Ltd. |
| **CapitaLand Retail China** | CapitaLand Retail China Pte. Ltd. |
| **CapitaLand SZITIC** | CapitaLand SZITIC Management & Consulting (Shenzhen) Co., Ltd. |
| **CapitaRetail Anzhen** | CapitaRetail Beijing Anzhen Real Estate Co., Ltd. |
| **CapitaRetail Dragon** | CapitaRetail Dragon Mall (Shanghai) Co., Ltd. |
| **CapitaRetail Jiulong** | CapitaRetail Beijing Jiulong Real Estate Co., Ltd. |
| **CapitaRetail Shanghai** | CapitaRetail Shanghai Management & Consulting Co. Ltd. |
| **CapitaRetail Wangjing** | CapitaRetail Beijing Wangjing Real Estate Co., Ltd. |
| **CBD** | Central Business District |
| **CBRE** | CB Richard Ellis (Pte) Ltd, the Independent Valuer appointed by the Manager |
| **CCT** | CapitaCommercial Trust |
| **CDP** | The Central Depository (Pte) Limited |

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| **China, the People's Republic of China or the PRC** | Mainland China, excluding, for the avoidance of doubt, Hong Kong and Macau |
| **CICC** | China International Capital Corporation Limited |
| **CIS Code** | The Code on Collective Investment Schemes issued by the MAS |
| **Civil Defence Shelter Area** | Area designated as a civil defence shelter |
| **CMBS** | Commercial mortgage-backed securitisation |
| **CMT** | CapitaMall Trust |
| **CMTML** | CapitaMall Trust Management Limited |
| **Committed Leases** | All current leases in respect of Properties as at 31 August 2006 including letters of offer which are to be followed up with tenancy agreements to be signed by the parties and, each, a "**Committed Lease**" |
| **Committed Occupancy** | Occupancy rate based on Committed Leases |
| **Companies Act** | Companies Act, Chapter 50 of Singapore |
| **Consolidated Net Profit from Operations** | CRCT's consolidated net profit from its operations |
| **CPF** | Central Provident Fund |
| **CPFIS** | CPF Investment Scheme |
| **CRCI** | CapitaRetail China Investments Pte. Ltd. |
| **CRCI Alpha Barbados** | CapitaRetail China Investments (B) Alpha Pte. Ltd. |
| **CRCI Alpha SPA** | The share purchase agreement dated 8 November 2006 entered into between CapitaLand Retail China and the Trustee pursuant to which CapitaLand Retail China agreed to sell and the Trustee agreed to purchase the entire issued share capital of CRCI Alpha Barbados |
| **CRCI Barbados** | CapitaRetail China Investments (B) Pte. Ltd. |
| **CRCI Barbados SPA** | The share purchase agreement dated 8 November 2006 entered into between CapitaLand Retail China and the Trustee pursuant to which CapitaLand Retail China agreed to sell and the Trustee agreed to purchase the entire issued share capital of CRCI Barbados |
| **CRCI Gamma Barbados** | CapitaRetail China Investments (B) Gamma Pte. Ltd. |
| **CRCI Gamma SPA** | The share purchase agreement dated 8 November 2006 entered into between CapitaLand Retail China and the Trustee pursuant to which CapitaLand Retail China agreed to sell and the Trustee agreed to purchase the entire issued share capital of CRCI Gamma Barbados |

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| **CRCT** | CapitaRetail China Trust, being a real estate investment trust constituted by the Trust Deed and references to CRCT shall be construed as including reference to the Trustee acting as trustee of CRCT and the Manager acting as manager of CRCT (as appropriate) |
| **CRTL** | CapitaLand Retail Limited |
| **Current Unit Value** | At any time, the net asset value of the Deposited Property divided by the number of Units in issue and deemed to be in issue at that time |
| **DBS** | DBS Bank Ltd |
| **Deposited Property** | All the assets of CRCT (or proportional share if CRCT owns less than 100.0% of a Barbados Company and/or a Project Company), including the Properties and all the authorised investments of CRCT for the time being held or deemed to be held upon the trusts under the Trust Deed |
| **Depository Services Agreement** | The depository services agreement dated 28 November 2006 entered into between CDP, the Manager and the Trustee relating to the deposit of the Units in CDP |
| **Development Fund** | CapitaRetail China Development Fund |
| **Development and Incubator Funds** | The Development Fund and the Incubator Fund |
| **Development Fund Manager** | CapitaRetail China Fund Management Pte. Ltd., as manager of the Development Fund |
| **Development Fund Trustee** | CapitaLand Retail Trustee Pte. Ltd., as trustee of the Development Fund |
| **Director** | Director of the Manager |
| **Distributable Income** | Has the meaning ascribed to it in "Distributions" of this Prospectus |
| **DPU** | Distribution per Unit. |
| **Enhanced Property** | Property post-asset enhancement |
| **Exempted Agreements** | The fees and charges payable by CRCT to the Manager under the Trust Deed and to the Property Managers under the Property Management Agreements |
| **EJV** | A sino-foreign equity joint venture in China |
| **Extraordinary Resolution** | A resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed |
| **Facilities** | The Trust Term Loan Facility and the Anzhen Term Loan Facility |
| **Financial Advisers** | CapitaLand Financial Services Limited and JPMorgan |

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| **Financial Advisory Fee** | The fees payable to JPMorgan as the sole financial adviser to the Offering for their services in connection with the offering of Units under the Offering |
| **First Lock-up Period** | The period commencing from 6 November 2006 until the date falling 180 days after the Listing Date (both dates inclusive) |
| **First Supplemental Trust Deed** | The first supplemental trust deed dated 8 November 2006 supplementing the Trust Deed |
| **Forecast and Projection Years** | The Forecast Year 2007 and the Projection Year 2008 |
| **Forecast Year 2007 or Forecast** | The period from 1 January 2007 to 31 December 2007 |
| **FY** | Financial year ended or, case may be, ending 31 December |
| **GDP** | Gross domestic product |
| **GFA** | In relation to an entire Property, the sum of the areas specified in the building ownership certificate for the Property |
| **GRA** | Area in a building that is to be leased, including common areas such as common corridors, lift shafts, fire escape staircases and toilets and excluding carpark |
| **Great Eastern** | The Great Eastern Life Assurance Company Limited |
| **Gross Rent** | Consists of base rental income (after rent rebates, refunds, credits or discounts and rebates for rent free periods, where applicable, but excluding turnover rent), and service charge payable by tenants and, unless expressly stated, excludes advertising and promotion levy and turnover rent |
| **Gross Revenue** | Consists of (i) Gross Rent and (ii) carpark income and other income |
| **GST** | Goods and Services Tax |
| **Hong Kong** | Hong Kong Special Administrative Region of the People's Republic of China |
| **Income Tax Act** | Income Tax Act, Chapter 134 of Singapore |
| **Incubator Fund** | CapitaRetail China Incubator Fund |
| **Incubator Fund Manager** | CapitaRetail China Fund Management Pte. Ltd., as manager of the Incubator Fund |
| **Incubator Fund Trustee** | CapitaLand Retail Trustee Pte. Ltd., as trustee of the Incubator Fund |
| **Independent Accountants** | KPMG |
| **Independent China Retail Property Consultant** | Urbis JHD Pty Ltd |
| **Independent Tax Adviser** | Ernst & Young |

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| **Independent Valuers** | CBRE (independent property valuer to the Manager) and Knight Frank (independent property valuer to the Trustee), and each being an **"Independent Valuer"** |
| **interested party** | Has the meaning ascribed thereto in the Property Funds Guidelines |
| **interested party transaction** | Has the meaning ascribed thereto in the Property Funds Guidelines |
| **interested person** | Has the meaning ascribed to it in the Listing Manual |
| **interested person transaction** | Has the meaning ascribed to it in the Listing Manual |
| **International Placement** | The placement of Units to institutional and other investors outside Singapore |
| **International Underwriters** | JPMorgan, UBS and CICC |
| **Investible Savings** | The balance in a CPF Ordinary Account plus the net amounts (if any) withdrawn for education and investment |
| **IRAS** | Inland Revenue Authority of Singapore |
| **Issue Price** | Issue price of each Unit |
| **Jin Qiu** | Shanghai Jin Qiu (Group) Co., Ltd. |
| **Jinyu Mall** | The Property located at No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia, China, comprising part of the initial asset portfolio of CRCT |
| **Jiulong Mall** | The Property located at No. 31 Guangqu Road, Chaoyang District, Beijing, China, comprising part of the initial asset portfolio of CRCT |
| **Jiulong Put Option** | The right granted to CRCI Alpha Barbados under the Jiulong Put Option Agreement to require CRTL to purchase the entire equity interest in CapitaRetail Jiulong at the Jiulong Put Option Price |
| **Jiulong Put Option Agreement** | The put option agreement dated 8 November 2006 entered into between CRCI Alpha Barbados and CRTL |
| **Jiulong Put Option Price** | The price payable by CRTL for the entire equity interest in CapitaRetail Jiulong under the Jiulong Put Option Agreement, being the higher of the net asset value of CapitaRetail Jiulong (based on an independent valuation of CapitaRetail Jiulong (which shall be based on, *inter alia*, the average of two independent valuations of Jiulong Mall)) at the relevant time and the net asset value of CapitaRetail Jiulong (which shall be based on, *inter alia,* the value attributable to Jiulong Mall) for the purpose of the Offering, including the Jiulong Transaction Costs |
| **Jiulong Transaction Costs** | All transaction costs incurred whether directly or indirectly, by CRCT for the acquisition of Jiulong Mall (including, but not limited to brokerage, stamp duties, acquisition fees and conveyancing fees) |

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| **JPMorgan** | J.P. Morgan (S.E.A.) Limited |
| **km** | kilometres |
| **Knight Frank** | Knight Frank Petty Limited, the Independent Valuer appointed by the Trustee |
| **Latest Practicable Date** | 31 October 2006, being the latest practicable date prior to the lodgement of this Prospectus with the MAS |
| **Listing Date** | The date of admission of CRCT to the Official List of the SGX-ST |
| **Listing Manual** | The Listing Manual issued by the SGX-ST |
| **Lock-up Periods** | The First Lock-up Period and the Second Lock-up Period |
| **Lock-up Units** | The 95,130,513 Units which will be held by the Sponsor through Retail Crown Pte. Ltd. on the Listing Date and the Over-allotment Units (to the extent that any of them are returned to the Vendor) |
| **Macau** | Macau Special Administrative Region of the People's Republic of China |
| **Manager** | CapitaRetail China Trust Management Limited, as manager of CRCT |
| **Market Day** | A day on which the SGX-ST is open for trading in securities |
| **Market Price** | The volume weighted average traded price for a Unit for all trades done on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days preceding the relevant Business Day or, if the Manager believes that the foregoing calculation does not provide a fair reflection of the Market Price of a Unit, an amount as determined by the Manager (after consultation with a stock broker approved by the Trustee), as being the market price of a Unit |
| **Market Rent** | The rent which the Manager believes could be achieved if each lease was renegotiated as at 31 August 2006 and is estimated with reference to the rental payable pursuant to comparable leases for tenancies that have recently been negotiated, the effect of competing shopping centres, assumed tenant retention rates on lease expiry, likely market conditions, inflation levels and tenant demand levels |
| **MAS** | The Monetary Authority of Singapore |
| **Net Income of CRCT** | Tax-exempt interest income from shareholder's loans made by CRCT to the Barbados Companies (net of attributable expenses) and tax-exempt dividend from the Barbados Companies |
| **Net Property Income** | Consists of Gross Revenue less Property Expenses |
| **NAV** | Net asset value |
| **Net Lettable Area** | Area in a building that is to be leased, excluding common areas such as common corridors, lift shafts, fire escape staircases and toilets, and is usually the area in respect of which rent is payable |

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| **Offering** | The offering of 193,300,000 Units by the Vendor for purchase at the Offering Price under the Placement and the Singapore Public Offer |
| **Offering Price** | The purchase price of S$1.13 for each Unit under the Offering |
| **Ordinary Resolution** | A resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution by the Unitholders present and voting at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed |
| **Over-allotment Option** | An option granted by the Vendor as Unit Lender to the Stabilising Manager to purchase from the Vendor up to an aggregate of 28,800,000 Units at the Offering Price, solely to cover the over-allotment of Units (if any) |
| **Over-allotment Units** | 28,800,000 Units which will be lent by the Vendor to the Stabilising Manager, on behalf of the Underwriters, to cover the over-allotment of Units (if any) |
| **Participating Banks** | DBS Bank (including POSB), Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited |
| **Performance Fee** | 4.0% of the Net Property Income in the relevant financial year (calculated before accounting for this fee in that financial year) |
| **PGGM** | Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen |
| **Placement** | The International Placement and the Singapore Placement, pursuant to the Offering |
| **POS** | Point-of-Sale System |
| **Project Company** | Save in the case of Beijing Hualian Plaza (Henan) Co., Ltd., which was incorporated as an operating company and to hold Zhengzhou Mall but has been converted to a WFOE on 14 September 2006, a special purpose project company established either as a WFOE or an EJV whose primary purpose is to hold or own a retail property located in China. As at the date of this Prospectus, CapitaRetail Beijing Wangjing Real Estate Co., Ltd., CapitaRetail Beijing Jiulong Real Estate Co., Ltd., CapitaRetail Beijing Anzhen Real Estate Co., Ltd., CapitaRetail Dragon Mall (Shanghai) Co., Ltd., Beijing Hualian Plaza (Henan) Co., Ltd, CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd and Wuhu SZITIC Commercial Property Co., Ltd. are the only Project Companies |
| **Projection Year 2008 or Projection** | The period from 1 January 2008 to 31 December 2008 |
| **Properties** | Wangjing Mall, Jiulong Mall, Anzhen Mall, Qibao Mall, Zhengzhou Mall, Jinyu Mall and Xinwu Mall, and **"Property"** means any one of them |

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| **Property Expenses** | Consists of property tax, property manager's fees, maintenance expenses, and other property expenses but excluding depreciation of real properties |
| **Property Funds Guidelines** | The guidelines for real estate investment trusts issued by the MAS as Appendix 2 to the CIS Code |
| **Property Management Agreements** | The relevant property management agreement made between the relevant Project Company and the relevant Property Manager pursuant to which such Property Manager will provide certain property management services, lease management services, property management services, property tax services and marketing services for the Property |
| **Property Managers** | CapitaLand SZITIC, CapitaLand Hualian and CapitaRetail Shanghai |
| **Qibao Mall** | The Property located at No. 3655, Qi Xin Road, Min Hang District, Shanghai, China, comprising part of the initial asset portfolio of CRCT |
| **Recognised Stock Exchange** | Any stock exchange of repute in any part of the world |
| **REIT** | Real estate investment trust |
| **Regulation S** | Regulation S under the Securities Act |
| **related party** | Refers to an interested person and/or, as the case may be, an interested party |
| **Related Party Transactions** | Refers to an interested person transaction and/or, as the case may be, an interested party transaction |
| **Reserved Tranche** | The portion of the Units under the Singapore Public Offer which are Reserved Units |
| **Reserved Units** | 11,000,000 Units reserved for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries |
| **RMB or Renminbi** | Renminbi, the lawful currency of China |
| **S$ or Singapore dollars** | Singapore dollars, the lawful currency of the Republic of Singapore |
| **SAFE** | State Administration for Foreign Exchange |
| **SARS** | Severe acute respiratory syndrome |
| **Second Lock-up Period** | The period commencing from the day immediately following the First Lock-up Period until the date falling 360 days after the Listing Date |
| **Securities Account** | Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with CDP |
| **Securities Act** | U.S. Securities Act of 1933, as amended |

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| **SFA or Securities and Futures Act** | Securities and Futures Act, Chapter 289 of Singapore |
| **SGX-ST** | Singapore Exchange Securities Trading Limited |
| **Singapore Placement** | The placement of Units to institutional and other investors in Singapore |
| **Singapore Public Offer** | The offering of Units to the public in Singapore, including the Reserved Units, pursuant to the Offering |
| **Singapore Underwriters** | JPMorgan and UBS |
| **Sponsor or CapitaLand** | CapitaLand Limited |
| **SPV or Special Purpose Vehicle** | An unlisted entity whether incorporated or otherwise constituted in Barbados, China or elsewhere, whose primary purpose is to hold or own a retail property located in China or to hold or own the shares in such unlisted entity whose primary purpose is to hold or own a retail property located in China. As at the date of this Prospectus, CRCI Alpha Barbados, CRCI Barbados, CRCI Gamma Barbados and the Project Companies are the only Special Purpose Vehicles or SPVs |
| **sq m** | Square metres |
| **SRS** | Supplementary Retirement Scheme |
| **Stabilising Manager** | JPMorgan |
| **Strategic Investors** | The Vendor, Retail Crown Pte. Ltd., CMT, PGGM and Great Eastern |
| **Strategic Investor Units** | The 475,630,513 Units held by the Strategic Investors as at the date of this Prospectus |
| **Substantial Unitholder** | Any Unitholder with an interest in one or more Units constituting not less than 5.0% of all Units in issue |
| **SZITIC** | Shenzhen International Trust & Investment Co., Ltd. |
| **SZITIC Commercial Consulting** | Shenzhen SZITIC Commercial Consulting Co., Ltd. |
| **SZITIC Group** | SZITIC and its subsidiaries and associates |
| **Trust Deed** | The trust deed dated 23 October 2006, as supplemented by the First Supplemental Trust Deed, constituting CRCT (as amended, supplemented or otherwise modified for the time being) |
| **Trust Term Loan Facility** | The US$105.0 million two-year unsecured term loan facility |
| **Trustee** | HSBC Institutional Trust Services (Singapore) Limited, as trustee of CRCT |
| **UBS** | UBS AG, acting through its business group, UBS Investment Bank |
| **Unaudited Pro Forma Consolidated Balance Sheet** | The unaudited pro forma consolidated balance sheet setting out the assets and liabilities of CRCT as at the Listing Date |

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| **Underwriting Agreement** | The underwriting agreement dated 29 November 2006 entered into between the Manager, CRTL, the Vendor and the Underwriters |
| **Underwriting, Selling and Management Commissions** | The underwriting, selling and management commissions payable to the Underwriter for its services in connection with the Offering |
| **Unit(s)** | An undivided interest in CRCT as provided for in the Trust Deed |
| **Unit Issue Mandate** | The general mandate to be given in a general meeting of the Unitholders pursuant to Rule 887 of the Listing Manual in relation to the issue of Units |
| **Unit Lender** | The Vendor |
| **Unit Lending Agreement** | An agreement dated 29 November 2006 made between the Stabilising Manager and the Vendor pursuant to which the Stabilising Manager may borrow up to an aggregate of 28,800,000 Units from the Vendor for the purpose of facilitating settlement of the over-allotment of Units in connection with the Offering |
| **Unitholder(s)** | The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with Units |
| **US$ or US dollars** | United States dollars, the lawful currency of the United States of America |
| **USD LIBOR** | The rate as appears on Telerate page 3750 as at 11 a.m. London time on the day falling two London banking days (meaning any day on which banks are open for general business in London) prior to the first day of an interest accrual period |
| **Vendor** | Retail Crown (BVI) Limited |
| **Wangjing Mall** | The Property located at No. 33 Guangshun North Street, Blk 213, Chaoyang District, Beijing, China, comprising part of the initial asset portfolio of CRCT |
| **Wangjing Put Option** | The right granted to the Trustee under the Wangjing Put Option Agreement to require CRTL to purchase the entire issued and paid-up capital of CRCI Barbados at the Wangjing Put Option Price |
| **Wangjing Put Option Agreement** | The put option agreement dated 8 November 2006 entered into between the Trustee and CRTL |

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| **Wangjing Put Option Price** | The price payable by CRTL for the entire issued and paid-up capital of CRCI Barbados under the Wangjing Put Option Agreement, being the higher of the net asset value of CRCI Barbados (based on the independent valuation of CRCI Barbados (which shall be based on, *inter alia*, the average of two independent valuations of Wangjing Mall) at the relevant time) and the net asset value of CRCI Barbados (which shall be based on, *inter alia*, the value attributable to Wangjing Mall for the purpose of the Offering), including the Wangjing Transaction Costs |
| **Wangjing Transaction Costs** | All transaction costs incurred whether directly or indirectly, by CRCT for the acquisition of Wangjing Mall (including, but not limited to brokerage, stamp duties, acquisition fees and conveyancing fees) |
| **Weighted average occupancy rate** | In respect of each Property, is derived by dividing the sum of the average occupied areas of the relevant Property by the total NLA of the Property. The average occupied area of a Property is derived by multiplying the average occupancy rate of that Property by the NLA for that Property |
| **WFOE** | A wholly foreign-owned enterprise in China |
| **Wuhu SZITIC** | SZITIC Commercial Property Co., Ltd. |
| **Xinwu Mall** | The Property located at No. 79 Zhongshan North Road, Xinwu District Wuhu, Anhui, China, comprising part of the initial asset portfolio of CRCT |
| **Xin Yi** | Beijing Xin Yi Real Estate Development Co., Ltd. |
| **Zhengzhou Mall** | The Property located at No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan, China, comprising part of the initial asset portfolio of CRCT |

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-acted.

Any reference to a time of day and dates in this Prospectus is made by reference to Singapore time and dates unless otherwise stated.

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# INDEPENDENT ACCOUNTANTS' REPORT ON THE PROFIT FORECAST AND PROFIT PROJECTION

The Board of Directors
CapitaRetail China Trust Management Limited
(as manager of CapitaRetail China Trust)
39 Robinson Road
#18-01 Robinson Point
Singapore 068911

HSBC Institutional Trust Services (Singapore) Limited
(as trustee of CapitaRetail China Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

29 November 2006

Dear Sirs

**Letter from the Reporting Accountants on the Profit Forecast for the Year Ending 31 December 2007 and the Profit Projection for the Year Ending 31 December 2008**

This letter has been prepared for inclusion in the prospectus (the "Prospectus") to be issued in connection with the offering of 193,300,000 Units in CapitaRetail China Trust ("CRCT") at the offering price of S$1.13 per Unit (the "Offering").

The directors of CapitaRetail China Trust Management Limited (the "Directors") are responsible for the preparation and presentation of the forecast and projected Consolidated Statements of Total Return for the year ending 31 December 2007 (the "Profit Forecast") and the year ending 31 December 2008 (the "Profit Projection") as set out on pages 79 and 80 of the Prospectus, which have been prepared on the basis of the assumptions as set out on pages 81 to 89 of the Prospectus.

We have examined the Profit Forecast of CRCT for the year ending 31 December 2007 and the Profit Projection for the year ending to 31 December 2008 as set out on pages 79 and 80 of the Prospectus in accordance with Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information. The Directors are solely responsible for the Profit Forecast and Profit Projection including the assumptions set out on pages 81 to 89 of the Prospectus on which they are based.

## Profit Forecast

Based on our examination of the evidence supporting the relevant assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast. Further, in our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out on pages B-10 to B-15 of the Prospectus, and is presented in accordance with the applicable presentation principles of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts"* (but not all the required disclosures for the purposes of this letter), which is the framework to be adopted by CRCT in the preparation of its financial statements.

**Profit Projection**

The Profit Projection is intended to show a possible outcome based on the stated assumptions. As CRCT is newly established without any history of activities and because the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the assumptions used in the Profit Projection (which included hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for a profit forecast. The Profit Projection does not therefore constitute a profit forecast.

Based on our examination of the evidence supporting the relevant assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection. Further, in our opinion the Profit Projection, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out on pages B-10 to B-15 of the Prospectus, and is presented in accordance with the applicable presentation principles of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts"* (but not all the required disclosures for the purposes of this Letter), which is the framework to be adopted by CRCT in the preparation of its financial statements.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Profit Forecast and Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those forecast and projected. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Profit Forecast and Profit Projection.

Attention is drawn, in particular, to the risk factors set out on pages 40 to 64 of the Prospectus which describe the principal risks associated with the Offering, to which the Profit Forecast and Profit Projection relate and the sensitivity analysis of the Directors' Profit Forecast and Profit Projection set out on pages 89 to 91 of the Prospectus.

Yours faithfully

KPMG
*Certified Public Accountants*
(Partner-in-charge: Eng Chin Chin)

Singapore

# INDEPENDENT ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

The Board of Directors
CapitaRetail China Trust Management Limited
(as Manager of CapitaRetail China Trust)
39 Robinson Road
#18-01 Robinson Point
Singapore 068911

HSBC Institutional Trust Services (Singapore) Limited
(as trustee of CapitaRetail China Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

29 November 2006

Dear Sirs

**Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date**

We report on the unaudited pro forma consolidated balance sheet of CapitaRetail China Trust ("CRCT") and its subsidiaries (collectively, the "Pro Forma Group") as at the date that CRCT is admitted to the Official List of the Singapore Exchange Trading Limited ("Listing Date") (the "Unaudited Pro Forma Consolidated Balance Sheet") set out on page B-7 of the prospectus (the "Prospectus") to be issued in connection with the offering of 193,300,000 units in CRCT by Retail Crown (BVI) Limited, which has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of the assumptions set out on pages B-5 and B-6 of the Prospectus to provide information on the financial position of the Pro Forma Group, had the purchase of interests in the properties, comprising Wangjing Mall, Jiulong Mall, Anzhen Mall, Qibao Mall, Zhengzhou Mall, Jinyu Mall and Xinwu Mall, been undertaken by CRCT through the ownership of several special purpose vehicles, under the same terms set out in the Prospectus.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the Pro Forma Group's actual financial position.

The Unaudited Pro Forma Consolidated Balance Sheet is the responsibility of the directors of CapitaRetail China Trust Management Limited (the "Directors"). Our responsibility is to express an opinion on the Unaudited Pro Forma Consolidated Balance Sheet based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: *"Auditors and Public Offering Documents"*. Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

(a) comparing the Unaudited Pro Forma Consolidated Balance Sheet to the unaudited balance sheet of CRCT at its constitution; and

(b) considering the evidence supporting the pro forma adjustments and discussing the Unaudited Pro Forma Consolidated Balance Sheet with the Directors.

In our opinion:

(a) the Unaudited Pro Forma Consolidated Balance Sheet has been properly prepared from the unaudited balance sheet of CRCT at its constitution (which was prepared in accordance with Recommended Accounting Practice ("RAP") 7 *"Reporting Framework for Unit Trusts"* issued by the Institute of Certified Accountants of Singapore) and is presented in accordance with the relevant presentation principles of RAP 7;

(b) the Unaudited Pro Forma Consolidated Balance Sheet has been properly prepared in a manner consistent with both the format of the balance sheet and the relevant accounting policies of CRCT;

(c) each material adjustment to the information used in the preparation of the Unaudited Pro Forma Consolidated Balance Sheet is appropriate for the purpose of preparing such a balance sheet; and

(d) the Unaudited Pro Forma Consolidated Balance Sheet has been properly prepared on the basis of the assumptions set out on pages B-5 and B-6 and after making the adjustments described on pages B-8 and B-9.

Yours faithfully

KPMG

KPMG
*Certified Public Accountants*
(Partner-in-charge: Eng Chin Chin)

Singapore

## (A) INTRODUCTION

CapitaRetail China Trust ("CRCT") was constituted as a private trust in Singapore pursuant to a trust deed dated 23 October 2006 ("Trust Deed") entered into between CapitaRetail China Trust Management Limited (the "Manager"), an indirect wholly-owned subsidiary of CapitaLand Limited (the "Sponsor"), and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The private trust was established to acquire interests in the properties comprising Wangjing Mall, Jiulong Mall, Anzhen Mall, Qibao Mall, Zhengzhou Mall, Jinyu Mall and Xinwu Mall (the "Properties"), through the ownership of several special purpose vehicles, with the intention that it would eventually be converted into a listed real estate investment trust.

The Manager's principal investment strategy is to invest in a diversified portfolio of income-producing properties located primarily in China, Hong Kong and Macau and used primarily for retail purposes.

Shortly after the constitution of CRCT, 222,100,000, 95,130,513, 95,100,000, 47,600,000 and 15,700,000 units in CRCT were issued to Retail Crown (BVI) Limited (the "Vendor"), Retail Crown Pte. Ltd., CapitaMall Trust, Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen and The Great Eastern Life Assurance Company Limited (collectively, the "Strategic Investors") respectively at an issue price of S$0.981 per Unit.

Through the acquisition of three special purpose vehicles, CapitaRetail China Investments (B) Alpha Pte. Ltd., CapitaRetail China Investments (B) Pte. Ltd. and CapitaRetail China Investments (B) Gamma Pte. Ltd. (collectively, the "Barbados Companies") from CapitaLand Retail China Pte. Ltd. on 8 November 2006, CRCT holds 100% interests in CapitaRetail Beijing Wangjing Real Estate Co., Ltd ("CapitaRetail Wangjing"), CapitaRetail Beijing Jiulong Real Estate Co., Ltd ("CapitaRetail Jiulong"), CapitaRetail Beijing Anzhen Real Estate Co., Ltd ("CapitaRetail Anzhen"), CapitaRetail Dragon Mall (Shanghai) Co. Ltd., CapitaRetail Hualian Plaza (Henan) Co., Ltd, CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd and 51% interest in Wuhu SZITIC Commercial Property Co., Ltd ("Wuhu SZITIC") (collectively, the "Project Companies"). The Properties are each owned or held (in the case of Qibao Mall) by the Project Companies.

The Vendor is making an offering (the "Offering") of 193,300,000 units ("Units") representing undivided interests in CRCT for purchase at the offering price of S$1.13 per Unit. The Offering consists of (i) a placement to institutional and other investors outside and in Singapore, and (ii) an offering to the public in Singapore, of which 11,000,000 Units will be reserved for purchase by the directors, management, employees and business associates of the Sponsor and its subsidiaries. The offer of Units will be by way of an initial public offering in Singapore and application has been made for permission to list on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") of all Units in issue as at the date of the prospectus (the "Prospectus") to be issued in connection with the Offering and all the Units which will be issued to the Manager from time to time in full or part payment of the Manager's fees.

CRCT will declare a distribution of an amount, if any, being the aggregate of the Manager's best estimate of the distributable income for the period from the date of acquisition of each special purpose vehicle by the Sponsor to the date immediately preceding the date that CRCT is admitted to the Official List of the SGX-ST (the "Listing Date") to each of the Strategic Investors in proportion to their respective unitholdings as at the date immediately preceding the Listing Date (the "Private Trust Distribution"). The Private Trust Distribution, if any, will be paid by the Manager after the Listing Date on or before 30 September 2007.

## (B) PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Manager is unable to prepare pro forma consolidated statements of total return, consolidated statement of cash flows and consolidated balance sheet to show the pro forma historical financial performance of CRCT and its subsidiaries (the "Pro Forma Group") as:

- two of the seven Properties (Wangjing Mall and Xinwu Mall) are newly developed and have very limited operating track records. Wangjing Mall was only recently completed while Xinwu Mall only commenced operations in December 2005. As such, the period of operations is too short for the Manager to practicably construct meaningful historical pro forma financial information;
- two of the Properties, Jiulong Mall and Jinyu Mall were acquired from independent third parties and indirectly held by the Sponsor for only a few months prior to the date of this Prospectus. The Sponsor indirectly acquired Anzhen Mall in July 2005 and took a master lease over Qibao Mall in May 2005. Accordingly, the historical financial information relating to these four Properties are unavailable from the vendors or lessor (in the case of Qibao Mall) and the Sponsor's ownership period or possession period (in the case of Qibao Mall) of these Properties is too short for the Manager to construct meaningful historical pro forma financial information;
- Zhengzhou Mall, Jinyu Mall and Anzhen Mall were wholly occupied by the vendors for their retail operations prior to their disposal to the Sponsor. Accordingly, even if the historical financial information relating to these Properties were made available, the Manager would not be able to identify the property-related expenses of the vendors from the expenses incurred by the vendors in connection with their overall business operations. There would also not be any historical rental income for these Properties as they were wholly-occupied by the vendors. Accordingly, the relevant information to prepare the historical pro forma financial information is unavailable to the Manager;
- three of the Properties (Anzhen Mall, Zhengzhou Mall and Jinyu Mall) and the majority of the gross rentable area of a fourth Property (Jiulong Mall) have been under master lease arrangements since the Sponsor acquired them from the vendors. The Sponsor has also implemented major asset enhancement and repositioning initiatives in respect of Qibao Mall (since it took possession in May 2005) to reposition it as a "one-stop" retail mall. Accordingly, any attempt to construct historical pro forma financial information based on the historical financial statements of these five Properties (in the unlikely event that they are made available to the Manager) may be misleading to investors and not meaningful for comparison purposes as there is an implicit assumption that the Pro Forma Group would have achieved the same performance as those presented in the historical pro forma financial information; and
- should historical pro forma financial information be prepared based on the terms of the master lease arrangements for Anzhen Mall, Zhengzhou Mall, Jinyu Mall and Jiulong Mall, such information will be in the nature of a forecast and will not reflect the historical financial results and position of the Pro Forma Group with respect to these Properties. As such, the Manager believes that such historical pro forma financial information may be of little value to investors in deciding whether to acquire the Units and a forecast and projection based on, amongst other things, the terms of the master lease arrangements would be more meaningful to investors.

For the reasons set out above, the SGX-ST has granted CRCT a waiver from the requirement to prepare historical pro forma financial information, comprising the consolidated statements of total return, consolidated statement of cash flows and consolidated balance sheet. In lieu of such historical pro forma financial information, the Manager has prepared a pro forma consolidated balance sheet setting out the assets and liabilities of the Pro Forma Group as at the date that CRCT is admitted to the Official List of the SGX-ST (the "Listing Date").

## (C) BASIS OF PREPARATION OF UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

An unaudited pro forma consolidated balance sheet of the Pro Forma Group as at the Listing Date (the "Unaudited Pro Forma Consolidated Balance Sheet") is set out in this report. The Unaudited Pro Forma Consolidated Balance Sheet is prepared for illustrative purposes only and is based on the unaudited financial statements of CRCT at its constitution, after making certain assumptions and incorporating the adjustments necessary to reflect the financial position of the Pro Forma Group as at the Listing Date, pursuant to the terms set out in the Prospectus.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared on the basis of the accounting policies set out in section F and is to be read in conjunction with Section G. The following exchange rates as at the Listing Date have been assumed:

| | |
|---|---|
| Renminbi ("RMB") and Singapore dollars ("S$" or "SGD"): | RMB5.0091: S$1.00 |
| United States dollars ("US$" or "USD") and Singapore dollars: | US$1.00: S$1.6008 |

The objective of the Unaudited Pro Forma Consolidated Balance Sheet is to show what the financial position of the Pro Forma Group might have been at the Listing Date, on the basis as described above. However, the Unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of the financial position that would have been attained by the Pro Forma Group on the actual Listing Date. The Unaudited Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of the Pro Forma Group's financial position.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared after incorporating the following key adjustments:

- Adjustments to reflect the issuance of 475,630,513 Units in CRCT to the Strategic Investors shortly after the constitution of CRCT at an issue price of S$0.981 per Unit;
- Adjustments to state the Properties at a total valuation of S$688,945,000, which is based on independent valuations carried out by CB Richard Ellis (Pte) Ltd ("CB Richard Ellis") as at 30 September 2006;
- Adjustments to include the income and expenses of the Barbados Companies and the Project Companies for the period from 8 November 2006 to the date immediately preceding the Listing Date;
- Adjustments to reflect the incurrence of transaction costs of S$840,000 and the draw down of the Term Loan Facility (as defined herein) of US$90,000,000 (equivalent to S$144,069,000) by the Listing Date; and
- Adjustments to incorporate the incurrence of issue costs (including GST) relating to the Offering which is estimated to be S$12,592,000.

## (C) BASIS OF PREPARATION OF UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE *(cont'd)*

In addition, the following assumptions were made:

- The valuations of the Properties adopted as at the Listing Date remain unchanged from those as at 30 September 2006 based on the independent valuations carried out by CB Richard Ellis;
- The legal title to Wangjing Mall has been issued in the name of CapitaRetail Wangjing;
- The strata titles in respect of the basement, first, second and third levels of Jiulong Mall have been transferred to CapitaRetail Jiulong;
- The payment of the rental for Zhengzhou Mall commences on 1 December 2006, as agreed with the Beijing Hualian Group;
- There are no significant movements in the assets and liabilities of the Pro Forma Group during the period from 23 October 2006 to the Listing Date, other than those arising from the proforma adjustments and assumptions as described above;
- CRCT did not enter into any derivative financial instruments during the period between the date of constitution of CRCT and the Listing Date; and
- The Private Trust Distribution is assumed to amount to Nil.

### (D) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT THE LISTING DATE

The Unaudited Pro Forma Consolidated Balance Sheet of the Pro Forma Group has been prepared for inclusion in the Prospectus and is presented below. The assumptions used to prepare the Unaudited Pro Forma Consolidated Balance Sheet are consistent with those described in Section C: Basis of Preparation of Unaudited Pro Forma Consolidated Balance Sheet as at the Listing Date.

| | Note | Unaudited Balance Sheet[1] (S$'000) | Pro Forma Adjustments (S$'000) | Unaudited Pro Forma Consolidated Balance Sheet As At Listing Date (S$'000) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investment properties | 2 | — | 688,945 | 688,945 |
| Deferred tax assets | 3 | — | 5,352 | 5,352 |
| | | — | 694,297 | 694,297 |
| **Current assets** | | | | |
| Trade and other receivables | 4 | — | 2,769 | 2,769 |
| Cash and cash equivalents | 5 | — | 27,567 | 27,567 |
| | | — | 30,336 | 30,336 |
| **Total assets** | | — | 724,633 | 724,633 |
| **Non-current liabilities** | | | | |
| Security deposits | 6 | — | 2,230 | 2,230 |
| Interest-bearing borrowings | 7 | — | 212,649 | 212,649 |
| | | — | 214,879 | 214,879 |
| **Current liabilities** | | | | |
| Trade and other payables | 8 | — | 33,653 | 33,653 |
| Provision for taxation | | — | 220 | 220 |
| | | — | 33,873 | 33,873 |
| **Total liabilities** | | — | 248,752 | 248,752 |
| **Minority interest** | 9 | — | 11,167 | 11,167 |
| **Net assets attributable to Unitholders** | 10 | — | 464,714 | 464,714 |
| Number of Units in issue ('000) | | | | 475,631 |
| Net asset value per Unit (S$) | | | | 0.98 |

**Note:**

(1) As at the constitution of CRCT.

## (E) PRO FORMA ADJUSTMENTS

In arriving at the Unaudited Pro Forma Consolidated Balance Sheet of the Pro Forma Group at the Listing Date, the following pro forma adjustments were made:

| | | S$'000 |
|---|---|---|
| (i) | **Investment properties** | — |
| | *Adjustments:* | |
| | Incorporate investment properties acquired (including acquisition costs) | 680,893 |
| | Incorporate net appreciation on revaluation of investment properties | 8,052 |
| | | 688,945 |
| | Investment properties per Unaudited Pro Forma Consolidated Balance Sheet | 688,945 |
| (ii) | **Deferred tax assets** | — |
| | *Adjustments:* | |
| | Incorporate deferred tax assets acquired | 5,352 |
| | Deferred tax assets per Unaudited Pro Forma Consolidated Balance Sheet | 5,352 |
| (iii) | **Trade and other receivables** | — |
| | *Adjustments:* | |
| | Incorporate trade and other receivables acquired | 2,769 |
| | Trade and other receivables per Unaudited Pro Forma Consolidated Balance Sheet | 2,769 |
| (iv) | **Cash and cash equivalents** | — |
| | *Adjustments:* | |
| | Incorporate cash and cash equivalents acquired | 27,567 |
| | Cash and cash equivalents per Unaudited Pro Forma Consolidated Balance Sheet | 27,567 |
| (v) | **Security deposits** | — |
| | *Adjustments:* | |
| | Incorporate security deposits acquired | 2,230 |
| | Security deposits per Unaudited Pro Forma Consolidated Balance Sheet | 2,230 |
| (vi) | **Interest-bearing borrowings** | — |
| | *Adjustments:* | |
| | Incorporate interest-bearing borrowings acquired | 69,873 |
| | Incorporate the drawdown of the Trust Term Loan Facility (as defined herein) | 143,617 |
| | Incorporate transaction costs relating to the Trust Term Loan Facility (as defined herein) | (841) |
| | | 212,649 |
| | Interest-bearing borrowings per Unaudited Pro Forma Consolidated Balance Sheet | 212,649 |

## (E) PRO FORMA ADJUSTMENTS *(cont'd)*

| | | S$'000 |
|---|---|---|
| (vii) | **Trade and other payables** | — |
| | *Adjustments:* | |
| | Incorporate trade and other payables acquired | 21,061 |
| | Incorporate issue cost payable | 12,592 |
| | | 33,653 |
| | Trade and other payables per Unaudited Pro Forma Consolidated Balance Sheet | 33,653 |
| (viii) | **Provision for taxation** | — |
| | *Adjustments:* | |
| | Incorporate tax liability for the period from 23 October 2006 to the Listing Date | 220 |
| | Provision for taxation per Unaudited Pro Forma Consolidated Balance Sheet | 220 |
| (ix) | **Minority interest** | — |
| | *Adjustments:* | |
| | Incorporate minority equity interest in Wuhu SZITIC | 11,167 |
| | Minority interest per Unaudited Pro Forma Consolidated Balance Sheet | 11,167 |
| (x) | **Net assets attributable to Unitholders** | — |
| | *Adjustments:* | |
| | Incorporate units issued to Strategic Investors | 466,594 |
| | Incorporate net appreciation on revaluation of investment properties, net income and other adjustments | 10,712 |
| | Incorporate issue costs | (12,592) |
| | | 464,714 |
| | Net assets attributable to Unitholders per Unaudited Pro Forma Consolidated Balance Sheet | 464,714 |

## (F) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

### 1. Significant Accounting Policies

The significant accounting policies of the Pro Forma Group, which have been consistently applied in preparing the Unaudited Pro Forma Consolidated Balance Sheet set out in this report, are as follows:

#### (a) Basis of Preparation of Unaudited Pro Forma Consolidated Balance Sheet

The Unaudited Pro Forma Consolidated Balance Sheet is prepared in accordance with the basis set out in Section C and applied to financial information prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 *"Reporting Framework for Unit Trusts"* issued by the Institute of Certified Public Accountants of Singapore, and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the general adoption of the Singapore Financial Reporting Standards including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

The Unaudited Pro Forma Consolidated Balance Sheet, which is expressed in Singapore dollars and rounded to the nearest thousand, unless otherwise stated, is prepared on the historical cost basis, except that investment properties are stated at valuation.

#### (b) Consolidation

Subsidiaries are companies controlled by CRCT. Control exists when CRCT has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

#### (c) Foreign Currencies

(i) Financial currency transactions

Transactions in foreign currencies are translated at foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the statement of total return. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to Singapore dollars for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at exchange rates ruling on the dates of the transactions. Exchange differences arising on translation are recognised directly in net assets attributable to Unitholders. On disposal, the accumulated translation differences are recognised in the consolidated statement of total return as part of the gain or loss on sale.

### (d) Investment Properties

Investment properties are accounted for as non-current assets and are stated at initial cost on acquisition, and at valuation thereafter. Valuations are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the MAS.

Any increase or decrease on revaluation is credited or charged to the statement of total return as a net appreciation or depreciation in the value of the investment properties.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between the net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

### (e) Financial Instruments

(i) Recognition and derecognition

The Pro Forma Group recognises financial assets or liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument. Regular way purchase or sale of financial assets/liabilities is recognised/derecognised using trade date accounting.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Pro Forma Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged or cancelled or expired.

(ii) Measurement

Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial instruments classified at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the statement of total return.

Financial assets classified as loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit and loss, are subsequently measured at amortised cost using the effective interest method.

(iii) Fair value

The fair value of financial assets and financial liabilities are based on their quoted bid and ask price in an active market at the balance sheet date without any deduction for transaction cost respectively. If a quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques, including the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(iv) Derivatives and hedging

Derivative financial instruments are recognised initially at fair value and subsequently, re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of total return. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

*Cash flow hedge*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on re-measurement of the derivative financial instrument to fair value is recognised directly in hedging reserve. The ineffective part of any gain or loss is recognised immediately in the statement of total return.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from hedging reserve and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in hedging reserve are reclassified into the statement of total return in the same period or periods during which the asset acquired or liability assumed affects the statement of total return (i.e. when interest income or expense is recognised). For other cash flow hedges, the associated cumulative gain or loss is removed from hedging reserve and recognised in the statement of total return in the same period or periods during which the hedged forecast transaction affects the statement of total return.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in hedging reserve and is recognised in accordance with the above policy when the transaction occurs. If the hedged forecast transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in hedging reserve is recognised immediately in the statement of total return.

*Fair value hedge*

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognised in the statement of total return, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

*Derivatives that do not qualify for hedge accounting*

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the statement of total return.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and bank deposits.

**(g) Impairment**

The carrying amounts of the Pro Forma Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised in the statement of total return whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

*Calculation of recoverable amount*

The recoverable amount of the Pro Forma Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversal of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. However, an impairment loss in respect of goodwill is not reversed.

**(h) Net Assets Attributable to Unitholders**

Net asset attributable to Unitholders represents the Unitholders' residual interest in CRCT's net assets upon termination.

Expenses incurred in connection with the initial public offering of CRCT are deducted directly from net assets attributable to Unitholders.

### (i) Revenue Recognition

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised on a straight-line basis over the term of the lease. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rental is recognised if there are uncertainties due to the possible return of the amounts received.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis.

### (j) Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis.

(ii) Manager's management fees, property management fees and trustee's fees

These are recognised on an accrual basis based on the applicable formula stipulated in Section G.

(iii) Borrowing costs

Interest expense and similar charges are recognised in the period in which they are incurred. Expenses incurred in connection with borrowings are recognised in the statement of total return on an effective interest basis over the period of the borrowings.

### (k) Taxation

Taxation on the returns for the year comprises current and deferred tax. Income tax is recognised in the statement of total return except to the extent that it relates to items directly related to net assets attributable to Unitholders, in which case it is recognised in net assets attributable to Unitholders.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences on initial recognition of assets and liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

## (F) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET *(cont'd)*

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

### (I) Segment Reporting

A segment is a distinguishable component of the Pro Forma Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information has not been presented as all of the Pro Forma Group's investment properties are used primarily for retail purposes and are located in China.

## 2. Investment Properties

Investment properties comprise retail malls that are leased to external customers. Anzhen Mall, Zhengzhou Mall and the majority of Jiulong Mall are under master leases with tenures of 20 years. Jinyu Mall is let out under a master lease with tenure of three years. The lease terms range from 15 to 20 years for anchor tenants, five to seven years for mini-anchor tenants and three years for speciality tenants in respect of Wangjing Mall, Qibao Mall and Xinwu Mall.

The carrying amount of the investment properties as at the Listing Date is based on independent valuations undertaken by CB Richard Ellis, an independent valuer having appropriate professional qualifications and recent experience in the location and category of the properties being valued, on 30 September 2006. The valuation was based on the discounted cash flow, net income capitalisation and direct comparison methods.

| Description of Leasehold Property | Location | Term of lease (years) | Remaining term of lease (years) | Valuation S$'000 | Percentage of net assets attributable to Unitholders % |
|---|---|---|---|---|---|
| Wangjing Mall | No. 33 Guangshun North Street, Blk 213, Chaoyang District, Beijing | 38–48 | 37–47 | 219,999 | 47.34 |
| Jiulong Mall | No. 31 Guangqu Road, Chaoyang District, Beijing | 40 | 36 | 82,649 | 17.78 |
| Anzhen Mall | Section 5 of Anzhen Xi Li, Chaoyang District, Beijing | 29 – 37 | 28 – 36 | 154,119 | 33.16 |
| Qibao Mall[(1)] | No. 3655, Qi Xin Road, Min Hang District, Shanghai | 39 | 37 | 52,704 | 11.34 |
| Xinwu Mall | No. 79 Zhongshan North Road, Xinwu District, Wuhu, Anhui | 40 | 38 | 25,953 | 5.58 |
| Zhengzhou Mall | No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan | 38 | 36 | 90,635 | 19.50 |
| Jinyu Mall | No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia | 35 | 35 | 62,886 | 13.53 |
| | | | | 688,945 | |

## (F) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET *(cont'd)*

**Note:**

(1) Qibao Mall is held under a master lease through CapitaRetail Dragon Mall (Shanghai) Co., Ltd, which has entered into a master lease with Shanghai Jin Qiu (Group) Co., Ltd. The master lease expires in January 2024, with the right to renew for a further term of 19 years and two months from January 2024.

### 3. Deferred Tax Assets

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Tax value of loss carry-forward | 5,352 |

### 4. Trade and other receivables

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Trade receivables | 2,769 |

### 5. Cash and cash equivalents

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Cash at bank and in hand | 27,567 |

### 6. Security Deposits

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Security deposits, at amortised cost | 1,150 |
| Fair value adjustment to security deposit | 1,080 |
| | 2,230 |
| Maturity of gross security deposits | |
| — after 1 year but within 5 years | 1,185 |
| — after 5 years | 1,045 |
| | 2,230 |

## (F) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET *(cont'd)*

### 7. Interest-bearing Borrowings

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Term loans | 213,490 |
| Less: Unamortised transaction costs | (841) |
| | 212,649 |
| Maturity of gross interest-bearing borrowings | |
| — within 1 year | — |
| — after 1 year but within 5 years | 213,490 |
| | 213,490 |
| | 213,490 |

The Pro Forma Group has in place the following facilities:–

- a US$105 million (equivalent to S$168.1 million) unsecured two-year term loan facility (the "Trust Term Loan Facility"); and
- a RMB350 million (equivalent to S$69.9 million) five-year secured term loan facility (the "Anzhen Term Loan Facility") taken by CapitaRetail Anzhen and secured by a legal mortgage over Anzhen Mall.

The Trust Term Loan Facility bears a floating interest rate of 0.65% per annum above the USD LIBOR and has a negative pledge covenant which requires CRCT, amongst others:–

(i) not to, without the prior written consent of the lender, create or have outstanding any mortgage, pledge, lien, hypothecation, assignment or any other encumbrance whatsoever on or over the Pro Forma Group's interest in any of the Properties, except for Anzhen Mall;

(ii) in the event of a sale of any of the Properties, to repay an amount equal to the proportion of the market value of the Property sold to the total market value of the Properties as determined by the lender based on the latest annual valuation reports of the Properties; and

(iii) not to provide any guarantee for any other entities except for secured borrowings for new properties acquired with existing mortgages.

The Trust Term Loan Facility will be repayable in full at maturity although CRCT has the option to make prepayments.

The Anzhen Term Loan bears an interest corresponding to 90% of the People's Bank of China base lending rate and reprices on a semi-annual basis. The Anzhen Term Loan Facility is repayable in full at maturity on 30 June 2011. However, CapitaRetail Anzhen has the option to make prepayments without prepayment fees.

At the Listing Date, the Anzhen Term Loan Facility has been fully drawn down and the Trust Term Loan Facility has been partially drawn down up to US$90 million (equivalent to S$144.1 million). The weighted average effective interest rate of interest-bearing borrowings at the Listing Date is 4.99% per annum.

## (F) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET *(cont'd)*

### 8. Trade and other payables

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Trade payables and accrued operating expenses | 1,932 |
| Retention monies payable | 11,657 |
| Security deposits | 3,938 |
| Withholding tax payable | 870 |
| Interest payable | 2,664 |
| Other payables | 12,592 |
| | 33,653 |

### 9. Minority Interest

Minority interest includes a loan from the minority shareholder of Wuhu SZITIC of RMB70.6 million (equivalent to S$14.1 million). This loan is, in substance, a part of the minority shareholder's net investment in Wuhu SZITIC. The loan is unsecured, bears a fixed interest of 7.50% per annum and its settlement is neither planned nor likely to occur in the foreseeable future.

### 10. Net Assets Attributable to Unitholders

Each Unit in CRCT represents an undivided interest in the trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of CRCT by receiving a share of all net cash proceeds derived from the realisation of the assets of CRCT less any liabilities, in accordance with their proportionate interests in CRCT. However, a Unitholder has no equitable or proprietary interest in the underlying assets of CRCT and is not entitled to the transfer to it of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of CRCT; and
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of CRCT in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his Units while the Units are listed on the SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Unit in CRCT. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of CRCT exceed its assets.

Under the Trust Deed, every Unit carries the same voting rights.

## 11. Financial Instruments

### Financial risk management objectives and policies

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of business of the Pro Forma Group. CRCT's written risk management policies and guidelines set out its overall business strategies and its general risk management philosophy.

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Pro Forma Group, as and when they fall due.

Credit limits are established for customers and their balances are monitored on an ongoing basis. Credit evaluations are performed before lease agreements are entered into with prospective tenants. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that meet the appropriate credit criteria and are of high credit standing.

At the Listing Date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

### Interest rate risk

The Pro Forma Group's exposure to changes in interest rates relates primarily to its interest-bearing financial liabilities.

The Manager will adopt a proactive interest rate management policy to manage the risk associated with changes in interest rates on the loan facilities while also seeking to ensure that CRCT's ongoing cost of debt remains competitive.

### Foreign currency risk

The Pro Forma Group's portfolio of properties is located in China, held *via* special purpose vehicles located in China and the cash flows from the operations of the Properties is denominated in RMB. The China special purpose vehicles are held by holding companies in Barbados (that have USD as their functional currency), which are in turn held by CRCT. These various levels of holdings expose CRCT to fluctuations in the cross currency rates of RMB, USD and SGD. The Manager intends to adopt appropriate hedging strategies to minimise any risks associated with foreign exchange based on the prevailing market conditions. However, the Manager currently does not intend to adopt any currency hedging due to their positive outlook on the RMB and the SGD.

### Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents and loan facilities deemed adequate to finance the Pro Forma Group's operations. In addition, the Manager also monitors and observes the Code on Collective Investment Schemes issued by the MAS concerning limits on total borrowings.

## (F) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET *(cont'd)*

**Estimation of fair value**

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values. An interest rate of 5.5% has been used to discount the security deposits.

**Fair value**

The Manager believes that the carrying amounts of financial assets and liabilities approximate their fair values at the Listing Date.

### 12. Commitments

(a) The Pro Forma Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Receivable | |
| — within 1 year | 68,649 |
| — after 1 year but within 5 years | 224,061 |
| — after 5 years | 757,089 |
| | 1,049,799 |

(b) At the Listing Date, the Pro Forma Group had commitments for future minimum lease payments in respect of non-cancellable operating leases as follows:

| | Unaudited Pro Forma as at Listing Date S$'000 |
|---|---|
| Payable: | |
| — within 1 year | 4,328 |
| — after 1 year but within 5 years | 17,743 |
| — after 5 years | 66,237 |
| | 88,308 |

## (G) MANAGER'S MANAGEMENT FEES, PROPERTY MANAGEMENT FEES, AND TRUSTEE'S FEES

Unless defined in this report, capitalised terms below shall have the meanings set out in the Glossary to the Prospectus.

### 1. Manager's Management Fees

The Manager is entitled under the Trust Deed to the following management fees:

- a Base Fee of 0.25% per annum of the value of the Deposited Property;
- a Performance Fee of 4.0% per annum of the Net Property Income in the relevant financial year (calculated before accounting for the Performance Fee in that financial year); and
- an Authorised Investment Management Fee of 0.5% per annum of the value of Authorised Investments which are not real estate. Where such Authorised Investment is an interest in a property fund (either a real estate investment trust or private property fund) wholly managed by a wholly-owned subsidiary of the Sponsor, no Authorised Investment Management Fee shall be payable in relation to such Authorised Investment.

The Manager may elect to receive the management fees in cash or Units or a combination of cash and/or Units (as it may in its sole discretion determine).

### 2. Property Management Fees

Under the Property Management Agreements in respect of each Property, the Property Managers will provide lease management services, property tax services and marketing co-ordination services in relation to that Property. The Property Managers are entitled to the following fees:

- 2.0% per annum of the Gross Revenue;
- 2.0% per annum of the Net Property Income; and
- 0.5% per annum of the Net Property Income in lieu of leasing commissions otherwise payable to the Property Managers and/or third party agents.

### 3. Trustee's Fees

The Trustee's fee is presently charged based on a maximum of 0.03% per annum of the value of the Deposited Property, subject to a minimum of S$15,000 per month, excluding out of pocket expenses and GST. CRCT will also pay the Trustee a one-time inception fee of S$25,000. The Trustee's fee will be subject to review three years from the Listing Date.

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# INDEPENDENT PROPERTY VALUATION SUMMARY REPORT

CBRE
CB RICHARD ELLIS

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Co Reg. No.:197701161R

2 November 2006

HSBC Institutional Trust Services (Singapore) Limited
(as trustee of CapitaRetail China Trust, "CRCT")
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

CapitaRetail China Trust Management Limited
(as manager of CRCT)
39 Robinson Road
#18-01 Robinson Point
Singapore 068911

Dear Sirs

**1. WANGJING MALL, NO. 33 GUANGSHUN NORTH STREET, BLK. 213, CHAOYANG DISTRICT, BEIJING**

**2. JIULONG MALL, NO. 31 GUANGQU ROAD, CHAOYANG DISTRICT, BEIJING**

**3. ANZHEN MALL, SECTION 5 OF ANZHEN XI LI, CHAOYANG DISTRICT, BEIJING**

**4. QIBAO MALL, NO. 3655 QI XIN ROAD, MIN HANG DISTRICT, SHANGHAI**

**5. XINWU MALL, NO. 79 ZHONGSHAN NORTH ROAD, XINWU DISTRICT, WUHU, ANHUI**

**6. JINYU MALL, NO. 32 E' ER DUO SI STREET, SAIHAN DISTRICT, HUHEHAOTE, INNER MONGOLIA**

**7. ZHENGZHOU MALL, NO. 3 MINZHU ROAD, ER QI DISTRICT, ZHENGZHOU, HENAN;**

**all within the People's Republic of China, (together the "Properties")**

### Instructions

We refer to instructions issued by CapitaRetail China Trust Management Limited ("CRCTML" or the "Manager"), the manager of CRCT, requesting formal valuation advice in respect of the abovementioned shopping centres. We have specifically been instructed to provide our opinion of Market Value of the remaining leasehold interest in the Properties, subject to the existing and proposed leases and occupancy arrangements as disclosed.

We have prepared comprehensive formal valuation reports (individually a "Report" and collectively the "Reports") in accordance with the requirements of our instructions and the following international definition of Market Value, namely:

2 November 2006

*"Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion".*

and also on the following basis:

"the price at which the property might reasonably be expected to be sold at the date of the valuation assuming:

(i) a willing, but not anxious, buyer and seller; and

(ii) a reasonable period within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind; and

(iii) that the property will be reasonably exposed to the market; and

(iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and

(v) that the Trust has sufficient resources to allow a reasonable period for the exposure of the property for sale; and

(vi) that the Trust has sufficient resources to negotiate an agreement for the sale of the property."

In adopting this definition of value, we are of the opinion that it is consistent with the international definition of Market Value as advocated by the Royal Institution of Chartered Surveyors (RICS).

For the specific purposes of this Prospectus, we provide a Summary of the Reports outlining key factors that have been considered in arriving at our opinions of value. The value conclusions reflect all information known by the valuers of CB Richard Ellis (Pte) Ltd ("CB Richard Ellis") who worked on the valuations in respect to the Properties, market conditions and available data.

**Reliance on This Letter**

For the purposes of this Prospectus, we have prepared this letter which summarises our Reports and outlines key factors which have been considered in arriving at our opinions of value. This letter alone does not contain the necessary data and support information included in our Reports. For further information to that contained herein, reference should be made to the Reports, copies of which are held by CRCTML.

CB Richard Ellis has provided the Manager with comprehensive valuation reports for each of the Properties. The valuations and market information are not guarantees or predictions and must be read in consideration of the following:

- Each report is approximately 80 to 90 pages in length and the conclusions as to the estimated value are based upon the factual information set forth in that Report. Whilst CB Richard Ellis has endeavoured to assure the accuracy of the factual information, it has not independently verified all information provided by CRCTML (primarily copies of leases and financial information with respect to the Properties as well as reports by independent consultants engaged by CRCTML), or the government of the People's Republic of China (the "P.R.C.") (primarily statistical information relating to market conditions and demographics). CB Richard Ellis believes that every investor, before making an investment in CRCT, should review at least one of the Reports to understand the complexity of the methodology and the many variables involved.

- The methodologies used by CB Richard Ellis in valuing the Properties — the Capitalisation of Income, Discounted Cashflow Analysis and Direct Comparison — are based upon estimates of future results and are not predictions. These valuation methodologies are summarised in the Valuation Rationale section of this letter. Each methodology begins with a set of assumptions as to income and expenses of the Property and future economic conditions in the local market. The income and expense figures are mathematically extended with adjustments for estimated changes in economic conditions. The resultant value is considered the best practice estimate, but is not to be construed as a prediction or guarantee and is fully dependent upon the accuracy of the assumptions as to income, expenses and market conditions. The basic assumptions utilised for the properties is summarised in the Valuation Rationale section of this letter.
- The Reports were undertaken based upon information available as at 30 September 2006. CB Richard Ellis accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

**The People's Republic of China Economy**

The People's Republic of China is the third largest country in the world, taking up a large area in East Asia which stretches across almost 5,000 kilometres. With almost 1.3 billion people in 2005, China has the largest population of any country in the world. This has risen from just under 1 billion people in 1980. Growth per annum since 1990 has consistently slowed falling to its current level of 0.6% per annum but still represents an additional 7 to 8 million people per year. China's population growth is forecast to be slow but stable for the remainder of this decade which contrasts with a decade earlier when population averaged approximately 1.0% per annum or 12 million people per annum. This lower average population growth is the result of both an ageing population and the one-child policy initiated in the late 1970's. It is additionally noted that in 1980, over 80% of the population lived in rural areas. Over time and with modernisation of the economy as a whole, and major cities in particular, the urban population has grown to 42% in 2004 and the rural population has fallen to 58%.

When measured by Purchasing Price Parity ("PPP"), the Chinese economy is the second largest in the world. In 2005, the Chinese's PPP adjusted Gross Domestic Product ("GDP") exceeded US$9.4 trillion. In the 25 year period from 1980 to 2005, China experienced strong economic growth with the economy increasing nearly six-fold, from US$302 billion in 1980 to US$1,761 billion in 2005. Over the same 25-year period, China's average real economic growth rate was 8.7% per year. Of the countries China was compared with in Urbis JHD's Independent Market Review, China's growth rate was the fastest. Over the last 10 years, growth has averaged 8.2% per annum and is forecast at 9.1% in 2006 (higher than any of the comparable countries).

Real incomes over the past 15 years have significantly increased, maintaining pace with and at times exceeding the real GDP growth. Real income growth, with the exception of 2004, has been at double digit levels since 1998. This growth is largely attributed to the economic reforms implemented in the late 1970's as the economy became market based and as an agricultural society moved to an urban, industrial society. In 2004, the average per capita income in China was RMB 6,180 but there is a significant difference between average urban and rural incomes. The average urban per capita income was 3.2 times higher at RMB 9,420 than the average rural per capita income at RMB 2,930.

**The Portfolio**

The portfolio comprises 7 retail properties within the P.R.C., which have the following characteristics:

Location

- 4 within the cities of Beijing (3) and Shanghai (1)
- 3 within secondary cities.

Property

- 2 constructed to suit a traditional local department store
- 3 new retail malls (major anchor with supporting specialty tenants)
- 1 renovated retail mall which is nearing completion (major anchor with supporting specialty tenants)
- 1 constructed as a traditional retail mall with potential for reconfiguration/renovation and remixing

Tenancy Profile

- 2 long term master lease properties (20 years each)
- 1 property with 98% by area held under 2 major leases (20 years each)
- 1 property with a short term master lease (3 years), includes provision to facilitate reconfiguration/ renovation and remixing
- 3 retail malls with major anchors and supporting specialty tenants

**Trade Area Characteristics**

The following table provides a snapshot of the current population and retail spending within the catchment of each of the properties.

| | *Wangjing Mall, Beijing* | *Jiulong Mall, Beijing* | *Anzhen Mall, Beijing* | *Qibao Mall, Shanghai* | *Xinwu Mall, Wuhu* | *Jinyu Mall, Huhehaote* | *Zhengzhou Mall, Zhengzhou* |
|---|---|---|---|---|---|---|---|
| Resident Population ('000) | | | | | | | |
| Primary Trade Area | 153,167 | 141,749 | 292,985 | 115,629 | 85,000 | 168,017 | 448,490 |
| Secondary Trade Area | 148,666 | 389,133 | 378,390 | 229,314 | 296,000 | 112,681 | 249,161 |
| **Main Trade Area** | **301,833** | **530,882** | **671,376** | **344,944** | **381,000** | **280,698** | **697,652** |
| Retail Spend Per Capita (¥) | | | | | | | |
| Primary Trade Area | 21,324 | 17,498 | 17,833 | 15,163 | 7,563 | 7,290 | 9,849 |
| Secondary Trade Area | 17,833 | 17,498 | 17,833 | 14,874 | 7,497 | 7,290 | 9,401 |
| **Main Trade Area** | **19,605** | **17,498** | **17,833** | **14,971** | **7,511** | **7,290** | **9,689** |
| Total Retail Spend (¥M) | | | | | | | |
| Primary Trade Area | 3,266 | 2,480 | 5,225 | 1,753 | 643 | 1,225 | 4,417 |
| Secondary Trade Area | 2,651 | 6,809 | 6,748 | 3,411 | 2,219 | 821 | 2,342 |
| **Main Trade Area** | **5,917** | **9,289** | **11,973** | **5,164** | **2,862** | **2,046** | **6,760** |

*Source: Urbis JHD — 2006*

It is evident from the table the strength of the retail spending on a total and per capita basis within Beijing and Shanghai when compared to the secondary cities.

**Property Summaries**

The following pages provide a brief summary of each of the 7 properties.

**1. Wangjing Mall, No. 33 Guangshun North Street, Blk. 213, Chaoyang District, Beijing**

*Brief Description*

Wangjing Mall is a recently completed suburban shopping centre comprising a 4-storey with 2 basement levels retail podium (including a basement carpark) and a 7-storey tower block above the podium. The retail mall is anchored by Beijing Hualian department store which is located on the southern end of the mall, on Levels 1 to 4 whilst the mini-anchor, Beijing Hualian supermarket is located on Basement 1. The adjoining 11-storey block will predominantly be occupied by food & beverage outlets together with a gymnasium and a karaoke lounge. Car parking for approximately 440 vehicles are located on Basement 2. Currently there is limited competition as Wanjing International Commerce Centre is the only operating mall within the trade area. However, over the next five years, 5 more malls within a 2 kilometres radius are expected to open.

*Tenancy Details*

As at the date of valuation, Wangjing Mall provided 2 major tenants, 131 specialty shops including kiosks (including 18 vacancies). The major tenancies occupy a total area of 27,771.52 square metres, representing 51.2% of the total lettable area. These tenancies are leased for terms of 20 years. In terms of income, the major tenancies contribute approximately 26.2% of the total current passing gross rental income derived from the property.

The specialty component of the property contains a total area of 26,510.80 square metres, representing approximately 48.8% of the total lettable area of the property. Of the 131 specialty tenancies, 18 are currently vacant, representing approximately 10.1% or 5,463.24 square metres of the total lettable area. The majority of specialty tenancies are occupied under a common form of lease, with typical lease terms ranging from 1 to 3 years. All leases provide for the payment of base rent, with the majority having stepped base rent increases over the term of the lease. The majority of the tenants are also required to pay a property management fee.

**2. Jiulong Mall, No. 31 Guangqu Road, Chaoyang District, Beijing**

*Brief Description*

Jiulong Mall completed circa 2003 incorporates 3 levels and a basement. The mall is anchored by Carrefour on Levels 2 and 3 and B&Q which occupies Basement 1 and part of Level 1. The rest of the Level 1 is specialty shops, a majority of which operate out of the floor space that has been sub-leased from Carrefour. These units include Breadtalk, Pizza Hut and Kentucky Fried Chicken. On either side of the building and along the front are the open car parks, providing a total of approximately 350 car park lots. Additionally, there are currently some car parking lots available on adjoining land. The property currently has limited competition; with the main competitor being Century Lianhua Supermarket which is about 1 kilometre to the west. However, the opening of

Red Star Meikailong Furniture Store in late 2006 and a Hymall Hypermart in 2007 will pose additional competition for the property.

*Tenancy Details*

Jiulong Mall provided 2 major tenants and 4 specialty shops. The major tenancies occupy a total area of 48,624.78 square metres, representing 98.2% of the total lettable area. These tenancies are leased for terms of 20 years. The 2 major tenants are responsible for all typical master leases operating expenses but excluding insurance, business tax, and property tax and management fees.

The specialty component of the property (excluding the Carrefour sub-leased shops) contains four tenants within a total area of 901.6 square metres, representing approximately 1.8% of the total lettable area of the property. Three of these specialty tenants are occupied under a common form of lease, with lease terms ranging from 2 to 4 years. One tenancy is leased for 15 years and includes annual rent reviews of 1.5%. All leases provide for the payment of base rent, whilst one lease also included stepped base rent increases over the term of the lease. The speciality tenants are not required to pay an additional property management fee, which has been included in the above rent.

**3. Anzhen Mall, Section 5 of Anzhen Xi Li, Chaoyang District, Beijing**

*Brief Description*

The purpose built department store building completed circa 1994 with renovation in 2002 incorporates 5 levels and a basement, with centre escalators and parameter fire stairs. The layout is traditional with basement supermarket, ground level cosmetics, fashion accessories and shoes and upper levels retailing ladies and men's fashion wear, household and electronic products. There are some small retail outlets adjoining the supermarket and food & beverage outlets on the levels 1 and 2, along the perimeter of the building and having external exposure. The Level 1 entry incorporates a small void to Level 2. The building fronts an open plaza area, under which is a 3-level car park. The adjoining car park is not owned by the owner of the shopping mall. There are 3 main competing centres within the trade area and one additional 50,000 sqm centre due to be completed by 2007, although this centre is located further north, about 2.8 kilometres away.

*Tenancy Details*

Anzhen Mall is master leased to the Beijing Hualian Group. This tenancy occupies 43,442.26 square metres by both GFA and GRA (100% of the property) for a term of 20 years. The lease provides for the payment of base rent and includes stepped base rent increases over the term of the lease. The tenant is responsible for all typical master leases operating expenses but excluding insurance, business tax, property tax and property management fees.

**4. Qibao Mall, No. 3655 Qi Xin Road, Min Hang District, Shanghai**

We have assessed the value of Qibao Mall assuming asset enhancement initiatives have been completed and we have therefore not included any costs associated with completing the reconfiguration under the asset enhancement initiatives.

*Brief Description*

Qibao Mall was completed in late 2003 and currently undergoing major reconfiguration which is due to be completed by 30 September 2006. It incorporates 4 levels. Our valuation is based on these works being completed and therefore we have not deducted any costs associated with completing the reconfiguration. Currently part of the mall is operational and this includes the area occupied by the anchor tenant, Carrefour; mini-anchor Sport 100 and a number of specialty shops. There are a total of about 491 car park lots located on Level 1, at the rear of the building and within the open area at the side compound. The main competing centre within the trade area is the Qi Bao Hymall which is about 1 kilometre away. Other competition includes New World Department Store on the adjoining plot; and 7 other malls located within the 1 kilometre radius.

The interest being acquired is a sub-lease of the land which runs concurrently with the original land lease. As such, the master lessee of the mall will have to pay the land owner an annual land rental. However, it is not responsible for property tax which will be borne by the land owner.

*Tenancy Details*

Qibao Mall provided 1 major tenant and 152 specialty shops. The major tenant occupies a total area of 14,585 square metres, representing 29.5% of the total lettable area. This tenancy is leased for a term of 18.02 years. In terms of income, the major tenancy contributes approximately 11.5% of the total current passing gross rental income derived from the property. This will reduce to about 6.2% when the building is fully leased.

The specialty component of the property contains a total area of 34,804.43 square metres, representing approximately 70.5% of the total lettable area of the property. Of the 152 specialty tenancies, 80 are currently vacant representing approximately 34.3% or 16,916.02 square metres of the total lettable area. The majority of specialty tenancies are occupied under a common form of lease, with lease terms typical ranging from 1 to 3 years. All leases provide for the payment of base rent, with the majority having stepped base rent increases over the term of the lease. The majority of tenants are also required to pay a property management fee.

**5. Xinwu Mall, No. 79 Zhongshan North Road, Xinwu District, Wuhu, Anhui**

*Brief Description*

Xinwu Mall opened for trading in December 2005 and incorporates 4 levels with a basement car park. The mall is anchored by Wal-Mart located on the Levels 2 and 3. The specialty shops are located on Level 1 and the remaining areas of Levels 2 and 3. Level 4 is currently undergoing reconfiguration. We understand that this floor will house a food court, a restaurant and a karaoke lounge. The Basement 1 car park provides 394 vehicle lots. In addition, there are another 55 surface lots located on the eastern flank of the compound. There are 4 competing malls within the 4 kilometres radius trade area. It is anticipated that over the next 5 years, there will be more international and domestic retailers expanding their store networks and increase their representation in smaller cities like Wuhu.

*Tenancy Details*

Xinwu Mall provided 1 major tenant and 96 specialty shops. The major tenant occupies a total area of 18,387 square metres, representing 49.3% of the total lettable area. This tenancy is leased for a term of 15 years. In terms of income, the major tenancy currently contributes approximately 35% of the total current passing gross rental income derived from the property.

The specialty component of the property contains a total area of 18,932.54 square metres, representing approximately 50.7% of the total lettable area of the property. Of the 96 specialty tenancies, 39 are currently vacant representing approximately 33.3% or 12,440.32 square metres of the total lettable area. The majority of specialty tenancies are occupied under a common form of lease, with typical lease terms ranging from 1 to 3 years. All leases provide for the payment of base rent, with the majority having stepped base rent increases over the term of the lease. The majority of tenants are also required to pay a property management fee for the property.

**6. Jinyu Mall, No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia**

*Brief Description*

The 5-storey shopping mall was completed in 2002. The mall is anchored by Beijing Hualian department store located on Levels 1 to 3; and supermarket located on Levels 1 and 2. The remaining space is occupied by specialty retail tenants including a cineplex, food court and games arcade. Levels 4 and 5 are currently not trading and we understand that there are future plans to renovate and reconfigure these floors. There is limited car parking in front of the mall. The competing centres are located within the central business district, about 2 kilometres north-west of the property.

*Tenancy Details*

Jinyu Mall is master leased to the Beijing Hualian Group. This tenancy occupies 41,937.62 square metres by both GFA and GRA (100% of the property) for a term of 3 years. The lease provides for the payment of base rent over the term of the lease. The tenant is also responsible for all typical master leases operating expenses but excluding insurance, business tax, property tax and property management fees.

At the end of the 3 years it is expected that Beijing Hualian Group will lease approximately 10,000 square metres over Levels 1 and 2 with the balance specialty areas to be leased to individual tenants by the owner.

**7. Zhengzhou Mall, No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan**

*Brief Description*

The purpose built department store building completed in circa 1992 incorporates 5 levels and a basement, with a 3-storey high circular shaped atrium. The layout is traditional with basement supermarket, ground level cosmetics, fashion accessories and shoes and upper levels retailing ladies and men's fashion wear, household and electronic products and a food court. There are some small retail outlets adjoining the supermarket and food & beverage outlets on Level 1, along the perimeter of the building and having external exposure. The building fronts an open car park which provides about 300 parking lots. There are 16 competing malls within the catchment. Currently, the strongest competition comes from Kingbird City which is 200 metres to the rear of the property and Dennis Department Store which is about 1.3 kilometres away. Both these competing centres provide one stop shopping. By 2008, the new Dennis Shopping Mall (with a reported 250,000 square metres and less than 1 kilometre away) which will be the largest shopping centre in Zhengzhou when completed.

*Tenancy Details*

Zhengzhou Mall is master leased to the Beijing Hualian Group. This tenancy occupies 92,355.85 square metres by both GFA and GRA (100% of the property) for a term of 20 years. The lease provides for the payment of base rent and includes stepped base rent increases over the term of the lease. The tenant is responsible for all typical master leases operating expenses but excluding insurance, business tax, property tax and property management fees.

## Summary of Property Details

The following table summarises other key property details for each centre:

| | *Property* | *Land Area (sqm)* | *Gross Floor Area (sqm)* | *Gross Rentable Area (sqm)* | *Net Lettable Area (sqm)* | *Expiry of Land Tenure* | *Land Use Rights* |
|---|---|---|---|---|---|---|---|
| 1 | Wangjing Mall, No.33 Guangshun North Street, Blk. 213, Chaoyang District, Beijing | 22,160.46 | 82,633.98 | 67,500.00 | 54,282.32 | 15 May 2043 & 15 May 2053 | Commercial |
| 2 | Jiulong Mall, No. 31 Guangqu Road, Chaoyang District, Beijing | 30,704.67 | 49,526.38 | 49,526.38 | 49,526.38 | 10-Jul-42 | Commercial |
| 3 | Anzhen Mall, Section 5 of Anzhen Xi Li, Chaoyang District, Beijing | 12,339.28 | 43,442.26 | 43,442.26 | 43,442.26 | 5 March 2042, 3 June 2042 & 7 October 2034 | Commercial/ Services |
| 4 | Qibao Mall, No. 3655 Qi Xin Road, Min Hang District, Shanghai | 55,837.00 | 83,985.99 | 72,728.99 | 49,389.43 | 10 March 2043 (sub-leasehold expiry) | Commercial |
| 5 | Xinwu Mall, No. 79 Zhongshan North Road, Xinwu District, Wuhu, Anhui | 20,000.00 | 59,623.50 | 45,375.00 | 37,319.54 | 29-May-44 | Commercial/ Services |
| 6 | Jinyu Mall, No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia | 16,564.30 | 41,937.62 | 41,937.62 | 41,937.62 | 11 March 2041 & 20 March 2041 | Commercial |
| 7 | Zhengzhou Mall, No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan | 26,784.10 | 92,355.85 | 92,355.85 | 92,355.85 | 31-May-42 | Commercial |

## Valuation Rationale

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties that have occurred in the shopping centre market. We have utilised the Capitalisation Approach, Discounted Cash Flow analysis and Direct Comparison in undertaking our assessment for each of the Properties.

*Capitalisation Approach*

As our primary method of valuation, we have utilised a capitalisation approach in which the sustainable net income on a fully leased basis has been estimated having regard to the current passing rental income and potential future income from existing vacancies. Other income relating to advertising and promotion recoveries, casual leasing, sundry items and car parking revenue has additionally been incorporated within our calculations. From this figure, we have deducted outgoings expenditure, property tax, management fees and an ongoing allowance (excluding the master leases) to reflect possible future vacancies and bad debts. We have additionally incorporated an ongoing owner's non-recoverable expenditure allowance within our calculations.

The resultant net income has thereafter been capitalised for the remaining tenure of the respective Properties to produce a core capital value. The yields adopted reflect the nature, location and tenancy profile of the Properties together with current market investment criteria, as evidenced by the sales evidence considered. Thereafter, appropriate capital adjustments have been included relating to letting up costs associated with existing vacancies, rental reversion adjustments and capital expenditure requirements.

Rental reversion have been applied to various tenants within Qibao Mall, Jinyu Mall (as part of the potential reconfiguration/renovation and remixing), Jiulong Mall (negative reversion). We have also calculated an appropriate value for the surplus land at Zhengzhou.

*Discounted Cash Flow Analysis*

As a secondary method of valuation, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the Property is sold at the commencement of the eleventh year of the cashflow. This form of analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, sales turnover growth if applicable, sale price of the property at the end of the investment horizon, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

We have investigated the current market requirements for an investment return over a 10-year period from retail property. We hold regular discussions with investors active in the market, both as purchasers and owners of shopping centres. From this evidence, we conclude that market expectations are currently in the order of 9.25% to 10.0%. We note that the P.R.C. Bond Rate (as at 22 August 2006) is in the order of 3.17%, indicating a risk premium of between 6.08% and 6.83%. Based on our analysis of comparable sales within the international and Singapore markets, which generally indicate a range of 3.0% to 4.0% and 4.0% to 5.0% respectively. The slightly higher premium for this portfolio reflects the inherent investment risks associated with the P.R.C. and the current status of the local bond rate.

Our selected terminal capitalisation rates, used to estimate the terminal sale price, takes into consideration perceived market conditions in the future, estimated tenancy and cash flow profile and the overall physical condition of the building in 10 years' time. The adopted terminal capitalisation rate additionally has regard to the duration of the remaining tenure of the Properties at the end of the cash flow period.

*Net Income Analysis*

The following table provides an overview of the net income of each of the properties. The table includes:

- Gross Income
- Operating Expenses, including property tax, business tax and property management fees
- Net income as if fully leased, after making a provision for a vacancy and bad debts allowance

| **The Portfolio** | ***Wangjing Mall, Beijing*** | ***Jiulong Mall, Beijing*** | ***Anzhen Mall, Beijing*** | ***Qibao Mall, Shanghai*** | ***Xinwu Mall, Wuhu*** | ***Jinyu Mall, Huhehaote*** | ***Zhengzhou Mall, Zhengzhou*** |
|---|---|---|---|---|---|---|---|
| *Gross Rentable Area (GRA) - sqm* | 67,500.00 | 49,526.38 | 43,442.26 | 72,728.99 | 45,375.00 | 41,937.62 | 92,355.85 |
| Net Lettabe Area v GRA efficency | 80% | 100% | 100% | 68% | 82% | 100% | 100% |
| Major Tenant Income (¥) | 27,942,029 | 36,633,600 | 75,750,000 | 4,258,820 | 5,122,003 | 27,000,000 | 47,500,000 |
| Specialty Tenant Income (¥) | 78,671,442 | 4,113,888 | — | 32,661,735 | 9,533,048 | — | — |
| Other Income (¥) | 3,060,000 | — | — | — | 112,800 | — | — |
| Total Gross Income (¥) | 109,673,471 | 40,747,488 | 75,750,000 | 36,920,555 | 14,767,851 | 27,000,000 | 47,500,000 |
| Vacant Tenancies + Vacancy Allowance (¥) | 10,334,193 | -82,278 | — | 32,271,761 | 8,429,097 | — | — |
| **Total Gross Income - Fully Leased (¥)** | 120,007,664 | 40,665,210 | 75,750,000 | 69,192,316 | 23,196,948 | 27,000,000 | 47,500,000 |
| (¥ per sqm per month) | 148 | 68 | 145 | 79 | 43 | 54 | 43 |
| *Less Outgoings* | | | | | | | |
| Operating Expenses (¥) | 18,570,799 | 111,434 | 207,000 | 21,596,043 | 9,142,000 | 75,000 | 135,000 |
| Land Rental (¥) | | | | 21,677,305 | | | |
| Business Tax (¥) | 6,000,383 | 2,033,261 | 3,787,500 | 3,459,616 | 1,159,847 | 1,350,000 | 2,375,000 |
| Property Tax (¥) | 9,256,800 | 3,477,600 | 6,484,800 | — | 974,400 | 3,402,000 | 5,700,000 |
| Property Management Fee (¥) | 4,440,379 | 1,665,330 | 3,070,017 | 1,910,734 | 678,433 | 1,080,555 | 1,908,500 |
| Other Owners Expenses (¥) | 130,278 | 148,579 | — | 100,000 | 111,959 | — | — |
| Total Non-Recoverable Outgoings: (¥) | 38,398,639 | 7,436,204 | 13,549,317 | 48,743,698 | 12,066,639 | 5,907,555 | 10,118,500 |
| (¥ per sqm per month) | 47 | 13 | 26 | 56 | 22 | 12 | 9 |
| (Outgoings as a % of Gross Income) | 32.0% | 18.3% | 17.9% | 70.4% | 52.0% | 21.9% | 21.3% |
| **Net Income Fully Leased (¥)** | 81,609,026 | 33,229,007 | 62,200,683 | 20,448,618 | 11,130,309 | 21,092,445 | 37,381,500 |
| (¥ per sqm per month) | 101 | 56 | 119 | 23 | 20 | 42 | 34 |

Note 1: Net Income Fully Leased is after an allowance for vacancy and bad debts allowance.

Note 2: The income rate per sqm per month for the master lease properties is understated on a gross basis as the tenant pays some of the outgoings direct.

The assessed net income relies upon deducting various outgoings as appropriate under the various leases. Property tax within our calculation is charged at 1.2% x 70% of the valuation except for Jinyu which is at 1.2% x 90% of the valuation whilst Zhengzhou is calculated at 12% of gross revenue. These are in line with the current methods of assessment. These property tax assessment methods have been adopted within our valuation calculations, both within the initial capitalisation approach and the assessment of the terminal value within our discounted cash flow analysis.

2 November 2006

**Summary of Values**

Based on the above, the following table outlines the salient valuation assumptions adopted in undertaking our assessment:

| Property | Capitalisation Rate | Target Discount Rate (10-year) | Terminal Yield | Assessed Market Value | |
|---|---|---|---|---|---|
| | | | | RMB | RMB/sqm (GRA) |
| 1 Wangjing Mall, No. 33 Guangshun North Street, Blk. 213, Chaoyang District, Beijing | 7.00% | 9.25% | 7.50% | ¥ 1,102,000,000 | ¥ 16,326 |
| 2 Jiulong Mall, No. 31 Guangqu Road, Chaoyang District, Beijing | 7.25% | 9.50% | 7.75% | ¥ 414,000,000 | ¥ 8,359 |
| 3 Anzhen Mall, Section 5 of Anzhen Xi Li, Chaoyang District, Beijing | 7.25% | 9.50% | 7.75% | ¥ 772,000,000 | ¥ 17,771 |
| 4 Qibao Mall, No. 3655 Qi Xin Road, Min Hang District, Shanghai | 7.75% | 10.00% | 7.50% | ¥ 264,000,000 | ¥ 3,630 |
| 5 Xinwu Mall, No. 79 Zhongshan North Road, Xinwu District, Wuhu, | 7.75% | 9.75% | 7.75% | ¥ 130,000,000 | ¥ 2,865 |
| 6 Jinyu Mall, No. 32 E' Er Duo Si Street Saihan District, Huhehaote, Inner Mongolia | 8.00% | 10.00% | 8.50% | ¥ 315,000,000 | ¥ 7,511 |
| 7 Zhengzhou Mall, No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan | 8.00% | 10.00% | 8.50% | ¥ 454,000,000 | ¥ 4,916 |

Note: Qibao Mall – Whilst the cap rate reflects the risk associated with the current vacancy within the property, the terminal value is on the basis that the property will be established at that point in time.

The aggregate value of the individual values detailed above is ¥3,451,000,000 or ¥3.451 billion.

CBRE
CB RICHARD ELLIS

2 November 2006

**Assessment of Value**

We are of the opinion that the Market Value of the unencumbered leasehold interest in the Properties, subject to all existing and proposed tenancies and occupancy arrangements, is:

Total Portfolio — 7 Properties
¥3,451,000,000
(RMB: Three Billion Four Hundred and Fifty-one Million)

**Disclaimer**

Mr Danny Mohr, Ms Sim Hwee Yan, and CB Richard Ellis have prepared this Valuation Summary letter which appears in this prospectus and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the prospectus, other than in respect of the information provided within the aforementioned Reports and this Valuation Summary letter. Mr Danny Mohr, Ms Sim Hwee Yan and CB Richard Ellis do not make any warranty or representation as to the accuracy of the information in any other part of the prospectus other than as expressly made or given by CB Richard Ellis in this Valuation Summary letter.

CB Richard Ellis has relied upon property data supplied by CRCTML which we assume to be true and accurate. CB Richard Ellis takes no responsibility for inaccurate client supplied data and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. Messrs Danny Mohr and Sim Hwee Yan have no present or prospective interest in the Properties and have no personal interest or bias with respect to the party/s involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event (such as a lending proposal or sale negotiation).

We hereby certify that the valuers undertaking these valuations are authorised to practise as valuers and have at least 15 years continuous experience in valuation.

Yours sincerely
CB Richard Ellis (Pte) Ltd

Danny Mohr MRICS AAPI

Registered Valuer
Executive Director — REITs Asia

Sim Hwee Yan BSc (Est. Mgt) Hons FSISV
Appraiser's Licence No. AD041-20041-55J
Executive Director — REITs Asia

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Knight Frank 萊坊

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Our Ref CV/AN/CL/DC/ly/06-0904

8 November 2006

HSBC Institutional Trust Services (Singapore) Limited
(as trustee of CapitaRetail China Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

Dear Sirs

**1. ANZHEN MALL, SECTION 5 OF ANZHEN XI LI, CHAOYANG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA**

**2. JIULONG MALL, NO. 31 GUANGQU ROAD, CHAOYANG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA**

**3. WANGJING MALL, NO. 33 GUANGSHUN NORTH STREET, BLOCK 213, CHAOYANG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA**

**4. QIBAO MALL, NO. 3655 QI XIN ROAD, MIN HANG DISTRICT, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA**

**5. JINYU MALL, NO. 32 E' ER DUO SI STREET, SAIHAN DISTRICT, HUHEHAOTE, INNER MONGOLIA AUTONOMOUS REGION, THE PEOPLE'S REPUBLIC OF CHINA**

**6. XINWU MALL, NO. 79 ZHONGSHAN NORTH ROAD, XINWU DISTRICT, WUHU, ANHUI, THE PEOPLE'S REPUBLIC OF CHINA**

**7. ZHENGZHOU MALL, NO. 3 MIN ZHU ROAD, ER QI DISTRICT, ZHENGZHOU, HENAN, THE PEOPLE'S REPUBLIC OF CHINA**

**(COLLECTIVELY THE "PROPERTIES")**

This valuation has been prepared for the purposes of inclusion in the Prospectus to be issued in connection with the offering (the "Offering") by Retail Crown (BVI) Limited, an indirect wholly-owned subsidiary of CapitaLand Limited, of its units in CapitaRetail China Trust ("CRCT") for purchase, and the listing of CRCT on Singapore Exchange Securities Trading Limited.

In accordance with the instructions from HSBC Institutional Trust Services (Singapore) Limited (as trustee of CRCT) for us to value each of the Properties, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of each of the Properties as at 30 September 2006.

Our valuation is our opinion of the market value of the Properties which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, deferred term contracts, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have valued the Properties (i) on the basis that the leasehold interests/property interests are immediately available for sale in the market subject to their existing tenancies as at the date of valuation; and (ii) in their existing states having neither investigated nor taken into account the redevelopment potential of the Properties, if any.

Where applicable, information such as the title particulars, ownership and land use right terms has been provided by CapitaRetail China Trust Management Limited (the "Manager"). We have also relied on the information provided by the Manager on matters such as floor areas, tenancy details, occupancy status, land use right terms, building plans and all other relevant matters. The Manager has provided the tenancy details as at 31 August 2006 where we have assumed that the tenancies as at the date of valuation are the same as those on 31 August 2006. Moreover, in the course of our valuation, we have assumed that all the leases are legally valid and enforceable and the Properties have proper legal title, which can be freely transferable, leased and sub-leased in the market without being subject to any land premium or any extra charges. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager which is material to the valuations. All information provided to us is treated as correct and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of value if any other information provided were to materially change.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Properties are free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have inspected the exterior and, where possible, the interior of the Properties. No structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

In arriving at our opinion of value, we have considered the prevailing market conditions, especially those pertaining to the retail sectors of the property market. The valuation methods adopted to arrive at our opinion of value are the Direct Comparison Method and Discounted Cash Flow Analysis (DCF).

Knight Frank 莱坊

Each method has been used as a check against the others. The DCF is relied on a set of assumptions as to income and expenses of the Properties and future economic conditions in the local market. Expenses include utilities, repair and maintenance, business and property taxes, marketing, general and administration fees, retail management fee and sinking fund for future capital expenditure, where appropriate. (For Qibao Mall, we have also considered the head lease rental expenses under the lease.) The resultant value is considered the best practice estimate, but is not to be construed as a prediction or guarantee and is fully dependent upon the accuracy of the assumptions as to income, expenses and market conditions.

A summary of the particulars of each of the Properties, our valuation, the Internal Rate of Return (IRR) and Terminal Yield adopted in our valuation is given below:–

| **Premises** | **Approximate GFA (sq m)** | **Valuation as at 30 September 2006 (RMB)** | **IRR (%)** | **Terminal Yield (%)** |
|---|---|---|---|---|
| Anzhen Mall | 43,442 | 838,000,000 | 9.00 | 6.00 |
| Jiulong Mall | 49,526 | 457,000,000 | 9.00 | 6.00 |
| Wangjing Mall | 82,634 | 1,175,000,000 | 9.25 | 6.25 |
| Qibao Mall | 83,986 | 297,000,000 | 9.75 | 6.75 |
| Jinyu Mall | 41,938 | 316,000,000 | 10.25 | 7.25 |
| Xinwu Mall | 59,624 | 169,000,000 | 9.50 | 6.50 |
| Zhengzhou Mall | 92,356 | 540,000,000 | 9.25 | 6.25 |
| Total | 453,506 | 3,792,000,000 | | |

We are of the opinion that the market value of each of the Properties is stated in the table above and the aggregate market value of the Properties as at 30 September 2006 was in the sum of RMB 3,792,000,000 (RENMINBI THREE BILLION SEVEN HUNDRED NINETY TWO MILLION ONLY).

The details of individual portions of the Properties are attached to this letter. This letter alone does not contain the necessary data and support information included in our comprehensive reports. For further information to that contained herein, reference should be made to the comprehensive reports, copies of which are held by the Trustee.

This valuation summary is for the use of the Manager, the board of directors of the Manager and the Trustee in connection with the proposed Offering. No responsibility is accepted to any other party for the whole or any part of its contents.

We have prepared this valuation summary for inclusion in the Prospectus and specially disclaim liability to any person in the event of any omission from or false or misleading statement included in the Prospectus, other than in respect of the information provided within the valuation report and summary. We do not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given in this valuation summary.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties whom CRCT is contracting with. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng

MRICS MHKIS RPS(GP)
Executive Director

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Clement W M Leung

MRICS MHKIS RPS(GP)
Executive Director

**Anzhen Mall**

| | | |
|---|---|---|
| Address of Property | : | Section 5 of Anzhen Xi Li, Chaoyang District, Beijing, The People's Republic of China. |
| Number of Parking Lots | : | Car parking spaces next to the property are leased by the lessee from the relevant owner, which are not owned by the registered owner of the property. |
| Land Use Right Terms | : | Three land use right terms expiring on 3 June 2042, 5 March 2042 and 7 October 2034, respectively. |
| Registered Owner | : | CapitaRetail Beijing Anzhen Real Estate Co., Ltd.<br>(北京凱德安貞商用房地产有限公司) |
| Brief Description | : | The property is a 5-storey plus one-level basement shopping mall with a total gross floor area of approximately 43,442.26 sq m, erected on a site of approximately 12,339.28 sq m.<br><br>The basement level is occupied by a supermarket while floors above are occupied by fashion wear, food & beverage, household and electronic products, etc. |
| Tenancy Particulars | : | In accordance with a tenancy agreement dated 25 July 2005 entered into between CapitaRetail Beijing Anzhen Real Estate Co., Ltd. (Party A) and 北京华联商厦股份有限公司 (Party B), Party A has leased the property to Party B for a term of twenty years which as advised by the Manager will expire on 24 July 2025, yielding a monthly base rental income and property management fee of about RMB 6,313,000. The lease is subject to a rent review clause and turnover rent clause. The rent is revised annually with an increment of 1% (The current total monthly base rent is approximately RMB6,313,000.). The turnover rent will be payable on the condition that if the total annual turnover of Party B exceeds RMB1,250 million, the turnover rent is then calculated at 2.5% of the difference of the actual annual turnover and RMB1,250 million. Party B has the first right to renew the tenancy on an equivalent basis. |
| Gross Floor Area | : | Approximately 43,442.26 sq m |
| Year of Completion | : | 1994, with refurbishments in 2002 |
| Current Occupancy Rate | : | 100% (master lease) |
| Monthly Rent | : | Approximately RMB 6,313,000 |
| Land Use | : | Commercial |
| Market Value as at 30 September 2006 | : | RMB 838,000,000 |

*Notes:*

*(1) In the course of our valuation, we have excluded the car parks as they do not form part of the property but we have assumed that 北京华联商厦股份有限公司 and the subsequent tenant (after the expiry of the existing lease) will continuously lease the car parks as ancillary facilities to the property.*

*(2) The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

**Jiulong Mall**

| | | |
|---|---|---|
| Address of Property | : | No. 31 Guangqu Road, Chaoyang District, Beijing, The People's Republic of China. |
| Number of Parking Lots | : | 350 open car parking spaces. |
| Land Use Right Term | : | 40 years expiring on 10 July 2042 |
| Registered Owner | : | 北京嘉利恒德房地产开发有限公司 |
| Brief Description | : | The property is a 3-storey, plus one level basement, shopping mall with a total gross floor area of approximately 49,526.38 sq m, erected on a site of approximately 30,704.67 sq m.<br><br>All four levels are for retail purposes and car parks/loading areas are provided on the open space of the site. |
| Tenancy Particulars | : | The property is leased to two anchor tenants, Carrefour and B&Q, and four individual tenants yielding a total monthly base rental income of approximately RMB3,395,000, inclusive of management fee.<br><br>The two anchor tenants are subject to two leases both for 20 years to be expired in February 2024 for Carrefour and April 2024 for B&Q. The two leases contain a rental escalation clause and have the option to renew. The annual rent of Carrefour is RMB23,733,600 for the first four years; thereafter, the rent will be increased annually by 1% of the previous one. Carrefour has the right to renew the lease for further 10 years where the rent will be increased at 1% per annum from the rent of the 20th year. The annual rent of B&Q is RMB12,900,000 for the first three year; thereafter, the rent will be increased in every three years at 3% of the previous rent. B&Q has the right to renew the lease for a further term not less than 10 years. |
| Gross Floor Area | : | Approximately 49,526.38 sq m |
| Year of Completion | : | 2003 |
| Current Occupancy Rate | : | 100% |
| Monthly Rent | : | Approximately RMB 3,395,000 |
| Land Use | : | Commercial |
| Market Value as at 30 September 2006 | : | RMB 457,000,000 |

*Notes:*

*(1) The Manager has advised that the owner post completion of sale and purchase and title transfer of the property is CapitaRetail Beijing Jiulong Real Estate Co., Ltd. and the title transfer is in the process.*

*(2) The monthly rent stated above represents the total monthly base rental income and property management fee for the committed leases.*

*(3) The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

Knight Frank 莱坊

**Wangjing Mall**

| | | |
|---|---|---|
| Address of Property | : | No.33 Guangshun North Street, Block 213, Chaoyang District, Beijing, The People's Republic of China |
| Number of Parking Lots | : | 440 car parking spaces at basement and ground level |
| Land Use Right Terms | : | Commercial Use — 40 years expiring on 15 May 2043;<br><br>Car park Use — 50 years expiring on 15 May 2053;<br><br>Comprehensive Use — 50 years expiring on 15 May 2053 |
| Registered Owner | : | 北京信宜房地产开发有限公司 |
| Brief Description | : | The property comprises a 4-storey, plus two-level basement (including a basement car park), shopping podium and a 7-storey tower block above the podium with a total gross floor area of approximately 82,633.98 sq m and net lettable area of approximately 54,282.32 sq m, erected on a site of approximately 22,160.46 sq m.<br><br>B1 to L4 of the property provides retail shops of various sizes while L5 to L11 are occupied by restaurants, fitness centre and entertainment outlets. |
| Tenancy Particulars | : | The property is currently let under various tenancies for terms of one to twenty years with the latest lease expiring in September 2026, yielding a total monthly base rental income of about RMB8,869,000, inclusive of management fees |
| Gross Floor Area | : | Approximately 82,633.98 sq m |
| Year of Completion | : | 2006 |
| Current Occupancy Rate | : | 89.9% |
| Monthly Rent | : | Approximately RMB 8,869,000 |
| Land Use | : | Commercial |
| Market Value as at 30 September 2006 | : | RMB 1,175,000,000 |

*Notes:*

*(1) The Manager has advised that the owner post completion of sale and purchase and title transfer of the property is CapitaRetail Beijing Wangjing Real Estate Co., Ltd. and the title transfer is in the process.*

*(2) The monthly rent stated above represents the total monthly base rental income and property management fee for the committed leases.*

*(3) The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

**Qibao Mall**

| | | |
|---|---|---|
| Address of Property | : | No. 3655 Qi Xin Road, Minhang District, Shanghai, the People's Republic of China |
| Number of Parking Lots | : | 491 car parking spaces on ground floor |
| Land Use Right Term | : | 40 years expiring on 10 March 2043 |
| Registered Owner | : | Shanghai Jinqiu Group Co., Ltd.<br>(上海金球(集团)有限公司) |
| Brief Description | : | The property is a four-storey retail building with a total gross floor area of approximately 83,985.99 sq m and net lettable area of approximately 49,389.43 sq m and car-parking spaces on ground floor, erected on a site of approximately 55,837 sq m.<br><br>Currently, portion of the property has been in operation while the other areas are under renovation, which is scheduled to be completed in 4Q 2006. Tenant mix includes fashion wear, food & beverage, jewellery, hypermarket, etc. |
| Tenancy Particulars | : | The property is operated under a master lease agreement entered into between the registered owner and CapitaRetail Dragon Mall (Shanghai) Co., Ltd, and the lease term will expire on 7 January 2024 with an option to renew.<br><br>The property has been leased to 72 tenants with major tenants, such as Carrefour, Sport 100, ESPRIT, etc. as at 31 August 2006. The latest lease will expire in 2024. |
| Gross Floor Area | : | Approximately 83,985.99 sq m |
| Year of Completion | : | 2003 |
| Current Occupancy Rate | : | 65.8 % |
| Monthly Rent | : | Approximately RMB 3,126,000 |
| Land Use | : | Retail |
| Market Value as at 30 September 2006 | : | RMB 297,000,000 |

*Notes:*

*(1) Our valuation is the market value of the leasehold interest of the head lessee in the property.*

*(2) The monthly rent stated above represents the total monthly base rental income and property management fee for the committed leases.*

*(3) The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

*(4) In the course of our valuation, we have not taken into account any outstanding renovation cost and have assumed that the renovation costs have been fully settled as at the date of valuation.*

**Jinyu Mall**

| | | |
|---|---|---|
| **Address of Property** | : | No. 32 E' Er Duo Si Street, Saihan District, Huhehaote, Inner Mongolia Autonomous Region, the People's Republic of China |
| Number of Parking Lots | : | N/A |
| Land Use Right Terms | : | Two land use right terms expiring on 11 March 2041 and 20 March 2041. |
| Registered Owner | : | 呼和浩特廣合置業有限公司 (Huhehaote Guanghe Real Estate Co., Ltd.) and 北京華聯呼和浩特金宇綜合超市有限公司 (Beijing Hualian Huhehaote Jinyu Supermarket Co., Ltd.) |
| Brief Description | : | The property is a 5-storey shopping mall plus a one level basement with a total gross floor area of approximately 41,937.62 sq m, erected on two parcels of land with a total site area of approximately 16,564.30 sq m.<br><br>The retail trades of the property mainly comprise a department store on Levels 1 to 3, a chain of arcade shops trading as fashion, beauty care products and the like on Levels 1 to 3, and a supermarket on Levels 1 and 2. A cinema and a food court are currently located on Level 3. Levels 4 and 5 are currently pending reconfiguration. The anchor tenants include KFC, ESPRIT, Beijing Hualian Supermarket, etc. |
| Tenancy Particulars | : | Post completion of the sale and purchase agreement with CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd., the Property will be operated under a master lease entered into between CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd. (the "Lessor") and the Beijing Hualian Group (the "Lessee") for a term of 3 years yielding an initial annual rent of RMB27,000,000. The Manager has advised that the expected commencement date of the master lease is around October 2006. Within the 3-year term, the Lessor is expected to progressively recover the non-Beijing Hualian- operated floor area as well as the area currently occupied by the Beijing Hualian Department Store, and a floor area of not less than 10,000 sq m will remain to be leased to the Beijing Hualian Group to operate its supermarket business for a further 17 years. Subsequent to that, the Lessee has a priority renewal right to renew for a further 20 years or the balance term to expiry of title. The rent for the renewal term is RMB1.8/sq m/day, with a growth rate of 3% for each 5 years. The Lessee has the right to sub-lease the Property during the lease term. |
| Gross Floor Area | : | Approximately 41,937.62 sq m. |
| Year of Completion | : | 2002 |

| | | |
|---|---|---|
| Current Occupancy Rate | : | 100% (master lease) |
| Monthly Rent | : | Approximately RMB2,250,000 |
| Land Use | : | Commercial |
| Market Value as at 30 September 2006 | : | RMB 316,000,000 |

*Notes:*

*(1) The Manager has advised that the owner post completion of sale and purchase and title transfer of the property is CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd. and the title transfer is in the process.*

*(2) The monthly rent stated above represents the expected total monthly base rental income for the master lease.*

*(3) The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

*(4) As advised by the Manager, the property will be refurnished and re-designed in phases as part of the overall enhancement works, including area recovery from the Lessee after the floor areas have been reverted to the Lessor. Over the three-year period, the Manager intends to progressively recover area from the Lessee and to be subsequently leased directly to specially tenants. It is envisaged that the current unutilized Levels 4 and 5 would be an entertainment hub for local residents. The Manager is of the opinion that the rent achievable from directly leasing of the recovery space to specialty tenants would be higher than the rent currently payable by the Lessee. In the course of our valuation, we have considered the Manager's estimated refurbishment cost in our cash flow analysis; nonetheless, we are not in the proper position to comment on this cost. We have assumed that the renovation for Levels 4 and 5 will be completed by the end of 2007, while that for other levels in mid-2008.*

Knight Frank 萊坊

**Xinwu Mall**

| | | |
|---|---|---|
| Address of Property | : | No. 79 Zhongshan North Road, Xinwu District, Wuhu, Anhui, the People's Republic of China |
| Number of Parking Lots | : | 449 car parking spaces at the basement and ground floor |
| Land Use Right Term | : | 40 years from 30 May 2004 |
| Registered Owner | : | 蕪湖深國投商用置業有限公司<br>(Wuhu SZITIC Commercial Property Co., Ltd.) |
| Brief Description | : | The property comprises four retail floors on Level 1 to Level 4 of a 4-storey commercial development and a level of basement car park with a total gross floor area of approximately 59,623.50 sq m and net lettable area of approximately 37,319.54 sq m, erected on a site of approximately 20,000 sq m.<br><br>The tenant mix of the property includes food & beverage, fashion, jewellery, restaurant, hypermarket, etc. |
| Tenancy Particulars | : | The property is leased to various individual tenants for terms of one to fifteen years with the latest tenancy expiring in January 2021, yielding a total monthly base rental income of about RMB1,162,000, inclusive of property management fee. Wal-Mart, an anchor tenant, occupies the majority portion of Level 2 and Level 3, subject to a lease agreement for a term of 15 years expiring in January 2021. Level 4 is under renovation. |
| Gross Floor Area | : | Approximately 59,623.50 sq m |
| Year of Completion | : | 2005 |
| Current Occupancy Rate | : | 66.7% |
| Monthly Rent | : | Approximately RMB1,162,000 |
| Land Use | : | Commercial and Servicing |
| Market Value as at 30 September 2006 | : | RMB 169,000,000 |

*Notes:*

(1) *In the course of our valuation, we have assumed that the total leased area of approximately 18,387 sq m let to Wal-Mart including the plant rooms, loading and unloading area, common area and retail spaces is legal and enforceable.*

(2) *The monthly rent stated above represents the total monthly base rental income and property management fee for the committed leases.*

(3) *The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

Knight Frank 萊坊

**Zhengzhou Mall**

| | | |
|---|---|---|
| Address of Property | : | No. 3 Minzhu Road, Er Qi District, Zhengzhou, Henan, the People's Republic of China |
| Number of Parking Lots | : | 300 car parking spaces situated on portion of the subject land lot, with a site area of 6,909.60 sq m. |
| Land Use Right Terms | : | To be expired on 31 May 2042. |
| Registered Owner | : | 北京華聯商厦河南有限公司 |
| Brief Description | : | The property is a 6-storey shopping mall plus a one level basement with a total gross floor area of approximately 92,355.85 sq m, erected on two parcels of land with a total site area of approximately 26,784.10 sq m.<br><br>Basement Level 1 is currently occupied as a supermarket. Levels 1 to 5/6 are currently occupied as a department store and chains of arcade shops trading as fashion, beauty care products, jewellery with anchor tenants such as McDonald's, etc. Level 6 was used as a staff canteen. |
| Tenancy Particulars | : | Post completion of the sale and purchase agreement, the property will be operated under a master lease agreement entered into between 北京華聯商厦河南有限公司 (the "Lessor") and 河南华联商厦有限公司 (the "Lessee"). The property is let under the master lease for a term of twenty years expected to be expired in October 2026, yielding an initial total annual base rental income of approximately RMB47,500,000, inclusive of property management fee, for the first three years. In addition to the base rent, a turnover rent will be receivable at a rate of 2.5% on the surplus portion of the sales turnover if the annual sales turnover exceeds RMB600,000,000. The master lease is subject to a rent review clause with rent to be increased by 2% for the fourth year and 1% for each year since the fifth year. |
| Gross Floor Area | : | Approximately 92,355.85 sq m |
| Year of Completion | : | 1992, with refurbishments in 2002. |
| Current Occupancy Rate | : | 100% (master lease) |
| Monthly Rent | : | Approximately RMB3,958,000 |
| Land Use | : | Commercial |
| Market Value as at 30 September 2006 | : | RMB 540,000,000 |

*Notes:*

*(1) The monthly rent stated above represents the expected total monthly base rental income for the master lease.*

*(2) The monthly rent and occupancy rate are derived by referring to the committed lease information as at 31 August 2006.*

**INDEPENDENT OVERVIEW REPORT ON THE CHINA RETAIL PROPERTY MARKET**

urbis JHD

# Independent Market Review
# October 2006

Prepared for
The Board of Directors
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In respect of CAPITARETAIL CHINA TRUST
For and on behalf of Urbis JHD (Pty) Ltd

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# INTRODUCTION

CapitaRetail China Trust Management Limited ("CRCTML"), as manager of CapitaRetail China Trust ("CRCT") commissioned UrbisJHD to conduct a study to provide an overview report on the China retail property market for the purpose of inclusion in the prospectus to be issued in connection with the initial public offering of the units in CRCT and the listing of CRCT in Singapore Exchange Securities Trading Limited. This report has been prepared by UrbisJHD in conjunction with Cushman & Wakefield. This report provides an independent market review of the retail sector in the PRC and the seven specific CRCT assets, namely, Wangjing Mall, Jiulong Mall, Anzhen Mall, Qibao Mall, Zhengzhou Mall, Jinyu Mall and the Xinwu Mall.

### Format of Report

This report commences with an Executive Summary, followed by ten sections as follows:

- **Section 1** outlines the recent and projected performance of the PRC with reference to the key economic measures including population, GDP growth, private consumption expenditure (PCE) growth, inflation, employment and tourism.
- **Section 2** provides an overview of the retail market including reference to retail sales, retail spending, consumer behaviour and preferences, brand acceptance, new retail formats, retail floorspace productivity and retail rents.
- **Section 3** provides a brief overview of the CRCT portfolio in the PRC, as well as a review of the anchor tenants.

Sections 4 to 10 provide a market review for each of the seven specific retail assets, namely:

- **Section 4** — Wangjing Mall, Beijing.
- **Section 5** — Jiulong Mall, Beijing.
- **Section 6** — Anzhen Mall, Beijing.
- **Section 7** — Qibao Mall, Shanghai.
- **Section 8** — Zhengzhou Mall, Zhengzhou.
- **Section 9** — Jinyu Mall, Huhehaote.
- **Section 10** — Xinwu Mall, Wuhu.

### Sources of Information

The principal sources of information drawn upon for the preparation of this report include:

- The PRC National Bureau of Statistics
  - 2005 China Statistics Yearbook
  - 2005 Beijing Statistics Yearbook
  - 2005 Shanghai Statistics Yearbook
  - 2005 Zhengzhou Statistics Yearbook
  - 2005 Henan Province Statistics Yearbook
  - 2005 Inner Mongolia Statistics Yearbook
  - 2005 Huhehaote Statistics Yearbook
- Euromonitor Retailing in China, September 2004.
- Cushman and Wakefield.

- IMD World Competitiveness Yearbook 2005
- Consensus Economics Inc., Asia Pacific Economic Forecasts
- "The Rise of the Chinese Consumer," Jonathon Garner, 2005
- Previous studies and research prepared by UrbisJHD

**Abbreviations**

The following abbreviations are used in this report:

| | |
|---|---|
| CCP | Chinese Communist Party |
| CPI | Consumer Price Inflation |
| FDI | Foreign Direct Investment |
| CAGR | Compound Annual Growth Rate |
| GDP | Gross Domestic Product |
| GFA | Gross Floor Area |
| GNI | Gross National Income |
| GRA | Gross Rentable Area |
| GRP | Gross Regional Product |
| IMD | Institute of Management Development |
| MOFCOM | Ministry of Commerce |
| NPC | National People's Congress |
| PCE | Private Consumption Expenditure |
| PLA | People's Liberation Army |
| PPP | Purchasing Price Parity |
| RPI | Retail Price Inflation |
| SEZ | Special Economic Zone |
| WTO | World Trade Organisation |

# EXECUTIVE SUMMARY

The purpose of the report is to provide CRCTML with an independent review of the retail market in the People's Republic of China (PRC) together with a review of each of the subject malls in CRCT including reference to their catchment population and trading outlook.

The key findings and conclusions arising out of the analysis contained in this report are summarised below:

### Economic Growth

1. With a population of 1.3 billion people, the PRC is the largest country in the world and has the second largest economy when measured by Purchasing Price Parity (PPP). In 2005, the PRC's GDP adjusted for PPP exceeded US$9.4 trillion. When measured in USD exchange rate terms, the PRC economy is the fourth largest at US$1.8 trillion.

2. There have been some significant changes to the PRC economy over the last 25 years. It has developed from a centrally planned system largely closed to international trade to a more open market oriented economy that has a rapidly growing private sector and is a major player in the global economy. International trade has developed, and finance and trade services have also become more important drivers of economic growth. The fast paced growth has gradually shifted the PRC economy away from its agrarian base to a more modernised, manufacturing and services based economy.

3. The PRC has consistently been one of the fastest growing economies in recent years. Average real GDP growth has been an impressive 8.7% per year over the 25 year period commencing 1980. Over the most recent five year period (2000-2005) the average real growth in GDP has been at a similar level at 8.2% per annum. This is the highest rate of growth for all of the Asian economies and is typically two-to-three times greater than the GDP growth experienced in most western countries.

4. More importantly, the PRC economy is expected to continue its strong growth with real GDP growth forecast at 9.1% for 2006 and averaging 8.1% per annum for the next decade. As such the PRC is expected to remain the fastest growing economy in Asia, and one of the fastest growing economies in the world.

### Rising Real Incomes

5. Accompanying the strong economic growth have been significant increases in the overall standard of living and in real incomes. Over the 1990-2004 period, real incomes grew at an impressive rate of 9.4% per annum with an even higher average rate of growth (12.8% per annum) occurring since 1998.

6. Despite the extraordinary real income growth experienced over recent years, there has been a growing gap in household income between urban and rural residents. The average urban per capita income currently is three times higher than the average rural per capita income. The higher levels of income witnessed in the urban areas are largely attributable to the rapid population and economic growth that has occurred in many PRC cities.

### Increasing Urbanisation

7. Although the PRC has the largest population of any country in the world, its rate of population growth has been gradually declining, from an average of around 1.5% per annum in the 1980's, to 1.1% per annum in the 1990's, to its current level of around 0.6% per annum. This lower average population growth is the outcome of both an ageing population and the government's

one-child policy. Despite population growth only being 0.6% per annum, this still represents a significant annual growth of 7–8 million additional people per year.

8. There has been a strong trend towards urbanisation of the population with the onset of solid economic growth. In 1980, over 80% of the population lived in rural areas. Over time, and with the modernisation of both the economy as a whole, and major cities in particular, the urban population has grown to 42% in 2004 whilst the rural population has fallen to 58%. On this basis the urban population since 1990 has grown at an average rate of 4.1% per annum whereas the rural population has declined, by an average rate of -0.8% per annum.

9. At present the PRC has over 50 cities with a population of above 1 million people. The two largest cities are Shanghai and Beijing, with Shanghai ranked in the top 10 largest cities in the world. Within the PRC the Top 10 cities are as follows:

**The People's Republic of China**
**Top 10 Cities by Total Population, 2005**

| Rank | City | Population |
|---|---|---|
| 1 | Shanghai | 18,150,000 |
| 2 | Beijing | 12,100,000 |
| 3 | Shenzhen | 10,750,000 |
| 4 | Guangzhou | 9,550,000 |
| 5 | Chongqing | 9,350,000 |
| 6 | Wuhan | 9,100,000 |
| 7 | Tianjin | 6,350,000 |
| 8 | Shenyang | 4,550,000 |
| 9 | Xi'an | 3,600,000 |
| 10 | Nanjing | 3,500,000 |

*Source : www.citypopulation.de; UrbisJHD*

**Implications for Retail**

10. The strong economic growth forecast to continue in the short to medium term provides a positive outlook for the retail market in the PRC. As has been seen previously in other economies, economic growth and improvements in the standard of living are primary drivers of growth in retail sales and household consumption. The same phenomenon is being witnessed in the PRC whereby there is a burgeoning middle class with growing real incomes. This coupled with a significant shift from rural living to urban living, and the concentration of major shopping centres and retail outlets in urban areas, bodes well for retail growth in suburban retail malls in the PRC in the future.

11. The significance of the growing urbanisation of the PRC, and the increased living standards, should not be understated. Household ownership will continue to increase, which will require additional furnishings and expenditures. As household incomes continue to increase along with disposable income, the retail sector stands to benefit from the expected increase in retail consumption.

**Retail Sales Growth & Inflation**

12. Retail sales growth in the PRC has been highly correlated to GDP growth. Retail sales growth has averaged approximately 2%-3% per annum higher than GDP growth over the past 10 years.

13. Nominal retail sales growth (i.e. including inflation) over the past 10 years has averaged an impressive 12.5% per annum and for 2005 total retail sales for the PRC were estimated at RMB 4.2 trillion. Looking forward, retail sales for the PRC are forecast to grow in nominal terms at an average rate of 10.0% per annum through to 2011 thereby reaching RMB 7.4 trillion in 2011.

14. Consumer price inflation (CPI) in the PRC has averaged only 1.4% per annum over the past five years and retail price inflation (RPI) has been lower. CPI is forecast to average 2.7% per annum through to 2011 while RPI is forecast at 1.2% per annum.

**Brand Acceptance**

15. The westernisation of PRC consumption behaviour over the past decade has contributed positively to the spread of brand acceptance. Increasing prevalence of TV viewership, higher education and increasing level of domestic and international travel have brought the PRC consumer in contact with traditional marketing channels. Retailers have gained greater and deeper access to consumers and this has led to more exposure to brands and subsequently greater brand acceptance among their target markets.

16. This has contributed to the success of specialty stores, which are now becoming the most popular apparel retail format in the PRC. Furthermore, PRC consumers have also accepted supermarkets and hypermarkets as the principal location to purchase food.

17. Whilst traditionally PRC consumers have favoured domestic brands, they have also grown more accustomed to foreign retailers and brands that have appeared in the market over recent years. These foreign retailers have made a conscious effort to localise their marketing and employ local staff. Foreign retailers using these techniques have been able to gain traction in the market and establish a good reputation. In particular, the unique operations strategy of world giants such as Wal-Mart, Carrefour and IKEA have greatly stimulated new consumption demand among PRC consumers and, as a result, have expanded the retail market.

18. The retail boom experienced by the PRC over the past decade has precipitated the establishment of new retail formats in the market. This has encouraged the expansion of domestic retailers and the entry of foreign retailers in the market.

**Shopping Mall Provision**

19. Prior to the significant market reforms introduced in the 1980's, the PRC had very limited organised retail, with virtually no malls and an insignificant middle class. The opening up of the PRC economy over the past two decades has been associated with a "retail boom" which has resulted in an explosion in the amount of shopping centre floorspace appearing throughout the nation. The shopping centre explosion in the PRC is expected to continue into the foreseeable future, buoyed by rapid increases in consumer spending and the removal of laws that restricted access to all but the largest and best funded, international retailers. Furthermore, residential development and associated population increases in smaller cities across the nation are beginning to attract investors willing to develop big new shopping malls.

20. The PRC has become home to some of the biggest and most extravagant shopping malls in the world. This includes a pair of mega malls in Beijing (Golden Resources at 680,000 sq.m GFA) and the southern factory city of Dongguan (South China Mall at 845,000 sq.m GFA) which are amongst the top 10 largest shopping malls in the world.

**Future Outlook for Retail Property**

21. In our view, the overall outlook for retail property in the PRC is sound with strong growth anticipated in retail sales. This is attributable to number of factors including anticipated strong growth of the economy; rising incomes; the increasing acceptance of western-style living and brand consciousness; the ongoing shift from rural areas to cities (estimated 15–20 million persons per annum); and the very strong desire by many international retailers to gain presence within the PRC, not only in the major cities, but also in many of the secondary cities. Other factors of less importance, but still of significance, include higher levels of car ownership; increased demand for luxury merchandise and brands; greater acceptance of the hypermarket format for food and grocery shopping and finally the ongoing and increased acceptance of the retail mall as the preferred format for convenience/food shopping needs and higher order shopping.

**The CapitaRetail China Trust**

22. CRCT's portfolio consists of seven shopping malls located across five various cities. Three of these centres are in Beijing, one is in Shanghai and the other three are in Huhehaote, Zhengzhou and Wuhu. All of these cities are key regional commercial centres and have a population in excess of 1 million people.

23. The seven malls range in size from 41,937.6 – 92,355.9 sq.m GFA. The properties anchor tenants include the Beijing Hualian Group, Carrefour and Wal-Mart, who are leaders in the operation of hypermarkets and other retail formats in the PRC and, in the case of Carrefour and Wal-Mart, in the international marketplace. Wal-Mart is the world's largest retailer with over US$315.0 billion in annual sales for the year ended 31 January 2006 and 6,000 stores under operations across 15 countries. Carrefour is the largest retailer in Europe and the second largest retailer worldwide with over US$94.0 billion in annual sales in 2005 and 7,000 stores under operations internationally. Beijing Hualian Group is the sixth largest retailer in the PRC with annual sales of over US$2.6 billion and 74 stores under operations in the PRC in 2005.

24. Whilst some of the malls are located in the CBD, most are located within suburban districts with expected strong population growth over the next several years. The trade area retail spending growth over the next five years for each of these retail malls is estimated to average between 8%-13% per annum.

25. Over the next five years, each of the seven malls is expected to experience growing competition, partly to be offset by future growth in the spending market. Overall, the average sales growth for the portfolio of seven malls is expected to be around 8% per annum.

# 1. Overview of the People's Republic of China (PRC) and its Economy

This section of the report provides an overview of the PRC and its economy with a particular focus on the phenomenal growth it has achieved over the past two decades.

Overall, the PRC's economic outlook is exceedingly robust, with strong growth expected into the future. The consensus among many economic experts is that by 2030, the PRC will have overtaken the United States as the world's largest economy.

The PRC is currently one of the fastest growing economies in the world and this has largely been attributable to the economic reforms introduced into the PRC over the past three decades including an easing of restrictions on foreign investment.

This section on the PRC economy specifically covers:

- Regional context and background
- System of government and political background
- Current economic policy and transformation of the PRC economy
- Population growth and distribution
- Economic performance
- Inflation
- Exchange rates
- Real income growth and income disparity
- Trends in Private Consumption Expenditure
- Domestic and international tourism
- The PRC and the WTO
- The property market
- Economic outlook and implications on the retail market

## 1.1 Regional Context and Background

The PRC is the third largest country in the world, spanning both eastern and northern hemispheres including a sizeable land mass of eastern Asia (refer Map 1.1). It is bordered by the Yellow Sea, South China Sea, Pacific Ocean and by fourteen countries, namely North Korea, Russian Federation, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos and Vietnam.

A large proportion of the population is ethnic Han, but over 100 million people belong to 55 recognised minority ethnicities. There are five mainland provinces with large minority populations, namely Ningxia, Tibet, Inner Mongolia, Xinjiang and Guangxi, which are all classified as autonomous regions.

In 15 of the past 20 centuries the PRC stood as a leading civilization, outpacing the rest of the world in the arts and sciences. However in the 19th and early 20th centuries, the country was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the Communists under Mao Zedong established an autocratic socialist system that, while ensuring the PRC's sovereignty, imposed strict controls over everyday life. After 1978, his successor Deng Xiaoping and other leaders steered the nation's focus toward market-oriented economic development and rapid modernisation which has vastly improved living standards and expanded the room for personal choice, despite political controls remaining tight.

**Location of the PRC in the Global Context** **Map 1.1**


*Source: GraphicMaps.com*

## 1.2 System of Government and Political Background

The PRC is a socialist country under the leadership of the Communist Party of China. It effectively operates under a single-party political framework. State power is exercised through three interlocking organisations; the Communist Party of China (CCP), the Central People's Government and the People's Liberation Army (PLA).

The National People's Congress (NPC) is the highest executive unit in the PRC government and meets annually to decide government policy. The Cabinet has the power to enact and administer rules and regulations and to control various ministries sitting directly under the Cabinet's control which includes a variety of commissions and specialised bureaus. It meets annually for about two weeks to review and approve major new policy directions, laws, the budget, and major personnel changes. Although the NPC generally approves State Council policy and personnel recommendations, various NPC committees hold active debate in closed sessions, and changes may be made to accommodate alternate views. When the NPC is not in session, its permanent organ, the Standing Committee, exercises state power.

The political system in the PRC has three main elements of power:

- The Chinese Communist Party, which is affectively the only political party with influence in the country;
- The State, which carries out policy determined by the Party; and
- The Army, which holds a special position in Government.

### 1.2.1 The Communist Party of China (CCP)

The Communist Party of China was founded in July 1921 and is the ruling political party of the PRC. By 2003, membership of the party had reached nearly 70 million people, although this equated to only about 5% of the overall population. The majority of members are over 35 years old, with those below 35 years of age making up only 20% of membership.

### 1.2.2 The State Council

The State Council has the power to enact and administer rules and regulations to control various ministries. Sitting directly under the State Council are a variety of ministries, commissions and specialised bureaus.

### 1.2.3 The Army

The 2.25 million strong PLA is the largest military force in the world and includes the army, air, naval and strategic nuclear forces. The PLA yields significant influence in the political system, although the political leadership has attempted to remove the PLA's involvement in civilian economic activities.

Although the PLA is technically subordinated to the Party, it still enjoys substantial independence and influence. While past leaders including Mao Zedong and Deng Xiaoping both came from military backgrounds, none of the current generation of leaders come from such background.

## 1.3 Current Economic Policy and the Transformation of the PRC Economy

The PRC's economic reform has been famously coined as "Socialism with Chinese characteristics". This is the official term for the mixed economic system of the PRC as it transitions from an economy based on public ownership to an economy that allows for the simultaneous operation of publicly and privately owned enterprises. The economic reform began in 1978 with the CCP under the leadership of Deng Xiaoping and has continued to the current day. The goal of the reform was to generate sufficient surplus value to finance the modernisation of the PRC economy.

PRC's economic reform has been gradually undertaken through a series of phases. These reforms implemented responses to pressing problems. In the 1970's and early 1980's the first reforms consisted of opening trade with the outside world, allowing farmers to sell their surplus crops on the open market, and the establishment of township village enterprises (where the local population is mobilised into a business or industry run by the state).

In the late 1980's and early 1990's reforms focused on creating a pricing system and decreasing the role of the state in resource allocations. By the late 1990's, reforms focused on closing unprofitable enterprises and dealing with insolvency in the banking system. In the new millennium, increased focus has been placed on the growing wealth gap between rich and poor in the PRC. The gap is becoming more evident as the number of people living in urban regions approaches the number living in rural regions.

The government is planning a strategy of sustainable growth driven less by fixed asset investment than by domestic consumption. There has also been a push towards a more balanced service and manufacturing oriented economy.

Clearly the PRC's economic reform has been a success story with over two decades of exceptionally strong economic growth. The standard of living of most PRC residents has improved significantly since reform began in the late 1970's. The evidence of modernisation is visible throughout the country, in the form of modern infrastructure such as new super highways, modern skyscrapers, airports, and telecommunication facilities.

### 1.3.1 Special Economic Zones

In the PRC, special economic zone (SEZ) regions have been established with special policies and flexible measures, allowing them to operate under an economic management system. SEZ's are listed separately in the national planning context and have province level authority on economic administration. They encourage foreign investment which is aimed at further modernising the local economy. The measures provide the following benefits:

- Special tax incentives for foreign investments in the SEZ's.
- Greater independence on international trade activities.

- Economic characteristics are aimed at:
  - Construction primarily relying on attracting and utilising foreign capital.
  - Primary economic reforms being sino-foreign joint ventures and partnerships as well as wholly foreign owned enterprises.
  - Products being primarily export oriented.
  - Economic activities being primarily driven by the market.

## 1.4 Population Growth and Distribution

### 1.4.1 Population Growth

The PRC has the largest population of any country in the world with an estimated 1.3 billion people in 2005. This has risen from a population of just under 1.0 billion in 1980. Growth per annum since 1990 has consistently slowed, falling to its current level of 0.6% per annum, but still represents an additional 7–8 million people per year.

The Economist Intelligence Unit has forecast a stable but low population growth rate for the remainder of this decade (refer Table 1.1). This contrasts with a decade earlier when population growth averaged around 1.0% per annum or 12 million people per annum. This lower average population growth is the result of both an ageing population and the one-child policy initiated in the late 1970's. In the past, the problem of over-population in the PRC had been viewed as a constraint to economic development and the government's success in reigning in population growth has prevented the PRC from suffering the major problems that come with over-population.

Since 1990 the urban population has grown at an average rate of 4.3% per annum (or 17.3 million persons per annum). This contrasts markedly with the rural population which has declined at an average rate of -0.8% per annum or 6.1 million persons per annum.

The urbanisation trend has been particularly strong since 2000 and over the 2000-2004 period the urban population grew at an average rate of 21 million people or 4.3% per annum. The rural population, on the other hand, declined on average, by 13 million people or 1.7% each year for the same period.

### 1.4.2 Urbanisation

As indicated earlier and as shown on an annual basis in more detail in Table 1.1, there has also been a significant shift from rural to urban areas in the PRC. In 1980 over 80% of the population lived in rural areas. Over time, with the modernisation of the economy as a whole, and major cities in particular, the urban population has grown to 42% in 2004 and the rural population has fallen to 58%.

Interestingly, despite this rapid pace of urbanisation the level of urbanisation in the PRC today is still well below that of the US and Western Europe.

Looking forward over the short to medium term, it is expected that urbanisation within the PRC will continue and with most of the population growth occurring in the major cities at the expense of the rural areas.

**The People's Republic of China** **Table 1.1**
**Historic & Forecast Population Growth, 1980-2010**

| | Population (million) | Growth (p.a) | Population Distribution Urban (%) | Rural (%) |
|---|---|---|---|---|
| 1980 | 987 | | 19.4% | 80.6% |
| 1985 | 1,059 | 1.4% | 23.7% | 76.3% |
| 1990 | 1,143 | 1.6% | 26.4% | 73.6% |
| 1991 | 1,158 | 1.3% | 26.9% | 73.1% |
| 1992 | 1,172 | 1.2% | 27.5% | 72.5% |
| 1993 | 1,185 | 1.1% | 28.0% | 72.0% |
| 1994 | 1,199 | 1.1% | 28.5% | 71.5% |
| 1995 | 1,211 | 1.1% | 29.0% | 71.0% |
| 1996 | 1,224 | 1.0% | 30.5% | 69.5% |
| 1997 | 1,236 | 1.0% | 31.9% | 68.1% |
| 1998 | 1,248 | 0.9% | 33.4% | 66.6% |
| 1999 | 1,258 | 0.8% | 34.8% | 65.2% |
| 2000 | 1,267 | 0.8% | 36.2% | 63.8% |
| 2001 | 1,276 | 0.7% | 37.7% | 62.3% |
| 2002 | 1,285 | 0.6% | 39.1% | 60.9% |
| 2003 | 1,292 | 0.6% | 40.5% | 59.5% |
| 2004 | 1,300 | 0.6% | 41.8% | 58.2% |
| **Forecasts[1]** | | | | |
| 2005 | 1,307 | 0.6% | 43.1% | 56.9% |
| 2006 | 1,315 | 0.6% | 44.4% | 55.6% |
| 2007 | 1,323 | 0.6% | 45.6% | 54.4% |
| 2008 | 1,331 | 0.6% | 46.8% | 53.2% |
| 2009 | 1,337 | 0.4% | 48.1% | 51.9% |
| 2010 | 1,343 | 0.4% | 49.4% | 50.6% |
| 2011 | 1,348 | 0.4% | 50.7% | 49.3% |

*Sources : China Statistical Yearbook 2005; Economist Intelligence Unit forecasts, as at 1 June, 2006*
*1. Assumes urban population growth at 20 million per annum*

If the urban population was to continue to grow, at a conservative 15 million people each year through to 2011 (as compared with the higher rate of 21 million per annum over 2000-2004) then this would mean that the rural population would continue to decline at 13 million per annum and by 2011 the urban population's share of the total PRC population would have increased to 48.1%. If on the other hand, the urban population continues to grow on average at 20 million people (i.e. close to the 2000-2004 average) then by 2011 the urban share of the total population would have increased to 50.7% thereby exceeding the rural population.

### 021.4.3 Major Cities

The PRC has over 50 cities with a population in excess of 1 million people (refer Table 1.2). The two largest cities are Shanghai and Beijing (both of which have CRCT's assets). Shanghai is ranked in the top ten largest cities in the world. Eight cities in the PRC have over 5 million people, further emphasising the sheer size of the country, and the mass and concentration of these people in a number of different geographic regions.

The geographic boundaries of the cities outlined in Table 1.2 refers to "the smallest administrative unit of a country having a predominantly urban population[1]".

**PRC Cities with a Population over 1 Million, 2005** — **Table 1.2**

| | City | Population (million) | | City | Population (million) | | City | Population (million) |
|---|---|---|---|---|---|---|---|---|
| 1 | **Shanghai** | 18.15 | 19 | Taiyuan | 2.25 | 36 | Nanning | 1.38 |
| 2 | **Beijing** | 12.10 | 20 | Guiyang | 2.15 | 37 | Tangshan | 1.35 |
| 3 | Shenzhen | 10.70 | 21 | Qingdao | 2.15 | 38 | Hefei | 1.33 |
| 4 | Guangzhou | 9.55 | 22 | Changsha | 2.10 | 39 | Suzhou | 1.33 |
| 5 | Chongqing | 9.35 | 23 | Jinan | 2.05 | 40 | Qiqihar | 1.30 |
| 6 | Wuhan | 9.10 | 24 | Urumqi | 2.05 | 41 | Shantou | 1.28 |
| 7 | Hong Kong | 7.40 | 25 | **Zhengzhou** | 2.05 | 42 | Datong | 1.25 |
| 8 | Tianjin | 6.35 | 26 | Shijiazhuang | 2.00 | 43 | Wuxi | 1.25 |
| 9 | Shenyang | 4.55 | 27 | Jilin | 1.98 | 44 | Daqing | 1.23 |
| 10 | Xi'an | 3.60 | 28 | Lanzhou | 1.95 | 45 | Zibo | 1.23 |
| 11 | Nanjing | 3.50 | 29 | Xuzhou | 1.73 | 46 | **Hohhot** | 1.18 |
| 12 | Harbin | 3.40 | 30 | Baotou | 1.65 | 47 | Liuzhou | 1.15 |
| 13 | Chengdu | 3.25 | 31 | Fuzhou | 1.65 | 48 | Ningbo | 1.13 |
| 14 | Changchun | 3.10 | 32 | Fushun | 1.60 | 49 | Yantai | 1.13 |
| 15 | Dongguan | 3.05 | 33 | Xiamen | 1.55 | 50 | Zhongshan | 1.05 |
| 16 | Dalian | 2.90 | 34 | Nanchang | 1.48 | 51 | Handan | 1.03 |
| 17 | Kunming | 2.65 | 35 | Anshan | 1.45 | 52 | Luoyang | 1.03 |
| 18 | Hangzhou | 2.60 | | | | | | |

**Cities in w hich CRCT m alls are located*
*Source : w w w .citypopulation.de; UrbisJHD*

### 1.4.4 Household Size

With the introduction and adoption of the one-child policy it is not surprising that the average household size in the PRC has fallen significantly and is estimated in 2004 at 2.98 persons in urban households and at 4.08 persons for rural households.

[1] *www.citypopulation.de*

### 1.4.5 Age Profile

Table 1.3 shows the age distribution of the PRC population. A significant proportion of the population (47.8%) are in the working age group category of 20–49 years. The impact of the one-child policy can be seen in the relatively low proportion of the population (approximately 8.0%) below the age of five.

**The People's Republic of China** **Table 1.3**
**Population by Age, 2004**

| Age Bracket | Percentage Population | Cumulative % |
|---|---|---|
| 0-19 | 28.0% | 28.0% |
| 20-34 | 22.8% | 50.8% |
| 35-49 | 25.0% | 75.8% |
| 50-59 | 11.8% | 87.6% |
| 60+ | 12.4% | 100.0% |

Source : China Statistical Yearbook 2005

The PRC's population by age group is compared with other countries in Table 1.4. Whilst the PRC population is, on average, younger than Japan, the United States and Australia, it is similar to Singapore but not as young as India.

**The PRC and Other Selected Countries** **Table 1.4**
**Age Distribution Com parison, 2005**

| | % of Total Population Aged | | |
|---|---|---|---|
| | 0-14 | 15-64 | 65+ |
| PRC | 22% | 70% | 8% |
| Singapore | 20% | 72% | 8% |
| Japan | 14% | 66% | 20% |
| Australia | 20% | 67% | 13% |
| India | 36% | 60% | 4% |
| USA | 21% | 67% | 12% |
| Hong Kong SAR | 15% | 73% | 12% |
| Korea (South) | 19% | 72% | 9% |

*Source : 2005 World Population Data Sheet, Population Reference Bureau*

Like the majority of the western world, the PRC is also facing a future population that will be considerably older than it has been in the past. This is as a result of:

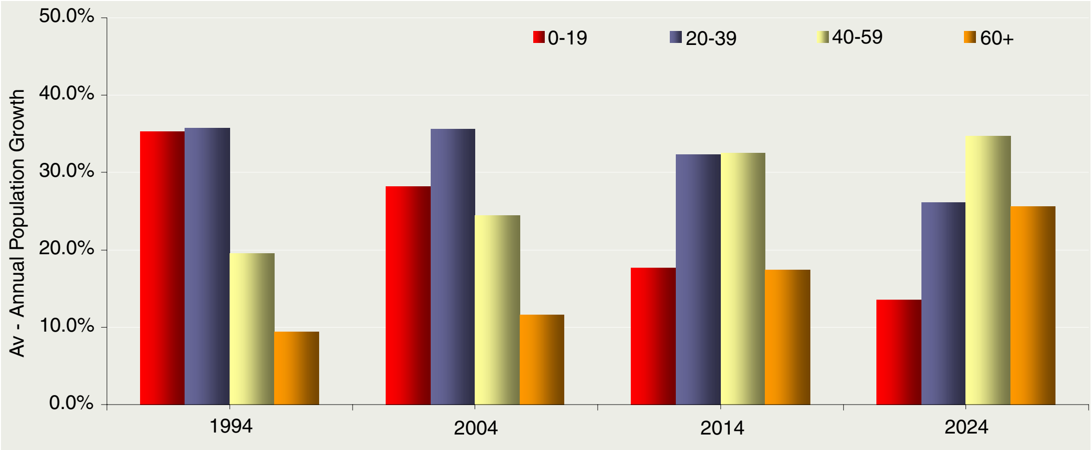
- The baby boom that occurred after World War 2, with the oldest of this demographic now aged over 60.
- The rise in hygiene and medical technology that resulted in less infant deaths as well as prolonging average life expectancy
- The one-child policy introduced in the 1970's.

Chart 1.1 illustrates the forecast change in the demographic profile in the PRC over the next 20 years and compares it to the 2004 profile and then the profile in 1994. The chart clearly shows the significant rise in the proportion of the population aged 40–59 and 60+, while showing the fall in the proportion of the population aged less than 40 years old.

This assumes no change in the one child policy which, in reality may be unrealistic given recent indications of some easing up of the hard line nature of this policy in Beijing and Shanghai.

Historical and Forecast Population Growth by age cohort, 1994-2024

**Chart 1.1**




*Source : The Rise of the Chinese Consumer, Jonathon Garner, 2005*

## 1.5 Economic Performance

### 1.5.1 Size of the Economy

The PRC economy is the second largest economy in the world when measured by PPP. In 2005, the PRC's PPP adjusted GDP exceeded US$9.4 trillion. Even when measured in USD exchange rate terms, the PRC economy is the fourth largest at US$1.8 trillion.

The PRC has experienced strong economic growth since 1980. Over the 25 year period the PRC's economy has increased nearly sixfold from US$302 billion in 1980 to US$1,761 billion in 2005. Table 1.5 shows the size of the PRC economy in US dollars at the exchange rate at the time.

**The People's Republic of China and Other Selected Countries** **Table 1.5**
**GDP, Current US$ Billion at Market Exchange Rates, 1980-2005**

| | 1980 | 1985 | 1990 | 1995 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2003-05 Average |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 156 | 167 | 309 | 360 | 379 | 359 | 399 | 508 | 623 | 649 | 593 |
| Canada | 269 | 356 | 583 | 591 | 724 | 715 | 736 | 867 | 951 | 1,004 | 941 |
| **PRC** | **302** | **305** | **388** | **700** | **1,081** | **1,176** | **1,266** | **1,410** | **1,583** | **1,761** | **1,585** |
| Hong Kong SAR | 29 | 35 | 75 | 142 | 165 | 163 | 162 | 159 | 163 | 172 | 165 |
| India | 176 | 218 | 313 | 353 | 461 | 474 | 493 | 575 | 636 | 685 | 632 |
| Indonesia | 87 | 92 | 114 | 202 | 150 | 143 | 173 | 208 | 229 | 243 | 227 |
| Japan | 1,061 | 1,355 | 3,040 | 5,281 | 4,749 | 4,163 | 3,973 | 4,302 | 4,612 | 4,760 | 4,558 |
| Korea | 66 | 99 | 267 | 517 | 512 | 482 | 547 | 605 | 656 | 702 | 655 |
| Malaysia | 24 | 31 | 44 | 89 | 90 | 88 | 95 | 103 | 110 | 118 | 110 |
| Philippines | 32 | 31 | 44 | 76 | 75 | 71 | 77 | 79 | 83 | 87 | 83 |
| Singapore | 12 | 18 | 37 | 84 | 93 | 86 | 88 | 91 | 99 | 106 | 99 |
| Taiwan | 41 | 62 | 160 | 265 | 309 | 281 | 282 | 286 | 309 | 326 | 307 |
| Thailand | 32 | 39 | 86 | 168 | 123 | 116 | 127 | 143 | 162 | 178 | 161 |
| United Kingdom | 537 | 460 | 995 | 1,135 | 1,442 | 1,431 | 1,566 | 1,799 | 2,141 | 2,225 | 2,055 |
| United States | 2,790 | 4,220 | 5,803 | 7,398 | 9,817 | 10,101 | 10,481 | 10,985 | 11,732 | 12,390 | 11,702 |

*Source : International Monetary Fund (IMF), 2006*

### 1.5.2 Real GDP Growth

Real GDP growth rates (i.e. excluding the effects of inflation) are shown in Table 1.6. Over the 25-year growth period, the PRC's average real GDP growth rate of 8.7% per year has represented the highest growth rate of the countries assessed. This growth is the result of a series of economic reforms transforming the economy from a centrally planned to a more market-oriented economy. As shown in Table 1.6, the fastest periods of growth over the past 25 years have been between 1980 and 1985 (10.7%) and between 1990 and 1995 (12.0%), while growth has averaged 8.2% per annum over the last 10 years.

**The People's Republic of China and Other Selected Countries**
**Real GDP Growth, 1980-2005 (Compound Average Annual Growth)** **Table 1.6**

| | 1980-05 | 1980-85 | 1985-90 | 1990-95 | 1995-00 | 2000-03 | 2003-05 |
|---|---|---|---|---|---|---|---|
| Australia | 3.1% | 3.1% | 3.5% | 2.7% | 4.2% | 3.1% | 3.6% |
| Canada | 2.6% | 2.7% | 2.9% | 1.7% | 4.1% | 2.3% | 2.8% |
| **PRC** | **8.7%** | **10.7%** | **7.9%** | **12.0%** | **8.3%** | **8.2%** | **8.2%** |
| Hong Kong SAR | 4.7% | 5.6% | 7.6% | 5.6% | 3.5% | 2.0% | 5.0% |
| India | 5.2% | 5.4% | 6.2% | 5.1% | 6.1% | 5.4% | 6.4% |
| Indonesia | 4.2% | 4.7% | 6.3% | 7.3% | 0.7% | 3.7% | 4.9% |
| Japan | 2.3% | 3.1% | 4.8% | 1.5% | 1.4% | 0.9% | 2.6% |
| Korea | 6.3% | 7.8% | 9.5% | 7.5% | 4.4% | 4.6% | 5.4% |
| Malaysia | 5.6% | 5.2% | 6.9% | 9.5% | 4.7% | 3.2% | 5.8% |
| Philippines | 2.3% | -1.3% | 4.7% | 2.2% | 3.6% | 4.0% | 4.4% |
| Singapore | 6.0% | 6.2% | 8.4% | 9.2% | 6.4% | 0.4% | 4.5% |
| Taiwan | 5.9% | 6.7% | 9.1% | 7.1% | 5.7% | 1.5% | 4.9% |
| Thailand | 5.5% | 5.4% | 10.4% | 8.5% | 0.5% | 4.7% | 6.8% |
| United Kingdom | 2.3% | 2.0% | 3.3% | 1.7% | 3.1% | 2.1% | 3.0% |
| United States | 2.8% | 3.2% | 3.3% | 2.5% | 4.1% | 1.9% | 4.3% |

*Source : International Monetary Fund (IMF), 2006*

### 1.5.3 Structural Changes

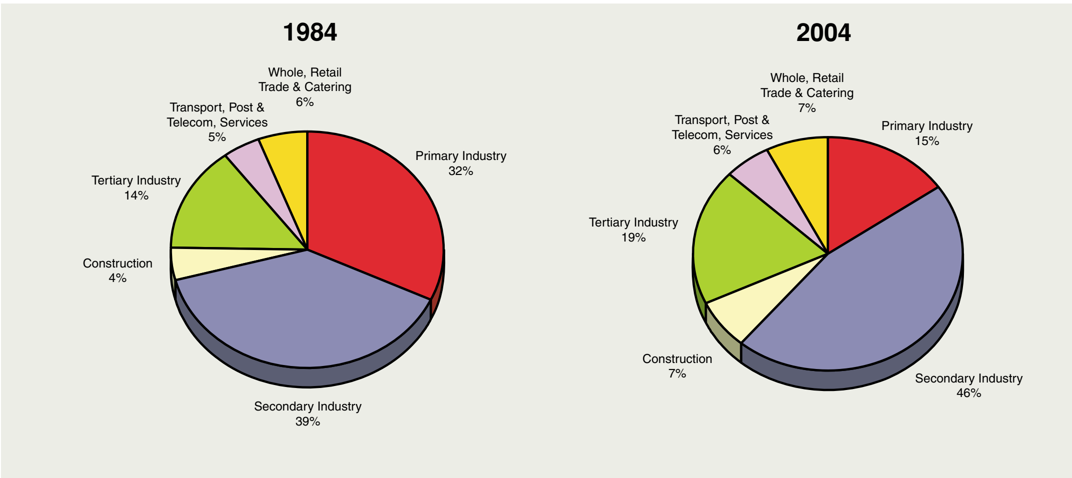
Over the 10 year period between 1984 and 2004, the PRC economy has witnessed a gradual shift away from its traditional agrarian base to a more modernised, manufacturing and services based economy.

In 1984 primary industry (agriculture and livestock) accounted for 32% of economic activity while secondary industries (mining, manufacturing and energy) accounted for slightly more with 39%. However, by 2004, primary industries share of economic activity fell to only 15% while secondary industry increased to 46%. Also during this period the construction sector almost doubled its contribution to GDP from 4% to 7%. Tertiary industry also increased its share of GDP from 14% in 1984 to 19% in 2004. Chart 1.2 highlights these changes in the sectoral makeup of the economy between 1984 and 2004.

These changes came about as a result of significant changes to the PRC economy over the last 25 years. It has developed from a centrally planned system largely closed to international trade to a more market-oriented economy that has a rapidly growing private sector and is a major player in the global economy. As such, the PRC economy is no longer as reliant on its primary industries (agriculture) as its manufacturing industries for a contribution to the country's GDP. As the economy continues to evolve and international trade develops even further, finance and trade services will become even more important to the economy.

The People's Republic of China
GDP by Industry, 1984 and 2004

**Chart 1.2**




*Source: China Statistical Yearbook, 2005; UrbisJHD*
*1. Primary Industry includes agriculture, forestry, livestorck and fisheries*
*2. Secondary industry includes mining, manufacturing, electricity production, water and gas*
*3. Tertiary industry includes all other industries except transport, post and telecom, services and wholesale, retail trade and catering services*

### 1.5.4 GNI (Adjusted for PPP)

The GDP of a country is normally expressed in units of national currency, but for comparison across many countries, it is necessary to convert GDP into a common unit using market exchange rates. As shown in Table 1.7, one methodology is to use foreign exchange rates to express national currencies as a single currency. While this is a straight forward conversion, it reflects a myriad of influences and may not account for the direct purchasing power of a local currency. Purchasing power parity is a widely accepted measure that is designed to equalise the purchasing power of different currencies in their home countries for a given basket of the same goods or services. GDP adjusted for PPP forms the basis for direct comparisons of various economies, and further, it is frequently used to broadly compare standards of using two or more counties.

Table 1.7 shows per capita gross national income (GNI) in both nominal US dollars and in PPP terms. GNI is a measure similar to GDP, and is used by the World Bank to measure the relative sizes of various economies. The first column in Table 1.7 shows that GNI per capita in 2004 in the PRC was US$1,500, or about 3.5% of the United States GNI per capita. However, adjusting for PPP, GNI per capita in the PRC was US$5,890, or about 15% of the United States GNI per capita adjusted for PPP. In other words, when per capita incomes are adjusted for what can be actually purchased with those incomes, the differential between the PRC and the USA narrows substantially.

Other than for Japan and the United States, the GNI per capita adjusted for PPP is higher than GNI unadjusted for PPP. The PRC is representative of a number of Asian economies whereby there is a significant upwards adjustment when adjusted for PPP.

**The People's Republic of China and Other Selected Countries** **Table 1.7**
**Gross National Income (GNI), Per Capita, 2004 (US$ and US$ PPP)**

| Country | GNI Per Capita US$ | Rank | GNI Per Capita US$ PPP | Rank | Per Capita PPP Differential |
|---|---|---|---|---|---|
| Australia | 27,070 | 25 | 29,340 | 22 | 8% |
| Canada | 28,310 | 21 | 30,760 | 16 | 9% |
| **PRC** | **1,500** | **129** | **5,890** | **108** | **293%** |
| Hong Kong | 26,660 | 27 | 31,560 | 12 | 18% |
| India | 620 | 159 | 3,120 | 144 | 403% |
| Indonesia | 1,140 | 137 | 3,480 | 140 | 205% |
| Japan | 37,050 | 9 | 29,810 | 18 | -20% |
| Korea | 14,000 | 50 | 20,530 | 46 | 47% |
| Malaysia | 4,520 | 79 | 9,720 | 78 | 115% |
| Philippines | 1,170 | 136 | 4,950 | 125 | 323% |
| Singapore | 24,760 | 29 | 27,370 | 29 | 11% |
| Thailand | 2,490 | 104 | 7,930 | 88 | 218% |
| United States | 41,400 | 5 | 39,820 | 3 | -4% |

*Source : "World Development Indicators", World Bank 2006*
*1. Measured in International dollars*

### 1.5.5 Real GDP Forecasts

In 2006, the PRC's real GDP growth is forecast at 9.1%, higher than any of the other key countries in Asia Pacific. For the next 10 years, the PRC is forecast to remain the fastest growing economy in Asia, and one of the fastest in the world, with an impressive average forecast growth rate of 8.1%.

**The People's Republic of China and Other Selected Asian Countries** **Table 1.8**
**Historical and Forecast Real GDP Growth, 2002-2016**

| | PRC | India | Singapore | Malaysia | Thailand | Korea | Taiwan | Hong Kong | Australia | Japan |
|---|---|---|---|---|---|---|---|---|---|---|
| **Actual** | | | | | | | | | | |
| 2002 | **9.1%** | 3.8% | 4.0% | 4.4% | 5.3% | 7.0% | 4.2% | 1.8% | 4.1% | 0.1% |
| 2003 | **10.0%** | 8.5% | 2.9% | 5.4% | 7.0% | 3.1% | 3.4% | 3.2% | 3.1% | 1.8% |
| 2004 | **10.1%** | 7.5% | 8.7% | 7.1% | 6.2% | 4.6% | 6.1% | 8.6% | 3.6% | 2.3% |
| 2005 | **9.9%** | 7.9% | 6.4% | 5.3% | 4.5% | 4.0% | 4.1% | 7.3% | 2.5% | 2.7% |
| **Forecast** | | | | | | | | | | |
| 2006 | **9.1%** | 7.3% | 6.1% | 5.4% | 4.8% | 5.1% | 4.0% | 5.2% | 3.2% | 2.9% |
| 2007 | **8.6%** | 7.4% | 5.3% | 5.3% | 4.9% | 4.7% | 4.0% | 4.5% | 3.4% | 2.2% |
| 2008 | **8.8%** | 7.2% | 5.0% | 5.1% | 5.0% | 4.9% | 4.5% | 4.7% | 3.1% | 1.5% |
| 2009 | **8.4%** | 7.3% | 5.0% | 5.1% | 4.8% | 4.7% | 4.5% | 4.6% | 3.2% | 1.9% |
| 2010 | **8.5%** | 7.3% | 5.2% | 5.6% | 4.9% | 4.8% | 4.7% | 4.3% | 3.0% | 2.3% |
| 2011 | **7.9%** | 6.9% | 5.3% | 5.7% | 4.8% | 4.9% | 4.6% | 3.9% | 3.0% | 2.2% |
| 2012-2016 | **7.6%** | 6.7% | 5.1% | 5.1% | 4.7% | 4.3% | 4.3% | 3.8% | 3.2% | 1.9% |
| **Avg 2006-16** | **8.1%** | **7.0%** | **5.2%** | **5.2%** | **4.8%** | **4.6%** | **4.3%** | **4.2%** | **3.2%** | **2.0%** |

*Source : Consensus Economics Inc (London) April 2006*

### 1.5.6 Competitiveness

The International Institute of Management Development's (IMD) competitiveness ranking released this year (2006) has the PRC at its highest ranking ever, rising twelve places to 19th in the World, and only two spots below 17th ranked Japan. The following countries make up the top twenty competitive economies:

1. USA
2. Hong Kong
3. Singapore
4. Iceland
5. Denmark
6. Australia
7. Canada
8. Switzerland
9. Luxemburg
10. Finland
11. Ireland
12. Norway
13. Austria
14. Sweden
15. Netherlands
16. Bavaria
17. Japan
18. Taiwan
19. **People's Republic of China**
20. Estonia

The IMD report which is published each year and first commenced in 1989, compares 61 national and regional economies on 312 criteria in four areas. The four areas assessed are:

- Economic performance (in which the PRC ranks third);
- Government efficiency (PRC ranked 17);
- Business efficiency (PRC ranked 30); and
- Infrastructure construction (PRC ranked 37).

According to the report the USA is still the world's most competitive economy, but other countries are gradually closing the gap, aided by better government performance and efficiency.

## 1.6 Inflation

Table 1.9 below compares the PRC's inflation over the past quarter of a century with other Asian countries as well as the United States.

Throughout the 1980's and the 1990's the PRC experienced relatively high inflation by global standards, with average rates of 7.5% and 7.8% respectively for these two decades. Since 2000, however, the PRC has had low levels of inflation and in 2002 prices actually fell by 0.8%. Over the past three years the PRC's inflation rate has ranged between 1.2% and 3.9% and for the most recent year, 2005, it was 1.8%.

During this period, interest rates have also remained low. In general, households in the PRC have little debt either in accumulated mortgages or consumer credit. As such, households have effectively been penalised by negative real interest rates in the deposit market in recent years.

**The People's Republic of China and Other Selected Countries** **Table 1.9**

**Consumer Price Inflation, 1980-2005**

| | 1980-89 | 1990-99 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2003-05 Average |
|---|---|---|---|---|---|---|---|---|---|
| **PRC** | **7.5%** | **7.8%** | **0.4%** | **0.7%** | **-0.8%** | **1.2%** | **3.9%** | **1.8%** | **2.3%** |
| Australia | 6.5% | 2.2% | 2.7% | 2.5% | 2.3% | 2.7% | 2.3% | 2.7% | 2.6% |
| Hong Kong | 7.4% | 6.9% | -3.7% | -1.6% | -3.0% | -2.6% | -0.4% | 1.1% | -0.6% |
| India | 9.1% | 9.6% | 4.0% | 3.8% | 4.3% | 3.8% | 3.8% | 4.3% | 4.0% |
| Indonesia | 9.7% | 14.5% | 3.8% | 11.5% | 11.9% | 6.6% | 6.1% | 10.5% | 7.7% |
| Japan | 2.5% | 1.2% | -0.9% | -0.8% | -0.9% | -0.2% | 0.0% | -0.3% | -0.2% |
| Korea | 8.4% | 5.7% | 2.3% | 4.1% | 2.8% | 3.5% | 3.6% | 2.7% | 3.3% |
| Malaysia | 3.6% | 3.7% | 1.5% | 1.4% | 1.8% | 1.1% | 1.4% | 3.0% | 1.8% |
| Philippines | 14.5% | 9.5% | 4.4% | 6.1% | 3.1% | 3.1% | 6.0% | 7.6% | 5.6% |
| Singapore | 2.8% | 1.9% | 1.3% | 1.0% | -0.4% | 0.5% | 1.7% | 0.5% | 0.9% |
| Taiwan | 4.2% | 2.9% | 1.3% | 0.0% | -0.2% | -0.3% | 1.6% | 2.3% | 1.2% |
| Thailand | 5.8% | 5.0% | 1.6% | 1.7% | 0.6% | 1.8% | 2.8% | 4.5% | 3.0% |
| United States | 5.6% | 3.0% | 3.4% | 2.8% | 1.6% | 2.3% | 2.7% | 3.4% | 2.8% |

*Source : "World Economic Outlook", IMF, 2005; Asia Pacific Consensus Forecasts, April 2006*

Table 1.10 shows the Consensus Economics CPI forecasts through to 2016 for a select group of countries. The CPI for the PRC is forecast to increase to 3.6% by 2008, before settling back to 3% per annum. This is at the upper end when compared with most other countries except for Indonesia where inflation is forecast to average 6.2% per annum over the next decade.

**The People's Republic of China and Other Selected Asian Countries** **Table 1.10**
**Consumer Price Inflation Forecasts, 2006-2016 (% change over previous year)**

| Year | PRC | India | Singapore | Thailand | Malaysia | Korea | Taiwan | Hong Kong | Australia | Japan | Indonesia |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | **2.1%** | 4.6% | 1.5% | 4.2% | 3.1% | 3.0% | 1.8% | 2.3% | 2.8% | 0.4% | 13.0% |
| 2007 | **2.3%** | 4.6% | 1.4% | 3.3% | 2.6% | 3.0% | 1.7% | 2.5% | 2.7% | 0.5% | 7.0% |
| 2008 | **3.6%** | 4.9% | 1.4% | 3.1% | 2.6% | 3.0% | 2.0% | 2.8% | 2.6% | 1.4% | 6.0% |
| 2009 | **3.4%** | 5.1% | 1.4% | 2.7% | 2.5% | 2.9% | 1.9% | 3.1% | 2.4% | 1.6% | 6.0% |
| 2010 | **3.1%** | 5.2% | 1.4% | 2.5% | 2.8% | 2.9% | 2.0% | 3.1% | 2.5% | 1.3% | 5.1% |
| 2011 | **3.0%** | 4.5% | 1.3% | 2.6% | 3.3% | 3.1% | 2.2% | 2.7% | 2.6% | 1.8% | 4.9% |
| 2012-2016 | **3.0%** | 4.3% | 1.3% | 3.0% | 3.0% | 2.8% | 2.3% | 2.6% | 2.6% | 1.4% | 5.3% |
| **Avg 2006-2016** | **3.0%** | **4.6%** | **1.4%** | **3.0%** | **2.9%** | **2.9%** | **2.1%** | **2.7%** | **2.6%** | **1.3%** | **6.2%** |

*Source : Consensus Economics Inc (London) April 2006*

## 1.7 Exchange Rates

Over the last decade the PRC's currency was pegged to the US Dollar (refer Table 1.11). In July 2005, it was revalued at RMB 8.11 per US$ following the removal of the peg to the US Dollar. This was, in part, due to pressure from both the United States and the World Economic Council. The People's Bank of China also announced that the RMB would be pegged to a basket of foreign currencies and would trade within a narrow 0.3% band against this basket of currencies. This was in preference to being strictly tied to the US$. The basket of currencies that the PRC has pegged its currency to includes the US Dollar, the Euro, the Japanese Yen and the South Korean Won, together with, but at a lower proportion, the British Pound, the Thai Baht and the Russian Ruble.

There has been significant pressure, particularly from the US, for the PRC to allow its currency to fluctuate against other currencies, much as the US Dollar and the Euro do today. However there is concern that the PRC's banks are too weak to withstand the shock of a sudden liberalisation of the currency, and the government, with this belief in mind, has stood by its current policy.

**The People's Republic of China** **Table 1.11**
**Average Exchange Rates of RMB against US dollar, 1990-2006**

| Year | RMB/USD | Year | RMB/USD |
|---|---|---|---|
| 1990 | 4.78 | 1999 | 8.28 |
| 1991 | 5.32 | 2000 | 8.28 |
| 1992 | 5.51 | 2001 | 8.28 |
| 1993 | 5.76 | 2002 | 8.28 |
| 1994 | 8.62 | 2003 | 8.28 |
| 1995 | 8.35 | 2004 | 8.28 |
| 1996 | 8.31 | 2005 | 8.19 |
| 1997 | 8.29 | 2006YTD | 7.99 |
| 1998 | 8.28 | | |

*Source : China Statistical Yearbook 2005*
*Note: 2006 YTD exchange rate as of August 1, 2006*

## 1.8 Real Income

### 1.8.1 Real Income Growth

Over the past 15 years real incomes have increased significantly (refer Table 1.12), keeping pace with and, at times, exceeding the real GDP growth. Since 1998, real income growth has been at double digit levels for all years except 2004. The real income growth seen in the PRC has largely been attributable to the economic reforms implemented in late 1970's as the economy moved to a market based economy and as an agricultural society moved to an urban, industrial society.

**The People's Republic of China** — **Table 1.12**
**Real Income Growth 1991-2004**

| | Real Income Growth p.a |
|---|---|
| 1991 | 5.8% |
| 1992 | 8.9% |
| 1993 | 8.4% |
| 1994 | 8.5% |
| 1995 | 3.5% |
| 1996 | 4.3% |
| 1997 | 1.3% |
| 1998 | 16.5% |
| 1999 | 13.2% |
| 2000 | 11.8% |
| 2001 | 15.2% |
| 2002 | 15.2% |
| 2003 | 11.7% |
| 2004 | 9.8% |

*Source : China Statistical Yearbook 2005*

The average per capita income for the PRC in 2004 was RMB 6,180 but there is a significant difference between average urban and rural incomes. The average urban per capita income was RMB 9,420 approximately 3.2 times higher than the average rural per capita income at RMB 2,930. Also for 2004 the average urban household income was estimated at RMB 28,070, approximately 2.3 times higher than the estimated average rural household income at RMB 11,950. This illustrates the significant disparity that exists in the PRC between the urban and rural households.

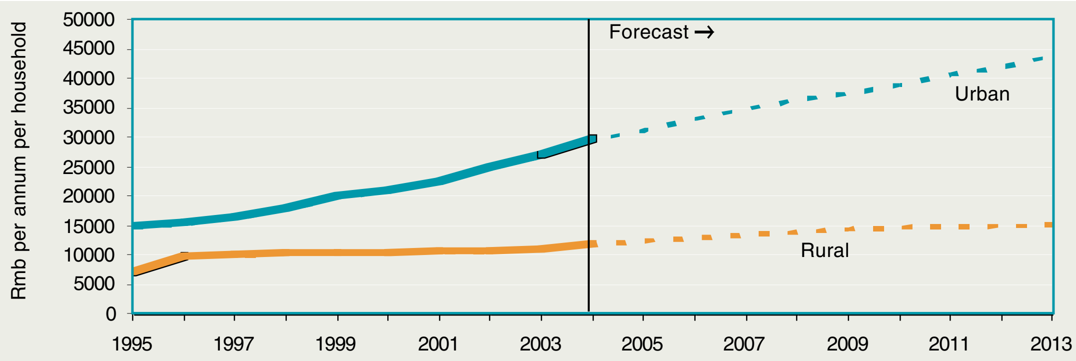
It should be noted that the relatively low growth in average incomes between 1995-1997 were largely due to the Asian Financial Crisis. Whilst the recovery made in 1998 (16.5%) was mainly a result of 'catch-up', strong growth averaging 12.8% per annum has continued since.

### 1.8.2 Income Disparity

Despite extraordinary real income growth over the last eight years, there has been a growing gap in household income between urban and rural residents. As indicated in Chart 1.3, urban incomes are currently nearly three times higher than those of rural incomes. A decade earlier the disparity was significantly less with urban incomes, on average, only twice average rural incomes.

The People's Republic of China
Urban vs Rural Household Income Disparity, 1995-2013

**Chart 1.3**




*Source: The Rise of the Chinese Consumer, Chapter 4*

The Economics Institute, operating under the Chinese Academy of Social Sciences, a government think-tank in the PRC, has warned that the PRC must find an affective way to counteract the inequity of income distribution. Despite low income families finding their living conditions better off than in the past, the change that is occurring is at a far slower pace than most of its counterparts. Two main reasons have been cited for the increasing income disparity present in the PRC:

1. Income disparities between different areas and industries.
   - Those living in urban areas and working in government monopolistic sectors, for example the banking sector, generally earn more than farmers and those not employed in non-monopolistic industries.
2. Discrimination against different social identities.
   - Rarely can farmers gain an equal footing when competing with their urban counterparts in job seeking. This discrimination pushes farmers to a further disadvantageous position as they are already behind when it comes to education and vocational training.

The Economics Institute offers two remedies by which income disparity can potentially be controlled:

Firstly, the government must attempt to speed up the process of industrialisation and urbanisation which will erase the inequalities due to different economic development levels between rural and urban areas.

Secondly, employees in state owned enterprises can no longer benefit from earning higher incomes (i.e. artificially set above market incomes), and discriminative measures attached to different social identities must be removed.

## 1.9 Trends in Private Consumption Expenditure

Private Consumption Expenditure (PCE, also known as Household Consumption Expenditure) is a driver of domestic demand. Retail spending forms a significant component of this. Table 1.13 below shows the past decade of real growth in PCE for the PRC and other selected countries.

**The People's Republic of China and Other Selected Asian Countries** — **Table 1.13**

**Private Consumption Expenditure — Real Growth Comparison, 1996-2004**

| Year | PRC | Singapore | Malaysia | Thailand | Korea | Taiwan | Hong Kong | Australia | Japan | Indonesia |
|---|---|---|---|---|---|---|---|---|---|---|
| **Actual** | | | | | | | | | | |
| 1996 | **18.1%** | 10.8% | 4.6% | 7.4% | 5.7% | 8.2% | 7.5% | 2.8% | 1.2% | 5.8% |
| 1997 | **7.3%** | 6.0% | 9.8% | 8.5% | 7.6% | 8.6% | 6.7% | 4.6% | 1.9% | 4.7% |
| 1998 | **4.9%** | 5.0% | 11.7% | 7.4% | 9.7% | 5.5% | 1.6% | 4.9% | 2.1% | 15.9% |
| 1999 | **5.6%** | 6.5% | 6.9% | 6.8% | 7.1% | 6.5% | 4.7% | 3.3% | 2.9% | 9.7% |
| 2000 | **8.3%** | 6.0% | 4.3% | -1.1% | 3.5% | 7.3% | 6.2% | 3.9% | 0.8% | 7.8% |
| 2001 | **6.2%** | -3.8% | -10.2% | -11.5% | -11.9% | 6.5% | -7.4% | 4.7% | 0.2% | -6.2% |
| 2002 | **5.8%** | 8.2% | 2.9% | 4.3% | 11.2% | 5.4% | 0.6% | 4.9% | 0.2% | 4.6% |
| 2003 | **7.1%** | 14.0% | 13.0% | 5.0% | 8.1% | 4.9% | 5.9% | 3.1% | 0.9% | 1.6% |
| 2004 | **11.3%** | 4.0% | 2.4% | 3.9% | 4.8% | 1.0% | 2.0% | 2.8% | 1.7% | 3.4% |
| **Avg 1996-2004** | 8.3% | 6.3% | 5.0% | 3.4% | 5.1% | 6.0% | 3.1% | 3.9% | 1.3% | 5.3% |
| **Avg 2000-2004** | 7.7% | 5.7% | 2.5% | 0.1% | 3.1% | 5.0% | 1.5% | 3.9% | 0.8% | 2.2% |

*Source : China Statistical Yearbook, 2005; Consensus Economics Inc (London) April 2006*

Of all the countries analysed, the PRC achieved the strongest growth in PCE at 8.3% per annum between 1996 and 2004. This is not surprising given the strength of the economy, and the significant increase in living standards.

However, the PRC's growth has predominantly been due to an export and investment led strategy. The government acknowledges, through its new five year plan, this strategy can no longer achieve the results of the past and as such, growth into the future is likely to be as a result of a domestic consumer spending strategy. Accordingly, it is expected that in the short to medium term, private consumption expenditure will continue to grow strongly.

## 1.10 Tourism

Tourism in the PRC, although not a major contributor to the PRC economy, nevertheless is growing at a rapid rate and is of some minor relevance to the overall retail market in the PRC.

### 1.10.1 International Tourism

With the reform of the economy and growth in foreign direct investment (FDI), the PRC has emerged as a growing and attractive tourist destination.

According to a recently published Visa Asia Pacific Tourism Spending Report, the PRC is expected to be Asia's second largest tourism destination in 2006 measured by US$ spending. Importantly the tourism market is expected to experience accelerated growth with improved tourism infrastructure coming on stream and as interest is fuelled by heightened marketing and tourism campaigns leading up to the 2008 Beijing Olympics. The PRC attracted over 20 million international visitors in 2005, which represents more than a threefold increase over the number of visitors to the PRC a decade earlier in 1995. This indicates average growth of 13.2% per annum over the past decade.

### 1.10.2 Country of Origin

The majority of the PRC's international tourists come from the Asian region which contributes approximately two thirds of the visiting tourists (refer Table 1.14). Europe is the second largest region contributing 24% of the international tourist visits in 2005. Despite Europe's share of international tourists falling (from 27% in 1995 to 24%), more than 2 million more European's visited the PRC in 2005 than in 1995. The considerable growth in international tourism from within Asia is expected to continue into the future.

**The People's Republic of China** — **Table 1.14**
**International Tourists by Origin, 1995-2005**

| Tourist Origin | Percentage 1995 | 2000 | 2005 | Net Increase 1995-05 ('000) |
|---|---|---|---|---|
| Asia | 57.5% | 60.1% | 61.7% | 9,124 |
| Africa | 0.7% | 0.6% | 1.2% | 197 |
| Europe | 27.0% | 24.5% | 23.6% | 3,194 |
| Latin America | 0.9% | 0.8% | 0.8% | 107 |
| North America | 10.9% | 11.1% | 9.8% | 1,342 |
| Oceanic & Pacific | 2.7% | 2.8% | 2.8% | 415 |
| Other | 0.3% | 0.1% | 0.0% | -10 |
| **Total (1,000 person times)** | **5,887** | **10,160** | **20,255** | **14,368** |

*Sources : China National Tourist Office; China Statistical Yearbook 2005*

### 1.10.3 Purpose of Visit

With the growing popularity of the economy and culture of the PRC across the world, a large proportion representing approximately 46.1% of international visitors were holiday tourists. The attractive business climate and numerous investment opportunities in the PRC has attracted business travellers who in total, account for 22.7% of all international visitors. This trend is likely to continue into the future with the continued economic boom in the PRC particularly in popular tourist centres such as Shanghai and Beijing.

**The People's Republic of China** — **Table 1.15**
**International Tourists by Purpose of Visit,2005**

| Travel Purpose | Persons ('000) | Percentage |
|---|---|---|
| Meeting/Business | 4,598 | 22.7% |
| Sightseeing/Holiday | 9,345 | 46.1% |
| Visit Relatives/Friends | 405 | 2.0% |
| Services & Crew | 2,012 | 9.9% |
| Other | 3,895 | 19.2% |
| **Total** | 20,255 | 100.0% |

*Sources : China National Tourist Office; China Statistical Yearbook 2005*

### 1.10.4 Domestic Tourism

Domestic tourism has experienced considerable growth over the past decade with the increasing household affluence and ongoing modernisation of road, rail and air infrastructure, making internal travel within the PRC more accessible.

Since the mid 1990's domestic tourism has grown at 6.8% per annum (compared with 13.2% per annum for international tourism), more than doubling the 1995 volume in terms of number of trips made. Only in 2003 did domestic tourism fall, which is attributable to the SARS outbreak. Growth recovered strongly however in 2004 at 26.7% and also continued on in 2005 at 10.0% (refer Table 1.16).

Retail spending per capita by domestic tourists over the period has grown at a similar rate (7.1% per annum) although over the past few years, spending has actually fallen slightly, in line with the lower (and at times falling) inflation rates.

**The People's Republic of China** **Table 1.16**
**Domestic Tourists, 1995-2005 (millions trips)**

| Tourist Origin | Domestic Tourists (mil) | % Growth p.a | Per Cap Spending (RMB) | % Growth p.a |
|---|---|---|---|---|
| 1995 | 629 | — | 218.7 | — |
| 1996 | 640 | 1.7% | 256.2 | 17.1% |
| 1997 | 644 | 0.6% | 328.1 | 28.1% |
| 1998 | 695 | 7.9% | 345.0 | 5.2% |
| 1999 | 719 | 3.5% | 394.0 | 14.2% |
| 2000 | 744 | 3.5% | 426.6 | 8.3% |
| 2001 | 784 | 5.4% | 449.5 | 5.4% |
| 2002 | 878 | 12.0% | 441.8 | -1.7% |
| 2003 | 870 | -0.9% | 395.7 | -10.4% |
| 2004 | 1,102 | 26.7% | 427.5 | 8.0% |
| 2005 | 1,212 | 10.0% | 436.1 | 2.0% |
| **Net Increase (1995-05)** | **583** | **6.8%** | **217.4** | **7.1%** |

*Sources : China National Tourist Office; China Statistical Yearbook 2005*

### 1.10.5 Tourists Contribution to Retail Sales

Despite the strong growth experienced in international tourism within the PRC over recent years and the strong growth expectations, international tourists contribute only a minor proportion (i.e. 3%) of PRC's total retail sales. Growth expectations on increased spending in the retail sector will however, be boosted by the Beijing Olympics in 2008 and the World Expo in Shanghai in 2010.

### 1.10.6 Outbound Tourists

In addition to there being captured spending from international tourists visiting the PRC, there is a small loss of retail sales attributed to PRC residents spending outside the PRC and, more particularly, in Hong Kong. Luxury goods because of the tax regime are more expensive in mainland PRC at present which means there is a cost advantage to buy such goods outside the PRC. With the recent liberalisation occurring in the PRC making it is easier for residents now to visit other countries outside the PRC and more particularly Hong Kong, there has been growth in outbound trips from the PRC with the most frequent destination being Hong Kong.

This trend is not expected to change in the immediate future but we would expect that over time the taxation regime may well change to make the cost of luxury goods in the PRC more competitive with other countries such as Hong Kong thereby reducing the need to buy such goods outside the PRC.

## 1.11 The Impact of the PRC joining the WTO

The role of the World Trade Organisation (WTO) is to set the 'ground-rules' for international commerce and trade policy. The three main objectives are:

- To help trade flow as freely as possible
- To achieve further liberalisation through negotiation
- To set up an impartial means of settling disputes.

In 2002, the PRC gained entry into the WTO, and hence was required to implement a number of strict entry obligations. These obligations required the PRC government to amend a number of laws and regulations. More than 2000 have been amended to date, which has enabled greater trade liberalisation. This has occurred in a number of industries including cargo trade, service trade, intellectual property and investment.

For multinational retailers, the easing of restrictions on all forms of retailing has led to a transformation in the retail environment for foreign operators. Overseas operators are now allowed to take control of their own supply chain and can sell their goods through wholly owned units. As such, future foreign investment in the PRC is likely to be encouraged and will continue to occur as strong growth in the country continues.

## 1.12 The Property Market

The PRC housing reforms have had significant impacts on the development of residential property markets.

In recent years, the PRC has experienced a property boom. One of the key reasons for this is the continued urbanisation trend which is expected to continue. Over the next decade, the PRC's urban population is expected to increase by 150-200 million people, or an increase of over 15–20 million people per year. This trend will have a direct positive impact on both the property and the retail markets.

(Please refer Sections 4–10 for a detailed overview of the property market for each of CRCT's mall locations).

### 1.13 Economic Outlook and Implications on the Retail Market

With the strong economic growth forecast in the short to medium term, the outlook for the retail market in the PRC is extremely positive. As has been seen previously in other economies, such as Singapore and Korea, as economies thrive, and the standard of living increases, retail sales and household consumption also grow. This position accurately depicts the current PRC economy whereby there is a burgeoning middle class with growing real incomes. This coupled with a significant shift from rural living to urban living, and the concentration of major shopping centres and retail outlets in urban areas, all bodes well for retail growth and suburban retail malls in the PRC in the future.

The significance of the growing urbanisation of the PRC, and the increased living standards, should not be understated. Household ownership will continue to increase, which requires additional furnishing. As incomes continue to increase, disposable income in turn will increase, with the retail sector being the major beneficiary. This may be tempered slightly however, by slower population growth and an ageing population.

With a favourable current economic climate, future government policy is now being focussed on growing the country's economy through domestic consumption as opposed to exports and manufacturing previously. The success of such a strategy stands with the government continuing to allow living standards and real incomes to grow, which will, in turn, fuel local consumption.

## 2 The Retail Boom in the People's Republic of China

The PRC is currently in the midst of a retail boom driven by increasing disposable incomes and a burgeoning middle class coupled with increased urbanisation and a surge in retail mall developments. These favourable trends over recent years have resulted in double digit retail sales growth.

This section of the report examines the past, current and future state of the retail market in the PRC and includes an analysis of:

- Patterns in retail sales in the PRC;
- Changes to resident income and resident spending;
- Changes to consumer behaviour patterns;
- Brand acceptance;
- New retail formats and retailers;
- Retail provision;
- Retail sales performance by type of retailer and centre;
- Supply constraints and the regulatory framework;
- Retail rentals;
- Retail investment yields; and
- The future outlook for retail.

### 2.1 Retail Sales Growth, Past & Forecast

#### 2.1.1 Total Retail Sales

Retail sales in the PRC have grown strongly over the past decade, despite certain economic disruptions in the form of the Asian financial crisis in 1997-98, and the outbreak of SARS in 2003. This performance is highly correlated to the GDP growth, and as indicated on Chart 2.1 it has been consistently higher than GDP growth by approximately 2%-3% per annum over the past 10 years. The nominal retail sales growth (i.e. including inflation) over the past 10 years has averaged an impressive 12.5% per annum, whilst nominal GDP growth has averaged an encouraging 9.7% per annum.

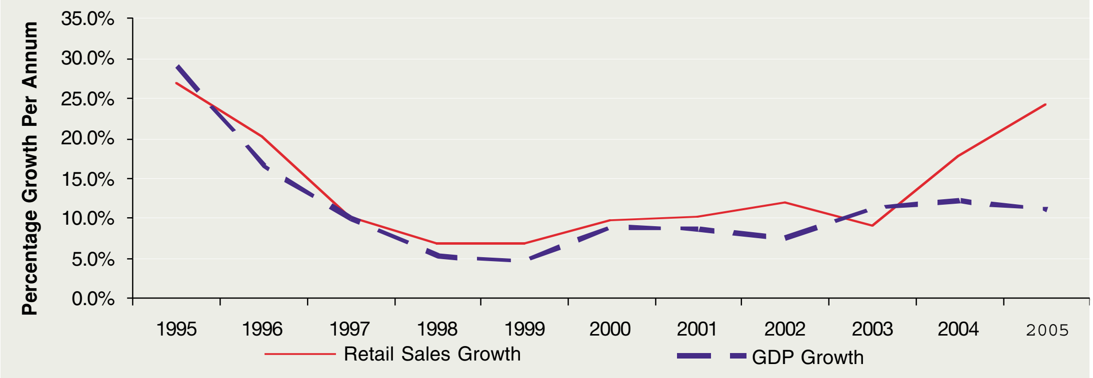
This strong growth in retail sales has been driven by a number of factors including increased consumer buying power and changes to consumer behaviour and shopping preferences.

Despite certain macro economic factors including the impact of the SARS outbreak, retail sales growth was high over the 1999-2004 period as the PRC began to open up its economy following its accession to the WTO in 2001.

Total retail sales for the PRC in 2005 were quoted by the National Bureau of Statistics at approximately RMB 6.7 trillion. This translates to an impressive year on year growth rate of 12.9% in a year that was the first full year after the PRC began to allow overseas retailers to open stores without a domestic partner, a pledge it made following its accession to the WTO in 2001.

The People's Republic of China
Nominal Retail Sales Growth Versus Nominal GDP Growth

**Chart 2.1**




*Source : National Bureau of Statistics China; China Statistics Yearbook 2005*

The National Bureau of Statistics (NBS) quoted retail sales figures for 2005 includes sales from wholesale trade, as well as several other sales categories including motor vehicles, fuel, transport costs and utilities. These sales categories are not traditionally classified as being retail nor are they relevant to the available retail market in the PRC for shops and retail malls. UrbisJHD has adjusted the NBS retail sales figure to exclude these other categories and on this basis, has estimated total retail sales for the PRC in 2005 is RMB 4.2 trillion.

### 2.1.2 Total Retail Sales — Food/Non-Food Breakup

Table 2.1 indicates the pattern of food and non-food retail sales between 1999 and 2005. Food sales have accounted for a significant proportion of retail sales in the PRC averaging in excess of 50% over the past seven years. In 2005 retail sales of food items (including food catering) were estimated to account for 58.5% of total retail sales in line with the historical trend.

At 58.5%, this is a comparable share to that achieved in many other countries but is higher than most western and developed countries. With incomes continuing to rise in the PRC, it is expected that this proportion will decline over time with a greater proportion becoming attributable to non-food goods and services.

**The People's Republic of China**
**Total Retail Sales, Food/Non-Food Spilt, 1999-2005**

**Table 2.1**

| | Percentage of Total Retail Sales | |
|---|---|---|
| **Year[1]** | **Food** | **Non-Food** |
| 1999 | 57.8% | 42.2% |
| 2000 | 57.7% | 42.3% |
| 2001 | 58.5% | 41.5% |
| 2002 | 58.9% | 41.1% |
| 2003 | 58.4% | 41.6% |
| 2004 | 58.6% | 41.4% |
| 2005 | 58.5% | 41.5% |

*1. Year end December*
*Sources : National Bureau of Statistics China; China Statistics Yearbook 2005; Eurom onitor; UrbisJH D*

### 2.1.3 Total Retail Sales — By Province

The PRC comprises 31 provinces which can be divided into six main regions as detailed in Table 2.2. Two of these regions alone, namely East China and South China, collectively account for the majority representing 63% of the PRC's total retail sales.

The CRCT's portfolio of shopping malls is well spread across the key shopping hubs across these regions being located in the Beijing, Inner Mongolia, Shanghai, Anhui and Henan provinces. Collectively these five provinces account for 16.7% of the total retail sales in the country.

**The People's Republic of China** — **Table 2.2**
**Distribution of Retail Sales by Province, 2004**

| Province | % of Total Retail Sales | Province | % of Total Retail Sales |
|---|---|---|---|
| Beijing* | 4.0% | Henan | 5.2% |
| Tianjin | 1.9% | Hubei | 4.9% |
| Hebei | 4.6% | Hunan* | 3.8% |
| Shanxi | 1.6% | Guangdong | 11.7% |
| Inner Mongolia* | 1.6% | Guangxi | 1.8% |
| **Total North China** | **13.9%** | Hainan | 0.4% |
| Liaoning | 4.9% | **Total South China** | **27.7%** |
| Jilin | 2.3% | Chongqing | 1.8% |
| Heilongjiang | 2.9% | Sichuan | 4.4% |
| **Total North-East China** | **10.0%** | Guizhou | 1.0% |
| | | Yunnan | 1.6% |
| Shanghai* | 4.5% | Tibet | 0.1% |
| Jiangsu | 7.6% | **Total South West China** | **8.8%** |
| Zhejiang | 6.7% | Shaanxi | 1.8% |
| Anhui* | 2.8% | Gansu | 1.0% |
| Fujian | 3.7% | Qinghai | 0.2% |
| Jiangxi | 1.9% | Ningxia | 0.3% |
| Shandong | 8.2% | Xinjiang | 0.9% |
| **Total East China** | **35.4%** | **Total West China** | **4.1%** |

** Provinces in which CRCT malls are located*
*Source : National Bureau of Statistics China; China Statistics Yearbook 2005*

### 2.1.4 Retail Price Inflation

Retail Price Inflation (RPI) measures movement in retail prices across time periods. Throughout the first half of the 1990s, the PRC experienced relatively high RPI by global standards, with average rates of approximately 10% per annum. RPI was negative between 1998 and 2003, before rising in 2004 by 2.8%. For the next five years RPI in the PRC is conservatively forecast by UrbisJHD to average 1.2% per annum, which is lower than the 2.7% per annum forecast for CPI. This forecast is consistent with the historic pattern, in which RPI has been around 1%-2% below CPI.

### 2.1.5 Total Retail Sales Forecasts

Table 2.3 provides our forecasts for retail sales growth in the PRC over the next six years to 2011. Taking into account our estimate of total retail sales in 2005 (RMB 4.2 trillion), by 2011, total retail sales are forecast to reach RMB 7.4 trillion. This equates to an average nominal increase of 10% per annum over the 2005 to 2011 period.

Retail sales growth in the PRC will be driven primarily by the strength of the local economy. A strong local economy is characterised by rising per capita income and an increasing disposable income which will drive resident spending. Other factors expected to drive the growth in retail sales include changing consumer preferences, the opening up of ownership restrictions on foreign retailers, the surge in retail mall development and the availability of credit.

**The People's Republic of China** **Table 2.3**
**Forecast Total Retail Sales, 2005-2011**

| Year[1] | Retail Sales[2] RMB billion[3] | YoY% |
|---|---|---|
| 2005 (a) | 4,188 | — |
| 2006 (f) | 4,669 | 11.5% |
| 2007 (f) | 5,183 | 11.0% |
| 2008 (f) | 5,714 | 10.3% |
| 2009 (f) | 6,271 | 9.7% |
| 2010 (f) | 6,835 | 9.0% |
| 2011 (f) | 7,416 | 8.5% |

*1. Year end December*
*2. Excludes national wholesale trades, as well as motor vehicle related sales, transport costs, utilities*
*3. Nominal RM B*
*(a) actual; (f) forecast*
*Sources : National Bureau of Statistics China; China Statistics Yearbook 2005; UrbisJH D*

## 2.2 Changes in Income and Retail Spending

The spiralling growth achieved by PRC's retail market has been driven by a turbo-charged economy that has simultaneously boosted income and consumer spending power. However, it would be a misconception to see the PRC as one single nearly homogeneous economy. Due to the diversity among cities and provinces in terms of geography, population, regulation, economic systems and business culture and ethics, different regions within the PRC are developing at their own pace.

As a result, income distribution within the PRC is as diverse as consumer behaviour and preferences. Not surprisingly, wealth and consumption are concentrated in large urban areas. As a general rule, the income and spending of an urban dweller is much higher than that of a rural resident.

Retail spending per capita in the PRC has increased significantly over the past sixteen years. In 1989, retail spending per capita was estimated to be approximately RMB 449. Based on our estimate of total retail sales for 2005 of RMB 4.2 trillion, retail spending per capita is estimated to have increased to RMB 3,203, representing an average increase in retail sales per capita of 13.1% per annum.

The increase in per capita retail spending in the PRC has been driven primarily by per capita income growth along with the deregulation of the retail sector, which has allowed foreign retailers to enter and establish a presence in the market. In 1989, income per capita in the PRC was estimated to be approximately RMB 854. By 2005, this was estimated to have increased to RMB 6,353, representing an average increase in per capita income of 13.4% per annum.

Over the sixteen year period between 1989 and 2005, retail spending per capita as a proportion of income per capita decreased from close to 53% to just over 50%. In 1989, with lower incomes, PRC residents would have spent a greater proportion of their incomes on food and essential items. As incomes increased, PRC residents have been able to direct a larger proportion of their income to non-food items.

The exponential growth in income per capita has spurned the creation of a new middle class in the PRC. Estimates of the size of the PRC's new middle class vary considerably, from 130 million (Asian Demographics) to 250 million (Chinese Academy of Social Sciences). However, a consensus has been witnessed amongst the forecasting agencies that the middle class will continue to grow expediently in the short-term, and will form an important market for domestic and foreign retailers.

As their disposable income increases the consumption patterns of the middle class and those persons living in urban households will mature. Middle-class consumers can be expected to improve their living standards by purchasing luxury goods such as plasma screen televisions and personal computers which will lead to further growth in retail spending in the future.

Furthermore, the one-child policy implemented by the PRC government in the 1970's means that the PRC demography is gradually maturing — the proportion of infants and youths is decreasing with the proportion of the population in the main workforce age group (i.e. 20-65 age cohort) remaining stagnant. The so-called "little emperors" of the single child families, will form part of the burgeoning middle-class, whilst at the other end of the spectrum, an older population will spend less per capita than their younger counterparts.

Whilst consumer spending is expected to increase in the coming years most of it is likely to be concentrated in urban localities. Gradually over time as incomes increase, urban households in particular, are expected to have more discretionary spending thereby enabling them to change their spending focus from one which concentrates primarily on basic needs to other forms of spending including non-essential goods. This is already evident in Beijing and Shanghai, which have the highest levels of disposal income in the country, estimated in 2005 and RMB 17,653 and RMB 18,645 per capita respectively.

On the other hand, consumer spending in rural areas is not expected to grow as strongly, as they will not benefit from the foreign investment and urbanisation experienced by their counterparts.

For 2006 we estimate that the average retail spend per capita for the PRC is RMB 3,662 with the urban average at RMB 5,865, nearly three times greater than the rural average at RMB 1,962.

## 2.3 Changing Consumer Behaviour and Preferences

An understanding of the shifts in consumer preferences is imperative for retailers who are seeking to establish a presence in the flourishing Chinese market. This part of the report examines the changes in consumer preferences over the past decade. Furthermore, it considers demographic trends over the next five years which are likely to affect consumers' shopping behaviour and preferences in the future in the PRC.

**Market Reforms**

In the 1980s, the PRC pursued agricultural reforms, dismantling the commune system and introducing the household responsibility system that provided peasants greater decision-making in agricultural activities. The government also promoted increased competition in the marketplace, and direct contact between mainland PRC and foreign trading enterprises. These market reforms have fundamentally changed the lifestyles of PRC residents. The reforms have resulted in widespread demographic and social change, which in turn has resulted in the paradigm shift in Chinese consumers' shopping habits and lifestyles.

In the past when supplies were scarce, ration coupons were required for the purchase of daily necessities. At that time, the residents' consumption behaviour were virtually identical because of their low spending capacity and lack of choice. However, since the introduction of economic reforms in 1979, the consumer behaviour has undergone significant change and the economy has become more market-oriented. This is evident from the growing retail sales over the years and the emergence of a shopping mall culture in the various regions of the PRC.

**The Impact of an Improving Lifestyle**

Changing working and living patterns have resulted in the gradual shift from traditional retailing formats to modern retailing formats such as shopping malls and hypermarkets. The increasing incidence of two income households has precipitated significant changes to living habits and spending patterns. These residents increasingly are no longer finding time to frequent wet markets on a daily basis and are preferring to shop at hypermarkets and supermarkets which offer one-stop-shopping and late night trading. This was confirmed in a recent study conducted by Jonathan Garner which found that 85% of the survey respondents were now buying food in hypermarkets/supermarkets as compared with 58% three years earlier.

Another impact of rising incomes is clearly evident from the increase in car ownership between 2000 and 2004. In 2000, the car ownership level was only 1.2 cars per 100 persons. This increased to two cars per 100 persons in 2004. However in comparison with most other countries, car ownership levels in the PRC are still low. For instance, in Australia the rate of car ownership is 48 cars per 100 persons, whilst it is 20 cars per 100 persons in Taiwan and 10 cars per 100 persons in Singapore. In part, the increasing rate of car ownership has led to an increased popularity of hypermarkets due to their easy accessibility.

**Savings Ratio**

The PRC has one of the highest saving ratios in the world at approximately 40%. This has had a two-fold effect on consumer behaviour and spending patterns: (1) it has restricted consumer spending, and (2) it has made it difficult for banks to persuade consumers to spend on credit. These trends are evident more so in the older generation.

However, attitudes are changing with the emergence of a new generation of self-assured consumers with less reason to fear the economic and political upheavals which affected their parents' lives. The consumers in this group are better educated and more urbanised and have different preferences and needs to their older constabularies.

This community is moving away from the conventional demand of daily necessities to a quest for a higher quality of life. The emergence of this urbanised middle-class with a spending mentality has contributed to rising consumerism and the retail revolution in the PRC.

**Personal Beliefs**

Market reforms and demographic change have been associated with residents seeking a better quality of life. This is evident from the change in the concept of living from merely seeking shelter to finding a spacious, comfortable and luxurious homes to live in. This has led to a situation whereby an ideal living environment is now seen as an important ingredient for a quality life.

With an increasing standard of living and larger sized residences, PRC residents are paying more attention to decorating and modernising their homes. This has led to a significant increase in the sale of homewares such as linen and whitegoods.

Market reforms and social changes have made PRC consumers more aware of the importance of education and culture to development. There has been an educational upsurge in the PRC over the past two decades. Not only are educational institutions (i.e. universities) increasing their enrolment but marked progress has been achieved in adult education through distance education and short-term training programmes.

The attainment of a graduation degree has become of prime importance in the highly-competitive society. Out of this grows the demand for an urbanised lifestyle, which has led to an increase in the number of families purchasing books and ordering newspapers and magazines. Furthermore, the demand for electronic equipment and luxury goods is growing, and holidaying abroad has become a way of life for many families.

**Living Preferences**

With heightened market reforms resulting from the PRC's accession to the WTO, and as commercial activities continue to flourish, more and more residents are beginning to value their time leading to convenience becoming an important choice criterion for shoppers.

This has resulted in fast food and frozen food being popular with the working community, fashion clothing and home electrical appliances that make household chores easier becoming popular among consumers.

The consumer's expectations of product quality in general have been steadily rising, owing to the increase in income and sociological forces, which have prompted expectations of a better lifestyle. This was evident following the SARS outbreak in 2003, where an increased emphasis was placed on the safety of food. Furthermore, instead of just focusing on the basic needs of warmth and protective function of products, PRC consumers are becoming increasingly concerned with design and quality.

In addition to comfort, convenience and practicality, people are also looking for style, taste and individuality in what they wear. Some consumers are also becoming more brand conscious in their choice of clothes and durable consumer goods, and tend to buy expensive branded products known for good quality.

As a result, department stores are now crowded with people, but few of the shoppers are serious buyers. PRC consumers are eager to see what is available, especially imported goods thereby increasing footfalls at malls.

In the future the behaviour and preferences of the PRC consumer are likely to be affected by a number of demographic and social trends. The population of the PRC is ageing, and unlike many emerging markets, the PRC is not in essence a child or youth consumer market. This is likely to have a major impact on consumption patterns with a large opportunity existing in the PRC for products and services geared towards the older segment of the population.

### Urbanisation

Migration from the countryside to the cities has been, and will continue to be, significant. This is expected to result in extreme changes to lifestyle with a greater emphasis on living quality. This coupled with the one-child policy is likely to lead to smaller households and will drive sales of consumer durables such as whitegoods.

The urbanisation of the population is also likely to lead to income growth and significant changes to income distribution throughout the nation. It is forecast by McKinsey that the number of households earning between RMB 25,000 and RMB 100,000 will rise from 42 million in 2005, to 200 million by 2015.

Finally the savings rate is likely to increase further as household incomes increase and urbanisation continues. However, owing to the projected overall growth rate of the economy, consumption expenditure is forecast to rise.

## 2.4 Brand Acceptance

In the years that have followed significant market reform and its accession to the WTO, the PRC has been the recipient of massive foreign investment. Foreign retailers including Carrefour, Wal-Mart, Tesco, B&Q and Parkson and others have been drawn to the PRC by the combination of a booming economy, and access to a potentially enormous spending market.

The ability to profitably enter the PRC's retail market hinges, to a large extent, on an understanding of the PRC consumer's demands, of their perceptions of foreign brands, the perceived price and quality of those foreign brands and their differentiation to local brands. Branding has a significant impact on the Chinese consumer's buying behaviour as indicated by the growing sales of popular retailers such as Starbucks and Nike who have increased their presence significantly in the PRC over the last three to five years.

This is especially important during the immature stage of consumer behaviour, whereby consumers' limited experience to modern marketing makes them depend on reputable brands and track records. In the PRC this is very important because brands are estimated to account for between 30% and 50% of all consumers' expressions of intent to purchase.

The westernisation of the PRC over the past decade has contributed strongly to brand acceptance. The increasing prevalence of TV viewership, better education and increasing level of domestic and international travel has brought the PRC consumer in touch with modern marketing channels. Retailers are now readily able to communicate with consumers and this has led to more exposure to brands and, as a result, greater brand acceptance.

This has contributed to the success of specialty stores, which are becoming an increasingly popular apparel retail format in the PRC. Furthermore consumers' have accepted supermarkets and hypermarkets as the principal place to purchase food products.

Whilst local customers have typically favoured domestic brands, they have now become more receptive of foreign retailers and brands that have entered the market over the past decade. These foreign retailers have made a conscious effort to localise their marketing (e.g. through the use of PRC folk cartoon characters) and employing local staff.

Foreign retailers using these marketing models have established a deeper understanding of consumer preferences of the mass market thereby growing their presence. In particular the unique operation strategies of world giants, such as Wal-Mart, Carrefour, and IKEA have greatly stimulated new consumption demands amongst the PRC residents and as a result, expanded the retail market. For example, the surge in PRC consumer demand for bread is closely related to Carrefour's freshly-made bread; whilst Starbucks' expansion into the PRC has led to many young PRC consumers becoming coffee lovers.

The acceptance of foreign brands and retailers in the PRC is evident from their presence on the PRC's top 100 retailers list. In 2005, foreign firms accounted for 23% of sales of the top 100 food retailers in China. Furthermore, there are now over 1,000 foreign retailers in the PRC compared with 314 two years ago.

Some of the popular brands have established a presence in the PRC including: Carrefour, Wal-Mart, Tesco and Germany's Metro AG. Furthermore, a number of the leading fashion brands (e.g. Louis Vuitton, Armani, Hugo Boss etc.) have a presence in the market through company-dedicated stores or franchises.

Other prominent F&B players who have a considerable PRC presence include McDonalds and Yum! Brands Inc. Yum Brands based in the United States, operates the KFC and Pizza Hut chains. KFC is now the number-one quick-service brand restaurant in the PRC with over 1,480 outlets, whilst Pizza Hut has 180 stores throughout the PRC. All these prominent retailers have a presence in the CRCT malls.

## 2.5 New Retail Formats and Retailers

The flourishing retail market in the PRC has led to the evolution of a number of new retail formats. This has encouraged the expansion of domestic retailers into newer and exciting formats, and the entry of foreign retailers with their well established models from other parts of the world.

### 2.5.1 New Retail Formats

**Hypermarkets**

Hypermarkets (which combine a value oriented department store and supermarket) are a relatively new conept which has been well accepted by the PRC consumer. This segment has been popularised by multi-national retailers such as Carrefour, Wal-Mart, and Metro. Hypermarkets have enjoyed considerable success in the PRC market since their inception in 1995, as consumers increasingly favour shopping at one-stop-shops and value for money shopping destinations.

The success of the foreign retailers in the hypermarket business has encouraged many domestic retailers to adopt a similar format. The better known foreign players in the PRC market include Carrefour which has over 70 stores, Wal-Mart which has over 50 stores, (both of which have a presence in the CRCT malls), Germany's Metro which has over 20 stores, and now Tesco, which has acquired a 50% stake in the Taiwanese Hymall chain.

**Concession Stores**

Concession stores operate in floorspace leased from master tenants, including department stores and hypermarkets. They are becoming prevalent in the PRC as department stores and, to a lesser extent, hypermarkets are increasingly sub-leasing out some of their floor space to various retail operators. These have become more popular in the PRC because they are generally regarded as good for business, with large footfalls, easy to manage with more product variety and they are usually highly profitable, particularly if they occupy prime space.

### Discount Stores

Discount stores are a new kind of community supermarket that is expected to become one of the major retail business types in the PRC by the end of 2010. The main characteristics of discount stores in the PRC are high quality products at low prices contained in a store with a size that is between 300-600 sq.m.

The main merchandise sold in discount stores includes food and household commodities, which are shopped for frequently. Before 2003, there were no pure discount stores in the PRC but Carrefour buoyed by the success of its hypermarkets, decided to import its discount store brand, 'Dia Daily' to the PRC.

According to research by Euromonitor, at the end of 2003, total retail sales through discount store were still less than RMB 400 million. However it is expected that following the WTO protection period, that discount stores' annual sales should at least double each year until 2010.

The major discount store operators at present are Dia Daily and '5 RMB'. Dia Daily, is a joint venture between Carrefour and Shanghai Lianhua Supermarket Co Ltd. The domestic discount store, '5 RMB', belongs to Shanghai Nong-gong-shang Supermarket Co Ltd. Other operators have recently entered this space including Shenzhen Huarun Wanjia, Shenzhen Renrenle, Tianjin Nanxijiu and the LCX discount store.

### Franchising

Franchising is a business relationship in which the franchisor (the owner of the business providing the product or service) assigns independent people (the franchisees) the right to market and distribute the franchisor's goods or service, and to use the brand name for a fixed period of time.

Franchising is a booming sector in the PRC economy as it allows people with limited capital to enter an established business and is well suited to a developing economy.

Franchising first emerged in the PRC in the late 1980s, with the most notable entrant being KFC, which opened its first PRC outlet in Beijing in 1987. Since then, the franchising industry has experienced a period of chaotic development. However with the establishment of new Regulation of Commercial Franchise takes effect, the PRC's franchising industry is set to enter a rapid but orderly development stage in the future.

Retail chain stores such as Subway have used franchising as a major way of entering and expanding into the PRC market. The PRC currently has 1,900 franchise systems, with 82,000 outlets, and is growing at 49% annually. Today, there are nearly 200 franchise brands in the PRC ranging from supermarkets and drug stores to fitness centres.

In the top 100 chain stores listed by MOFCOM in 2003, 61 enterprises were franchisers. Their 5,400 franchised outlets achieved combined sales revenue of RMB 27 billion. Some of the leading international franchises in the PRC include 7-Eleven, McDonald's, KFC, Pierre Cardin, Pizza Hut, T.G.I. Friday's, Subway, Century 21, Kodak, and Athlete's Foot.

### Internet Retailing

Internet retailing in the PRC is still in its infancy but is fast growing as a mode of retail with the growth coinciding with general growth in internet usage. It is expected that the PRC's accession to the WTO will provide further impetus to e-commerce development given the PRC's commitment to the liberalisation of its telecommunication. This will solve the problem of back payment methods and the opening up of the telecommunications industry will improve internet sales with the establishment of more internet kiosks increasing internet accessibility and, making internet shopping fashionable.

According to research completed by Euromonitor, at the end of 2003 there were 3,141 shopping websites in the PRC with sales amounting to RMB 790 million, a 240% rise from the levels of 1999, where total internet sales were recorded at RMB 233 million.

Most of the merchandise sold over the internet comprises books, computers and home appliances. Popular internet retailers in the PRC include Joyo.com, Dangdang.com, My8848.com, Sohu.com and Bettlesmen.com, along with increasingly larger retailers seeking to sell their services (such as Gome) over the Internet.

**Mail Order**

Mail order first appeared in the PRC in the mid-1990s, but its development has been hampered by regulatory and practical obstacles and remains under developed. To date there are less than a dozen mail-order joint ventures operating in Shanghai, one market where mail order businesses have managed to gain a foothold.

**Direct Selling**

After a strong market entry, direct selling has struggled to maintain its momentum given that it was banned by the PRC government in 1998. At that time the three big industry players, Amway, Avon, and Mary Kay all complied with government restrictions and set-up national retail networks in order to build brand awareness and business.

The key industry players have been highly successful since then prompting other companies to enter the market. Amway's PRC sales reached 10 billion RMB in 2003, making the PRC its largest market anywhere in the world. Similarly Avon and Mary Kay have achieved inordinate success (with 2003 sales estimated at RMB 2.4 billion and RMB 2.9 billion respectively), painting a bright future for direct selling in the PRC over the next decade.

**Warehouse Clubs**

Warehouse clubs are another new retail format in the PRC. The sales area of warehouse clubs is by far the biggest amongst the other retail formats which allows the retailers to display more merchandise at lower prices.

Typically warehouse clubs are frequented by speciality consumers, companies, or restaurants that need to be members in order to shop there. Warehouse clubs sell a wide-range of merchandise with food usually being the priority for members when they make purchases.

The first warehouse clubs retailer was Metro from Germany in 1996. After Metro, IKEA, the home furnishing group entered the PRC market in 1998 to open 2 outlets. Due to the sophisticated level of operational expertise required for running the warehouse clubs format, the PRC has yet seen the entrance of domestic players.

### 2.5.2 New Retailers

Domestic retailers continue to dominate the PRC market, with the top retailers being the Shanghai Bailian Group, Gome Electrical Appliances, Dalian Dashang Group and Suning Home Appliances. Increasingly in the PRC the chain store model has been adopted by retailers of apparel, toys and office equipment. In addition, some new business models have appeared over the last few years, such as supermarkets selling fresh produce and stores specialising in the sale of personal care goods.

Despite the domestic domination, foreign retailers have, and will continue to enter the PRC market following the relaxation of ownership restrictions in 2004. Parkson, was one of the pioneer foreign players in the PRC retail sector back in 1993/94. Since then a number of foreign retailers have followed its lead by entering the PRC market including Carrefour and Wal-Mart.

It is not only hypermarket and department store operators that have entered the PRC market of recent times. As the PRC's middle class grows, there are plans afoot from luxury retailers to enter and further expand their operations in the PRC. For instance Giorgio Armani plans to open 20 to 30 stores in the PRC by 2008, whilst Zegna has estimated that there are 120 cities that could be possible spots for their stores.

### 2.6 Retail Provision — The Shopping Centre Explosion

Before the significant market reforms instigated in the 1980s, the PRC had very little organised retail, and a not too significant middle class. The opening up of the PRC economy over the past two decades has been associated with a "retail boom", which has resulted in an explosion in the amount of shopping centre floorspace provided throughout the nation.

As the PRC roars towards becoming the world's biggest consumer society, "build and they will come" seems to be the motto among the country's retailers and shopping centre developers. The PRC has become home to some of the biggest and most extravagant shopping malls in the world. This includes a pair of mega malls in Beijing (Golden Resources 680,000 sq.m GFA) and the southern factory city of Dongguan (South China Mall 845,000 sq.m GFA), which are in the Top 10 largest shopping malls in the world. According to Deloittes, research released in 2005 (the PRC's Consumer Market: Opportunities and Risks), if all current projects are completed, the PRC will feature seven of the world's top ten shopping centres by 2010.

According to research conducted by Euromonitor, in 2003 there were an estimated 236 shopping malls in the major cities of the PRC with Shanghai, Guangzhou, Shenzhen, Beijing, Chengdu, Dalian, Chongqing and Wuhan accounting for 72% of the total malls. Since 2003 there has been considerable new construction activity and we would expect that this figure of 236 shopping malls will have increased to well in excess of 500 malls.

The shopping centre explosion in the PRC is expected to continue into the foreseeable future, buoyed by rapid increases in consumer spending and the removal of laws that restricted access to all but the largest and best-funded international retailers. Furthermore, residential development and associated population increases in smaller cities across the nation are beginning to attract investors willing to develop big, new shopping centres.

Sizeable investment from foreign companies in either purchasing or construction of shopping centres in the PRC is only a new phenomenon. The recent developments include CapitaLand's joint venture with Shenzhen's International Trust and Investment Co Ltd (SZITIC) to acquire 19 retail mall developments anchored by Wal-Mart including the new Wal-Mart Asia headquarters in Shenzhen. Under the joint ventures, CapitaLand has also been offered an investment in another 14 retail mall developments anchored by Wal-Mart and the right to invest in not less than 70% of future retail mall projects for Wal-Mart which SZITIC purpose to develop by December 2010.

The explosion in shopping centre space in the PRC throws up a number of questions. Is there the tenant depth to support the explosion in shopping centres? Can the provision of floorspace in the PRC be supported?

Evidence to date would indicate that the shopping mall format in the PRC has been well accepted but there have also been some centres (e.g. Golden Resources in Beijing) which have not been particularly successful and their performance has been well below expectation. Certainly one of the reasons for the slower than anticipated acceptance has been that PRC consumers, particularly in the lower income areas and cities, take a considerable period of time to adapt to the new format and accept the new retailers. Some of the newer centres have been pitched at the upper end of the market which is a relatively thin segment in the PRC, and a number of others suffer from bad management, poor tenant mix, bad layout and design and issues in relation to their location and accessibility.

Whilst wet markets and traditional department stores still remain popular with the PRC residents, it is anticipated that over time with further development of hypermarkets in particular but also enclosed malls, this will place increasing pressure on wet markets which have in the past tended to cater for a large proportion of the PRC's fresh food shopping needs. Wet markets however, generally have limited operating hours and therefore hypermarkets and supermarkets, with their much longer trading hours, high quality storage facilities, greater variety and relatively competitive pricing, should assist them to increase their share of the fresh food market significantly as they gain greater representation throughout the PRC. The shopping centre mall format, in our view, will be accepted by the PRC residents for a number of reasons including:

- The **convenience and comfort** to the shoppers associated with this format of development, particularly given the relatively harsh climate that exists in the PRC at certain times of the year (both hot and cold).
- The **changing demographics** occurring within the PRC and more particularly the increased standard of living and increased urbanisation together with the expected strong growth in per capita incomes. This should lead to a considerable growth in the size of the middle class and the size of the available retail market in the major cities of the PRC.
- The impact of improved telecommunications including the internet and cable television has led to the **globalisation of consumer behaviour**. The PRC residents are increasingly becoming more western in their ways and this in turn, will flow through to their spending behaviour and their demand for retail goods and services, particularly for non food shopping including fashion, homewares and leisure items.
- The **presence of global brands** within the malls. There are many global retail brands with aggressive expansion plans into the PRC and in many instances the preferred retail format for these retailers is the shopping mall.

It is expected that the PRC's accession to the WTO, and the continued growth in consumer spending, will lead to an influx of foreign retailers to the PRC over the next decade. This can be reasonably expected to lead to tenant demand for floorspace in centres across the nation.

### 2.7 Retail Sales Performance by Type of Retailer and Centre

According to the National Bureau of Statistics there were approximately 23 million retail outlets in the PRC at the end of 2003, an increase of approximately five million retail outlets since 1999 (refer Table 2.4). The most prevalent form of retail outlet in the PRC was the unorganised sector of "Other Grocery Retailers" who accounted for more than 50% of total retail outlets in the PRC at this time. Of the other retailing formats, specialty stores made up a further 35% of the market, whilst supermarkets accounted for just over another 1% of the outlets.

Our indicative estimate is that there is approximately 1.6 billion sq.m of retail floorspace as at 2005 and this equates to an overall average provision of 1.2 sq.m per person. This is very low by western standards with the United States at 3.5 sq.m per person, Australia (2.1) and the United Kingdom (1.3). It is slightly above Singapore however, at 1.0 sq.m per person, which is a very highly planned and controlled environment. It is at a similar level to Hong Kong (1.2) and Korea (1.2).

With the PRC it must be noted that a significant proportion of the retail floorspace is located in rural areas and it is relatively old, inefficient and of a low quality. Importantly, the provision of retail floorspace per capita for shopping centres in the PRC is much lower than the other countries where the typical proportion is around 25%-40% with the exception of US where it is much higher at over 50%. In the PRC we would expect that this proportion to be below 10% thus indicating there is significant potential for the further provision of shopping malls.

As with the quality of shopping centres there is also a significant variation in retail productivity throughout the PRC both in terms of type of retailer but also location. Based on total retail sales for the PRC of RMB 4.2 trillion and with an estimated floorspace of 1.6 billion sq.m, this results in an overall average productivity level of around RMB 2,700 per sq.m per annum. This is very low when compared with most other countries but is to be expected given the lower incomes and lower quality of retail generally throughout the country. In PPP adjusted terms, the average productivity level would be closer to RMB 11,500 per sq.m. This is closer to westernised countries.

Whilst the overall productivity level for the PRC is estimated RMB 2,700 per sq.m we would expect the urban average to be significantly higher at around RMB 4,400 per sq.m as compared with only RMB 1,500 per sq.m in rural areas. Again the larger cities will trade at higher rates and particularly Beijing and Shanghai where it is anticipated that average productivity levels will be closer to RMB 10,000-15,000 per sq.m per annum. This augers well for the CapitaRetail China Trust, which has shopping malls not only in Beijing and Shanghai but in large urban cities.

**The People's Republic of China** **Table 2.4**
**Number of Retail Outlets by Type, 2000 to 2003**

| Type of Retailer | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|
| Department Stores | 50,200 | 60,400 | 67,800 | 73,500 |
| Hypermarkets | 2,000 | 300 | 400 | 500 |
| Convenience Stores | 18,000 | 22,300 | 26,800 | 31,500 |
| Supermarkets | 188,000 | 215,000 | 250,000 | 288,000 |
| Other Grocery Retailers | 11,070,000 | 11,378,600 | 12,026,600 | 12,449,900 |
| Specialty Stores | 6,224,300 | 6,757,100 | 7,130,400 | 7,975,900 |
| Other | 1,754,300 | 1,853,500 | 2,063,300 | 2,234,000 |
| **Total** | 19,306,800 | 20,287,200 | 21,565,300 | 23,053,300 |
| **Average Annual Growth Per Annum (%)** | | | | |
| Department Stores | — | 20% | 12% | 8% |
| Hypermarkets | — | -85% | 33% | 25% |
| Convenience Stores | — | 24% | 20% | 18% |
| Supermarkets | — | 14% | 16% | 15% |
| Other Grocery Retailers | — | 3% | 6% | 4% |
| Specialty Stores | — | 9% | 6% | 12% |
| Other | — | 6% | 11% | 8% |
| **Total** | **—** | **5%** | **6%** | **7%** |

*Sources : National Bureau of Statistics China; Euromonitor*

The estimated approximate average 2005 retail productivity levels for the major anchors for the CapitaRetail China Trust malls i.e. Carrefour, Beijing Hualian and Wal-Mart are as follows:

- Carrefour RMB 21,000 per sq.m
- Beijing Hualian RMB 16,000 per sq.m
- Wal-Mart RMB 14,000 per sq.m

Carrefour currently enjoys a higher average trading level than Wal-Mart. This is primarily due to the fact that it has a larger existing store network and, more importantly, its stores are more established.

### 2.8 Supply Constraints and the Regulatory Environment

The restrictions placed on the PRC retail market before its accession to the WTO in 2001 placed severe constraints on the ability of not only foreign, but domestic retailers also, to operate effectively in the market. With the accession to the WTO in December 2001, the door to the PRC was well and truly opened.

The accession to the WTO resulted in the easing of restrictions on retailing, wholesaling and franchising across the country that have subsequently created unprecedented opportunities for multi-national retail organisations. However, the perils facing retailers (in particular foreign retailers) still remain, as the national government is interested in encouraging retail development in the less urbanised parts of the nation.

In June 2004 the Ministry of Commerce (MOFCOM) passed a regulation that requires foreign chain store retailers to pass annual inspections before they can open any new stores. Another regulation that still exists restricts foreign investment in chain stores with more than 30 outlets nationwide. It is expected that this regulation will be removed in the later stages of this year.

Eventually, and at its future discretion, it is expected that the PRC will adopt planning principles for retail floorspace provision similar to the more Westernised countries such as the United States, United Kingdom and Australia. One such policy that has been submitted to the National State Department for approval surrounds the construction of a retail property with more than 3,000 sq.m of floorspace. Under this regulation any planned retail property with more than 3,000 sq.m of floorspace will require approval by a public meeting with the participation of local city planning department, traffic control department, consumer association, and business administrations. It is expected that this regulation will be executed in the near future.

MOFCOM remains the key regulatory body for the retail industry in China, and are responsible for regulations at a national level.

Other regulations influencing the retail market exist at an administrative level. Some of the laws have been created to protect domestic retailers from the foreign invasion, whilst others exist to promote sensible development ensuring that the needs of the community are adhered to. Otherwise, regulation of the industry is handled by local authorities at a province and city level.

### 2.9 Retail Rentals

The PRC retail market has seen strong demand for shop space as both foreign and local retailers are keen to tap into the spending power of the fast-expanding middle class.

Demand for prime retail space appears to be increasing with a number of retailers looking for flagship locations. Other foreign retailers have continued to maintain an active stance in the rental market with respect to penetrating or expanding existing operations across the PRC.

This has resulted in some increases to rents at major developments, however retailers are showing some resistance to paying rents at increased levels.

As with retail productivity levels, retail rentals also exhibit considerable variation between rural and urban areas and by type of retail space throughout the country. Within shopping malls however, we understand that average gross rentals for suburban malls are typically RMB 4,000-5,000 per sq.m per annum in the larger cities but a considerably lower figure for the smaller cities.

The average gross market rental in Beijing and Shanghai has grown at an average rate per annum of 6% and 11% respectively over the past five to six years.

The future level of retail rentals in the PRC will be determined, amongst other things, by sales growth (i.e. retail sales), floorspace growth (i.e. amount of floorspace), and productivity growth. Assuming that current retail rents are realistic, it would not be unreasonable to expect retail rent growth in the PRC of between 5% and 8% over the next five years.

### 2.10 Retail Investment Yields

In comparison with other premier Asian countries such as Hong Kong and Singapore and western nations, there has been very little retail investment activity in the PRC over the past decade. Most of the investment activity has occurred since the relaxation of foreign ownership laws in December 2004.

Of the other retail investment activity, much of it relates to the purchase of strata titled ‘retail podium’ shops on yields of between 8% and 10% according to industry analysts.

### 2.11 Future Outlook

The overall outlook for retail property within the PRC, in our view, is sound with strong double digit nominal growth anticipated in retail sales over the next five years. This will be attributable to a number of factors including the anticipated ongoing strong growth of the economy; rising incomes; the increasing acceptance of western style living and brand consciousness; the ongoing shift from rural areas to cities (estimated 15–20 million persons per annum) and the very strong desire by many international retailers to gain presence within the PRC, not only in the major cities but also in the secondary cities. Other factors, of less importance, but still of significance include higher levels of car ownership; increased demand for luxury merchandise and brands; increasing acceptance of the hypermarket format for food and grocery shopping and finally; the ongoing and increased acceptance of the retail mall as the preferred format for convenience/food shopping needs and higher end shopping.

## 3 CapitaRetail China Trust Portfolio

The previous two sections have examined the strong growth that has occurred and continues to occur in the PRC economy and, in particular, in the retail market. CapitaLand, in creating its proposed CRCT, has selected seven properties for inclusion in the trust, all of which are anchored by at least one major tenant, be it Carrefour, Beijing Hualian or, Wal-Mart.

This section provides a brief overview of the assets and analyses their geographic spread, characteristics and their tenant profile.

### 3.1. Geographic Spread

CapitaLand has been active in the Chinese retail market since the PRC's accession to the WTO, having purchased several existing and planned centres in a number of various cities across the PRC.

CRCT's initial portfolio includes seven retail malls from five different cities (refer Map 3.1) and they include:

- three retail malls in Beijing (Beijing Province in Northern PRC).
- one retail mall in Shanghai (Shanghai Province in Eastern PRC).
- one retail mall in Huhehaote (Inner Mongolia Province in Northern PRC).
- one retail mall in Zhengzhou (Henan Province in Central Eastern PRC).
- one retail mall in Wuhu (Anhui in Eastern PRC).

More detailed maps showing the location of each of the malls within their respective metropolitan areas is included in the market overview for each mall as detailed in Sections 4–10 of this report.

**Cities with CapitaRetail China Trust Shopping Malls** **Map 3.1**


## 3.2 Summary of Retail Malls

A brief summary for each of the seven malls is outlined in Table 3.1 which includes a summary of each mall's composition and mix and the main characteristics of its location. A more detailed review of each mall is contained within Sections 4 to 10.

Some of the more interesting points to emerge from Table 3.1 which relate to the group of seven malls as a whole, are as follows:

- The retail malls range in size from 41,937.6 sq.m to 92,355.9 sq.m GFA.
- The anchor tenants include Beijing Hualian, Carrefour and Wal-Mart.
- The anchor tenants are all on long-term leases of up to 20 years.
- The majority of retail malls are no more than two years old.
- All of the retail malls are multi level and range between four and six levels.
- All of the retail malls have either on-site carparking or parking adjacent to them.
- The retail malls are located in areas that are well-established, but still with further potential for population growth.
- The main trade area population for the retail malls ranges from between 281,000 and 698,000 persons.
- Future population growth in the trade areas served by the retail malls ranges between 0.6% and 3.5% per annum. This is in excess of the projected population growth for the PRC, as a whole, of around 0.5% per annum.
- The trade areas served by the retail malls have above average incomes and retail spending levels.

- For all seven retail malls the level of retail competition from within their respective catchments is expected to increase over the next five years. Much of this new competition however, will be offset by the strong growth expected to occur in the retail spending market.
- On average our forecast nominal growth in retail sales for the retail malls is around 8% per annum.

**CapitaRetail China Trust Portfolio** **Table 3.1**
**Summary of Key Characteristics for the 7 Shopping Malls**

| | Wangjing Mall | Jiulong Mall | Anzhen Mall | Qibao Mall | Zhengzhou Mall | Jinyu Mall | Xinwu Mall |
|---|---|---|---|---|---|---|---|
| **Mall Characteristics** | | | | | | | |
| Gross Floor Area (GFA) (sq.m) | 82,634.0 | 49,526.4 | 43,442.3 | 83,986.0 | 92,355.9 | 41,937.6 | 59,623.5 |
| Gross Rentable Area (GRA) (sq.m) | 67,500.0 | 49,526.4 | 43,442.3 | 72,729.0 | 92,355.9 | 41,937.6 | 45,375.0 |
| Main Retail Levels | B, 1- 4, 5-11 | B, 1-3 | B, 1-5 | 38,808 | B, 1-6 | 1-5 | 1-4 |
| On-Site Parking Spaces (No.) | 440 | 350 | – | 491 | 300 | – | 449 |
| Anchor Tenant | Beijing Hualian | Carrefour | Beijing Hualian | Carrefour | Beijing Hualian | Beijing Hualian | Wal-Mart |
| Anchor Tenant (GRA sq.m) | 34,534 | 31,263 | 43,442 | 21,477 | 92,356 | 41,938 | 22,356 |
| Anchor Tenant (% Total GRA) | 51% | 63% | 100% | 30% | 100% | 100% | 49% |
| Length of Anchor Tenant Lease (No. of Yrs) | 20 | 20 | 20 | 20 | 20 3+ | 17 | 15 |
| Year Completed | 2006 | 2003 | 1994 refurbished in 2002 | 2003 refurbished in 2006 | 1992 refurbished in 2002 | 2002 | 2005 |
| **Location Characteristics** | | | | | | | |
| City Located In | Beijing | Beijing | Beijing | Shanghai | Zhengzhou | Huhehaote | Wuhu |
| City Population (2005) (mil) [1] | 15.7 | 15.7 | 15.7 | 17.0 | 7.2 | 2.5 | 2.3 |
| Distance from CBD | 13km north | 3km south east | 11km north west | 15km west | In CBD | 2km south | 1km north |
| Immediate Catchment | Established | Established | Established | Semi-established | Established | Semi-established | Established |
| Main Trade Area (MTA) Population | 302,000 | 531,000 | 671,000 | 345,000 | 698,000 | 281,000 | 381,000 |
| Average Income cf. City Average | Well above Average | Above Average | Above Average | Average | Above Average | Above Average | Above average |
| Future Trade Area Pop Growth (% p.a) | 3.5% | 2.4% | 1.0% | 2.5% | 2.7% | 0.6% | 2.1% |
| MTA Retail Market 2006 (RMB Billion) | 5.9 | 9.3 | 12.0 | 5.2 | 6.8 | 2.0 | 2.9 |
| Existing Local Competition | Moderate | Limited | Moderate | Strong | Strong | Moderate | Moderate |
| **Future Outlook** | | | | | | | |
| Future Competition to Mall | Strong | Moderate | Limited | Limited | Strong | Moderate | Moderate |
| MTA Retail Spending Forecast Growth 06-11 (% p.a) | 13.0% | 11.8% | 10.2% | 11.9% | 11.6% | 8.7% | 11.3% |
| Mall Forecast Sales Growth 06-11 (% p.a) | 6%-8% | 7%-9% | 8%-10% | 9%-10% | 6%-7% | 6%-8% | 7%-9% |

*1. City populations differ to Section 1 due to different geographic boundaries.*
*Source : CRCTML; Cushman & Wakefield; China National Bureau of Statistics; UrbisJHD*

## 3.3 Review of Anchors

The CRCT portfolio of malls in the PRC has Wal-Mart, Carrefour or Beijing Hualian as the anchor tenant for each mall. A brief overview of each of these retailers is now provided.

### 3.3.1 Wal-Mart[2]

Wal-Mart first opened stores in the early 1960's in the USA and since then, has become the world's largest private employer and retailer. The company employs more than 1.6 million people world-wide and operates more than 5,000 stores in the USA, Mexico, Puerto Rico, Canada, Argentina, Brazil, the PRC, South Korea, Germany and the United Kingdom.

In 1996, Wal-Mart entered the Chinese market with the first Super Centre and Sam's Club (low cost, member-only warehouse) opening in Shenzhen. Currently, 56 stores operate in 22 cities throughout the PRC, consisting of 51 Super Centres, three Sam's Clubs and two Neighbourhood Markets.

Wal-Mart's global reputation is undisputed. For the year ending 31 January 2006, Wal-Mart achieved sales of USD315.7 billion globally. The company has consistently been ranked high on the FORTUNE 500 and Most Admired Companies in America lists. In 2004, the company ranked number eight in the "Most Admired Companies in the PRC" as elected by Fortune Chinese edition.

Wal-Mart's market positioning is aimed predominantly at the middle to lower income households, the largest sector of the PRC's population.

The estimated average productivity level for Wal-Mart in the PRC in 2005 is approximately RMB 14,000 per sq.m.

### 3.3.2 Carrefour[3]

The Carrefour company was created in 1959, and its first supermarket opened in France in 1960. It is the largest retailer in Europe and the second largest world wide. At the end of March 2006, nearly 7,000 Carrefour stores operated world-wide. The store types Carrefour offers include:

- Hypermarkets, which offer a huge range (average 80,000 items) of food and non-food products. The floor areas for these stores range from 5,000 to 20,000 square metres. About 13% of all Carrefour stores are hypermarkets. Currently in the PRC, 78 separate Carrefour hypermarkets operate.
- Supermarkets, which offer mostly food products, have floor areas of 1,000-2,000 sq.m. Of the more than 1,500 Carrefour supermarkets that operate world-wide, eight currently operate in the PRC.
- Hard discounters, which stock around 800 food products in small stores (200 sq.m to 800 sq.m). This store type is the most prevalent with over 60% of Carrefour stores operating as hard discounters. In the PRC, 234 hard discount stores currently operate.
- Cash-and-carry, a wholesale and retail self-service which is a very minor part of the Carrefour offer and does not currently operate in the PRC.

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2 http://www.wal-martchina.com/english/walmart/index.htm

3 http://www.carrefour.com/english/homepage/index.jsp

Carrefour began operations in the PRC in 1995, and like Wal-Mart, are typically aimed at the middle to low income households. In 2005 Carrefour achieved sales in the PRC of some RMB17.4 billion. The average productivity level for Carrefour in the PRC in 2005 is estimated at approximately RMB 21,000 per sq.m.

### 3.3.3 Beijing Hualian[4]

The Beijing Hualian Group was established in 1996 and since then has become one of largest department store retailers in the PRC. By the end of 2005, it owned 74 stores in 35 major cities. In 2005, it achieved sales of RMB 20.8 billion and was ranked 6th in the top 100 Chinese retail chain companies.

The Beijing Hualian Group has several retail formats including hypermarkets, department stores and shopping centres. In 2005, over 55 hypermarkets operated in major cities including Beijing, Nanjing, Wuhan, Hefei, Nanning, Lanzhou, Taiyuan, Dalian, Shenyang and Changchun.

As with Wal-Mart and Carrefour, Beijing Hualian also targets low to middle income households. In 2005, Beijing Hualian retail stores had an estimated average productivity level of RMB 16,000 per sq.m.

4 http://www.beijing-hualian.com/news/jt_overview.htm

# 4 Wangjing Mall, Beijing

## 4.1 Regional Context & Economic Overview

Beijing, the capital of the PRC, is the centre of the nation's politics, culture and international exchanges.

Beijing Province's population is estimated in 2006 at 15.7 million with 78% or 12.2 million residing in urban localities. Its population growth in the last decade of 2.9% per annum (refer Table 4.1) has been well in excess of the 0.6% per annum average growth rate for the PRC over the same period.

**Location of Beijing in the National Context** **Map 4.1**


The country-wide trend of urbanisation has not escaped Beijing. Over the last quarter of a century its urban population has grown strongly at 3.6% per annum. Over the past decade, the growth experienced has been even faster at 5.1% per annum. On the contrary, the rural population, has declined by 1.0% per annum over the last 25 years and 2.6% per annum over the last decade, a clear indication of urbanisation.

One of the features of the city's population growth is the significant rise of the transient population. The permanent population's growth has averaged 1.2% per annum over the last 25 years compared to 11.0% per annum growth for the transient population, which accounts for over 20.0% of the city's total population. The growth in this population segment has had a positive impact on the retail market and consumer spending.

| **Beijing Province<br>Average Population Compound Annual Growth Rates, 1978-2004** | | | **Table 4.1** |
|---|---|---|---|
| | **1978-2004** | **1994-2004** | **2000-2004** |
| Urban Population | 3.6% | 5.1% | 2.9% |
| Rural Population | -1.0% | -2.6% | 0.0% |
| Permanent Population | 1.2% | 0.9% | 1.2% |
| Transient Population | 11.0% | 18.0% | 6.6% |
| Total Beijing Province | 2.1% | 2.9% | 2.3% |

*Source: Beijing Statistical Yearbook 2005, Trade Press*

Beijing is one of the most well connected cities in the PRC with continually improving accessibility to and within the various parts of the city. It is the PRC's most important transportation hub with excellent rail and air networks. Its road network is built on seven ring roads and was the first city in the PRC to develop a subway system. Even though Beijing has no port of its own, being 100 kms from the sea, its excellent transport links with neighbouring Tianjin give it access to prominent shipping routes.

Construction of a high speed rail link to Tianjin began in early 2005, and services are scheduled to begin in the summer of 2008. The city's rail transport system will be expanded significantly in the lead-up to the 2008 Olympics, with the system expanding four-fold over the period 2003-2008.

For the Olympics, it is estimated that RMB 320 billion will be spent on infrastructure related works including transport links and construction of sports facilities.

Beijing's economic growth has consistently outpaced that of the PRC over recent years. Over the last decade the size of Beijing's economy (measured in terms of Gross Regional Product) increased by compounded annual growth rate of approximately 17.0% per annum from RMB 139.5 billion in 1995 to RMB 681.5 billion in 2005 (refer Table 4.2).

| **Beijing Province<br>Economic Performance, 1995-2005** | | | **Table 4.2** |
|---|---|---|---|
| | **1995** | **2005** | **CAGR<br>1995-2005** |
| GRP (RMB Billion) | 139.5 | 681.5 | 17.2% |
| GRP Per Capita (RMB) | 11,151 | 44,311 | 14.8% |

*Source: Beijing Statistical Yearbook 2005, Trade Press*

Beijing boasts a highly educated workforce and a large graduate population. The city has many research institutes and universities, an abundance of high quality technical and scientific personnel, and these attributes have been instrumental in attracting foreign research and development institutions to the city and contributing to the urbanisation theme.

This is reflected in worker income, with Beijing residents having average per capita incomes that are 1.7 times those of their urban PRC counterparts. In 2006, the average per capita income of urban residents in Beijing is estimated at RMB 19,933. This compares with the average per capita income of rural residents, which in 2006 is estimated at RMB 8,615.

Whilst pollution still remains an issue in Beijing, the government is striving to dramatically reduce pollution by investing and installing new purifying equipment, sewerage plants and recycling facilities.

Beijing is the PRC's second largest retail centre after Shanghai, and is home to one of the largest shopping centres in the world, the 680,000 sq.m Golden Resources Mall. Its retail market has performed strongly over the past decade, experiencing stronger growth than the PRC as a whole.

In 2006, retail sales in Beijing are estimated at RMB 204 billion, which represents 12.5% growth over the RMB 183 billion achieved in 2005. In 2006, it is expected to account for 4.2% of the PRC's retail sales, but only 1.2% of the PRC's total resident population reinforcing the city's stature of being one of PRC's retail hubs.

Based on Beijing Province's estimated resident population of 15.7 million, Beijing residents average retail spending is RMB 11,576 per annum. Spending by Beijing urban residents is higher at RMB 13,470 per annum.

### 4.2 Location and Accessibility

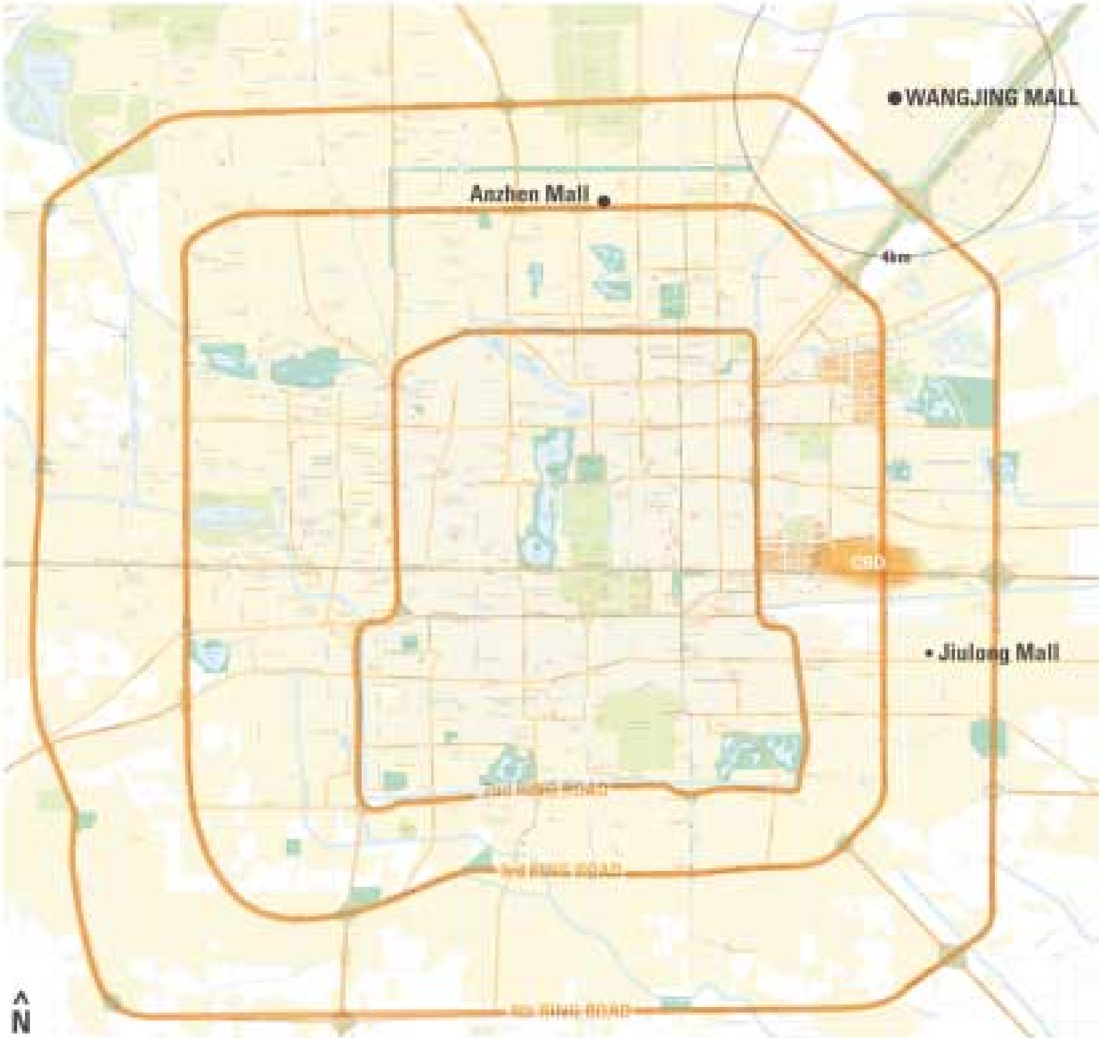
The Wangjing Mall is located on Guangshun North Street in Wangjing approximately 13 kms north-east of the Beijing Central Business District (refer Map 4.2 and Map 4.3). The mall is situated to the south of the Beixiao River, in an area that is densely populated due to the significant amount of high rise residential development completed in the area over the last few years.

Importantly, further high rise, high density residential developments are expected to continue with close to 20 residential projects planned and under construction in the area over the next 2–3 years. This includes the O'Live Project (2,300 units), Dung Huhan Project (2,200 units), The Seasons Project (1,860 units), and New Line New Life Project (1,800 units).

The Wangjing Mall enjoys excellent road accessibility due to its location between the fourth and fifth ring roads, as well as its proximity to the Jingcheng Expressway and the Airport Expressway.

The area surrounding Wangjing Mall is well connected and served by numerous bus routes along with the Wangingxi train station, approximately 1.7 kms from the mall.

**Wangjing Mall in the Beijing City Context** **Map 4.2**



urbis JHD

**Wangjing Mall Location** **Map 4.3**

***Images of and from Wangjing Mall***

Photo 4.1 External view of Wangjing Mall


Photo 4.2 Billboard advertising Wangjing Mall

Photo 4.3 Nearby residential

Photo 4.4 Nearby residential

Photo 4.5 View south from Wangjing Mall

Photo 4.6 View north from Wangjing Mall

## 4.3 Description of Mall and Tenant Mix

The Wangjing Mall comprises a four level retail mall with a seven level podium tower on top of the retail mall spanning across a total GFA of 82,634.0 sq.m and GRA of 67,500.0 sq.m. The mall also has an underground carpark with 460 lots on the basement two level.

There are multiple entrances to the mall on the first floor from Guangshun North Street, one of which leads directly into the Beijing Hualian Department Store, and the other which leads into the other sections of the mall.

The first floor, which links the Beijing Hualian Department store with the specialty stores and Guangshun North Street enables easy access into the mall. The layout of the centre is similar on Levels 2 to 4.

The mall is anchored by the Beijing Hualian department store which accounts for 20.8% of gross monthly rent and is located at the southern end of the mall, on Levels 1 to 4. The Beijing Hualian supermarket is located on the basement level and accounts for 5.4% of gross monthly rent. These two tenants are the anchor tenants for the mall and are on a 20 year lease. The other prominent tenants include Sport 100, which is one of China's premier sporting goods and apparel retailer.

Levels 5 to 11 of Wangjing Mall are predominantly occupied by food and beverage retail outlets. There is also the possibility that a gym or KTV will take space on these floors.

The Wangjing Mall will be amongst the first comprehensive multi-tenanted and professionally managed shopping malls in the locality. The mall offers a diverse tenant base and provides a one-stop-shopping experience to residents in the locality.

**Wangjing Mall** **Table 4.3**
**Major Tenants, Based on Committed Tenancy as at 31 August 2006**

| Tenant | Level | Lease Expiry | % Total Monthly Gross Rent |
|---|---|---|---|
| Beijing Hualian Department Store | 1-4 | Sep 26 | 20.8% |
| Beijing Hualian Supermarket | B1 | Sep 26 | 5.4% |
| Sport 100 | 2,3 | Sep 11 | 3.9% |
| Party Land | 8,9 | Jan 12 | 3.2% |
| IT | 1 | Sep 10 | 2.3% |
| Pin Qi Pizza | B1,1 | Sep 09 | 2.1% |
| Da Shi Dai | 4 | Sep 11 | 1.9% |
| Sizzler | 2 | Sep 09 | 1.8% |
| ebase ladies | 2 | Sep 09 | 1.7% |
| Ozone | 10,11 | Feb 12 | 1.6% |
| Other tenants | | | 55.3% |
| **Total Centre** | | | **100.0%** |

*Source : CRCTML; UrbisJHD*

## 4.4 Target Market

The most important market segment for the Wangjing Mall is the local trade area residents. Being located in one of the popular residential suburbs in Beijing, for both locals and expatriates, the mall benefits from the strong catchment population. There is also the potential for a small tourist population given the high proportion of Korean national residents living in the primary trade area.

## 4.5 Trade Area Analysis

### 4.5.1 Trade Area Definition

The defined trade area for the Wangjing Mall is shown in Map 4.4, and includes a primary trade area and secondary trade area. Collectively the primary and secondary trade area sectors are referred to as the main trade area.

The trade area is contained within the urban part of the Chaoyang District the second most populated precinct in Beijing. The **primary sector** is broadly bounded by the fourth and fifth ring roads to the north and south, and by the Jingcheng Expressway and the Airport Expressway to the east and west. It includes most of the land mass within a 2 km radius of Wangjing Mall, and comprises part of the Wangjing, Laiguangying, and Cuigezhuang suburbs. The area contained within the primary trade area is densely populated with numerous new residential developments planned for the near future.

The **secondary sector** incorporates land beyond the primary sector, and predominantly within a 4 km radius of the Wangjing Mall. It includes all of the Saxinqiao suburb, as well as part of the Laiguangying, Cuigezhuang, and Jiangtai suburbs.

### 4.5.2 Trade Area Population and Demographic Profile

In 2006, the resident population of the primary trade area is estimated at 153,167 (refer Table 4.4). This suburb is currently experiencing significant residential development with strong potential for future population growth over the next five years.

For the main trade area the 2006 population is estimated at approximately 301,833 persons. The population of the trade area has increased by 13,000 persons or 5.2% per annum, driven by substantial residential development, particularly in the suburbs surrounding Wangjing Mall.

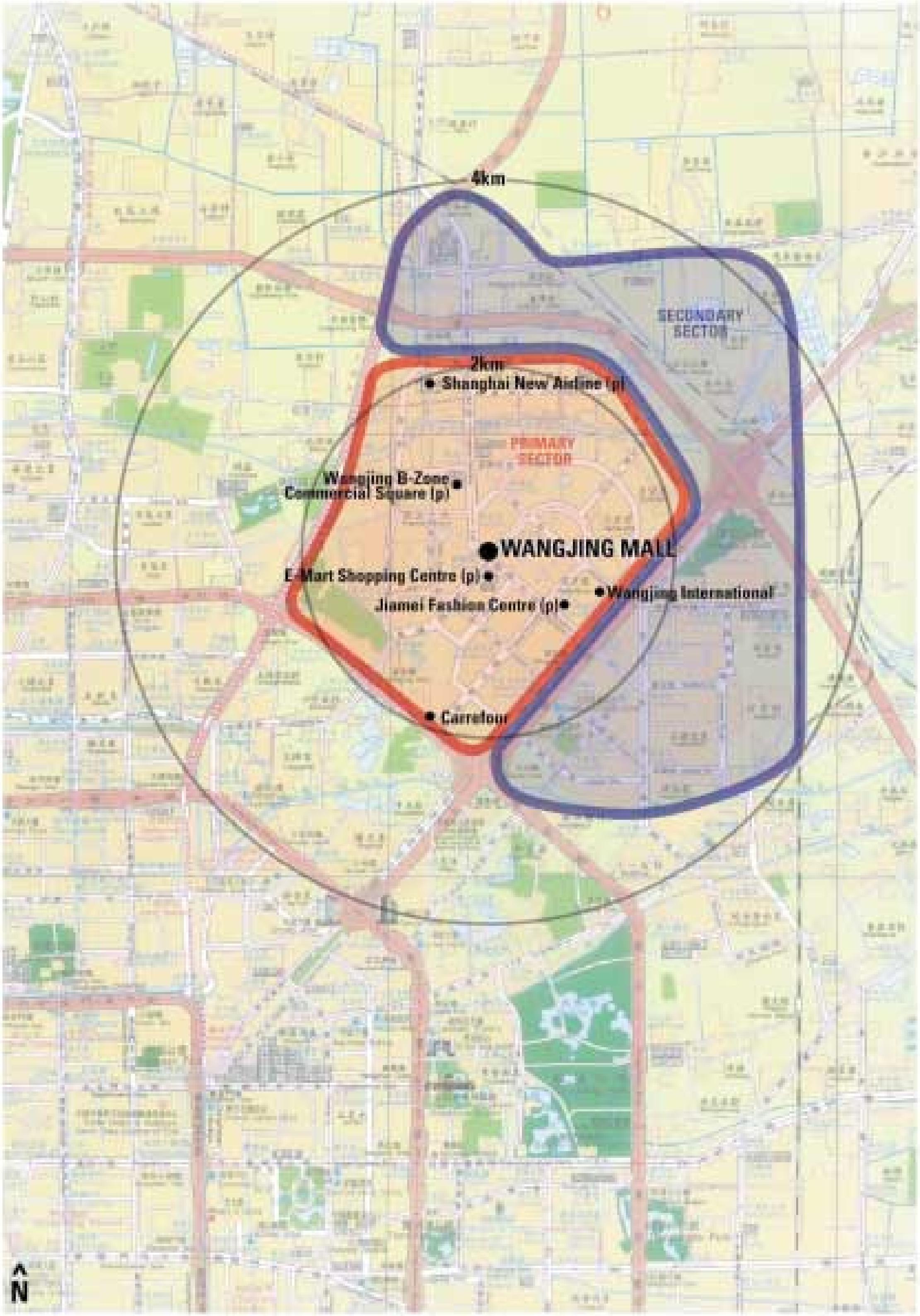
In the future, the estimated resident population of the trade area is forecast to increase by 3.5% per annum to reach 359,035 by 2011. This growth is to be achieved on the back of large scale residential development (estimated ongoing projects: 20) around the Wangjing Mall, and residential development to the east.

The primary trade area contains a mix of local and expatriate white-collar workers who belong to the middle-upper class segment. The residents of the primary trade area have per capita incomes of approximately RMB 40,000 which is two times above the average income of RMB 19,933 for urban residents in Beijing.

The secondary trade area contains a mix of office workers and rural residents. The residents of this area have per capita incomes of approximately RMB 27,000 also higher than the Beijing average.

The estimated average annual retail spend per capita of trade area residents is RMB 19,605. This again is one and a half times higher than the Beijing average.

**Wangjing Mall Trade Area and Competition** **Map 4.4**



**Wangjing Mall** **Table 4.4**

**Population and Retail Spending Forecast, 2000-2011 (Inflated RMB[1])**

| | 2000 | 2006(f) | 2011(f) | CAGR 00-06 | CAGR 06-11 |
|---|---|---|---|---|---|
| **Resident Population** | | | | | |
| Primary Trade Area | 105,987 | 153,167 | 190,507 | 6.3% | 4.5% |
| Secondary Trade Area | 115,287 | 148,666 | 168,528 | 4.3% | 2.5% |
| **Main Trade Area** | **221,274** | **301,833** | **359,035** | **5.3%** | **3.5%** |
| **Retail Spend Per Capita (Inflated RMB)** | | | | | |
| Primary Trade Area | — | 21,324 | 32,960 | — | 9.1% |
| Secondary Trade Area | — | 17,833 | 27,565 | — | 9.1% |
| **Main Trade Area** | **—** | **19,605** | **30,428** | **—** | **9.1%** |
| **Total Retail Spend (Inflated RMB Million)** | | | | | |
| Primary Trade Area | — | 3,266 | 6,279 | — | 14.0% |
| Secondary Trade Area | — | 2,651 | 4,645 | — | 11.9% |
| **Main Trade Area** | **—** | **5,917** | **10,925** | **—** | **13.0%** |

*1. Retail Price Inflation assumed at 1.2% p.a. from 2006.*

*Sources: China Statistical Yearbook, 2005; Beijing Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

### 4.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is shown in Table 4.4. In 2006 the total retail spending market is estimated at RMB 5.9 billion. The market is forecast to grow to RMB 10.9 billion in 2011, representing a compounded annual growth of 13.0%, assuming retail price inflation (1.2% per annum), population growth (3.5% per annum), and forecast real growth in average retail spending per capita (9.1% per annum).

## 4.6 Review of Competitive Environment

### 4.6.1 Existing Competition

The main competing centres to the Wangjing Mall are listed in Table 4.5 and graphically illustrated in Map 4.4.

There is currently an under-provision of professionally managed, multi-tenanted retail floorspace in the Wangjing area which provide a one-stop-shopping experience to residents. The locality is presently served by only one major shopping mall, the Wangjing International Commercial Centre (anchored by a Ito Yokado department store with 85,700 sq.m GRA), as well as specialty markets and street front retail.

In the short-term (pre-2008), the Wangjing Mall is likely to benefit from limited competition in its main trade area, currently only from the Wangjing International Commercial Centre. This situation will change around 2007/08 with the opening up of new malls as discussed in Section 4.6.2 Future Competition.

**Wangjing Mall** **Table 4.5**
**Existing and Proposed Competitive Centres, 2006**

| Centre | Distance[1] from Wangjing Mall | Date Established[2] | Total GRA (sq.m)[3] | Major Tenants |
|---|---|---|---|---|
| **Existing** | | | | |
| Wangjing International | 1.5 | 2005 | 85,700 | Ito Yokado |
| **Proposed** | | | | |
| E-Mart Shopping Centre | 0.5 | 2007 | 64,300 | E-Mart |
| Wangjing B-Zone Comm. Square | 0.8 | 2007 | 71,400 | Wal-Mart |
| Jiamei Fashion Centre | 1.2 | 2007 | 57,100 | N/A |
| Shanghai New Airline | 1.8 | 2008 | 35,700 | N/A |
| Carrefour Hypermarket | 2.0 | 2008 | 35,700 | Carrefour |

*1. Distance in kilometres measured in a straight line from centre*
*2. For proposed centres — estimated date of opening*
*3. Estimate*
*Source : Cushman & Wakefield; UrbisJHD*

### 4.6.2 Future Competition

The competitive environment of the trade area is expected to intensify over the next five years, with the planned development of hypermarkets and shopping centres. This could potentially impact the sales growth that can be achieved at the Wangjing Mall. The main competitive developments are as follows:

- A shopping centre to be anchored by E-Mart is currently planned approximately 500 metres north-west of the Wangjing Mall. The shopping centre, which is not yet under construction, is planned for completion in 2007/08, and is likely to comprise about 64,300 sq.m of GRA.
- A shopping centre to be anchored by Wal-Mart is currently planned approximately 0.8 km south-east of the Wangjing Mall. It is expected to be completed in 2007/08, and will comprise around 71,400 sq.m of GRA.
- A shopping centre to be anchored by Carrefour is expected to be built on a site adjacent to an IKEA store, approximately 2.0 kms south of the Wangjing Mall. Preliminary planning is currently in place, and the centre is expected to encompass around 35,700 sq.m of retail GRA.

These competitive developments are expected to compete with the Wangjing Mall considering their similar product offering. This coupled with the establishment of two fashion centres in the Wangjing area, likely to be operational between 2007 and 2009, could significantly intensify the competitive outlook.

***Images of key competitors to Wangjing Mall***

*Photo 4.7 Proposed site for Carrefour hypermarket*

*Photo 4.8 Proposed site for E-Mart*

*Photo 4.9 External view of Wangjing International Commercial Centre*

*Photo 4.10 External view of Wangjing International Commercial Centre*

*Photo 4.11 Ito Yokado at Wangjing International*

*Photo 4.12 Ito Yokado at Wangjing International*

### 4.7 Future Outlook for the Mall

On the basis of our analysis, we are of the view that the overall outlook for the future trading performance of the Wangjing Mall in the next five years is positive considering the demand for retail malls from the growing residential community. In the short-term (2006-08) the Wangjing Mall should achieve encouraging sales growth of around 6.0%-8.0% per annum.

However with the intensification of the competitive environment, sales growth achieved by Wangjing Mall could be impacted. The Mall's performance will be highly dependant on its ability to capitalise on its first-mover advantage, its excellent location, its diverse tenant mix and product offering and positioning as one of the main one-stop-shopping destinations in the locality.

# 5 Jiulong Mall, Beijing

## 5.1 Regional Context & Economic Overview

Please refer to Section 4.1 for the regional context and Beijing overview.

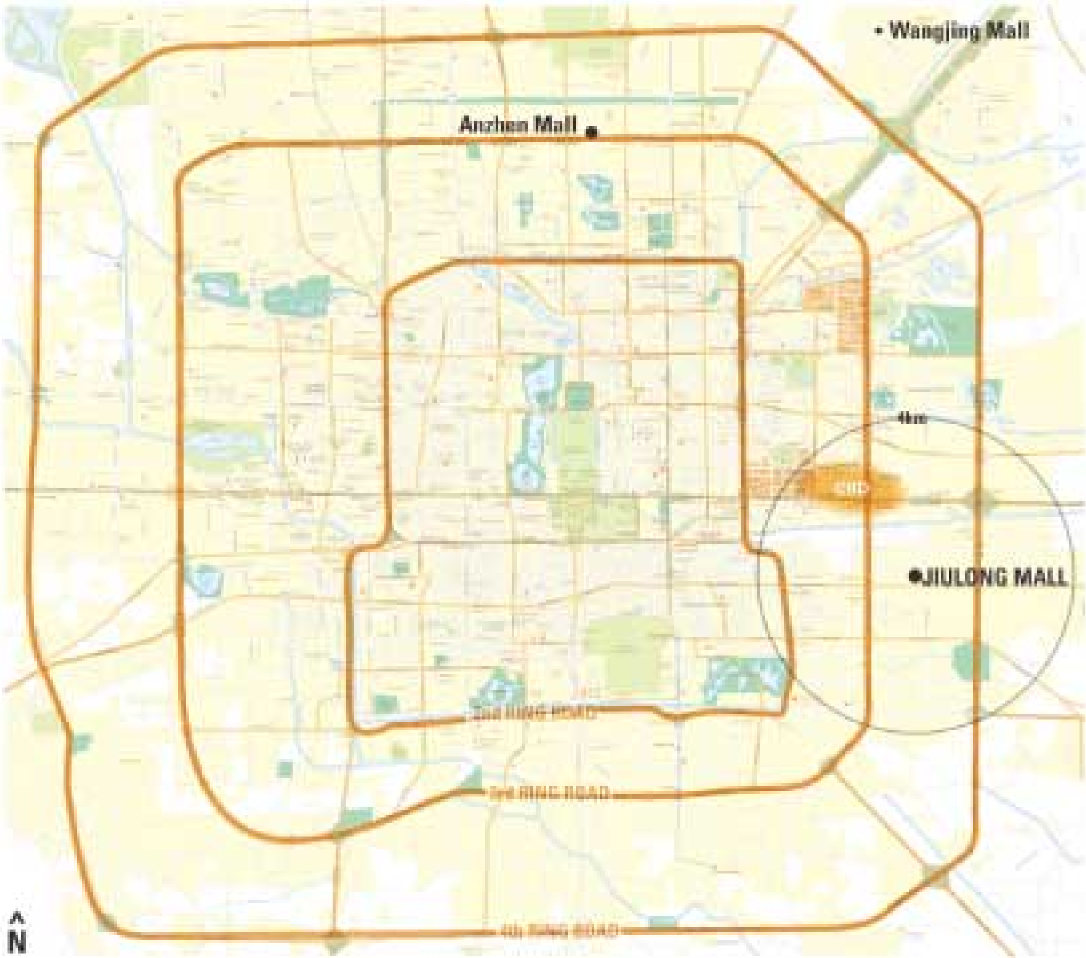
## 5.2 Location and Accessibility

The Jiulong Mall is located on Guangqu Road on the fringe of downtown Beijing, approximately 3 kms south-east of the Central Business District and which is part of the Chaoyang District (refer Map 5.1 and Map 5.2). The mall is situated to the south of the Tonghui River, and in an area that is becoming densely populated with substantial residential development being undertaken to the east.

The mall enjoys a prominent position between the third and fourth ring roads and will enjoy better accessibility upon completion of road works currently being undertaken in the vicinity.

The mall is also highly accessible by public transport. Many buses serve the area surrounding Jiulong Mall and it is located between two subway stations — Guomao and Dawanglu, approximately 1.8 kms and 1.9 kms to the north of the mall respectively.

**Jiulong Mall in the Beijing City Context** **Map 5.1**



**Jiulong Mall Location** **Map 5.2**

***Images of and from Jiulong Mall***


*Photo 5.1 Main entrance to Jiulong Mall*

*Photo 5.2 Residential area opposite Jiulong Mall*

*Photo 5.3 Level 1 of Jiulong Mall*

*Photo 5.4 View from inside Jiulong Mall*

*Photo 5.5 Carrefour hypermarket*


*Photo 5.6 View of centre from Guangqu Road*

## 5.3 Description of Mall and Tenant Mix

The Jiulong Mall which opened in 2003, is a four level retail mall, with two adjoining carparks.

The mall has an estimated GFA of 49,526.4 sq.m (GRA: 49,526.4 sq.m) (refer Table 5.1), and 350 on-ground carpark lots located on the western part. There is also a 400 lot carpark located within the property boundary but which is not owned by the shopping centre.

The shopping centre is accessible at multiple locations on the first floor. The most prominent entrance links the centre to the on-ground carpark, whilst there is a separate entrance to the B&Q outlet. Both of these entrances link the centre with Guangqu Road. The basement floor, which houses the B&Q outlet is accessible only from the B&Q entrance located on the first floor.

The first floor of the centre includes tenants such as Zhong Xin Bank, and retail concessions, which are specialty stores operating out of floorspace that has been sub-leased from the anchor tenant, Carrefour. The concessions include a good mix of apparel, food retailing and food catering retailers, such as Pizza Hut, KFC, Sport100 and Sleepy, and are estimated to occupy approximately 2,500 sq.m of retail floorspace.

Carrefour, the anchor tenant, is on a 20 year lease and accounts for 58.3% of the mall's gross monthly rent. The Carrefour hypermarket is located on the second and third levels of the mall, alongside retail concessions operating out of floorspace sub-leased from Carrefour.

The B&Q hardware/home appliances store is also on a 20 year lease and accounts for a further 31.7% of gross monthly rent, whilst the remainder comes from the Zhong Xin Bank and several other tenants.

The Jiulong Mall is differential from other shopping outlets in the locality, due to its strong hypermarket anchor (Carrefour). Coupled with its diverse mix of specialty tenants, the mall provides a one-stop-shopping experience to residents in the locality.

**Jiulong Mall** **Table 5.1**
**Major Tenants, Based on Committed Tenancy as at 31 August 2006**

| **Tenant** | **Level** | **Lease Expiry** | **% Total Monthly Gross Rent** |
|---|---|---|---|
| Carrefour [1] | 1-3 | Feb 24 | 58.3% |
| B&Q | B1,1 | Apr 24 | 31.7% |
| Zhong Xin Bank | 1 | Mar 08 | 4.4% |
| Other tenants | 1 | | 5.7 |
| **Total Centre** | | | **100.0%** |

*1. Includes retail concessions estim ated at around 5,000 sq.m*
*Source : CapitaLand; UrbisJHD*

## 5.4 Target Market

The main target market segment that the Jiulong Mall serves is the local residential catchment. The mall also attracts some pedestrian traffic because of its proximity to the CBD. It does not however, serve a significant tourist population.

## 5.5 Trade Area Analysis

### 5.5.1 Trade Area Definition

The defined trade area for the Jiulong Mall is as shown in Map 5.3, and includes both a primary trade area and a secondary trade area. Collectively the primary and secondary trade area sectors are referred to as the main trade area.

The defined trade area is contained within the urban part of the Chaoyang District. The Chaoyang district is a well known and popular residential locality in Beijing housing a large local population.

The **primary sector** spans across both sides of the third ring road, and contains most of the land mass within a 2 km radius of the Jiulong Mall. It comprises part of the Gaobeidian, Nanmofang, Jinsong, Shuangjing and Jianwai suburbs.

The **secondary sector** incorporates land beyond the primary sector, and predominantly within a 4.0 km radius of the Jiulong Mall. It includes part of the Balizhuang, Gaobeidian, Wangsiyang, Nanmofang, Jinsong, Shuangjing, Jianwai, Panjianyuan and Hujialdu suburbs. In the foreseeable future, the secondary sector is expected to witness strong growth in residential development, primarily in the east.

### 5.5.2 Trade Area Population and Demographic Profile

In 2006, the estimated resident population of the primary trade area is approximately 141,749 (refer Table 5.2). This locality is well established and densely populated with modest population growth of approximately 2.3% expected over the next five years.

For the main trade area, the 2006 population is estimated at 530,882 (refer Table 5.2). The population of the trade area has increased by nearly 14,500 persons per annum since 2000, or 3.0% per annum, predominantly driven by residential development in the area.

In the future, the estimated resident population of the trade area is forecast to increase by 2.4% per annum to reach approximately 599,085 by 2011. This growth is to be achieved on the back of residential developments to the east and north-east of the Jiulong Mall.

The trade area residents are predominately locals earning above average incomes (approximately RMB 26,000) and belonging to the middle-upper class segment. The estimated average annual retail spend per capita of the trade area residents is approximately RMB 17,498, which is 30.0% higher than the average for Beijing.

**Jiulong Mall** — **Table 5.2**

**Population and Retail Spending Forecast, 2000-2011 (Inflated RMB[1])**

| | | | | CAGR | |
|---|---|---|---|---|---|
| | **2000** | **2006F** | **2011F** | **00-06** | **06-11** |
| **Resident Population** | | | | | |
| Primary Trade Area | 118,484 | 141,749 | 158,817 | 3.0% | 2.3% |
| Secondary Trade Area | 325,262 | 389,133 | 440,268 | 3.0% | 2.5% |
| **Main Trade Area** | **443,746** | **530,882** | **599,085** | **3.0%** | **2.4%** |
| **Retail Spend Per Capita (Inflated RMB)** | | | | | |
| Primary Trade Area | — | 17,498 | 27,047 | — | 9.1% |
| Secondary Trade Area | — | 17,498 | 27,047 | — | 9.1% |
| **Main Trade Area** | **—** | **17,498** | **27,047** | **—** | **9.1%** |
| **Total Retail Spend (Inflated RMB Million)** | | | | | |
| Primary Trade Area | — | 2,480 | 4,295 | — | 11.6% |
| Secondary Trade Area | — | 6,809 | 11,908 | — | 11.8% |
| **Main Trade Area** | **—** | **9,289** | **16,203** | **—** | **11.8%** |

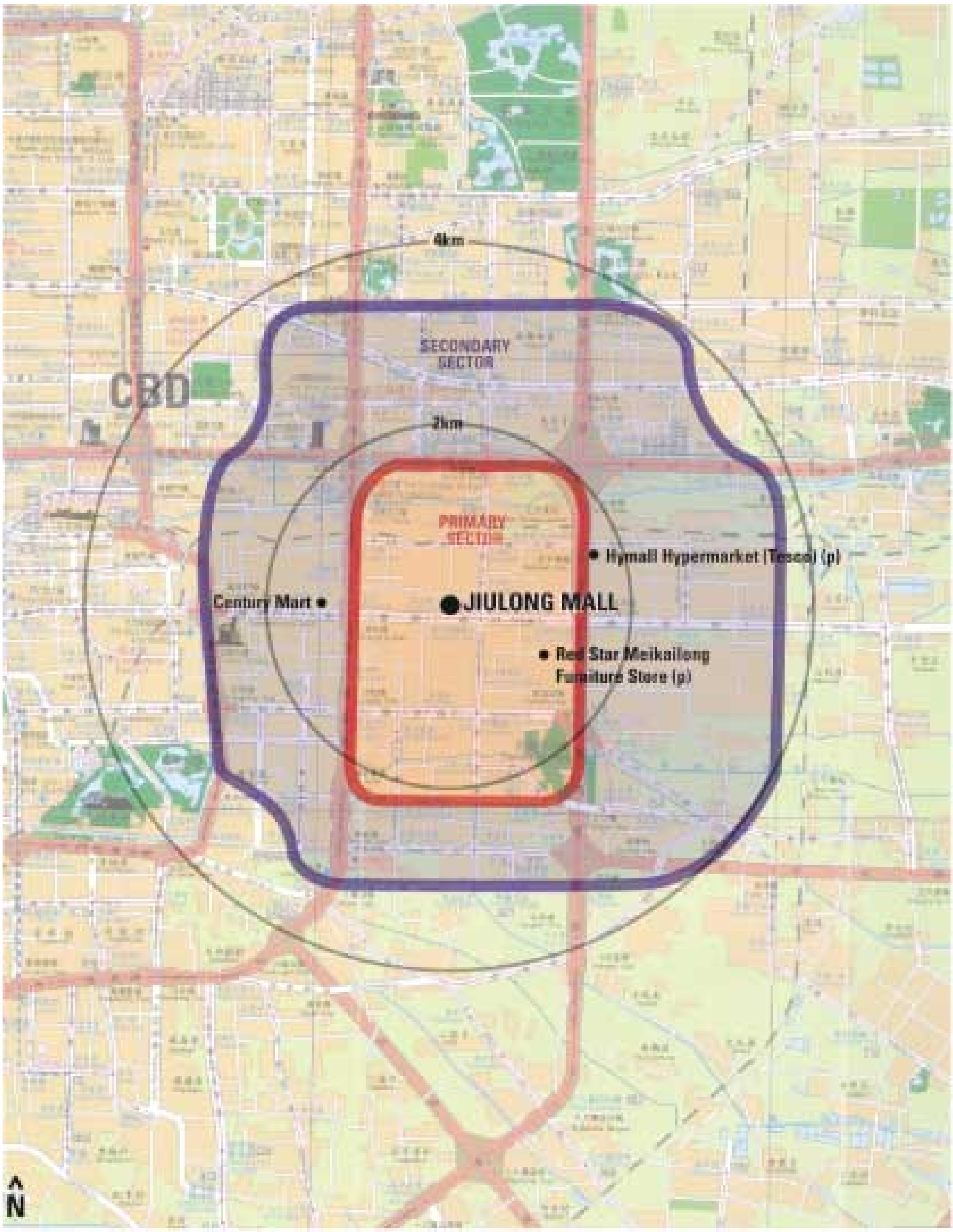
*1. Retail Price Inflation assumed at 1.2% p.a. from 2006.*

*Sources: China Statistical Yearbook, 2005; Beijing Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

### 5.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is shown in Table 5.2. In 2006, the total retail spending by the main trade area residents is estimated at RMB 9.3 billion. By 2011 this is forecast to grow to RMB 16.2 billion, representing a compounded annual growth of 11.8%, assuming retail price inflation (1.2% per annum), population growth (2.4% per annum), and forecast real growth in average retail spending per capita (8.2% per annum).

**Jiulong Mall Trade Area and Competition** **Map 5.3**



## 5.6 Review of Competitive Environment

### 5.6.1 Existing Competition

The key direct competitors to the Jiulong Mall are listed in Table 5.3 and illustrated in Map 5.3.

**Jiulong Mall Table** **Table 5.3**
**Existing and Proposed Competitive Centres, 2006**

| | Distance[1] from Jiulong Mall | Date Established[2] | Total GRA (sq.m)[3] | Major Tenants |
|---|---|---|---|---|
| **Existing** | | | | |
| Century Mart | 1.2 | 2005 | 32,900 | Lianhua |
| **Proposed** | | | | |
| Red Star Meikailong Furniture Store | 1.2 | 2006 | 71,400 | N /A |
| Hymall Hypermarket (Tesco) | 1.5 | 2007 | 28,600 | Tesco |

*1. Distance in kilometres measured in a straight line from centre*
*2. For proposed centres— estimated date of opening*
*3. Estimate*
*Source : Cushman & Wakefield; UrbisJHD*

The Jiulong Mall has benefited from limited competition in its main trade area, with only the Century Mart providing the principal competition, being located 1.2 km to the west. The Century Mart is located in an established retail strip, and is easily accessible to the main trade area residents. It also provides courtesy buses to and from nearby residential estates.

The competitive situation in the main trade area is likely to change with the opening up of new malls in 2007 as discussed in Section 5.6.2 Future Competition.

Jiulong Mall benefits from its first mover advantage, wide product offering, prominent location and easy access despite the rising competition in the neighbourhood.

### 5.6.2 Future Competition

The new furniture store, Red Star Meikailong is currently planned approximately 1.2 km south-east of the Jiulong Mall. The store will not provide a department store offering but will compete, albeit at a low level, with the Carrefour Hypermarket and B&Q hardware/home appliances store, due to its furniture/appliance offering.

The future competitive development with the greatest potential to impact the trading performance of the Jiulong Mall is a Hymall Hypermarket, which is planned for Dacheng International Commercial Centre and scheduled to open in 2007. The development, which is co-owned by Tesco, will be located approximately 1.5 kms to the north-east of the Jiulong Mall. Although it is located on eastern side of a major motorway it can be reasonably expected to compete strongly with the Jiulong Mall, restricting its draw to the north and east.

***Images of key competitors to Jiulong Mall***

*Photo 5.7 External view of Century Mart*

*Photo 5.8 View along street from Century Mart*

*Photo 5.9 Lianhua supermarket in Century Mart*

*Photo 5.10 Development site for Tesco (Hymall) hypermarket*

## 5.7 Future Outlook for the Mall

Based on our analysis, our view of the overall outlook for the future trading performance of the Jiulong Mall over the next five years is positive.

The mall is expected to continue to trade successfully, despite the introduction of a Hymall (Tesco) hypermarket to the main trade area in 2007. We estimate average sales growth of approximately 7.0%-9.0% per annum over the next five years. Importantly, the attraction of the shopping mall is likely to be enhanced by the completion of significant roadworks in the area, which will positively impact pedestrian traffic and thereby revenue.

## 6 Anzhen Mall, Beijing

### 6.1 Regional Context & Economic Overview

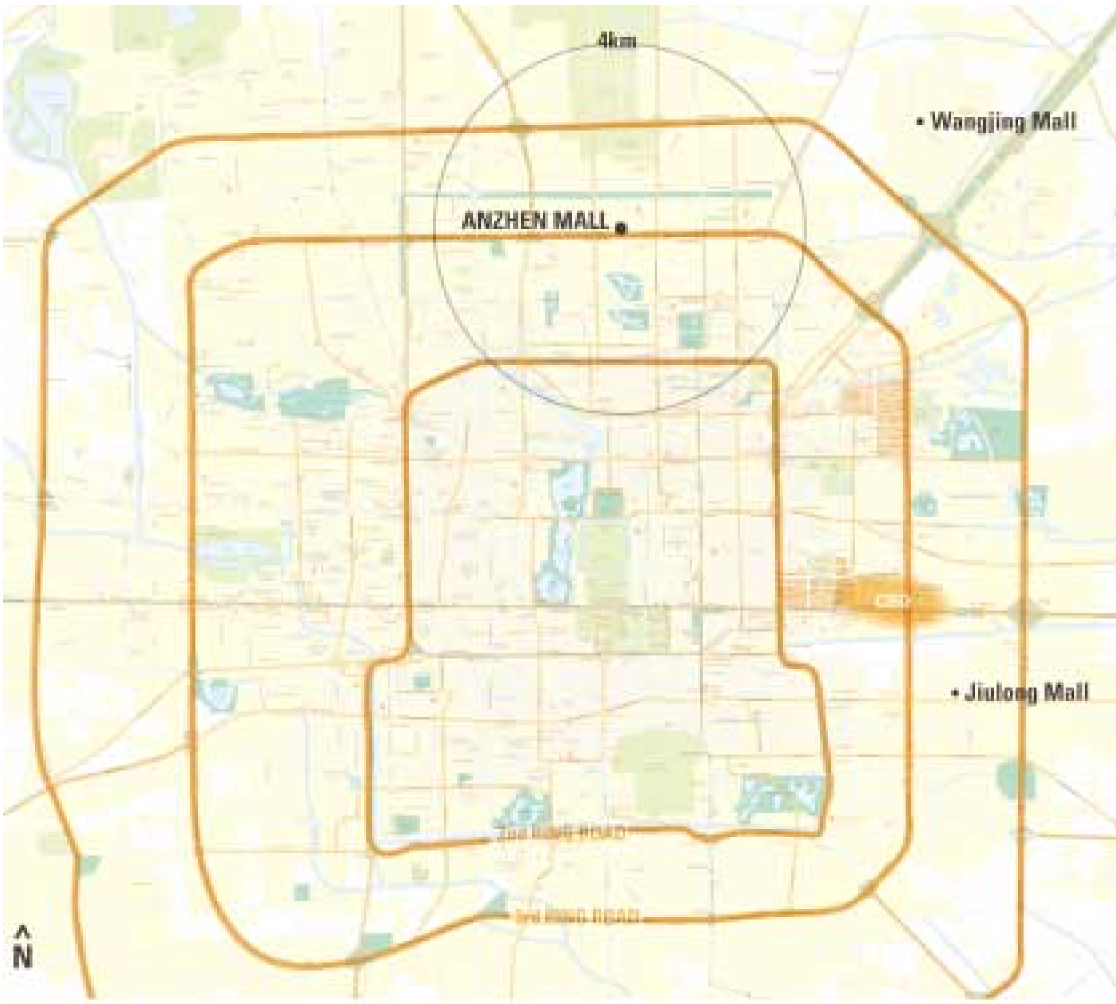
Please refer to Section 4.1 of this report for further information.

### 6.2 Location and Accessibility

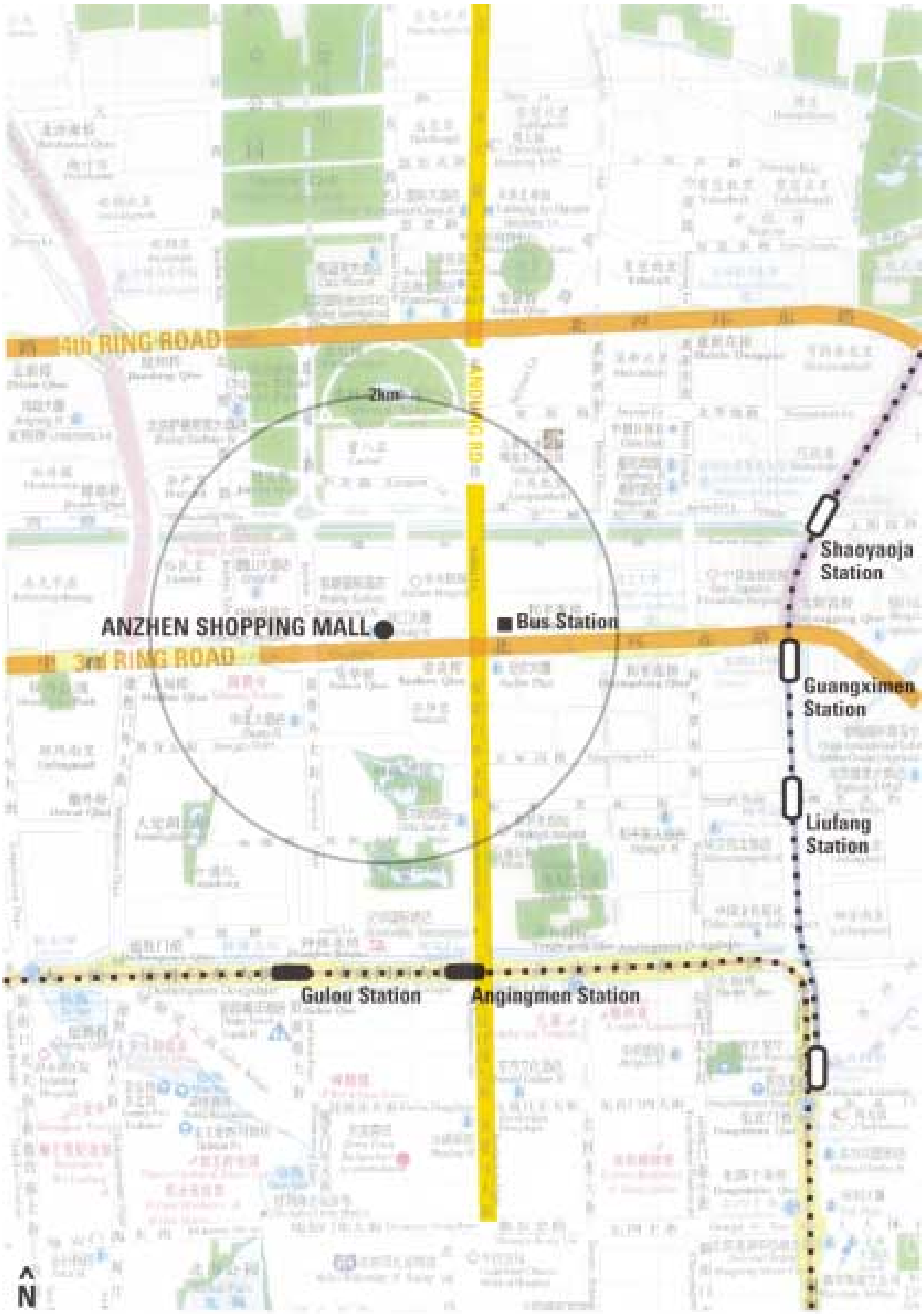
The Anzhen Mall is located on Anzhen Xi Road in the Chaoyang district in Beijing, approximately 11.0 kms north-west of the Beijing CBD (refer Maps 6.1 and 6.2). The Chaoyang district is a well known popular residential locality in Beijing predominately housing locals and a small expatriate community. The area surrounding the Anzhen Mall is well established, densely populated, and is situated to the south of the planned Olympic Village.

The shopping mall is strategically located and easily accessible to not only the local region but also well beyond. It is on the corner of the Third Ring Road which is dissected by Andung Lu, another major north-south arterial. Outside the mall is a major bus terminus that connects the surrounding and broader regions to the centre. The mall is also well served by trains with the Andingman and Golou subway stations (2.5 kms to the south) on the Circle Line and the Liufung, Guangximen and Shaoyaoju stations (2-3 kms to the east) which form part of the urban railway network.

**Anzhen Mall in the Beijing City Context** **Map 6.1**



**Anzhen Mall Location** **Map 6.2**



### 6.3 Description of Mall and Tenant Mix

The Anzhen Mall, opened in 1994 and is a six-level retail complex with a total GFA of approximately 43,442.3 sq.m (GRA of 43,442.3). Adjacent to the mall and under the plaza area in front of the building, is a basement carpark not owned by CRCT and which provides convenient access to shoppers.

The shopping mall's main entrance fronts onto a central meeting place, which has significant foot traffic and connects well to the surrounding major roads.

The main front entrance to the mall leads directly into the first floor of the Beijing Hualian department store. Beijing Hualian, the only tenant of the mall, has a 20-year master lease of the entire property through to 2025.

In addition to the department store, there are a number of small retail outlets on the basement level adjacent to the Beijing Hualian supermarket, and on Level 1 on the perimeter of the building with external exposure. The basement concessions are primarily of a convenience and service nature whereas the specialties on Level 1 include several fast food outlets such as McDonalds, Pizza Hut and several other stores including Watsons.

For the Beijing Hualian department store itself the merchandise mix by level is as follows:

- Basement — Supermarket
- Level 1 — Cosmetics and jewellery
- Level 2 — Young fashion and casual clothing
- Level 3 & 4 — Professional ladies and men's wear and leather goods
- Level 5 — Electronics, communications, photo equipment and family clothing.

Anzhen Mall is amongst the most recognised in the region, and is one of the few comprehensive one-stop-shop concept based shopping malls in the locality, thereby attracting strong shopper traffic. The mall is well known amongst locals as their basic necessity shopping destination as it provides a comprehensive shopping experience with a wide variety of product offerings. Its positioning at a major intersection attracts recurring shopper traffic from the surrounding catchments.

***Images of Anzhen Mall***

*Photo 6.1 External view of Anzhen Mall*

*Photo 6.2 External view of Anzhen Mall*

### *Images of and from Anzhen Mall*

*Photo 6.3 Entrance to underground carpark*

*Photo 6.4 Square/Plaza in front of the mall*

*Photo 6.5 Beijing Hualian Department Store (cosmetics section)*

*Photo 6.6 Beijing Hualian Department Store (view from escalator)*

*Photo 6.7 Beijing Hualian Department Store (menswear section)*

*Photo 6.8 Beijing Hualian Supermarket*

***Images of and from Anzhen Mall***

*Photo 6.9 Back entrance to the mall*

*Photo 6.10 View of sidewalk next to the mall*

## 6.4 Target Market

The primary target market segment for Anzhen Mall is the local trade area residents with nearby offices providing a secondary target. The area, however, is not a common destination for tourists.

## 6.5. Trade Area Analysis

### 6.5.1 Trade Area Definition

The defined trade area for Anzhen Mall is as shown in Map 6.3, and includes both a primary trade area and a secondary trade area. Collectively the primary and secondary trade area sectors are referred to as the main trade area.

The trade area includes parts of Chaoyang, Dongcheng, Xi Cheng and Haidan districts and is a popular and important residential and commercial hub for Beijing.

- The primary sector encompasses land that is broadly contained within a 2.0 km radius of the Anzhen Mall. It is bordered by the Fourth Ring Road to the north, Beijing Chengde Expressway to the east, the Badaling Expressway to the west and Liuyin Park to the south.
- The secondary sector incorporates land beyond the primary sector, and predominantly within a 4.0 km radius of the Anzhen Mall. It is bounded to the south by the second Ring Road, and Olympic Park to the north.

### 6.5.2 Trade Area Population and Demographic Profile

In 2006 the estimated resident population of the primary trade area is approximately 292,985. This area is well established and densely populated with modest population growth of 0.8% expected over the next five years.

For the main trade area, the 2006 population is estimated at 671,375 (refer Table 6.1), which is forecast to grow at 1.0% per annum to reach nearly 706,539 by 2011. The population of the secondary trade area in 2006 is estimated at 378,390 people and is forecast to grow at an average annual rate of 1.2% to reach 401,645 in 2011.

The trade area contains a mix of local and expatriate white collar workers who belong to the middle-upper class segment. The residents of the primary and secondary trade area sectors have above average income levels with an estimated average annual retail spend per capita of RMB 17,833, which is higher than the Beijing average.

| **Anzhen Mall, Beijing** | | | | | **Table 6.1** |
|---|---|---|---|---|---|
| **Forecast Population and Retail Spending, 2000-2011 (Inflated RMB[1])** | | | | | |
| | | | | **CAGR** | |
| | **2000** | **2006F** | **2011F** | **00-06** | **06-11** |
| **Resident Population** | | | | | |
| Primary Trade Area | 277,102 | 292,985 | 304,894 | 0.9% | 0.8% |
| Secondary Trade Area | 348,109 | 378,390 | 401,645 | 1.4% | 1.2% |
| **Main Trade Area** | 625,211 | 671,375 | 706,539 | 1.2% | 1.0% |
| **Retail Spend Per Capita (Inflated RMB)** | | | | | |
| Primary Trade Area | | 17,833 | 27,565 | | 9.1% |
| Secondary Trade Area | | 17,833 | 27,565 | | 9.1% |
| **Main Trade Area** | | 17,833 | 27,565 | | 9.1% |
| **Total Retail Spend (Inflated RMB Million)** | | | | | |
| Primary Trade Area | | 5,225 | 8,404 | | 10.0% |
| Secondary Trade Area | | 6,748 | 11,071 | | 10.4% |
| **Main Trade Area** | | 11,973 | 19,475 | | 10.2% |

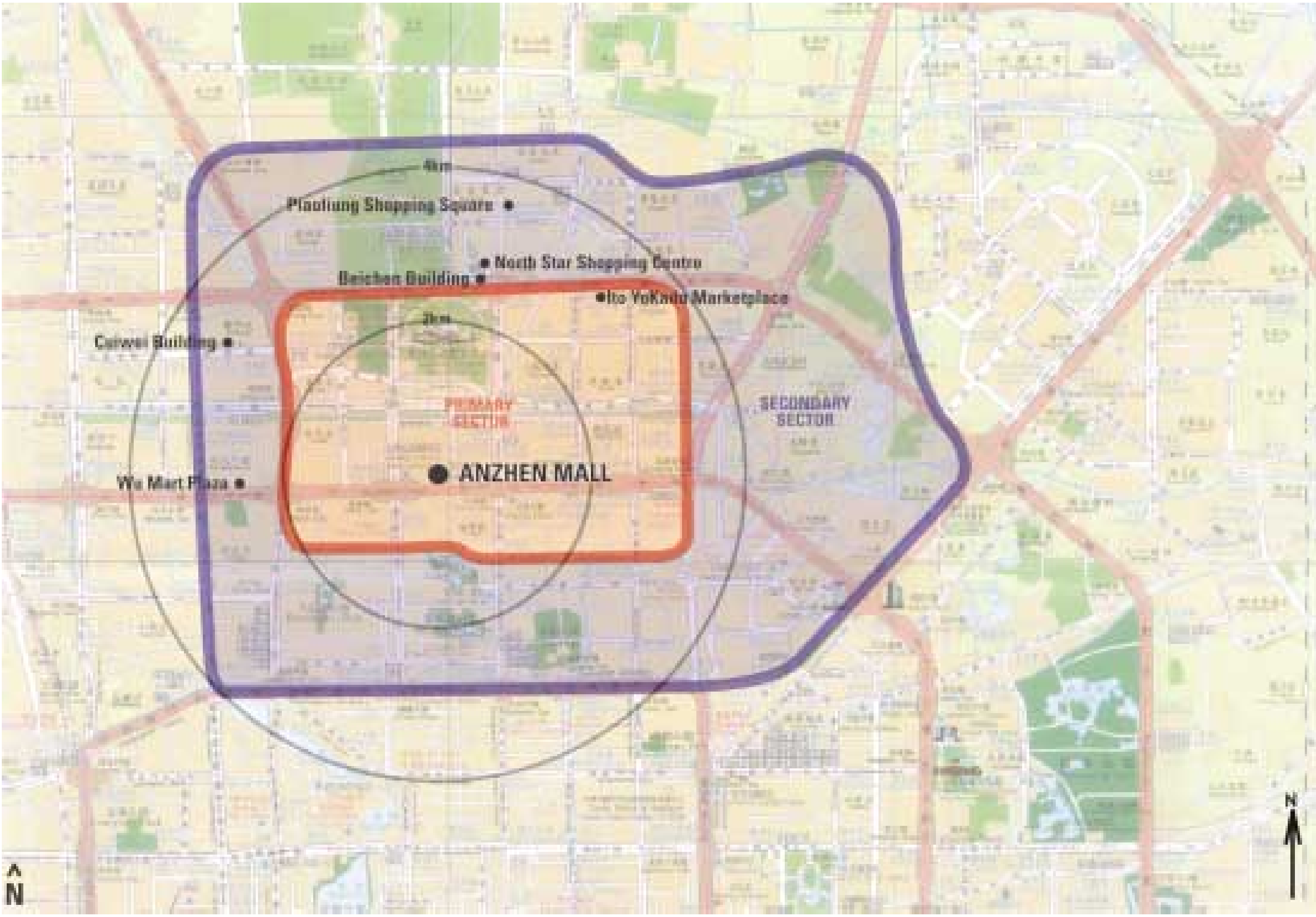
*1. RPI assum ed at 1.2% p.a. from 2006.*

*Source: China Statistical Yearbook, 2005; Beijing Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

### 6.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is shown in Table 6.1. In 2006 the total retail spending market is estimated at approximately RMB 12.0 billion and the market is forecast to grow to RMB 19.5 billion in 2011, representing a compounded annual growth of 10.2% assuming retail price inflation (1.2% per annum), population growth (1.0% per annum) and forecast real growth in average retail spending per capita (8.1% per annum).

**Anzhen Mall Trade Area and Competition** **Map 6.3**



## 6.6 Review of Competitive Environment

### 6.6.1 Existing Competition

The main competition to Anzhen Mall is listed in Table 6.2 and illustrated in Map 6.3. The Anzhen Mall has a number of competitors in the trade area.

To the north of the centre, and within a 3–4 km radius of the mall, three different department stores operate in relative close proximity. This includes the North Star Shopping Centre which is considered to be the closest competitor to the Anzhen Mall. It opened in 1990 and spans over a GRA of 42,900 sq.m. Despite being an older style department store, it enjoys significant footfall due to surrounding hotels and office blocks. Further north of this centre is the Piaoliang Shopping Centre spanning over an GRA of 32,900 sq.m which opened in 2001. Further to the east is the Ito Yokado Market Place department store which opened in 2001 and has a GRA of 57,100 sq.m. To the west of the Anzhen Mall are two more shopping malls namely, Cuiwei department store (45,700 sq.m) and the Wu Mart Plaza (38,600 sq.m).

**Anzhen Mall, Beijing** — **Table 6.2**
**Existing and Proposed Competitive Centres, 2006**

| Centre | Distance[1] from Anzhen Mall | Date Established[2] | Total GRA (sq.m) | Major Tenants |
|---|---|---|---|---|
| **Existing** | | | | |
| North Star Shopping Centre | 3.0 | 1990 | 42,900 | North Star |
| Ito Yokado Marketplace | 3.0 | 2001 | 57,100 | Ito Yokado |
| Wu Mart Plaza | 3.6 | 2004 | 38,600 | Wumei |
| Piaoliang Shopping Square | 4.0 | 2001 | 32,900 | |
| Cuiwei Building | 4.1 | 2003 | 45,700 | |
| **Proposed** | | | | |
| Beichen Building | 2.8 | 2007 | 71,400 | N /A |

*1. Distance in kilometres measured in a straight line from centre*

*2. For proposed centres — estimated date of opening*

*Source : Cushman & Wakefield; UrbisJHD*

***Images of competitors to Anzhen Mall***

*Photo 6.11 North Star Shopping Centre*

Photo 6.12 North Star Shopping Centre

Photo 6.13 External view of Wu Mart Plaza


Photo 6.14 Wu Mart Plaza

Photo 6.15 Wu Mart Plaza

Photo 6.16 External view of Wu Mart Plaza

### 6.6.2 Future Competition

There is an expected new opening to the north of the Anzhen Mall and next to the North Star Shopping Centre. This new development, the Beichen Building Shopping Centre, is currently under construction and scheduled to open in 2007. It is approximately 2.8 kms from the Anzhen Mall and on completion will have an GRA of 71,400 sq.m. Whilst it is expected to provide some competition to Anzhen Mall, it will draw most of its trade from the north, and should benefit from the population growth associated with the development of Olympic Park. It is therefore considered unlikely that this new centre will have a significant impact on Anzhen Mall.

## 6.7 Future Outlook for the Mall

On the basis of our analysis we believe that the overall outlook for the future trading performance of the Anzhen Mall over the next five years is positive.

The mall is expected to continue to trade successfully and should be able to experience strong sales growth of around 8%-10% per annum over the next five years. In addition, the centre also has, in our view, some enhancement potential, particularly with the Level 1 concessions, and this should eventually flow through to higher rental income being generated from Level 1.

# 7 Qibao Mall, Shanghai

## 7.1 Regional Context & Economic Overview

Shanghai, the largest city in the PRC, is the country's industrial, commercial and financial centre. It is located along the east coast, at the mouth of the Yangtze River and has a population of approximately 17 million people.

Shanghai is widely regarded as the Citadel of the Chinese economy and is a popular destination for international tourists. Being the most developed city in the PRC, its receptiveness of foreign cultures and ideas has resulted in it becoming a cosmopolitan city, with an estimated 300,000 expatriate residents.

**Location of Shanghai in the National Context** **Map 7.1**


The Shanghai economy has grown impressively over the past decade with nominal Gross Regional Product (GRP) per capita growing at over 11% per annum (refer Table 7.1). Urban employment has grown at a faster rate than that of the population, and although growing at 1% per annum over the past decade, it is clear that considerable improvements have been made.

| **Shanghai Province Table Economic Performance, 1995-2004** | | | **Table 7.1** |
|---|---|---|---|
| | **1995** | **2004** | **CAGR** |
| GRP (RMB Billion) | 246.2 | 745.0 | 11.7% |
| GRP Per Capita (RMB) | 18,942 | 55,307 | 11.3% |
| Urban employed (1000 people) | 5,313 | 5,890 | 1.0% |

*Source : Shanghai Statistics Yearbook, 2005; UrbisJHD*

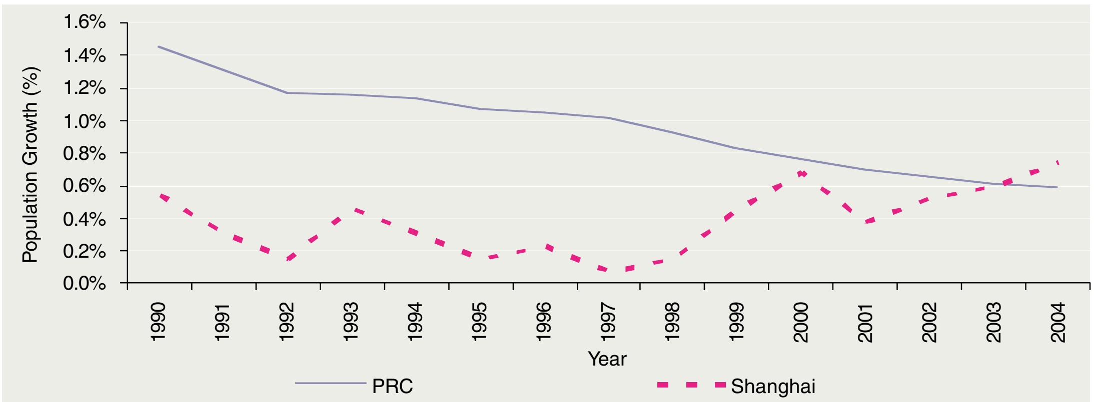
Growth in Shanghai's population over the past 15 years has averaged 0.4% per annum as compared with 0.9% per annum for the PRC. Since 2000 Shanghai's population growth rate has increased (now averaging 0.6% per annum) and in 2004 it exceeded the PRC's growth rate (refer Chart 7.1)

Shanghai has amongst the best transportation infrastructure in the PRC, hence providing easy access to and within the city. The city is well networked by road and rail networks to the various important hubs, enabling easy connectivity for residents and tourists. This system will be enhanced and made even more effective, with the completion of the Maglev rail link — the fastest train in the world, which will provide a direct link to Shanghai city hubs from the Pudong International Airport.

Shanghai boasts a highly educated workforce and a large working population. The city is home to a number of famous universities including the Shanghai Jiao Tong University, thereby attracting student communities from all over the PRC.

The People's Republic of China and Shanghai Province
Estimated Resident Population Growth 1990-2004[1]

**Chart 7.1**




1. *Nominal*

*Source : China Statistical Yearbook, 2005; Shanghai Statistical Yearbook, 2005*

Shanghai is one of the PRC's most urbanised and expensive cities with a high standard of living. In a recent 2005 survey undertaken by Mercer Human Resource Consultancy, the PRC was ranked the 30th most expensive city in the world in terms of living costs. Not surprisingly, the city's residents have high income levels and the city has relatively expensive property prices. Shanghai has experienced a significant property boom in the recent past which has evoked the government to introduce austerity measures at regular intervals to curb speculation.

Shanghai is PRC's largest retail centre with numerous landmark retail districts such as Nanjing Road, one of the worlds busiest shopping streets and amongst the biggest tourist attractions in the PRC, and Huai Hai Road, Shanghai's most fashionable and stylish shopping street.

In 2010 Shanghai will host the World Expo which is expected to cost RMB 25 billion and attract an estimated five million visitors. As at August 2006, 56 countries have confirmed their participation.

The government is currently heavily investing in infrastructure in the region. This is evident from the improvements in transportation facilities and highways that have been developed recently. The major Three Gorges Dam power is another indication of the massive infrastructure growth being witnessed in Shanghai. This project is expected to be fully operational in 2009 and will aid in alleviating the power shortages the city is currently facing, particularly in the summer months.

Shanghai residents have per capita incomes 1.8 times higher than the national urban average. In 2006, the average per capita income of Shanghai residents is estimated at RMB 21,625. This compares with the average per capita income of rural residents, which is estimated at RMB 8,813.

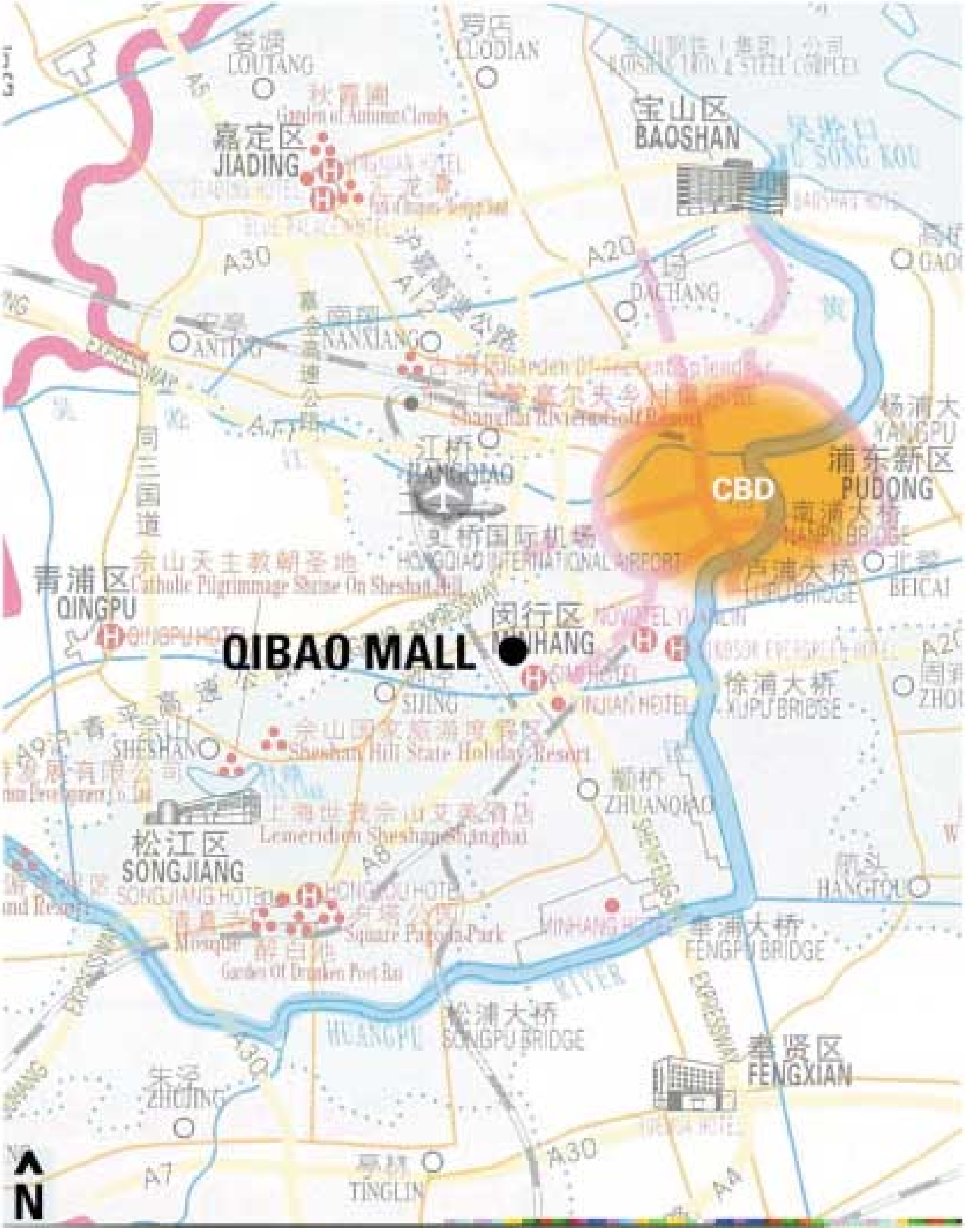
## 7.2 Location and Accessibility

The Qibao Mall is located on Huan Xi Da Road to the west of the CBD and approximately 2 kms south of the Shanghai Hong Qiao Airport, reachable within 10 minutes by road (refer Map 7.2 and Map 7.3). The centre has good accessibility through public transport as well as free buses offered by Carrefour to the mall from the nearby suburbs. The centre is situated on a main road and enjoys excellent exposure.

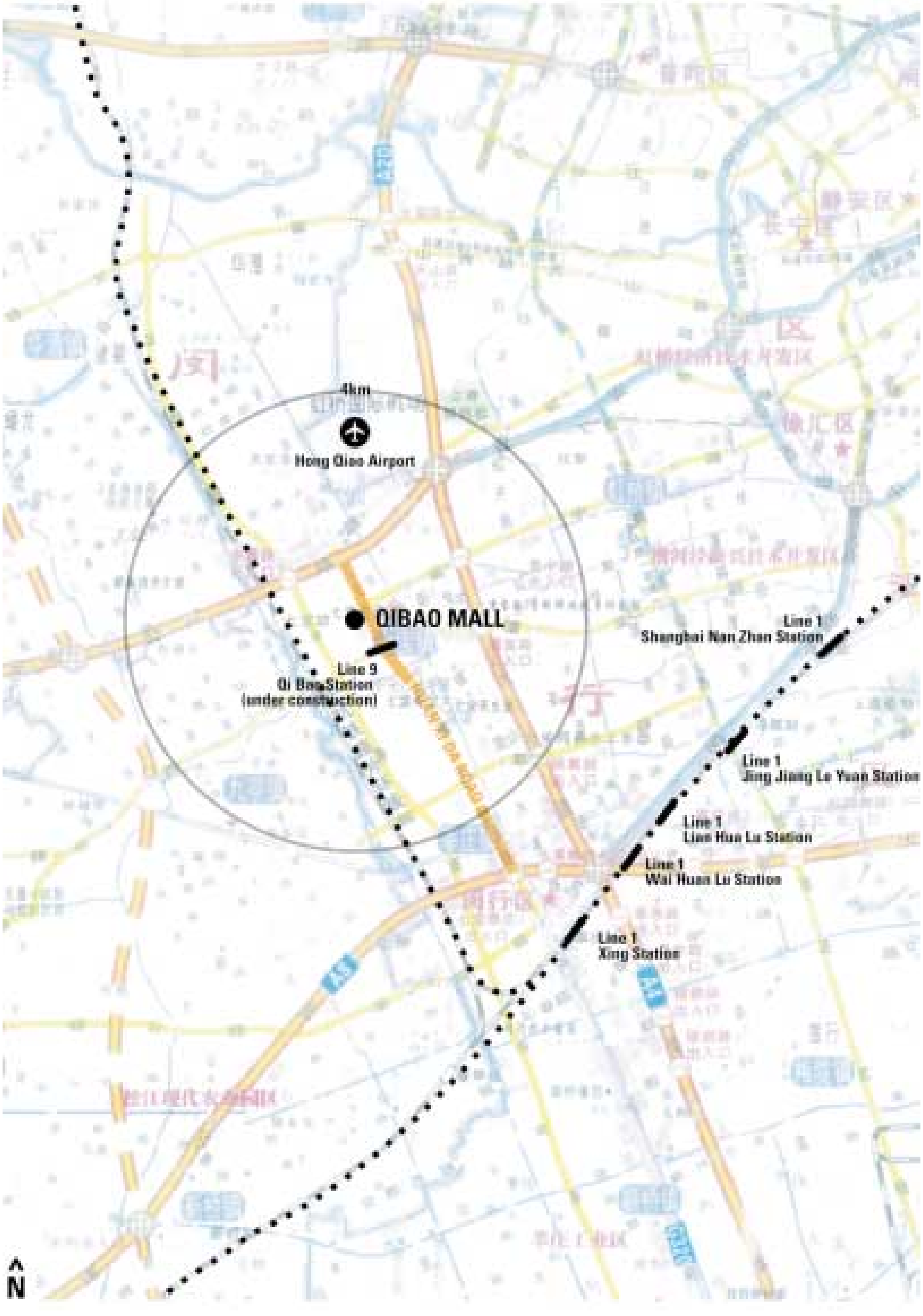
The mall will also benefit from its strategic location, 1 km to the north of the proposed Qi Bao metro station. This station, on the western extension of Line 2, will provide metro access through to Hong Qiao Airport, the Shanghai CBD and eventually to Pudong International Airport and to Qingpu.

The area where Qibao Mall is located, is a growing Shanghai suburb, as indicated by the amount of commercial development either recently completed or underway along Huan Xi Da Road. We believe that there is strong potential for significant population growth in this locality.

**Qibao Mall City Context** **Map 7.2**



**Qibao Mall Location** **Map 7.3**



## 7.3 Description of Mall and Tenant Mix

Qibao Mall is a four level retail development, with a total GFA of 83,986.0 sq.m (GRA of 72,729.0 sq.m) and 491 carspaces. The mall is currently being fitted out and is expected to be fully operational by late 2006. However some sections of the mall, such as the Carrefour hypermarket, are already fully functional.

Carrefour, the anchor tenant of the mall, is located on the rear side of the property, on Level 2 directly above the ground floor carpark. They account for 11.6% of the mall's gross monthly rent and benefit from not only having the carspaces directly below them, but also having surface parking directly adjacent outside for their free shuttle bus, which they provide to nearby residential hubs. Carrefour's is under a 20 year lease which expires in 2024.

The other prominent tenant at the mall is Sport 100, one of PRC's prominent sports apparel retailers, who account for 14.7% of the mall's gross monthly rent and are located on Level 3.

The mall is amongst the few shopping destinations in the locality with quality multi-tenant and multi-product offerings. With its professional management and strong tenant mix, the mall, when fully operational, will provide nearby residents with a comprehensive one-stop-shopping experience. It targets the middle income and family oriented segment of the retail market, residing in the vicinity through selection of the tenant mix, type of advertising and promotional activities and its overall public identity.

**Qibao Mall** **Table 7.2**
**Major Tenants, Based on Committed Tenancy as at 31 August 2006**

| Tenant | Level | Lease Expiry | % Total Monthly Gross Rent |
|---|---|---|---|
| Sports100 | 2,3 | Jul 11-Aug 11 | 14.7% |
| Carrefour | 2 | Jan 24 | 11.6% |
| Power House GYM | 3 | Dec 12 | 8.9% |
| Di Xin Tong | 3 | Jun 08 | 2.7% |
| Vero Moda/Jack & Jones | 1 | Apr 07 | 2.4% |
| Esprit | 1 | Jun 07 | 2.4% |
| Lang Sha | 3 | Feb 14 | 2.1% |
| Jin Bo Li | 1 | Oct 08 | 1.8% |
| Shu Nu Wu | 1 | Jun 08 | 1.8% |
| G2000 | 1 | Apr 08 | 1.7% |
| Other tenants | | | 50.0% |
| **Total Centre** | | | **100.0%** |

*Source : CRCTML; UrbisJHD*

***Images of Qibao Mall***

*Photo 7.1 External view of Qibao Mall*

*Photo 7.2 Ground Floor shops at Qibao Mall*

## 7.4 Target Market

Local area residents comprise the prime target for Qibao Mall. There is also a reasonably sized workforce population in the area consisting of locals as well as expatriates. Being located in a suburban district, the mall is however not a popular destination for tourists.

## 7.5 Trade Area Analysis

### 7.5.1 Trade Area Definition

The defined trade area for Qibao Mall is shown in Map 7.4. The main trade area consists of a primary and a secondary trade area and covers an area of approximately 17 sq.kms. The primary trade area is basically confined within a 1–2 km radius from the centre whereas the secondary trade area is contained, in the main, within a 4–5 km radius.

The main trade area encompasses a number of sub-districts within the Min Hang District. It is bound by Gu Dai Road to the south, the Shanghai Hong Qiao Airport to the north, Hong Xu Road to the east, while to the west the proposed A5 freeway forms the border.

### 7.5.2 Trade Area Population and Demographic Profile

The Min Hang district is a well known, growing mid-high end residential locality. The estimated resident population of the primary trade area in 2006 is approximately 115,629 as indicated in Table 7.3. The residents of this area primarily comprise locals with a small expatriate community. The district is growing and has witnessed significant development in the high end/villas segment. Population growth has been strong, particularly over the last 12 months, and is likely to remain strong through to 2011 growing at an average rate of 2.2% per annum.

The main trade area, which combines both the primary and secondary trade areas, has an estimated population of 344,944 people. By 2011, it is forecast to grow to 390,910, at a rate of 2.5% per annum. The secondary trade area, on its own is forecast to grow at 2.7% per annum, from 229,314 to 261,989 by 2011.

Average per capita incomes and spending levels for the primary and secondary trade areas are slightly above the Shanghai urban average.

The district has witnessed significant growth in residential developments recently. The district has a growing number of affluent residents, bolstered by growth in the expatriate population to the east.

**Qibao Mall, Shanghai** **Table 7.3**
**Population and Retail Spending Forecasts, 2004-2011 (Inflated RMB[1])**

| | 2004 | 2006F | 2011F | CAGR 04-06 | CAGR 06-11 |
|---|---|---|---|---|---|
| **Resident Population** | | | | | |
| Primary Trade Area | 108,992 | 115,629 | 128,921 | 3.0% | 2.2% |
| Secondary Trade Area | 216,151 | 229,314 | 261,989 | 3.0% | 2.7% |
| **Main Trade Area** | **325,143** | **344,944** | **390,910** | **3.0%** | **2.5%** |
| **Retail Spend Per Capita (Inflated RMB)** | | | | | |
| Primary Trade Area | 11,077 | 15,163 | 23,437 | 17.0% | 9.1% |
| Secondary Trade Area | 10,866 | 14,874 | 22,991 | 17.0% | 9.1% |
| **Main Trade Area** | **10,937** | **14,971** | **23,138** | **17.0%** | **9.1%** |
| **Total Retail Spend (Inflated RMB Million)** | | | | | |
| Primary Trade Area | 1,207 | 1,753 | 3,022 | 20.5% | 11.5% |
| Secondary Trade Area | 2,349 | 3,411 | 6,023 | 20.5% | 12.0% |
| **Main Trade Area** | **3,556** | **5,164** | **9,045** | **20.5%** | **11.9%** |

*1. Retail Price Inflation assumed at 1.2% p.a. from 2006.*

*Source: Shanghai Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

### 7.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is shown in Table 7.3. The total spending market in 2006 is estimated at RMB 5.2 billion. The market is forecast to grow to over RMB 9.0 billion by 2011, representing compounded growth of 11.9% per annum adjusted for retail price inflation (1.2% per annum), population growth (2.5% per annum) and forecast real growth in average retail spending per capita (8.2% per annum). This 11.9% per annum forecast growth for Shanghai is well above the 9.6% per annum forecast for PRC.

It is estimated that approximately two thirds of the spending market, will be generated by the secondary trade area residents.

## 7.6 Review of Competitive Environment

### 7.6.1 Existing Competition

There is a significant amount of competition in close proximity, within 2 kms to the Qibao Mall, and these centres are listed in Table 7.4 and their locations are graphically illustrated in Map 7.4. In addition to these centres there is also a degree of competition arising from the two adjacent properties to Qibao Mall which also were developed as part of the overall Qibao Mall complex and includes the New World department store and the other retail complex to the immediate south.

However, the most significant competitor to Qibao Mall is a group of three properties located approximately 1.0 km to the south of the mall on the Qi Xin Road. These three properties include the Qi Bao Hymall, the Riverside department store and Diamond City. The most important of these from Qibao Mall Carrefour's perspective is the Qi Bao Hymall hypermarket complex which appears to trade strongly. The presence of these three properties and particularly the hypermarket, will, in part, limit the ability of Carrefour to draw from the south.

The other competing malls namely, Kai Bai Plaza, Dong Fong Guo Mao as well as the Joinbuy Home centre, are located to the north and are older, with the exception of Kai Bai Plaza. These malls have a high number of very small sized tenants and primarily cater to the middle-lower income group. Qibao Mall, on the other hand, with its higher quality of tenant, fit-out and finishes, is aimed directly at the middle-high income group.

**Qibao Mall** **Table 7.4**
**Existing and Proposed Competitive Centres, 2006**

| Centre | Distance[1] from Dragon Mall | Date Established[2] | Total GRA[3] (sq.m) | Major Tenants |
|---|---|---|---|---|
| **Existing** | | | | |
| New World Department Store | 0.1 | 2005 | 28,600 | New World |
| Dong Fang Guo Mao | 0.8 | 1997 | 74,300 | N/A |
| Joinbuy Home | 1.0 | 1998 | 15,700 | Joinbuy |
| Kai Bai Plaza | 1.0 | 2006 | 22,900 | N/A |
| Riverside Department Store | 1.0 | 2000 | 14,300 | Riverside |
| Qi Bao Hymall | 1.0 | 1999 | 42,900 | Hymall |
| Diamond City | 1.2 | 2004 | 28,600 | N/A |
| **Proposed** | | | | |
| Hui Heng Centre | 1.5 | 2007 | 18,600 | N /A |

*1. Distance in kilometres measured in a straight line from centre*

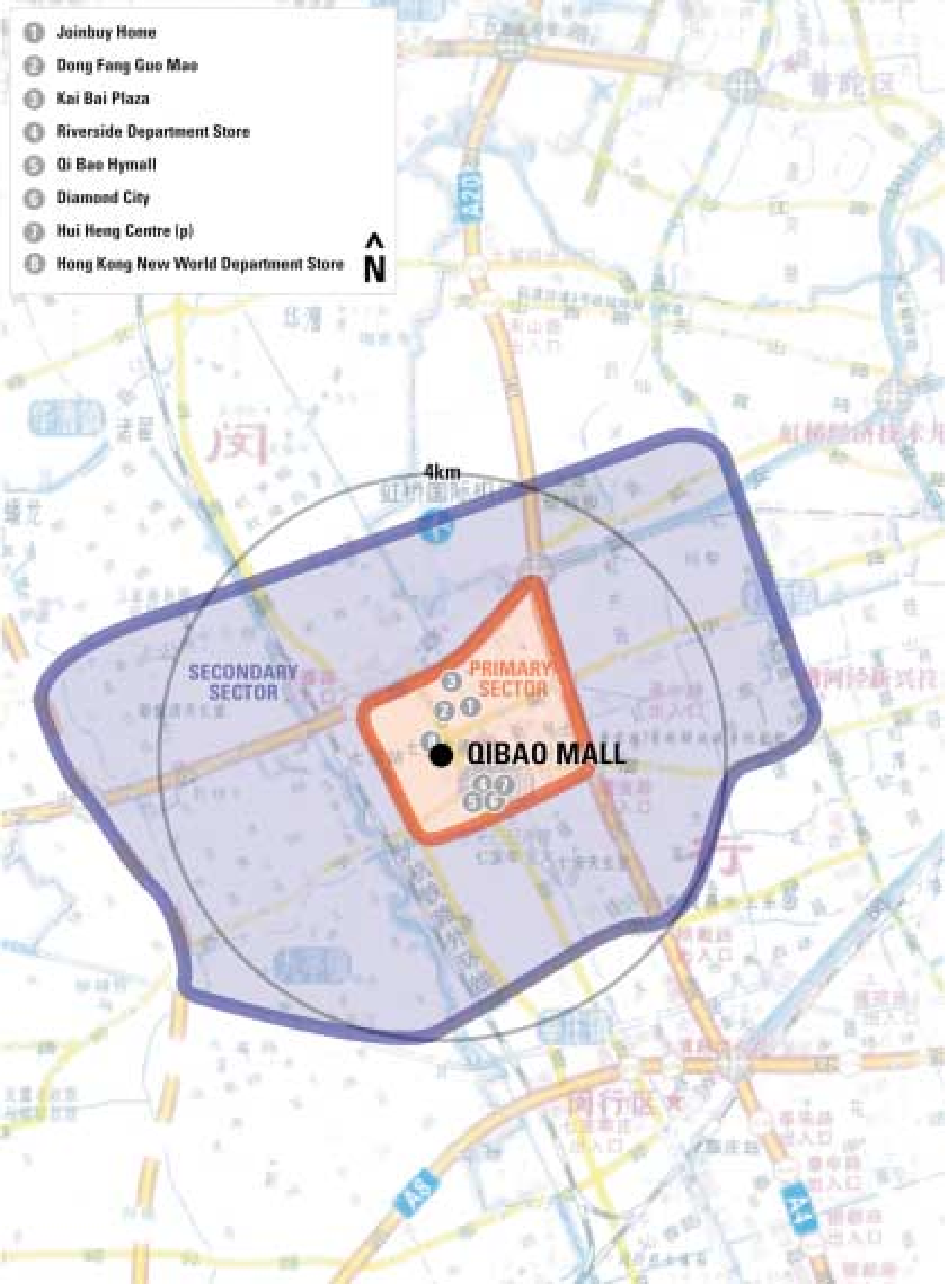
*2. For proposed centres — estimated date of opening*

*3. Estimate*

*Source : Cushman & Wakefield; UrbisJHD*

Other than the Qi Bao Hymall hypermarket the next closest hypermarket to Carrefour at Qibao Mall is the Carrefour Gubei store. This store is located some 8 kms to the east, in a high income, high density populated area and has been popular amongst residents in the locality. Its considerable distance from Qibao Mall however, means that it will serve a different trade area and is not directly competitive with Qibao Mall.

**Qibao Mall Trade Area and Competition** **Map 7.4**



### 7.6.2 Future Competition

There is one new development, the Hui Heng Centre, currently under construction and of relevance to Qibao Mall. The mall spans across 18,600 sq.m and forms a part of a larger mixed use project directly opposite Diamond City, approximately 1.5 kms from Qibao Mall. The composition of this mall is not yet known and is due for completion in 2007.

***Images of key competing malls to Qibao Mall***


*Photo 7.3 External view of Dong Fang Guo Mao*

*Photo 7.4 External view of Dong Fang Guo Mao*

*Photo 7.5 External view of Hui Heng Centre (expected completion 2007)*

*Photo 7.6 External view of Qi Bao Hymall*

*Photo 7.7 External view of Kai Bai Plaza*

*Photo 7.8 External view of Riverside Department Store*

Photo 7.9 External view of Hong Kong New World Department Store

7.10 New Building — adjacent to Qibao Mall

## 7.7 Future Outlook for Mall

Carrefour is still in its initial period of trading at the Qibao Mall and the balance of the centre is only now just being fitted out for operations. The mall, to date, therefore has not yet been fully operational.

The mall is located in a relatively competitive environment and the success of Qibao Mall, as a whole, will be highly dependent on its ability to attract the residents from the nearby residential hubs and its differentiation in terms of being a one-stop-shop with a diverse tenant mix, and having professional management.

The mall will benefit from its strategic location near the Shanghai Hong Qiao Airport in an area of relatively high population growth. The adjacent Hong Kong New World Department Store, which will be connected to Qibao Mall *via* a second storey bridge, will also serve to provide synergy with the mall's mix and will help attract shoppers to the mall.

Overall, we expect the centre to trade successfully, particularly the hypermarket. Once the mall achieves its fully established trading level, which should be after a year of trading, we anticipate that the mall should be able to achieve encouraging sales growth of around 9%-10% per annum over the following years, given the overall positive outlook for the retail market in Shanghai and the PRC.

## 8 Zhengzhou Mall, Zhengzhou

### 8.1 Regional Context & Economic Overview

Zhengzhou is the capital of Henan Province, approximately 940 kms west-north-west of Shanghai and 600 kms south of Beijing in the central part of China.

The Henan region is an important agricultural province, and the most populous with nearly 100 million people. It is the PRC's leading producer of wheat, cereals, oil bearing crops and beef. Zhengzhou is an important transit city in the PRC due to the role it plays in linking the four zones of the country. The city has an area of 7,446 sq.km, including an urban area of over 1,000 sq.km and a central built up urban area of 260 sq.km.

The city consists of six districts, five smaller cities and one county. Zhengzhou has a population of nearly 7.2 million people, of which over 4.2 million live in the urban area.

**Location of Zhengzhou in the National Context** **Map 8.1**

| Zhengzhou City<br>Economic Overview 1995-2005 | | | Table 8.1 |
|---|---|---|---|
| | 1995 | 2005 | CAGR |
| Population (1,000) | 6,003 | 7,160 | 1.8% |
| Built Area (sq.km) | 112 | 262 | 8.9% |
| GRP (RMB Billion) | 39.0 | 165.0 | 15.5% |
| GRP Per Capita (RMB) | 6,559 | 23,171 | 13.5% |

*Source : The China Business Handbook, 2006*

Over the past decade, the city has experienced strong economic growth. As outlined in Table 8.1, Gross Regional Product (GRP) per capita growth over the past decade has been 13.5% per annum. This strong growth, coupled with an increasing urban population, points to positive outcomes for the region in the short to medium term.

Income per capita of the urban population is above the PRC average, as is retail spending, which is estimated at RMB 9,750 per capita for 2006.

### 8.1.1 The Zhengdong New Town

The Henan Province and the Zhengzhou City have plans to construct a major new town to the east of the existing CBD. The project's aim is to effectively create a new CBD on a former airport site. The design of the new town was sent out to tender to professionals throughout the world, and in late 2001, the Japanese firm, Kisho Kurokawa, was appointed as the Senior Advisor for Urban Planning Board of Province of Henan.

The planned new town (refer Figure 8.1) is proposed to be completed by 2015. These ambitious plans are still in their infancy and the estimated population of 1.5 million people for the city is likely to be over a longer time frame. The plans for this new town were as a direct result of strong economic and population growth in the region.

**An Artists Impression of the Zhengdong New Town** **Figure 8.1**

*Source: http://www.kisho.co.jp/*

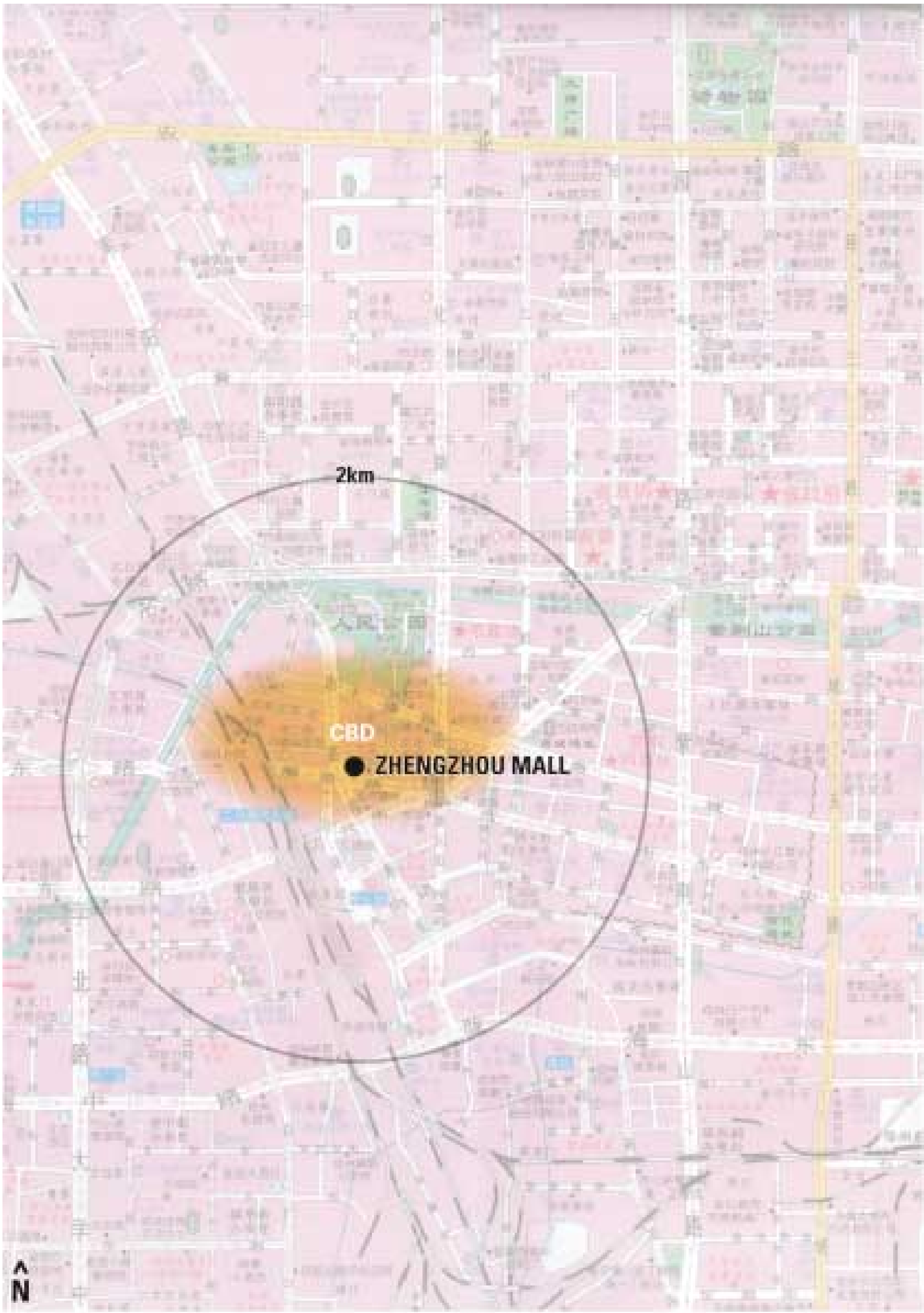
## 8.2 Location and Accessibility

The Zhengzhou Mall is located on Minzhu Road, in the heart of the CBD (refer Map 8.2 and Map 8.3). It is easily accessible through public transportation networks that connect all parts of the city to the CBD. Its strategic location at the intersection of two main roads, Jie Fang Road and Ming Gong Road, provides it with the benefit of high foot traffic.

Being situated in the CBD, the mall benefits from all of the advantages associated with a major city centre including customer mass, ease of access, and brand image. On the other hand, it is important to note that the CBD is an area of high competition.

**Zhengzhou Mall City Context** **Map 8.2**

**Zhengzhou Mall Location** **Map 8.3**



## 8.3 Description of Mall and Tenant Mix

The Zhengzhou Mall opened in 1994 and underwent renovations in 2002. The mall has seven levels of retail space spanning over an estimated GFA of 92,355.9 sq.m (GRA 92,355.9 sq.m). While there is no built-in carpark lots within the mall, there are approximately 300 lots in the open area just adjacent to the building.

Outside the main entrance of the mall is an open walkway allowing easy pedestrian movement, connecting the greater CBD to the centre.

The mall consists of a Beijing Hualian supermarket and department store and, on the ground level, some fast-food outlets including a Pizza Hut and McDonalds. On the basement level, outside the supermarket, a number of concession stores operate selling fashion accessories including clothing and jewellery.

Beijing Hualian has a 20 year master lease over the entire property and the merchandise mix by level is:

- Basement Level — Beijing Hualian Supermarket and Concessions (clothing and jewellery)
- Level 1 — Cosmetics, Jewellery, Accessories and Concessions (Fast Food)
- Level 2 — Girls/Ladieswear, Beauty, Leisurewear
- Level 3 — Ladieswear (higher-end, Babies/Childwear)
- Level 4 — Menswear
- Level 5/6 — Sportswear, sporting goods, electrical and homewares, food court

***Images of the Zhengzhou Mall***

*Photo 8.1 External view of entrance*

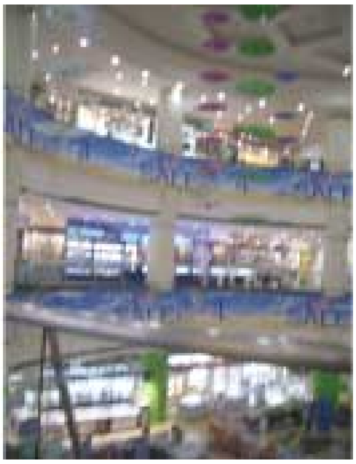


*Photo 8.2 Interior — Levels 1–3*


Photo 8.3 Inside Zhengzhou Mall (leisure wear section)

Photo 8.4 Inside Zhengzhou Mall (menswear section)

## 8.4 Target Market

The mall attracts both residents and office workers, given its strategic location in the heart of the CBD. Zhengzhou draws visitors from around the province and, to a lesser extent, tourists as well. Out of town visitors and tourists, therefore, provide a secondary target market for the centrally located mall.

## 8.5 Trade Area Analysis

### 8.5.1 Trade Area Definition

The defined trade area for Zhengzhou Mall is shown in Map 8.4. The main trade area consists of both a primary and a secondary trade area. Overall, the main trade area encompasses parts of the Districts of Er Qi, Guangcheng and Jinshui.

The primary trade area is basically confined to a 3 km radius from the centre and the secondary trade area extends out to 4–5 kms.

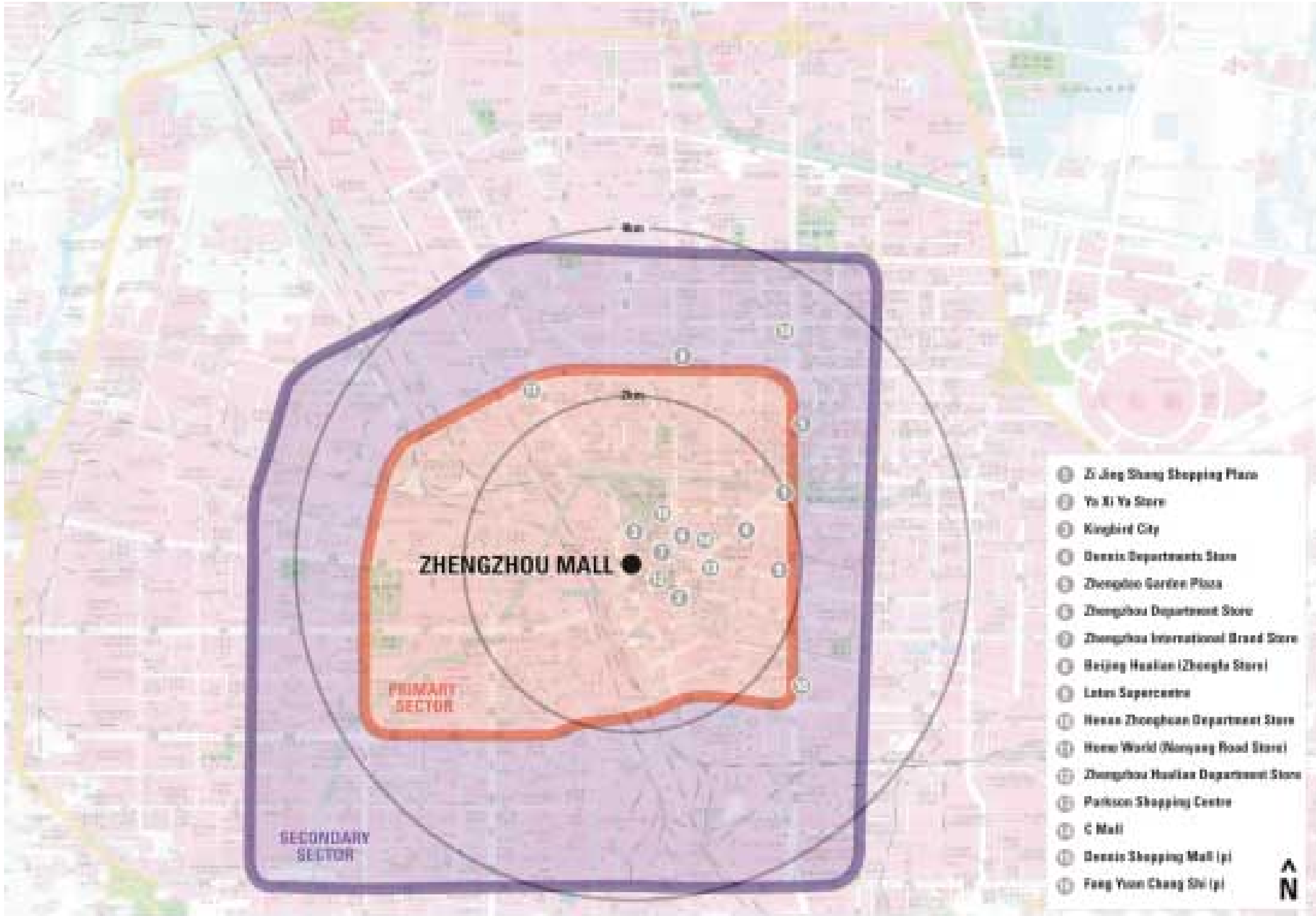
The main trade area is bounded by major ring roads including Nong Yei Road to the north, Hang Hai Road to the south, Tung Bo Road to the east and Cheng Dong Road to the west.

It is expected that a significant portion of the Zhengzhou Mall's sales will come from residents outside the defined trade area as the Zhengzhou CBD has a greater economic influence than stand alone suburban centres.

### 8.5.2 Trade Area Population and Demographic Profile

The estimated resident population of the primary trade area in 2006 is 448,490. This area consists of the CBD as well as established suburbs. The residents of these localities can be classified as belonging to middle and upper/middle income groups. The population growth in the main trade area has been relatively strong and, despite an expected slowing of growth, is still expected to post a healthy 2.7% per annum growth over the next five years or nearly 60,000 people over the 2006-2011 period (refer Table 8.2).

**Zhengzhou Mall Trade Area and Competition** **Map 8.4**



**Zengzhou Mall** **Table 8.2**

**Forecast Population and Retail Spending, 2004-2011 (Inflated RMB[1])**

| | 2004 | 2006F | 2011F | CAGR % 04-06 | CAGR % 06-11 |
|---|---|---|---|---|---|
| **Resident Population** | | | | | |
| Primary Trade Area | 422,745 | 448,490 | 507,426 | 3.0% | 2.5% |
| Secondary Trade Area | 234,859 | 249,161 | 286,053 | 3.0% | 2.8% |
| **Main Trade Area** | **657,604** | **697,652** | **793,479** | **3.0%** | **2.7%** |
| Retail Spend Per Capita (Inflated RMB) | | | | | |
| Primary Trade Area | 7,447 | 9,849 | 15,016 | 15.0% | 8.8% |
| Secondary Trade Area | 7,109 | 9,401 | 14,333 | 15.0% | 8.8% |
| **Main Trade Area** | **7,326** | **9,689** | **14,770** | **15.0%** | **8.8%** |
| Total Retail Spend (Inflated RMB million) | | | | | |
| Primary Trade Area | 3,148 | 4,417 | 7,619 | 18.5% | 11.5% |
| Secondary Trade Area | 1,670 | 2,342 | 4,100 | 18.5% | 11.8% |
| **Main Trade Area** | **4,818** | **6,760** | **11,719** | **18.5%** | **11.6%** |

*1. RPI assumed at 1.2% p.a. from 2006.*

*Source: Henan Statistical Yearbook, 2005; Zhengzhou Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

### 8.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is shown in Table 8.2. The total spending market in 2006 is estimated at RMB 6.8 billion. The market is forecast to grow to RMB 11.7 billion by 2011, representing growth of 11.6% per annum, which is above the 9.6% per annum national average. This includes ongoing growth in retail spending per capita coupled with relatively strong population growth.

Approximately two-thirds of this spending will be generated from primary trade area residents with the other one third coming from secondary trade area residents.

## 8.6 Review of Competitive Environment

### 8.6.1 Existing Competition

The main competition to the Zhengzhou Mall comes from similar concept malls within the CBD. The list of competitors is provided in Table 8.3 and illustrated on Map 8.3.

The strongest competitors are the Kingbird City Department Store and the Dennis Department Store both of which are one-stop-shopping centres located in the neighbouring areas. The Kingbird City Shopping Mall, located approximately 200 metres from the Zhengzhou Mall, is a five level retail mall spanning across an GFA/GRA of 71,400 sq.m.

**Zhengzhou Mall** **Table 8.3**
**Existing and Proposed Competitive Centres**

| Centre | Distance[1] from ZhengZhou Mall (km) | Date Established[1] | Total GRA (sq.m) |
|---|---|---|---|
| **Existing** | | | |
| Kingbird City | 0.2 | 1997 | 71,400 |
| Zhengzhou Hualian Department Store | 0.2 | 2005 | 17,100 |
| Zhenghong International Brand Store | 0.3 | 1997 | 8,600 |
| Ya Xi Ya Store | 0.5 | 1989 | 34,300 |
| Zhengzhou Department Store | 0.5 | 1955 | 71,400 |
| Parkson Shopping Center | 1.0 | 2005 | 71,400 |
| C Mall | 1.0 | 2006 | 60,000 |
| Dennis Department Store | 1.3 | 1997 | 64,300 |
| Lotus Supercenter | 1.8 | 2004 | 34,300 |
| Zi Jing Shang Shopping Plaza | 2.0 | 1983 | 57,100 |
| Home World (Nanyang Road Store) | 2.6 | 2004 | 24,900 |
| Beijing Hualian (Zhongfu Store) | 2.7 | 2002 | 14,300 |
| Zhengdao Garden Plaza | 2.8 | 1998 | 42,900 |
| Henan Zhonghuan Department Store | 3.3 | 2004 | 77,100 |
| **Proposed** | | | |
| Dennis Shopping Mall | 0.7 | 2008 | 357,100 |
| Fang Yuan Chuang Shi Centre | 2.8 | 2008 | 57,100 |

*1. For proposed centres— estim ated date of opening*

*Source : Cushman & Wakefield; UrbisJHD*

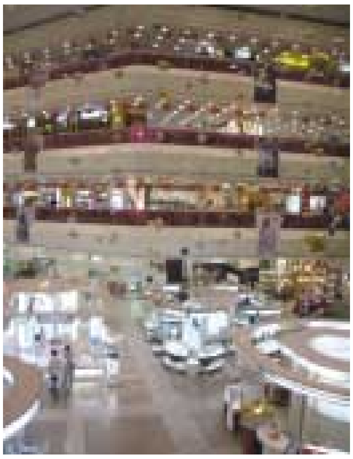
### 8.6.2 Future Competition

Additional new competition for Zhengzhou Mall in the near future, will come from the proposed Dennis Shopping Mall and the Fang Yuan Chuang Shi Supermarket.

The larger of these two centres, the Dennis Shopping Mall, is currently under construction and, on completion in 2008, will be the largest shopping centre in Zhengzhou with a reported 357,100 sq.m of retail floorspace. The centre will be located in the heart of the CBD in close proximity to Zhengzhou Mall.

The other proposed new centre the Fang Yuan Chuang Shi Centre, scheduled to open in 2008, is located on the periphery of the primary trade area approximately 2.8 kms from the Zhengzhou Mall. This is unlikely to greatly impact the performance of the Zhengzhou Mall considering the distance between the two centres as well as the different target market of the Fang Yuan Chuang Shi supermarket.

***Images of key competing malls to the Zhengzhou Mall***



*8.7 Inside Kingbird City*

*8.8 Zhenghong International Brand Store*

*8.9 External view of Zhengzhou Department Store*

*8.10 Future competition — Dennis Shopping Mall (scheduled to open in 2008)*


*8.11 External view of Parkson Shopping Centre*


*8.12 External view of Lotus Supercentre*

## 8.7 Future Outlook for the Mall

Being centrally located within the CBD has its own pros and cons. There is significant visitation to the CBD from those living in the city but, as the provincial capital, visitors from elsewhere within the province and beyond, also visit the Zhengzhou CBD.

Within the CBD, a number of centres operate that provide competition to Zhengzhou Mall. All of these centres operate in close proximity with the main competitors, Kingbird City and the Dennis Department Store, continuing to trade successfully.

The existing strong competition facing the mall, coupled with the significant amount of retail floorspace expected to open in 2008, will have some bearing on Zhengzhou Mall. The city, however, has experienced, and will continue to experience, strong economic growth and a growing population, and this will partly counter balance the increased competition. Accordingly, we expect Zhengzhou Mall's retail sales will grow by between 6% and 7% per annum over the next five years.

Zhengzhou Mall has an adjacent open area of about 6,910 sq.m currently used as a carpark. An asset enhancement opportunity exists with this site to develop an air-conditioned walkway with integrated retail shops connecting the new annex to the main block and with the carpark relocated to the top floor. This proposed enhancement is expected to improve connectivity between the two retail podiums, hence increasing pedestrian traffic flows and rental income.

## 9 Jinyu Mall, Huhehaote

### 9.1 Regional Context & Economic Overview

Huhehaote is the capital of the Inner Mongolian Autonomous Region (Inner Mongolia) and is located in the northern part of the PRC. It is the political, economic cultural centre of the region. Huhehaote borders Mongolia to the north and Russia to the north-east. Huhehaote being located in the central part of Inner Mongolia is well connected by air routes and is reachable within one hour from Beijing. It is accessible by three national highways, among which No. 110 is the main artery connecting the city to Beijing. Huhehaote is also linked *via* national railway lines to Beijing, Shanghai, Nanjing and international lines to Ulam Bator and Moscow.

**Location of Huhehaote in the National Context** **Map 9.1**


At 4,200 sq.km, Inner Mongolia is the third largest province in the PRC, occupying approximately 12% of the PRC's land area. However, it is a sparsely populated region, with a population of 23.8 million in 2004. Huhehaote, the premier city in the province, has a population of 2.5 million, with an urban population of 1.4 million.

Due to its location, Huhehaote has a number of ethnic minority groups in its population as indicated by the 30 different ethnic groups residing in the city, making up over 10% of the city's population. The largest of these groups is that of the Mongolians, which number over 200,000, representing 8% of the population.

Huhehaote's main industries include power, textiles, petrochemicals, machinery, food processing and tourism. The city is also an important transportation hub due to its location for northern PRC and is one of the 45 hub cities in the PRC. The airport is currently undergoing expansion initiatives and is intended to be used as one of the airports during the 2008 Beijing Olympics.

Huhehaote Municipality has made a concerted effort to develop its economy, which includes attracting both domestic and foreign investment into the region. Since the 10th five year plan, there has been an encouraging inflow of foreign capital, which has helped to transform the economic and social development of Inner Mongolia.

Under this "going global" stragegy, the foreign economic and technological cooperation of Inner Mongolia has progressed with good results. Presently, Inner Mongolia has establishment trade ties with clients of over 80 countries and regions. The fields of cooperation are continuously expanding, especially in the industries of, among others, dairy, biologies medicine, chemicals, metals, textile, telecommunciation and cigarettes.

As witnessed in the PRC as a whole, the Inner Mongolia Province also has experienced significant urbanisation. As outlined in Table 9.1, the Province's population has grown at a rate of 1.0% per annum over the last quarter of a century. The urban population however has grown at a much faster rate at 3.9% per annum while the rural population has declined over this period at a rate of 0.5% per annum.

**Inner Mongolia** **Table 9.1**
**Average Annual Population Growth Rates, 1980-2004**

| | 1980-2004 | 1994-2004 | 2001-2004 |
|---|---|---|---|
| Urban Population | 3.9% | 2.6% | 1.8% |
| Rural Population | -0.5% | -0.9% | -1.3% |
| Inner Mongolia Province | 1.0% | 0.5% | 0.1% |

*Source: Inner Mongolia Statistical Yearbook 2005, Trade Press*

Inner Mongolia's economic growth over the 1995-2004 period, as measured by Gross Regional Product (GRP), has been an impressive 14.0% per annum as outlined in Table 9.2. For 2004 the total GRP for Inner Mongolia was RMB 271 billion, with Huhehaote City accounting for RMB 53.3 billion or 20% of Inner Mongolia's total GRP.

Urban income per capita in Huhehaote is about the same as the PRC urban average. Retail spend per capita, estimated at about RMB 7,900 per capita, is above the national average.

**Inner Mongolia Province** **Table 9.2**
**Economic Performance, 1995-2004**

| | 1995 | 2004 | CAGR |
|---|---|---|---|
| Population (1,000) | 23 | 24 | 0.5% |
| GRP (RMB Billion) | 83.2 | 271.2 | 14.0% |
| GRP Per Capita (RMB) | 3,639 | 11,305 | 13.4% |

*Source : Inner Mongolia Statistical Yearbook, 2005*

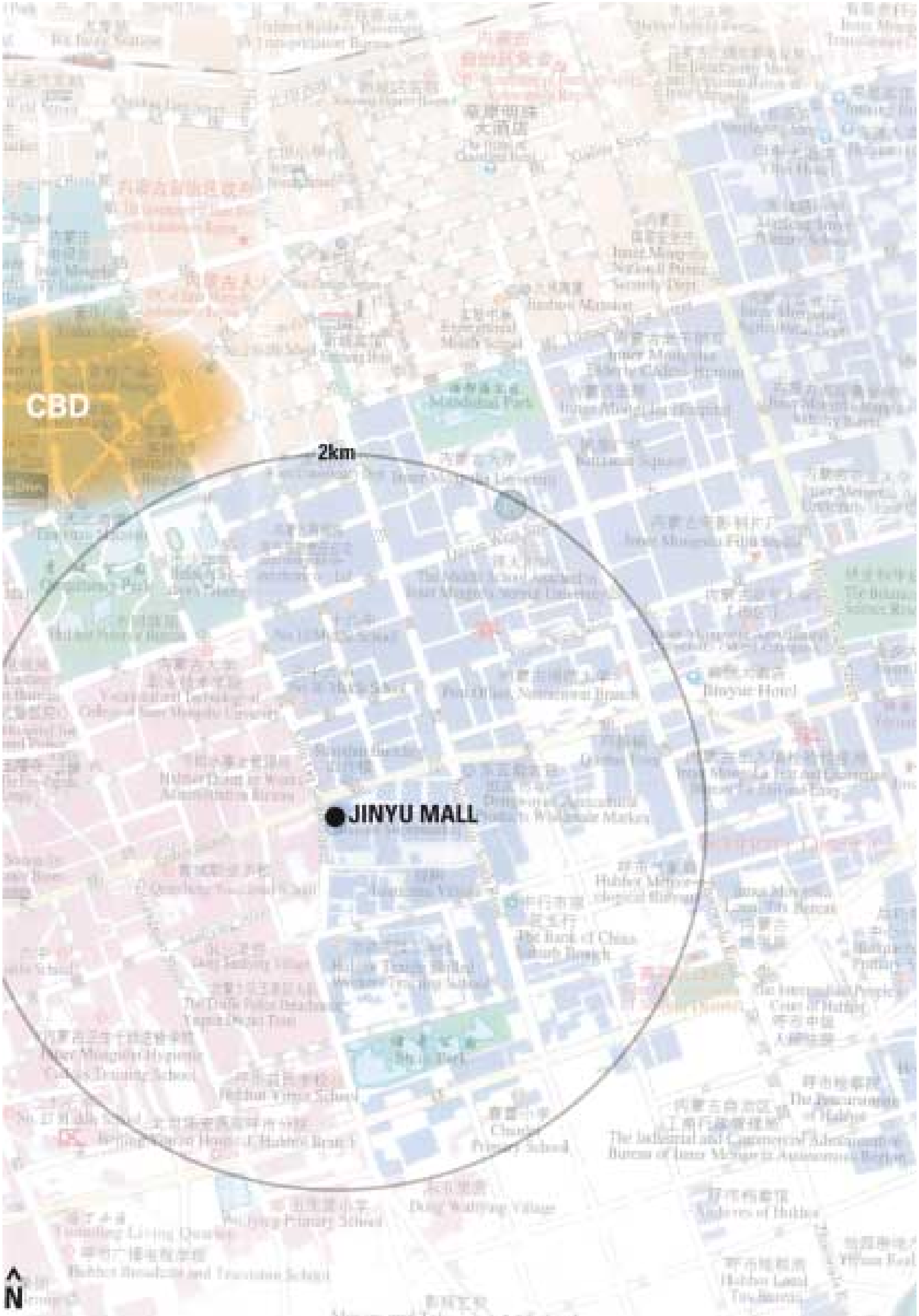
## 9.2 Location and Accessibility

The Jinyu Mall is situated on the border of the Saihan and Yequan Districts, on the corner of Xilun Gol South Street and Erdos Street (Refer Map 9.2 and Map 9.3). It is 2 kms south of the Xincheng District and Huimin Districts, where the CBD and the major retail competition is located.

The mall's strategic location on the corner of two main roads, benefits from all the advantages associated with a prominent CBD fringe, location including ease of access and large footfalls. Whilst the mall is well served by a public bus service, the primary modes of transport to the mall are walking and cycling with taxis being the secondary mode, due to low private automobile ownership in the city.

**Jinyu Mall in the Huhehaote City Context** **Map 9.2**

**Jinyu Mall Location** **Map 9.3**



## 9.3 Description of Mall and Tenant Mix

Jinyu Mall opened in 2002 and is a five level retail mall. The mall has a total GFA of 41,937.6 sq.m (GRA 41,937.6 sq.m) with the Beijing Hualian Group having an upfront 3-year master lease over the entire property.

The Beijing Hualian department store occupies levels 1 to 3 of the mall, whilst the Beijing Hualian supermarket occupies part of level 1 and 2 adjacent to the department store. Level 4 and 5 of the centre is not operational at present, as it is currently undergoing re-organisation, pending involvement from CapitaLand.

Outside and in front of the main entrance to the mall is a plaza area which is very successfully used as a meeting place, a market place (with market stalls) and a promotions area.

The merchandise mix for the mall by level is:

- Level 1 — Supermarket, Department Store (clothing and footwear), Specialty
- Level 2 — Supermarket, Department Store (Female fashion), Specialty
- Level 3 — Department Store (Accessories, Child-wear, Entertainment), Speciality
- Level 4 and 5 — Currently undergoing enhancement initiatives

The mall is amongst the largest one-stop-shopping destinations in Huhehaote City outside the immediate CBD. It is surrounded by growing residential neighbourhoods, whose catchment will increase with the ongoing redevelopment activities at the nearby rural housing and industrial estates.

***Images of and from Jinyu Mall***

*Photo 9.1 External view of entrance*

*Photo 9.2 Outside Jinyu Mall*

*Photo 9.3 Stalls outside the mall*

*Photo 9.4 Inside Beijing Hualian supermarket (groceries section)*

*Photo 9.5 Inside Beijing Hualian department store (clothing and footwear section)*

*Photo 9.6 A view from the 2nd level*

## 9.4 Target Market

The Jinyu Mall caters to a large extent to the trade area residents, particularly those in the primary trade area, and those to the south and east of the mall and also the catchment population from the nearby office districts.

Despite tourism being a growing industry in the Inner Mongolia Province, there are still only limited tourists to Huhehaote in comparison to the other key gateway cities in the PRC, and in particular to the area where the mall is located. Accordingly, local resident spending is the key driver for the mall's performance into the future.

## 9.5 Trade Area Analysis

### 9.5.1 Trade Area Definition

The trade area for the Jinyu Mall is delineated in Map 9.4, and includes both a primary and secondary trade area. Collectively, the primary and secondary trade area sectors are referred to as the main trade area.

The primary trade area is broadly encapsulated within a 2 km radius of the Jinyu Mall, and covers part of the Yuquan and Saihan districts.

The secondary trade area extends beyond the primary trade area and is encompassed within a 4 km radius of the Jinyu Mall, and incorporates parts of the Huimin and Xincheng districts.

The main trade area is bordered by Xinhua West Street to the north, Fengzhou Street to the east, and the Xiaoheihe River that runs along the south and west.

### 9.5.2 Trade Area Population and Demographic Profile

In 2006, the resident population of the primary trade area is estimated at 168,017. The northern part of the primary trade area is well established and most of the future growth is expected to occur in the south in the secondary trade area.

For the main trade area, the 2006 population is estimated at over 280,698 and is forecast to grow at about 0.6% per annum. By 2011, the population is forecast to near 289,521. The secondary trade area is forecast to grow at a marginally faster rate of 0.8% per annum from the current level of 110,900 and is expected to reach 117,261 by 2011. These forecasts include the redevelopment of the tobacco factory opposite the mall and where a high density residential apartment complex is expected to be completed over the next few years.

Residents in both the primary and secondary trade area sectors have higher average per capita incomes and spending levels than for Huhehaote as a whole. This is due to the dominance of urban residents in this locality, who on average, spend three times more than rural residents. This is also the case for the secondary trade area residents.

### 9.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is outlined in Table 9.3. In 2006, the total retail spending market is estimated at RMB 2.1 billion. This is forecast to grow to nearly RMB 3.1 billion by 2011. This represents average annual growth of 8.7% assuming retail price inflation (1.2% per annum), population growth (0.6% per annum) and real growth in average retail spending per capita (6.9% per annum).

**Jinyu Mall, Huhehaote** **Table 9.3**

**Population and Retail Spending Forecast, 2004-2011 (Inflated RMB[1])**

| | | | | CAGR | |
|---|---|---|---|---|---|
| | **2000** | **2006F** | **2011F** | **04-06** | **06-11** |
| **Resident Population** | | | | | |
| Primary Trade Area | 166,349 | 168,017 | 172,260 | 0.5% | 0.5% |
| Secondary Trade Area | 110,900 | 112,681 | 117,261 | 0.8% | 0.8% |
| **Main Trade Area** | **277,249** | **280,698** | **289,521** | **0.6%** | **0.6%** |
| Retail Spend Per Capita (Inflated RMB)[1] | | | | | |
| Primary Trade Area | 5,512 | 7,290 | 10,711 | 15.0% | 8.0% |
| Secondary Trade Area | 5,512 | 7,290 | 10,711 | 15.0% | 8.0% |
| **Main Trade A rea** | **5,512** | **7,290** | **10,711** | **15.0%** | **8.0%** |
| Total Retail Spend (Inflated RMB million) | | | | | |
| Primary Trade Area | 917 | 1,225 | 1,845 | 15.6% | 8.5% |
| Secondary Trade Area | 611 | 821 | 1,256 | 15.9% | 8.9% |
| **Main Trade Area** | **1,528** | **2,046** | **3,101** | **15.7%** | **8.7%** |

*1. RPI assum ed at 1.2% p.a. from 2006.*

*Source: Inner M ongolia Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

## 9.6 Review of Competition

### 9.6.1 Existing Competition

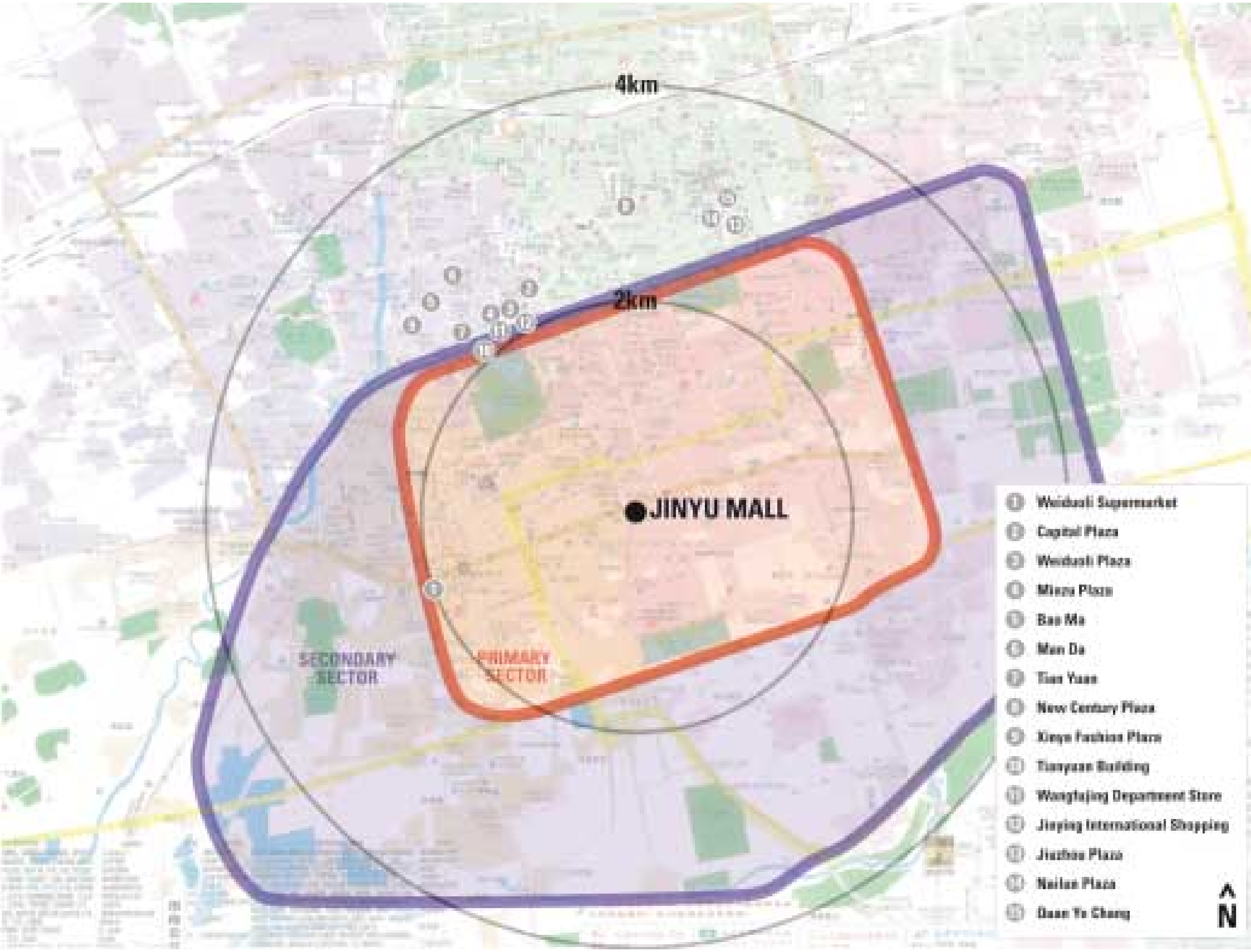
The main competition to Jinyu Mall is from the Huhehaote CBD, located approximately 2 kms to the north west of the centre. Table 9.4 outlines the competition within a 4 km radius of the mall and the location of these centres is illustrated on Map 9.4. The majority of these centres are located in the CBD, with the most significant being Weiduoli Plaza, which was built in 2003 and has a GRA of 90,000 sq.m and houses a Weiduoli department store. The retail offer in the CBD is extensive and caters to all market segments, from high end through to the middle to low end.

To the north of Jinyu Mall and to the east of the CBD are four competitive centres targeting the lower end market. These centres are New Century Plaza, Nailun Plaza, Quan Ye Chang and Jiuzhou Plaza.

It is important to note that these centres are all to the north of Jinyu Mall. The only significant competition it faces from the east, west or south is from Huhehaote Weiduoli Supermarket, which opened in 2005 and has a GRA of 10,700 sq.m.

The Jinyu Mall has the distinct advantage of being the only department store in this southern sector of the Huhehaote metropolitan area with a one-stop-shop concept. As such, it is the first centre passed when travelling in a northerly direction towards the CBD.

**Jinyu Mall Trade Area and Competition** **Map 9.4**



**Jinyu Mall, Huhehaote** **Table 9.4**
**Existing and Proposed Competitive Centres**

| Centre | Distance[1] from Jinyu Mall (km) | Date Established[1] | Total GRA (sq.m) | Centre Type |
|---|---|---|---|---|
| **Existing** | | | | |
| Weiduoli Supermarket | 1.0 | 2005 | 10,700 | Supermarket |
| Capital Plaza | 2.0 | 2004 | N/A | Shopping Centre |
| Tianyuan Building | 2.1 | 2004 | 28,600 | Department Store |
| Wangfujing Department Store | 2.1 | 2004 | 48,600 | Department Store |
| Minzu Plaza | 2.2 | 1954 | 71,400 | Department Store |
| Weiduoli Plaza | 2.3 | 2003 | 90,000 | Department Store |
| Tian Yuan Shi Ao | 2.3 | 2002 | 28,600 | Department Store |
| Bao Ma | 2.5 | 2003 | 42,900 | Market |
| Man Da (Building A&B) | 2.5 | 1991/2006 | 35,700 | Market |
| Xinya Fashion Plaza | 2.6 | 2006 | 14,300 | Department Store |
| Jiuzhou Plaza | 3.0 | 1997 | 10,000 | Department Store |
| Quan Ye Chang | 3.0 | 1987 | 12,900 | Market |
| Nailun Plaza | 3.0 | 2001 | 5,700 | Department Store |
| New Century Plaza | 3.0 | 1996 | 28,600 | Department Store |
| **Proposed** | | | | |
| Jinying International Shopping | 1.8 | 2008 | 328,600 | Shopping Centre |

*1. For proposed centres — estimated date of opening*

*Source : Cushman & Wakefield*

### 9.6.2 Future Competition

In the CBD, the Jinying International Group is expected to undertake a significant mixed use integrated development which is scheduled for completion in 2008. The overall development has been reported to be 600,000 sq.m in size and will include office space, a 5-star hotel and in excess of 328,000 sq.m of retail GRA.

This development will significantly increase the supply of retail floorspace in the CBD and further strengthen the CBD as a retail precinct. It is expected to have some impact on Jinyu Mall but the extent of the impact will be dependent on its overall quality, tenant mix, retail planning and management.

***Images of key competing malls to Jinyu Mall***

*Photo 9.7 The Huhehaote CBD*

*Photo 9.8 Huhehaote CBD*


*Photo 9.9 Huhehaote Markets*

*Photo 9.10 Weiduoli Plaza*

*Photo 9.11 Future competition, site for Jinying International Group development*

### 9.7 Future Outlook for the Mall

We believe the overall outlook for the future trading performance of the Jinyu Mall over the next five years is positive. It is expected that the store will continue to trade successfully and should experience encouraging sales growth of around 6%-8% per annum.

The store will however, experience increased competition from the CBD which will have increased floorspace as a result of the proposed Jinying International Group's development in the near future. The Jinyu Mall's strategic location outside of the CBD together with the diverse product offering, means that the mall should nonetheless continue to attract residents from both the south and the east. This is likely to be further assisted by residential development near the centre, in particular the tobacco factory redevelopment and the rural housing to the south which is to be upgraded.

We understand that the CRCT Manager expects to progressively recover area from the master lessee, Beijing Hualian Group, for direct leasing to specialty tenants over a three-year period. It is anticipated that Beijing Hualian Supermarket will re-enter into a long term lease, a further 17 years upon the end of the current three-year master lease. The Manager expects to realise upside potential from increased rental revenues by optimising the tenant mix and efficiency of the mall layout after the area recovery. The Manager also intends to actively undertake leasing activities to let out the fourth and fifth floor which are currently unutilised as part of the overall reconfiguration works.

# 10 Xinwu Mall, Wuhu

## 10.1 Regional Context & Economic Overview

Wuhu is situated in Anhui Province on the south of the Yangtze River (refer Map 10.1). The Anhui Province is located in East China on the middle and lower reaches of the Yangtze and Huaihe rivers, and forms the hinterland of the prosperous coastal provinces of Jiangsu and Zhejiang. The province also borders Hubei to the south-west and Henan to the north-west.

**Location of Wuhu in the National Context** **Map 10.1**


Wuhu is the most important of Anhui's Yangtze River ports. Silk, handcrafts, shoes and down garments are its major products. It also hosts one of Anhui Province's three state-level Economic Development Technology Zones (ETDZs), which specialises in sectors such as automobiles, building materials and electronics. Hitachi, for example, has set up a US$21 million air-conditioner assembly plant in the zone. Another company to have a positive impact on the Wuhu economy is Chery Automobile. It was founded in 1997 to prop up the economy in Wuhu. It is now the fastest growing independent automaker in the PRC, and exports cars to Europe and North America.

The Anhui Province and Wuhu City have experienced strong economic growth over the past decade. Table 10.1 shows the size of the Anhui Province and Wuhu City economies (measured by GRP) in RMB current prices in 2000 and 2005. Over the five year period, Wuhu's economy has doubled from RMB 20 billion in 2000 to RMB 40 billion in 2005. It currently accounts for around 7% of the Anhui Province's GRP despite having just over 3% of the Province's resident population base.

| Anhui Province and Wuhu City<br>Economic Performance,2000-2005 | | | Table 10.1 |
|---|---|---|---|
| | **2000** | **2005** | **CAGR** |
| **Anhui Province** | | | |
| Gross Regional Product (RMB Billion) | 303 | 538 | 12.2% |
| Gross Regional Product Per Capita (RMB) | 4,879 | 8,250 | 11.1% |
| **Wuhu City** | | | |
| Gross Regional Product (RMB Billion) | 20 | 40 | 14.9% |
| Gross Regional Product Per Capita (RMB) | 9,180 | 17,660 | 14.0% |

*Source : Anhui Province Statistics Yearbook 2005; Cushman & Wakefield; UrbisJH D*

The current resident population of the Anhui Province is estimated at just over 65 million (refer Table 10.2), with the current resident population of Wuhu estimated at 2.3 million. Resident population growth in Wuhu has averaged 0.8% per annum over the past five years with approximately 41% of its resident population located in urban areas.

In 2006, the average per capita income of urban Wuhu residents (predominantly in downtown Wuhu) is estimated at RMB 10,784. This compares with the average per capita income of rural residents of Wuhu, estimated at RMB 4,392 in 2006.

The rapid population growth coupled with rising incomes has contributed to significant growth in Wuhu's retail market. In 2006, Wuhu's retail sales are estimated at RMB 10.8 billion, which represents 12% growth on the 2005 figure of RMB 9.7 billion.

Based on Wuhu's estimated resident population of 2.3 million, Wuhu residents average retail spending is RMB 4,275 per annum. Spending by Wuhu urban residents is higher at RMB 6,576.

| Anhui Province and Wuhu City<br>Economic Performance, 2000-2005 | | | Table 10.2 |
|---|---|---|---|
| | **2000** | **2005** | **CAGR** |
| **Anhui Province** | | | |
| Estimated Resident Population (Million) | 62.1 | 65.2 | 1.0% |
| % of Population in Urban Areas | 28.7% | 35.5% | 5.4% |
| **Wuhu City** | | | |
| Estimated Resident Population (Million) | 2.2 | 2.3 | 0.8% |
| % of Population in Urban Areas | 33.0% | 41.4% | 5.5% |

*Source : Anhui Province Statistics Yearbook 2005; Cushman & Wakefield; UrbisJH D*

## 10.2 Location and Accessibility

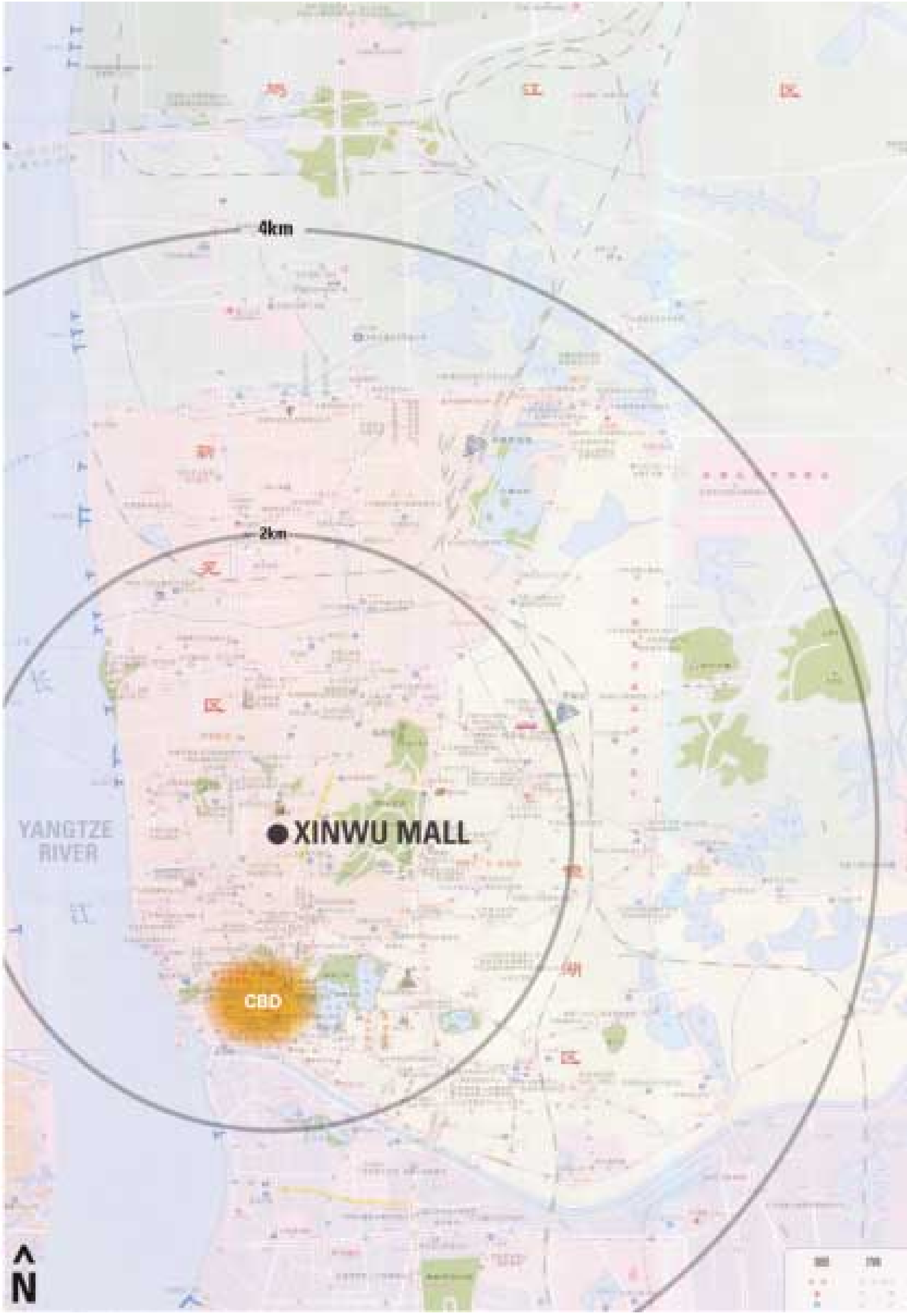
The Xinwu Mall is located at the junction of Zhongshanbei Road and Yinhunan Road in the Jinghu District of Wuhu, which is approximately 1 km north of the CBD retail centre (refer Map 10.2 and Map 10.3). The mall enjoys excellent road accessibility as Zhongshanbei and Yinhunan Roads serve as the two main carriageways of Wuhu. The area surrounding the mall is well served by bus routes, which connect the mall to the popular residential neighbourhoods.

The area surrounding the mall is densely populated within an established residential neighbourhood. Importantly however, there are currently a number of new residential projects under construction (e.g. Qiaohong International-Phoenix Garden, Tiefuo Garden, Jin Tian Hua Yuan) and planned in the vicinity over the next few years which is expected to increase the catchment population of the mall.

The mall is also in the vicinity of the Fenghuang Food Street and Zhongshan Road Shopping Street, both amongst the most popular locations in the city.

**Xinwu Mall in the Wuhu City Context** **Map 10.2**

**Xinwu Mall Location** **Map 10.3**



## 10.3 Description of Mall and Tenant Mix

The Xinwu Mall is a four level retail mall with a basement carpark. The mall has been open since December 2005.

The mall's total floorspace GFA of 59,623.5 sq.m (GRA 45,375.0 sq.m) (refer Table 10.3) with 57 tenants. There are 394 carpark lots in the basement of the mall which is well connected to the first floor *via* travelators providing convenience for shoppers and also 55 carspaces on roads running alongside the mall.

The first floor of the mall serves as a public thoroughfare between the Mall and a communal walkway which runs alongside the mall and, Zhongshanbei and Yinhunan Roads. There are several entrances to the mall on the first floor, facing Zhongshanbei and Yinhunan Roads. The main entrance, at the apex of Zhongshanbei and Yinhunan Roads, leads onto travelators to the second floor which houses the Wal-Mart hypermarket.

The first floor of the mall comprises specialty stores, offering predominantly mid-range domestic brands, and some international retailers such as NIKE and KFC. There are some vacant shops on this floor with confirmed tenants opening in the short-term.

The second and third floors of the mall house the Wal-Mart hypermarket, the anchor tenant which accounts for approximately 31.6% of the gross monthly rent. The food or supermarket component of the hypermarket is located on the second floor, whilst the non-food component is located on the third floor. The floors within the Wal-Mart store are well connected *via* both travelators and lifts.

The uppermost level, the fourth floor of the centre, is currently undergoing asset enhancement initiatives which are scheduled to be completed by late 2006. It is anticipated that this floor will house clothing and electrical appliance retailers, as well as some food and entertainment outlets.

**Xinwu Mall Table** **Table 10.3**
**Major Tenants, Based on Committed Tenancy as at 31 August 2006**

| Tenant | Level | Lease Expiry | % Total Monthly Gross Rent |
|---|---|---|---|
| Wal-Mart | 2,3 | Jan 21 | 31.6% |
| Tian Lan | 1 | Feb 09 | 4.9% |
| Han Du BBQ | 1 | Nov 11 | 4.2% |
| Fu Lin Jewellery | 1 | Dec 08 | 3.9% |
| KFC | 1,2 | Jul 16 | 3.5% |
| Lai Lai Yong He Soy-Bean Milk | 1 | Aug 11 | 3.4% |
| Shi Zong Pharmacy | 2 | Dec 08 | 2.6% |
| A Li Lang Korean Food | 3 | Feb 09 | 2.2% |
| Lai Zi Niu Yue | 1 | Jan 10 | 2.2% |
| Jin Ling Duck Vermicelli | 2 | Feb 08 | 1.6% |
| Other tenants | | | 39.9% |
| **Total Centre** | | | **100.0%** |

*Source : CRCTML; UrbisJHD*

***Images of and from Xinwu Mall***

*Photo 10.1 Xinwu Mall*

*Photo 10.2 Xinwu Mall Wal-Mart Hypermarket*

*Photo 10.3 Xinwu Mall Wal-Mart Supermarket*

Photo 10.4 Walkway in Xinwu Mall

*Photo 10.5 Residential near Mall*

*Photo 10.6 Future Residential near Mall*

## 10.4. Target Market

Xinwu Mall's main target market is the densely populated local residential catchment. The mall benefits from the strong catchment population which includes some of the working community in downtown Wuhu City. There is also the potential for the mall to benefit from a small tourist volume as there are over 20 hotels located within a 4 km radius of the mall.

## 10.5 Trade Area Analysis

### 10.5.1 Trade Area Definition

The defined trade area for the Xinwu Mall is shown in Map 10.4, and includes a primary trade area and secondary trade area. Collectively the primary and secondary trade area sectors are referred to as the main trade area.

The trade area is contained within the urban part of the Jinghu District. The **primary sector** is broadly bounded by the Yangtze River to the west, the light rail to the north and east, and the CBD to the south. It includes most of the land mass within a 1–2 km radius of the Xinwu Mall.

The **secondary sector** incorporates land beyond the primary sector, and predominantly within a 4 km radius of the Xinwu Mall. Its boundary does not extend beyond the Yangtze River to the west, but extends further to the south (beyond the CBD), north (beyond the proposed Auchan project) and east.

### 10.5.2 Trade Area Population and Demographic Profile

In 2006, the resident population of the primary trade area is estimated at 85,000 (refer Table 10.4). This area is currently experiencing significant residential development with strong potential for future population growth over the next five years.

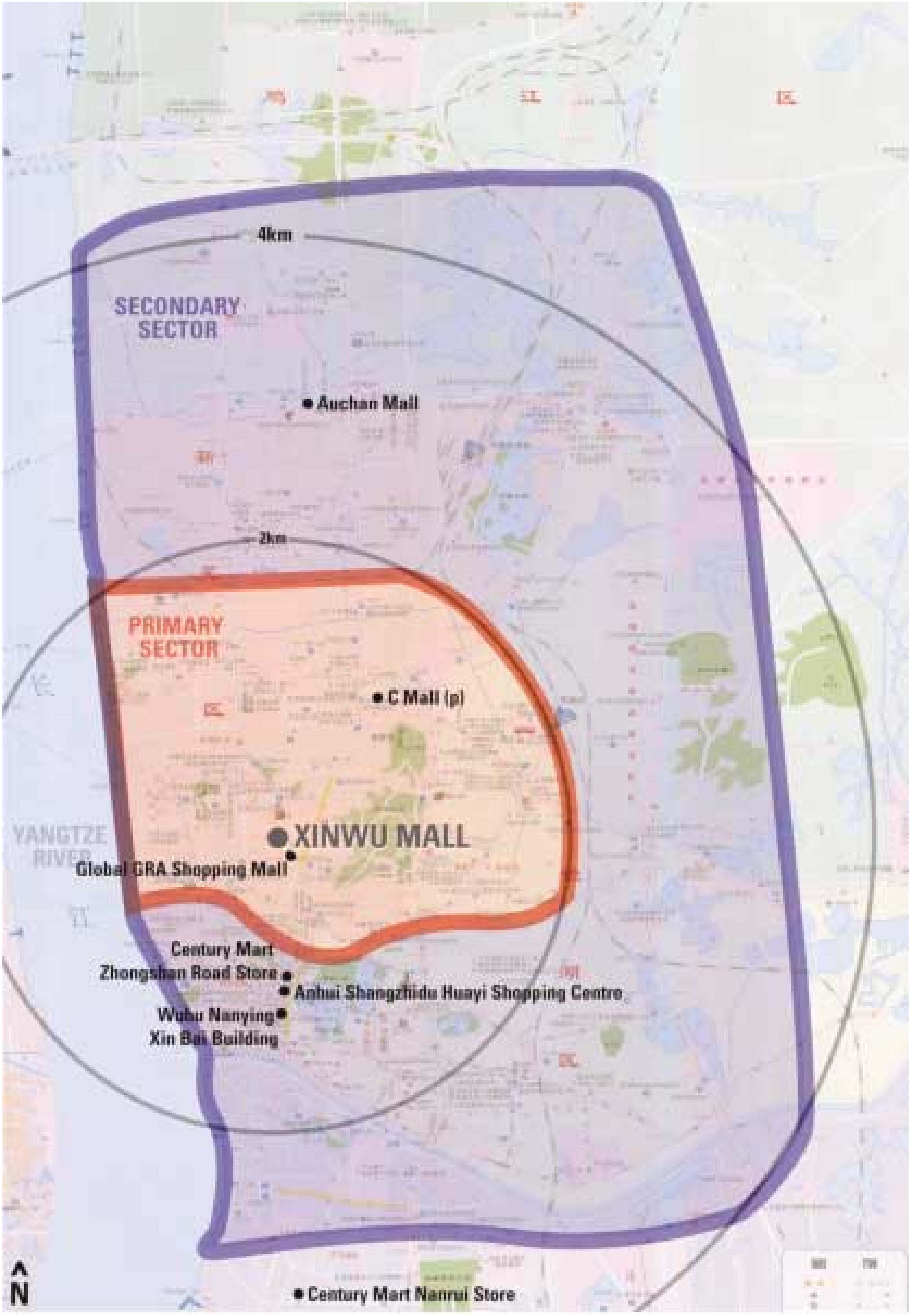
The 2006 population for the main trade area is estimated at approximately 381,000. The population of the trade area has increased by approximately 6,400 persons per annum, or 1.8% per annum, driven by rapid residential development, particularly in the suburbs surrounding Xinwu Mall.

In the near future, the estimated resident population of the main trade area is forecast to increase by 2.1% per annum to reach just over 423,000 by 2011. This growth is to be achieved on the back of residential development around the Xinwu Mall such as, Qiaohong International-Phoenix Garden, Tiefuo Garden, and Jin Tian Hua Yuan.

The main trade area is populated by white-collar workers who belong to the middle to upper income segment. The residents of the main trade area have per capita incomes well in excess (approximately 20%) of average incomes in Wuhu.

The estimated average annual retail spend per capita of trade area residents is RMB 7,511. This again is significantly higher (around 15%) than the Wuhu average.

**Xinwu Mall Trade Area & Competition** **Map 10.4**



**Xinwu Mall** **Table 10.4**

**Population and Retail Spending Forecasts, 2000-2011 (Inflated RMB[1])**

| | 2004 | 2006F | 2011F | CAGR 04-06 | CAGR 06-11 |
|---|---|---|---|---|---|
| **Resident Population** | | | | | |
| Primary Trade Area | 72,127 | 85,000 | 99,980 | 2.8% | 3.3% |
| Secondary Trade Area | 270,339 | 296,000 | 323,616 | 1.5% | 1.8% |
| **Main Trade Area** | **342,466** | **381,000** | **423,596** | **1.8%** | **2.1%** |
| **Retail Spend Per Capita (Inflated RMB)** | | | | | |
| Primary Trade Area | | 7,563 | 11,636 | | 9.0% |
| Secondary Trade Area | | 7,497 | 11,535 | | 9.0% |
| **Main Trade Area** | | **7,511** | **11,559** | | **9.0%** |
| **Total Retail Spend (Inflated RMB Million)** | | | | | |
| Primary Trade Area | | 643 | 1,163 | | 12.6% |
| Secondary Trade Area | | 2,219 | 3,733 | | 11.0% |
| **Main Trade Area** | | **2,862** | **4,896** | | **11.3%** |

*1. Retail Price Inflation assumed at 1.2% p.a. from 2006.*

*Sources: China Statistical Yearbook, 2005; Anhui Statistical Yearbook, 2005; Trade Press; UrbisJHD.*

### 10.5.3 Trade Area Resident Retail Spending

Total retail spending by trade area residents is shown in Table 10.4. In 2006 the total retail spending market is estimated at RMB 2.9 billion. The market is forecast to grow to RMB 4.9 billion in 2011, representing average annual growth of 11.3%, assuming retail price inflation (1.2% per annum), population growth (2.1% per annum), and forecast real growth in average retail spending per capita (7.8% per annum).

## 10.6 Review of Competitive Environment

### 10.6.1 Existing Competition

The main competing centres to the Xinwu Mall are listed in Table 10.5 and graphically illustrated in Map 10.4. The Xinwu Mall currently benefits from limited direct competition with the same one-stop-shop offering. This situation is expected to alter over the next five years however, as international and domestic retailers expand their retail networks and increase their exposure to smaller cities.

The current competing retail facilities are as follows:

- Century Mart Zhongshan Road Store, a 21,400 sq.m retail mall located 1.0 km south of Xinwu Mall. The mall spans across three levels and is anchored by a Lianhua supermarket. The Lianhua supermarket covers two levels and there are retail specialties on the other floor including Lacoste Leather, KFC and Motorola. The mall targets the middle-end consumer market.
- Anhui Shangzhidu Huayi Shopping Centre, a 50,000 sq.m retail mall located 1.0 km south of Xinwu Mall. The mall spreads over three levels and houses a department store. It is aimed at catering to the middle-upper class segment of the market.

- Wuhu Nanjing Xin Bai Building, a 40,000 sq.m retail mall spread across five levels, is located 1.0 km south of Xinwu Mall. The mall contains a department store, which sells predominantly jewellery, fashion and electronics. It is aimed at the middle-upper income segment of the market.
- Century Mart-Nanrui Store, a 34,300 sq.m retail mall is located 3.2 kms south of the Xinwu Mall. This mall has three levels and is anchored by a Lianhua supermarket, on the second and third floors.

**Xinwu Mall**
**Existing and Proposed Competitive Centres, 2006** **Table 10.5**

| Centre | Distance from Xinwu Mall[1] | Date Established[2] | Estimated GRA (sq.m) | Major Tenants |
|---|---|---|---|---|
| **Existing** | | | | |
| Century Mart — Zhongshan Road Store | 1.0 | 2001 | 21,400 | Lianhua |
| Anhui Shangzhidu Huayi Shopping Centre | 1.0 | 2004 | 50,000 | |
| Wuhu Nanjing Xin Bai Building | 1.0 | 1995 | 40,000 | |
| Century Mart — Nanrui Store | 3.2 | 2006 | 34,300 | Lianhua |
| **Proposed** | | | | |
| Global ERA Shopping Mall | 0.2 | 2007 | 57,100 | |
| C Mall | 1.2 | 2008-09 | | |
| Auchan | 3.0 | 2008-09 | | |

*1. Distance in kilometres measured in a straight line from centre*
*2. For proposed centres — estimated date of opening*
*Source : Cushman & Wakefield; UrbisJHD*

### 10.6.2 Future Competition

The competitive environment in Wuhu is expected to intensify over the next five years, with the planned development of a number of hypermarkets and shopping centres. This could potentially have some bearing on the sales growth that can be achieved by the Xinwu Mall. The main future competitive developments are:

- The Global ERA Shopping Mall currently being planned alongside Xinwu Mall. The mall will be part of an integrated development which, upon completion, will have a total GFA of 240,000 sq.m. This includes a retail podium, a 5-star hotel, offices and a residential precinct. The retail mall is expected to be approximately 57,100 sq.m GRA in size, including a department store and will be aimed at the mid to high end consumer.
- C Mall, is currently planned for 1.2 kms north-east of the Xinwu Mall.
- Auchan Mall, is currently planned for 3.3 kms north of the Xinwu Mall.

With regard to anchor retailers, the Hong Kong Tonglouwan Department Store, Ou Shang and Carrefour are all currently seeking to establish a presence in Wuhu and may be potential tenants for the proposed C Mall and Auchan Mall projects.

***Images of key competing malls to Xinwu Mall***


*Photo 10.7 Anhui Shangzhidu Huayi Shopping Centre*

*Photo 10.8 Walkway in Anhui Shangzhidu Huayi Shopping Centre*

*Photo 10.9 Century Mart Zhongshan Road Store*

10.10 Century Mart

## 10.7. Future Outlook for the Mall

On the basis of our analysis, we believe that the overall outlook for the future trading performance of the Xinwu Mall in the next five years is positive considering the anticipated strong ongoing economic and population growth in Wuhu together with the consumers increasing acceptance and preference for one-stop-shopping malls. Xinwu Mall is amongst the first few one-stop-shopping, dining and entertainment destination in the locality. The mall's positioning as a destination for middle income families also fits well with the demographic profile of the population catchment it targets.

The Xinwu Mall is forecast to experience sales growth of around 7%-9% per annum in the short-term, followed by slightly lower growth coinciding with the opening of the Global ERA Shopping Mall.

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# INDEPENDENT TAXATION REPORT

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as Manager of CapitaRetail China Trust
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Robinson Point
Singapore 068911

HSBC Institutional Trust Services (Singapore) Limited
as Trustee of CapitaRetail China Trust
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29 November 2006

Dear Sirs

**INDEPENDENT TAXATION REPORT**

This letter has been prepared at the request of CapitaRetail China Trust Management Limited (the "**Manager**") for inclusion in the Prospectus for CapitaRetail China Trust ("**CRCT**") dated 29 November 2006 in connection with the listing of CRCT on the Singapore Exchange Securities Trading Limited.

The purpose of this letter is to provide prospective purchasers of the units in CRCT ("**Units**") with an overview of the Singapore income tax consequences of the purchase, ownership and disposition of the Units. This letter principally addresses Unitholders who hold the Units as investment assets. Unitholders who hold or acquire the Units for dealing purposes should consult their own tax advisers concerning the tax consequences of their particular situations.

This letter also provides an overview of the Barbados and China tax consequences applicable to the Barbados Companies and the Project Companies.

This letter is not a tax advice and does not attempt to describe comprehensively all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situations. In particular, Unitholders who are not Singapore tax residents are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any tax treaty which their countries of residence may have with Singapore.

This letter is based on the Singapore, Barbados and China income tax law and the relevant interpretation thereof current at the date of this letter, all of which are subject to change, possibly with retroactive effect.

Words and expressions defined in the Prospectus have the same meaning in this letter. In addition, unless the context requires otherwise, words in the singular include the plural and the other way around and words of one gender include any gender.

## A. SINGAPORE TAXATION

### Singapore Taxation of Trusts in General

Under current Singapore income tax law, a trustee is liable to income tax on the taxable income of a trust. The taxable income of a trust comprises:–

(a) income accruing in or derived from Singapore; and

(b) unless otherwise exempt, income derived from outside Singapore which is received in Singapore or deemed to have been received in Singapore by the operation of law.

The taxable income of a trust is ascertained in accordance with the provisions of the Singapore income tax law, after deduction of all allowable expenses and any other allowances permitted under the law. This taxable income is taxed at the prevailing corporate rate of income tax and the tax is assessed on, and collected from, the trustee.

Also, under the current Singapore income tax law, a beneficiary of a trust is taxed on the income of the trust to which he is beneficially entitled. The trust income that is taxable in the hands of the beneficiary is the amount of the taxable income of the trust that corresponds to his beneficial entitlement. A corresponding amount of the tax paid by the trustee on the taxable income of the trust is generally imputed as a tax credit to the beneficiary of the trust (the **"imputed tax credit"**). The amount of tax credit is calculated by multiplying the regrossed amount of the distribution with the corporate tax rate applicable to the year in which the distribution is made. This imputed tax credit is available to the beneficiary for offset against his income tax liability on his overall income subject to Singapore income tax (including his beneficially entitled portion of the income of the trust), provided he is liable to tax on his beneficially entitled portion of the income of the trust. This treatment of imputing the tax paid as a credit to the beneficiary will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliamant on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the trustee will be exempt from tax in the hands of beneficiaries.

The interpretation of the Inland Revenue Authority of Singapore (**"IRAS"**) is that the source of income of a beneficiary of a trust is his entitlement to the share of the income of the trust. Following this interpretation of the IRAS, the taxable distribution received by beneficiaries is generally considered gains or profits of an income nature taxable under Section 10(1)(g) of the Income Tax Act, Chapter 134 of Singapore (the **"Income Tax Act"**). The distribution received by a beneficiary who deals in the units of a trust, however, would be taxable under Section 10(1)(a) of the Income Tax Act as income from a trade or business.

Where a trust derives tax-exempt income, the beneficiary of the trust is also exempt from tax on the tax-exempt income of the trust to which he is beneficially entitled.

### Singapore Taxation of CRCT

The Singapore taxation of the income of CRCT and any gains derived by it from the disposal of its investments is described below.

#### *Dividends and interest from the Barbados Companies*

CRCT has obtained approval from the IRAS for the following income to be exempt from Singapore income tax under Section 13(12) of the Income Tax Act:

(a) dividends; and

(b) interest (on shareholder's loans extended to CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados), payable by CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados (the **"Barbados Companies"**) out of underlying rental income derived from the Properties by the Project Companies.

The approval is granted subject to certain conditions, including the condition that the Trustee is a tax resident of Singapore.

The tax exemption also applies to dividends payable by the Barbados Companies out of gains, if any, derived from the disposal of their shares in the Project Companies.

***Principal repayment of shareholder's loans by the Barbados Companies***

The amounts received by CRCT from the repayment of the principal amount of the shareholder's loans are capital in nature and are hence not taxable in the hands of the Trustee.

Such repayment of the principal amount of the shareholder's loans represents the cash trapped by depreciation at the Project Companies arising from mandatory China accounting requirement to provide for depreciation on the Properties. As the cash trapped cannot be repatriated in the form of dividends, the Project Companies will use the cash to repay their shareholder's loans owing to the Barbados Companies. The Barbados Companies will in turn use the cash received to repay their shareholder's loans owing to CRCT.

***Gains on disposal of shares in the Barbados Companies***

Singapore does not impose tax on capital gains. In the event CRCT disposes of its shares in any of the Barbados Companies, gains arising from the disposal will not be liable to Singapore income tax in the hands of the Trustee unless the gains are considered income of a trade or business. Such gains may also be liable to tax in the hands of the Trustee if the shares were acquired with the intent or purpose of making a profit from their subsequent sale and not for long-term investment purposes.

Gains arising from the sale of shares in any of the Barbados Companies, if considered to be trading gains, will be assessed to tax on the Trustee.

**Singapore Taxation of Unitholders**

Subject to CRCT's distribution policy (See "Distributions" in the Prospectus), CRCT's distributions will mainly be made out of the following receipts:

(a) tax-exempt dividends and interest received or receivable from the Barbados Companies; and

(b) capital receipts from the principal repayment of its shareholder's loans by the Barbados Companies.

The tax treatment of each type of distributions and gains on disposal of Units is described below.

***Distributions out of tax-exempt dividends and interest***

Unitholders will be exempt from Singapore income tax on distributions made out of CRCT's tax-exempt income, i.e. dividends and interest from the Barbados Companies. No tax will be deducted at source on such distributions.

For this purpose, although the profits derived from the Properties for a distribution period can only be received in Singapore by CRCT in the form of dividends from the Barbados Companies subsequent to the distribution period, CRCT has obtained a tax ruling from the IRAS to treat distributions based on tax-exempt dividends that CRCT expects to receive from the Barbados Companies within nine months after the end of the relevant financial year to which the profits distributed relate as distributions made out of tax-exempt income.

This tax ruling is subject to a rollover adjustment mechanism. Under this mechanism, the amount of tax-exempt income that CRCT expects to receive is compared to the actual amount of tax-exempt income it subsequently receives from the Barbados Companies. In the event that the actual amount is lesser, the amount of tax-exempt income available for distribution for the distribution period ending immediately after the receipt of the tax-exempt income will be reduced by the amount of tax-exempt income over-distributed.

In consideration of the tax ruling, the Manager and Trustee have undertaken to the IRAS to track the distributions on an entity-by-entity basis to ensure that all tax-exempt income distributions are properly accounted for.

***Distributions out of capital receipts***

Unitholders will not be subject to Singapore income tax on distributions made by CRCT out of its capital receipts, comprising mainly amounts received from principal repayment of shareholder's loans by the Barbados Companies. These distributions will be treated as a return of capital for Singapore income tax purposes. This tax treatment is confirmed by way of a tax ruling from the IRAS and applies to the extent the aggregate amount of such distributions does not exceed the capital of the CRCT.

For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gains when the Units are disposed of. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

***Distributions out of gains from the disposal of shares in the Barbados Companies***

In the event the Manager exercises its discretion to make distributions out of gains from the disposal of shares in the Barbados Companies, such distributions:

(a) will not be assessable to tax on the Unitholders if the gains are determined to be capital gains for Singapore income tax purposes, unless the distributions are considered gains or profits of a trade or business carried on by the Unitholder, for example, if the Units are held as trading or business assets; or

(b) will be assessable to tax if the gains are determined to be trading gains for Singapore income tax purposes, unless the Unitholder is specifically exempt from tax on such distributions, for example, if he is an individual who holds the Units as investment assets.

    Tax on such trading gains will be assessed on, and collected from, the Trustee and the tax paid by the Trustee will be imputed as a tax credit to Unitholders who are liable to tax on such distributions. This treatment of imputing the tax paid as a credit to unitholders will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the trustee will be exempt from tax in the hands of unitholders.

## A. SINGAPORE TAXATION *(cont'd)*

### *Gains on disposal of units*

Singapore does not impose tax on capital gains. Therefore, gains on disposal of the Units that are capital in nature will not be subject to tax. However, such gains may be considered income in nature and subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore. Such gains may also be considered income in nature, even if they do not arise from an activity in the ordinary course of trade or business or an ordinary incident of some other business activity, if the Unitholder had no intention to hold the Units as long-term investments.

If a Unitholder has held the Units as investment assets, any gains arising from sale of the Units should be considered capital gains and hence not subject to Singapore income tax. However, if the Units have been held as trading assets of a trade or business carried on in Singapore, the gains arising from the sale will be taxed as income. The precise tax status of one Unitholder will vary from another. Because of this, Unitholders are advised to consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

## B. BARBADOS TAXATION

### Income Tax

### *General*

In general, companies domiciled and tax resident in Barbados are subject to corporate income tax on their worldwide income. The prevailing corporate tax rate is 25.0%.

A company is considered resident in Barbados for tax purposes if its central management and control is situated in Barbados.

Capital gains are not taxable in Barbados unless the gains are regarded as income in nature.

### *Taxation of the Barbados Companies*

CRCI Alpha Barbados, CRCI Barbados and CRCI Gamma Barbados are companies incorporated under the Companies Act, Chapter 308 of the Laws of Barbados and licensed under the International Business Companies Act, Chapter 77 of the Laws of Barbados (**"IBC Act"**). Provided its central management and control is situated in Barbados, each of the Barbados Companies will be regarded a resident of Barbados for Barbados income tax purposes.

As International Business Companies resident in Barbados, the Barbados Companies will be liable to Barbados corporate income tax on their worldwide income at the following reduced rates of tax (the **"IBC rates"**):

| Taxable Profits | Rate of Tax |
|---|---|
| The first US$5 million | 2.5% |
| On the next US$5 million | 2.0% |
| On the next US$5 million | 1.5% |
| Amounts exceeding US$15 million | 1.0% |

In addition, the Barbados Companies are entitled to a foreign tax credit in respect of taxes paid in a foreign jurisdiction, provided that the credit does not reduce the tax payable in Barbados in respect of income derived from that jurisdiction to less than 1.0% of their taxable income.

## B. BARBADOS TAXATION *(cont'd)*

Expenses, other than capital expenditure, incurred in an income year for the purpose of the production of assessable income from property or business, such as interest expense, directors' fees, etc., are deductible in calculating the taxpayer's assessable income, to the extent they are reasonable in the circumstances.

*Interest income from China*

Interest income derived by the Barbados Companies from loans to the Project Companies will be subject to tax in Barbados at the IBC rates of tax in the year of income in which the interest income is received. The Barbados Companies will be allowed to claim a foreign tax credit for the China withholding tax imposed on the interest, currently at the rate of 10.0%, to the extent that the credit does not reduce the tax payable in Barbados to less than 1.0% of each of their taxable income.

*Dividends from China*

Dividends derived by the Barbados Companies from the Project Companies will be subject to tax in Barbados at the IBC rates of tax in the year of income in which the dividends are received. The Barbados Companies will be allowed to claim a foreign tax credit for the China income tax payable by the Project Companies on the profits out of which the dividends are paid (as each of their shareholding in the respective Project Companies is at least 10.0% of the capital of the Project Company), in addition to China withholding tax, if any, imposed on the dividends. The amount of foreign tax credit allowable is to the extent that it does not reduce the tax payable in Barbados by the Barbados Companies to less than 1.0% of each of their taxable income.

*Gains on disposal of shares in Project Companies*

There is no capital gains tax in Barbados. Gains on disposal of shares in the Project Companies will therefore not be subject to tax in Barbados, unless these gains are considered income in nature. However, gains realised by an International Business Company on the sale of securities or assets to a non-resident of Barbados or another International Business Company are exempt from tax in Barbados. Therefore, the gains realised by the Barbados Companies on the sale of their shares in the Project Companies, even if considered income in nature, will be exempt from Barbados tax if the shares are sold to a non-resident of Barbados or another International Business Company.

### *Withholding Tax*

In general, when a Barbados company makes a payment of an income nature, such as dividends, royalties, or interest, to a non-resident of Barbados, the payer is required to withhold tax and remit such tax to the Commissioner of Inland Revenue. The withholding tax rate applicable will vary depending on the type of income.

Under the IBC Act, an International Business Company is exempt from withholding tax on payments made to a non-resident of Barbados or another International Business Company.

*Dividends and interest payable to CRCT*

Dividends and interest received by the Trustee from the Barbados Companies, being International Business Companies, will not be subject to withholding tax in Barbados.

## B. BARBADOS TAXATION *(cont'd)*

***Proceeds from redemption of Redeemable Preference Shares ("RPS") or gains on disposal of common shares in the Barbados Companies***

Proceeds received by the Trustee from the redemption of RPS or gains derived from the disposal of the common shares in the Barbados Companies will not be subject to tax in Barbados.

The transfer of shares in the Barbados Companies to an International Business Company or to a non-resident of Barbados is exempted from ad valorem stamp duty and property transfer tax. A US$5 nominal stamp duty is payable on such transfer.

***Repayment of shareholder's loans by Barbados Companies***

The repayment of shareholder's loans is not subject to tax in Barbados.

## C. CHINA TAXATION

### Corporate Income Tax

All foreign investment enterprises (**"FIEs"**) and foreign enterprises are subject to the Income Tax Law of China on Foreign Investment Enterprises and Foreign Enterprises (**"Income Tax Law"**), which came into effect on 1 July 1991. The Income Tax Law governs the corporate income taxation of (a) all foreign investment enterprises, including equity joint ventures, co-operative or contractual joint ventures and wholly foreign-owned enterprises; (b) foreign companies with establishments in China; and (c) foreign companies not having establishments in China but deriving certain China-sourced income.

In general, FIEs and foreign enterprises with establishments in China are subject to corporate income tax (**"CIT"**) at a flat 30.0% national tax and a flat 3.0% local tax, subject to any available tax incentives. Tax incentives are available for foreign investment enterprises established in certain special investment areas in China.

As FIEs that do not enjoy any available tax incentives, the Project Companies are subject to CIT at the rate of 33.0% on their taxable income.

Taxable income refers to revenue less deductible expenses based on accounts prepared in accordance with the Accounting Regulations of China for Enterprises with Foreign Investment. In general, subject to certain limitations and specific disallowance, all necessary and reasonable expenses incurred in carrying out a business are deductible for tax purposes.

In the event of a disposal of the Property by any of the Project Companies, any gains arising from the disposal will be included as taxable income for CIT purposes.

### Business Tax

Business tax is imposed in accordance with the Provisional Rules on Business Tax, which came into effect on 1 January 1994. It is a tax on turnover derived from the provision of chargeable services (including leasing of properties and granting of loan), transfer of intangible assets and sale of immovable properties in China. The tax payable is equal to the taxable amount multiplied by the specific tax rates (i.e. 3.0% — 20.0%) as defined in the Provisional Rules.

The Project Companies are liable to business tax at the rate of 5.0% on the gross rental and other related services income derived from the Properties.

## C. CHINA TAXATION *(cont'd)*

According to GSF (1997) No. 35, foreign enterprises with no establishment in China deriving interest income will not be subject to business tax in China. However, the State Administration of Taxation issued GSF (2006) No. 62 on 30 April 2006 to abolish GSF (1997) No. 35. Consequently, the interest payable by the Project Companies to the Barbados Companies would be subject to business tax at 5.0%, although the collection of this tax may not be currently enforced in many provinces.

In the event of a disposal of the Property by any of the Project Companies, the Project Companies will be liable to business tax at the rate of 5.0% on the gross sales value of the Property less its original acquisition price.

### Property Tax (also known as "Urban Real Estate Tax")

Under the Provisional Rules on Property Tax, with effect from 8 August 1951, owners of buildings have had to pay property tax on the buildings owned by them in cities, municipals, towns and mining area designated by the local governments.

The tax is computed at the rate of 1.2% on the original cost of the property net of a deduction of 10.0% to 30.0%, depending on the location of the property and at the discretion of the local government. For acquired properties, the original cost refers to the cost as recorded in the fixed assets account including the purchase consideration, related taxes, transportation expenses, etc. which bring the fixed assets into a usable condition. For self-developed properties, the costs include all costs incurred to bring the fixed assets into a usable condition. In general, although this is subject to the discretion of the local tax authorities and notwithstanding that the specified rate is 18.0%, where the building is rented out, property tax is charged at 12.0% of the gross rental income from the property as a matter of practice. However, if the property tax calculated based on this method is less than the amount calculated at the rate of 1.2% on the original cost of the property net of a deduction of 10.0% to 30.0%, the local tax authorities would generally adopt the calculation based on 1.2% of the original cost of the property net of a deduction of 10.0% to 30.0%.

The Project Companies as lessors and owners of the Properties (except in the case of Qibao Mall) are liable to property tax in respect of the Properties owned by them.

### Stamp Duty

Stamp duty is imposed on chargeable documents as specified under the Stamp Duty Provisional Rules. Chargeable documents are those enforceable in China. Stamp duty is levied at 0.1% on the total contracted rent for the entire lease period covered under the rental contract, at 0.005% on loan contract and at 0.05% on the contractual price for contract relating to the transfer of real estate. Stamp duty on chargeable contracts and agreements is payable by each party to the contracts.

The Project Companies are liable to stamp duty on their rental contracts, loan contracts and contract for the transfer of the Properties relating to the acquisition and in the event of a disposal, the sale of the Properties, as may be applicable.

### Deed Tax

Under the Provisional Rules on Deed Tax and its implementation rules, both of which came into effect on 1 October 1997, the transferee in a transfer of ownership of land and buildings in China is subject to deed tax. The transfer of ownership of land and buildings refers to the grant of land use right by the state (not including the transfer of management right of the rural collective land), the transfer (including selling, bestowal and exchange) of land use right, the sale and purchase of buildings, bestowal of buildings and exchange of buildings.

The rate for deed tax is generally from 3.0% to 5.0% and is determined by provincial, autonomous region or municipal governments registered with the Ministry of Finance and the State Administration of Taxation. The rate is applied on the gross value of the transfer.

**Land Appreciation Tax ("LAT")**

Under the Provisional Rules of China on LAT which came into effect on 1 January 1994, and the Implementation Details on the Provisional Rules of China on LAT which came into effect on 27 January 1995, income from the transfer of state-owned land use rights, buildings and their attachments is subject to LAT.

Real property investors must file tax returns with the competent tax authorities in the localities of the real properties within 7 days following the signing of the contract of the transfer of the real property. The tax must be paid within the period determined by the tax authorities.

The amount subject to LAT (i.e. taxable gains) is the balance of proceeds received on the transfer, after deducting the sum of the following prescribed deductible items:

(a) the sum paid for acquisition of land use rights;

(b) costs and expenses for the development of land;

(c) costs and expenses for the construction of new buildings and facilities, or the assessed value for used properties and buildings;

(d) the taxes relating to the transfer of real estate; and

(e) other deductible items as stipulated by the Ministry of Finance.

LAT is calculated at the following progressive rates based on the percentage of taxable gains over total deductible costs:

| Percentage of taxable gains over total deductible costs | Tax rate |
|---|---|
| Portion not exceeding 50.0% | 30.0% |
| Portion exceeding 50.0% but not exceeding 100.0% | 40.0% |
| Portion exceeding 100.0% but not exceeding 200.0% | 50.0% |
| Portion exceeding 200.0% | 60.0% |

In practice, the local tax authorities in many provinces have yet to strictly enforce the collection of LAT. This attitude appears to be changing and it is known that the local tax bureaus in certain provinces, for example, Beijing, Shenzhen and Shanghai, have begun to pursue the payment of LAT.

**Withholding Tax**

According to the Income Tax Law, income directly received by foreign companies, for example companies not registered or established in China, from sources in China, including gains from the transfer of property in China, is subject to withholding tax at the rate of 20.0%. Pursuant to Guofa (2000) No. 37, the withholding tax rate is concessionally reduced to 10.0% from 1 January 2000 if the foreign company does not have an establishment in China.

***Interest payable by Project Companies to Barbados Companies***

Under the unilateral concessionary tax treatment, the interest payable by the Project Companies to the respective Barbados Companies is subject to China withholding tax at the reduced rate of 10.0%. This is provided the Barbados Companies do not have an establishment in China.

## C. CHINA TAXATION *(cont'd)*

In the event that the China withholding tax rate on interest is increased to more than 10.0%, the Project Companies may avail of the China-Barbados tax treaty which provides that the withholding tax rate on interest sourced in China is not to exceed 10.0%. This is provided that the Barbados Companies are tax residents of Barbados and a confirmation of tax residence by the Barbados Inland Revenue is submitted to the local tax authorities to support the claim for reduced interest withholding tax rate.

### *Dividends payable by Project Companies to Barbados Companies*

Under the current tax rules, dividends payable by the Project Companies to the Barbados Companies are tax exempt and therefore no China withholding tax is payable on the dividends.

In the event that China withholding tax is imposed on dividends, the Project Companies may avail of the China-Barbados tax treaty which provides that the withholding tax rate on dividends sourced in China is not to exceed 5.0%. This is provided that the Barbados Companies are tax residents of Barbados and a confirmation of tax residence by the Barbados Inland Revenue is submitted to the local tax authorities to support the claim for reduced dividend withholding tax rate.

### *Disposal of shares in Project Companies*

Under the unilateral concessionary tax treatment, gains from disposal of shares in a FIE by a foreign company are subject to China withholding tax at the reduced rate of 10.0%. This is provided the foreign company does not have an establishment in China.

In the event that any of the Barbados Companies disposes of its shares in the Project Company, any gains realised by the Barbados Company on the sale of the shares are subject to withholding tax at a rate of 10.0%, unless otherwise exempted under the China-Barbados tax treaty. Under the China-Barbados tax treaty, capital gains derived by a resident of Barbados from the sale of shares in a China company will be exempt from tax in China. To avail of this tax treaty exemption, the Barbados Companies must be tax residents of Barbados and be able to substantiate this with a confirmation of tax residence by the Barbados Inland Revenue.

The transfer of the shares in the Project Companies will be subject to stamp duty at 0.05% on the transfer value, payable by both the transferor and the transferee.

### Repayment of shareholder's loans by Project Companies

The repayment of shareholder's loans is not subject to tax in China.

Yours faithfully

Ernst & Young
Singapore
Lim Gek Khim
Tax Partner

# TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION FOR AND ACCEPTANCE OF THE UNITS IN SINGAPORE

*Applications are invited for the purchase of the Units at the offering price of S$1.13 per Unit (the "**Offering Price**") on the terms and conditions set out below and in the relevant Application Forms or, as the case may be, the Electronic Applications (as defined below). Investors applying for the Units offered in the Public Offer (the "**Offer Units**") by way of Application Forms or Electronic Applications are required to pay the Offering Price of S$1.13 per Unit, subject to a refund of the full amount or, as the case may be, the balance of the applications monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason.*

*Investors applying in the Placement for the Units are required to pay, in Singapore dollars for each Unit applied for, the Offering Price, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) if the Offering does not proceed for any reason.*

(1) **Your application must be made in lots of 1,000 Units or integral multiples thereof. Your application for any other number of Units will be rejected.**

(2) You may apply for the Units only during the period commencing at 8.00 a.m. on 30 November 2006 and expiring at 12.00 p.m. on 6 December 2006. The Offering period may be extended or shortened to such date and/or time as the Vendor may agree with the Underwriters, subject to all applicable laws and regulations and the rules of the SGX-ST.

(3) (a) Your application for the Offer Units, other than Reserved Units, may be made by way of the printed **WHITE** Offer Units Application Forms or by way of Automated Teller Machines ("**ATMs**") belonging to the Participating Banks ("**ATM Electronic Applications**") or the Internet Banking ("**IB**") website of the relevant Participating Banks ("**Internet Electronic Applications**", which, together with ATM Electronic Applications, shall be referred to as "**Electronic Applications**").

(b) Your application for the Units offered in the Placement (the "**Placement Units**") may be made by way of the printed **BLUE** Placement Units Application Forms (or in such other manner as the Underwriters may in their absolute discretion deem appropriate).

(c) Your application for Reserved Units may only be made by way of the printed **PINK** Reserved Units Application Forms.

(4) **You may use up to 35.0 per cent. of your CPF Investible Savings** ("**CPF Funds**") **to apply for the Units.** Approval has been obtained from the Central Provident Fund Board ("**CPF Board**") for the use of such CPF Funds pursuant to the Central Provident Fund (Investment Schemes) Regulations, as may be amended from time to time, for the purchase of the Units. You may also use up to 35.0 per cent. of your CPF Funds for the purchase of the Units in the secondary market.

(5) If you are using CPF Funds to apply for the Units, you must have a CPF Investment Account maintained with the relevant Participating Bank. You do not need to instruct the CPF Board to transfer CPF Funds from your CPF Ordinary Account to your CPF Investment Account.

The use of CPF Funds to apply for the Units is further subject to the terms and conditions set out in the section on "Terms and Conditions for Use of CPF Funds" on page F-20.

(6) **Only one application may be made for the benefit of one person for the Offer Units (other than Reserved Units) in his own name. Multiple applications for the Offer Units (other than**

**Reserved Units) will be rejected, except in the case of applications by approved nominee companies where each application is made on behalf of a different beneficiary.**

**You may not submit multiple applications for the Offer Units (other than Reserved Units) *via* the Offer Units Application Form or ATM Electronic Applications. A person who is submitting an application for the Offer Units (other than Reserved Units) by way of the Offer Units Application Form may not submit another application for the Offer Units (other than Reserved Units) by way of an ATM Electronic Application or Internet Electronic Application and vice versa.**

**A person, other than an approved nominee company, who is submitting an application for the Offer Units (other than Reserved Units) in his own name should not submit any other applications for the Offer Units (other than Reserved Units), whether on a printed Application Form or through an ATM Electronic Application or Internet Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.**

**Joint or multiple applications for the Offer Units (other than Reserved Units) shall be rejected. Persons submitting or procuring submissions of multiple applications for the Offer Units (other than Reserved Units) may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, and such applications may be referred to the relevant authorities for investigation. Multiple applications for the Units (other than the Reserved Units) will be liable to be rejected at the discretion of the Manager.**

(7) **Multiple applications may be made in the case of applications by any person for (i) the Placement Units only (*via* Placement Units Application Forms), or (ii) the Placement Units together with a single application for the Offer Units (other than Reserved Units).**

Multiple applications may also be made by any person entitled to apply for the Reserved Units, in respect of a single application for the Reserved Units and (i) a single application for the Offer Units (other than Reserved Units), or (ii) a single or multiple application(s) for the Placement Units (*via* the Placement Units Application Forms) or (iii) both (i) and (ii).

(8) Applications from any person under the age of 21 years, undischarged bankrupts, sole proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP will be rejected.

(9) Applications from any person whose addresses (furnished in their printed Application Forms or, in the case of ATM Electronic Applications and Internet Electronic Applications, contained in the records of the relevant Participating Bank, as the case may be) bear post office box numbers will be rejected.

(10) The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her or their own name(s) and without qualification or, where the application is made by way of a printed Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 11 below.

(11) **Nominee applications may only be made by approved nominee companies.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.

(12) **If you are not an approved nominee company, you must maintain a Securities Account with CDP in your own name at the time of your application.** If you do not have an existing Securities Account with the CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your application (if you apply by way of an Electronic Application).

(13) Subject to paragraph 17 below, your application is liable to be rejected if your particulars such as name, National Registration Identity Card (**"NRIC"**) or passport number, nationality and permanent residence status, and CDP Securities Account number provided in your Application Form, or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with the CDP, your application shall be rejected.

(14) **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allocation from CDP will be sent to your address last registered with CDP.**

(15) This Prospectus and its accompanying Application Forms have not been registered in any jurisdiction other than in Singapore. The distribution of this Prospectus and its Application Forms may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Without limiting the generality of the foregoing, neither this Prospectus (including its Application Forms) nor any copy thereof may be published or distributed, directly or indirectly, in or into the United States and they do not constitute an offer of securities for sale into the United States or any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such an offer. The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**) and, subject to certain exceptions, may not be offered or sold within the United States. The Units are being offered and sold outside the United States in reliance on Regulation S under the Securities Act (**"Regulation S"**). There will be no public offer of Units in the United States. Any failure to comply with this restriction may constitute a violation of United States securities laws.

**The Vendor reserves the right to reject any applications for Units where the Vendor believes or has reason to believe that such applications may violate the securities laws of any jurisdiction.**

No person in any jurisdiction outside Singapore receiving this Prospectus or its accompanying Application Forms may treat the same as an offer or invitation to subscribe for any Units unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

(16) The Vendor reserves the right to reject any application which does not conform strictly to the instructions set out in this Prospectus (including the instructions set out in the Application Forms, in the ATM and IB websites of the relevant Participating Banks) or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance.

(17) The Vendor further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in this Prospectus (including the instructions set out in the Application Forms and in the ATMs and IB websites of the relevant Participating Banks), and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

Without prejudice to the rights of the Vendor, the Underwriters, as agents of the Vendor, have been authorised to accept, for and on behalf of the Vendor, such other forms of application as the Underwriters may, in consultation with the Vendor, deem appropriate.

(18) The Vendor reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot, any application, without assigning any reason therefor, and none of the Vendor and the Underwriters will entertain any enquiry and/or correspondence on the decision of the Vendor. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by such other forms of application as the Underwriters may, in consultation with the Vendor, deem appropriate. In deciding the basis of allocation, the Vendor will give due consideration to the desirability of allocating the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

(19) The Units may be re-allocated between the Placement and the Public Offer at the discretion of the Underwriters, such as in the event of excess applications in one and a deficit of applications in the other.

(20) It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Offering, and subject to the submission of valid applications and payment for the Units and the Offering Price being agreed upon between the Underwriters and the Vendor, a statement of account stating that your Securities Account has been credited with the number of Units allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by the Vendor. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Units allocated to you. This authorisation applies to applications made both by way of Application Forms and by way of Electronic Applications.

(21) You irrevocably authorise CDP to disclose the outcome of your application, including the number of Units allocated to you pursuant to your application, to the Vendor, the Underwriters, the Co-ordinator for the Singapore Public Offer and any other parties so authorised by the Vendor and/or the Underwriters.

(22) Any reference to "you" or the "Applicant" in this section shall include a person, a corporation, an approved nominee company and trustee applying for the Units by way of an Application Form or by way of Electronic Application.

(23) By completing and delivering an Application Form and, in the case of an ATM Electronic Application, by pressing the **"Enter"** or **"OK"** or **"Confirm"** or **"Yes"** key or any other relevant key on the ATM or, in the case of an Internet Electronic Application, by clicking **"Submit"** or **"Continue"** or **"Yes"** or **"Confirm"** or any other button on the IB website screen in accordance with the provisions herein, you:

   (a) irrevocably agree and undertake to purchase the number of Units specified in your application (or such smaller number for which the application is accepted) at the Offering Price for each Unit and agree that you will accept such number of Units as may be allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and its accompanying Application Forms and the Trust Deed;

(b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and its accompanying Application Forms, or the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus and its accompanying Application Forms shall prevail;

(c) in the case of an application by way of an Offer Units Application Form, an ATM Electronic Application or Internet Electronic Application, agree that the aggregate Offering Price for the Units applied for is due and payable to the Vendor upon application;

(d) in the case of an application by way of a Placement Units Application Form or such other forms of application as the Underwriters may, in consultation with the Vendor, deem appropriate, using cash, agree that the aggregate Offering Price for the Units is due and payable to the Vendor;

(e) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by the Vendor in determining whether to accept your application and/or whether to allocate any Units to you; and

(f) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of the Vendor nor any of the Underwriters will infringe any such laws as a result of the acceptance of your application.

(24) Acceptance of applications will be conditional upon, *inter alia*, the Vendor being satisfied that:

(a) permission has been granted by the SGX-ST to deal in and for quotation of all the Units on the Official List of the SGX-ST; and

(b) the Underwriting Agreement, has become unconditional and has not been terminated.

(25) Additional terms and conditions for applications by way of Application Forms are set out in the section entitled "Additional Terms and Conditions for Applications using Printed Application Forms" on pages F-6 to F-9 of this Prospectus.

(26) Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled "Additional Terms and Conditions for Electronic Applications" on pages F-11 to F-15 of this Prospectus.

(27) Terms and conditions governing the use of CPF funds are set out in the section entitled "Terms and Conditions for Use of CPF Funds" on page F-20 of this Prospectus.

(28) No application will be held in reserve.

(29) The Prospectus is dated 29 November 2006. No Units will be allocated on the basis of this Prospectus later than twelve months after the date of the Prospectus.

**Additional Terms and Conditions for Applications using Printed Application Forms**

Applications by way of an Application Form shall be made on, and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below, as well as those set out under the section on "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore" on pages F-1 and F-20 of this Prospectus and the Trust Deed.

(1) Applications for the Offer Units (other than Reserved Units) must be made using the printed **WHITE** Offer Units Application Forms and printed **WHITE** official envelopes "A" and "B", accompanying and forming part of this Prospectus.

Applications for the Placement Units must be made using the printed **BLUE** Placement Units Application Forms, accompanying and forming part of this Prospectus.

Applications for the Reserved Units must be made using the printed **PINK** Reserved Units Application Forms, accompanying and forming part of this Prospectus.

Without prejudice to the rights of the Vendor, the Underwriters, as agents of the Vendor, have been authorised to accept, for and on behalf of the Vendor, such other forms of application, as the Underwriters may (in consultation with the Vendor) deem appropriate.

Your attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms, which must be carefully followed. **The Vendor reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

(2) You must complete your Application Forms in English. Please type or write clearly in ink using BLOCK LETTERS.

(3) You must complete all spaces in your Application Forms except those under the heading **"FOR OFFICIAL USE ONLY"** and you must write the words **"NOT APPLICABLE"** or **"N.A."** in any space that is not applicable.

(4) Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears on your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with CRCT's Unit Registrar and Unit Transfer Office. The Vendor reserves the right to require you to produce documentary proof of identification for verification purposes.

(5) (a) You must complete Sections A and B and sign page 1 of the Application Form.

(b) You are required to delete either paragraphs 6(c) or 6(d) on page 1 of the Application Form. Where paragraph 6(c) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).

(c) If you fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

(6) You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Units is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

(7) You may apply and make payment for your application for the Units in Singapore currency in the following manner:

(a) **Cash only** — You may apply for the Units using only cash. Each application must be accompanied by a remittance in Singapore currency for the full amount payable at the Offering Price of S$1.13 for each Offer Unit, or for each Placement Unit, as the case may be, in respect of the number of Units applied for. The remittance must be in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of **"CRCT UNIT ISSUE ACCOUNT"** crossed **"A/C PAYEE ONLY"** with the name, Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. No combined Bankers' Draft or Cashiers' Order for different Securities Accounts shall be accepted. Remittances bearing **"NOT TRANSFERABLE"** or **"NON-TRANSFERABLE"** crossings will be rejected.

(b) **CPF Funds only** — You may apply for the Units using only CPF Funds. Each application must be accompanied by a remittance in Singapore currency for the full amount payable at the Offering Price of S$1.13 for each Offer Unit, or for each Placement Unit, as the case may be, in respect of the number of Units applied for. The remittance must be in the form of a **CPF CASHIER'S ORDER** (available for purchase at the CPF approved bank with which the applicant maintains his CPF Investment Account), made out in favour of **"CRCT UNIT ISSUE ACCOUNT"** with the name, Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. For additional terms and conditions governing the use of CPF Funds, please refer to page F-20 of this document.

(c) **Cash and CPF Funds** — You may apply for the Units using a combination of cash and CPF Funds, PROVIDED THAT the number of Units applied for under each payment method is in lots of 1,000 Units or integral multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that applications for Offer Units are accepted in part only, the cash portion of the application monies will be used in respect of such applications before the CPF Funds are used. In the case of applications for Placement Units that are accepted in part only, the CPF Funds portion of the application monies will be used in respect of such applications before the cash portion is used.

**An applicant applying for 1,000 Units must use either cash only or CPF Funds only**. No acknowledgement of receipt will be issued for applications and application monies received.

(8) Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours after the balloting at your own risk. Where your application is accepted in full or in part only, the balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account. If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

(9) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in the Prospectus.

(10) By completing and delivering the Application Forms, you agree that:

(a) in consideration of the Vendor having distributed the Application Form to you and by completing and delivering the Application Form before the close of the Offering:

(i) your application is irrevocable;

(ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom; and

(iii) you represent and agree that you are not a U.S. person (within the meaning of Regulation S);

(b) all applications, acceptances or contracts resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(c) in respect of the Units for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of the Vendor and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Vendor;

(d) The Vendor may return (without interest of any share of revenue or other benefit arising therefrom) to you by ordinary post, at your own risk:

(i) where your application is unsuccessful, the monies paid within 24 hours (or such shorter period as the SGX-ST may require) after the close of the balloting;

(ii) where your application is accepted in full or in part only, the balance of the application monies within 14 Market Days after the close of the Offering; and

(iii) where the Offering does not proceed for any reason, the monies paid within three Market Days after the Offering is discontinued,

PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account;

(e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

(f) reliance is placed solely on information contained in this Prospectus and that none of the Vendor, the Manager, the Trustee, the Underwriters, the Sponsor, the Co-ordinator for the Singapore Public Offer or any other person involved in the Offering shall have any liability for any information not contained therein;

(g) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, Securities Account number, and Unit application amount to our Unit Registrar, CDP, Securities Clearing Computer Services (Pte) Ltd (**"SCCS"**), SGX-ST, the Vendor, the Manager, the Trustee, the Underwriters and the Co-ordinator for the Singapore Public Offer (collectively, the **"Relevant Parties"**); and

(h) you irrevocably agree and undertake to purchase the number of Units applied for as stated in the Application Form or any smaller number of such Units that may be allocated to you in respect of your application. In the event that the Vendor decides to allocate any smaller number of such Units or not to allocate any Units to you, you agree to accept such decision as final.

**Procedures Relating to Applications for the Offer Units (other than Reserved Units) by Way of Printed Application Forms**

(1) Your application for the Offer Units (other than Reserved Units) by way of printed Application Forms must be made using the **WHITE** Offer Units Application Forms and **WHITE** official envelopes "A" and "B".

(2) You must:

(a) enclose the **WHITE** Offer Units Application Form, duly completed and signed, together with correct remittance for the full amount payable at the Offering Price in Singapore currency in accordance with the terms and conditions of the Prospectus and its accompanying documents (including these Instructions), in the **WHITE** official envelope "A" provided;

(b) in appropriate spaces on the WHITE official envelope "A":

(i) write your name and address;

(ii) state the number of Offer Units (other than Reserved Units) applied for; and

(iii) tick the relevant box to indicate the form of payment;

(c) **SEAL THE WHITE OFFICIAL ENVELOPE "A"**;

(d) write, in the special box provided on the larger **WHITE** official envelope "B" addressed to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, the number of Offer Units (other than Reserved Units) you have applied for;

(e) insert the **WHITE** official envelope "A" into the **WHITE** official envelope "B" and seal the **WHITE OFFICIAL ENVELOPE "B"**; and

(f) **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, so as to arrive by 12.00 p.m. on 6 December 2006 or such other date(s) and time(s) as the Vendor may agree with the Underwriters. Courier services or Registered Post must NOT be used.

(3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

(4) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

**Procedures Relating to Applications for the Placement Units by Way of Printed Application Forms**

(1) Your application for the Placement Units by way of printed Application Forms must be made using the **BLUE** Placement Units Application Forms.

(2) The completed and signed **BLUE** Placement Units Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable at the Offering Price, for each Unit in respect of the number of Placement Units applied for, with your name, Securities Account number and address clearly written on the reverse side, must be enclosed and sealed in an envelope to be provided by you. Your application for Placement Units must be delivered to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, to arrive by 12.00 p.m. on 6 December 2006 or such other date(s) and time(s) as the Vendor may agree with the Underwriters.

(3) In respect of an application for Placement Units, you may alternatively remit your application monies by electronic transfer to the account of **DBS Bank, Shenton Way Branch, Current Account number 003-710189-3** in favour of **"CRCT UNIT ISSUE ACCOUNT"** by 12.00 p.m. on 6 December 2006 or such other date(s) and time(s) as the Manager may agree with the Underwriters. Applicants who remit their application monies *via* electronic transfer should send a copy of the telegraphic transfer advice slip to DBS Bank Ltd, 6 Shenton Way, #36-01 DBS Building Tower One, Singapore 068809, for the attention of Equity Capital Markets, to arrive by 12.00 p.m. on 6 December 2006 or such other date(s) and time(s) as the Vendor may agree with the Underwriters.

(4) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

(5) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

**Procedures Relating to Applications for the Reserved Units by Way of Printed Application Forms**

(1) Your application for the Reserved Units by way of printed Application Forms must be made using the **PINK** Reserved Units Application Forms.

(2) The completed and signed **PINK** Reserved Units Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, in Singapore Dollars currency for the full amount payable at the Offering Price for each Unit in respect of the number of Reserved Units applied for, with your name, Securities Account number and address clearly written on the reverse side, must be enclosed and sealed in an envelope to be provided by you. Your application for Reserved Units must be delivered to Lim Associates (Pte) Ltd, 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315, for the attention of Ms Kiang May Chuan to arrive by 12.00 p.m. on 6 December 2006 or such other date(s) and time(s) as the Vendor may agree with the Underwriters.

(3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

**Additional Terms and Conditions for Electronic Applications**

*Electronic Applications shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below and those under the section "Terms, Conditions and Procedures for Application for and Acceptance for the Units in Singapore" on pages F-1 to F-20 of this Prospectus, as well as the Trust Deed.*

(1) The procedures for Electronic Applications are set out on the ATM screens of the relevant Participating Banks (in the case of ATM Electronic Applications), the IB website screens of the relevant Participating Banks (in the case of Internet Electronic Applications). Currently, DBS Bank and UOB Group are the only Participating Banks through which Internet Electronic Applications may be made.

(2) For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS Bank (together, the **"Steps"**) are set out in pages F-17 to F-19 of this Prospectus. The Steps set out the actions that you must take at ATMs or the IB website of DBS Bank to complete an Electronic Application. The actions that you must take at the ATMs or the IB websites of the other Participating Banks are set out on the ATM screens of the respective Participating Banks.

Please read carefully the terms and conditions of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

(3) Any reference to "you" or the "Applicant" in these Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for the Units through an ATM of one of the relevant Participating Banks or the IB website of a relevant Participating Bank.

(4) If you are making an ATM Electronic Application:

(a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Units at an ATM belonging to other Participating Banks.

(b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

(c) Upon the completion of your ATM Electronic Application, you will receive an ATM transaction slip (**"Transaction Record"**), confirming the details of your ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.

(5) If you are making an Internet Electronic Application:

(a) You must have an existing bank account with, and a User Identification (**"User ID"**) as well as a Personal Identification Number (**"PIN"**) given by, the relevant Participating Bank.

(b) You must ensure that the mailing address of your account selected for the application is in Singapore and you must declare that the application is being made in Singapore. Otherwise, your application is liable to be rejected.

(c) Upon the completion of your Internet Electronic Application through the IB website of the relevant Participating Bank, there will be an on-screen confirmation (**"Transaction Completed Screen"**) of the application which can be printed out by you for your record. This printed record of the Transaction Completed Screen is for your retention and should not be submitted with any printed Application Form.

(6) In connection with your Electronic Application, you are required to confirm statements to the following effect in the course of activating the Electronic Application:

(a) that you have received a copy of this Prospectus (in the case of ATM Electronic Applications) and have read, understood and agreed to all the terms and conditions of application for the Units and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;

(b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and Unit application amount (the **"Relevant Particulars"**) from your account with the relevant Participating Bank, as the case may be, to the Relevant Parties; and

(c) where you are applying for the Offer Units (other than Reserved Units), that this is your only application for the Offer Units (other than Reserved Units) and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key in the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the website screen. By doing so, you shall be treated as signifying your confirmation of each of the three statements above. In respect of statement 7(b) above, your confirmation, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key or by clicking "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including Section 47(2) of the Banking Act, Chapter 19 of Singapore, to the disclosure by that Participating Bank, as the case may be, of the Relevant Particulars of your account(s) with that Participating Bank to the Relevant Parties.

(7) You must have sufficient funds in your bank account with your Participating Bank at the time you make your ATM Electronic Application or Internet Electronic Application, failing which such Electronic Application will not be completed. Any ATM Electronic Application or Internet Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATMs or on the IB website of the relevant Participating Bank, as the case may be, through which your ATM Electronic Application or Internet Electronic Application is being made shall be rejected.

(8) You may apply and make payment for your application for the Offer Units in Singapore currency in the following manner:

(a) **Cash only** — You may apply for the Offer Units through any ATM or IB website (as the case may be) of your Participating Bank using only cash by authorising your Participating Bank to deduct the full amount payable from your bank account(s) with such Participating Bank.

(b) **CPF Funds only** — You may apply for the Offer Units through any ATM or IB website (as the case may be) of your Participating Bank using only CPF Funds by authorising your Participating Bank to deduct the full amount payable from your CPF Investment Account with the respective Participating Bank. For additional terms and conditions governing the use of CPF Funds, please refer to page F-20 of this Prospectus.

(c) **Cash and CPF Funds** — You may apply for the Offer Units through any ATM or IB website (as the case may be) of your Participating Bank using a combination of cash and CPF Funds, PROVIDED THAT the number of Offer Units applied for under each payment method is in lots of 1,000 Offer Units or integral multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that such applications are accepted in part only, the cash portion of the application monies will be used in respect of such applications before the CPF Funds are used.

**An applicant applying for 1,000 Offer Units must use either cash only or CPF Funds only.**

(9) You irrevocably agree and undertake to purchase and to accept the number of Offer Units or Placement Units (as the case may be) applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of such Offer Units or Placement Units (as the case may be) that may be allocated to you in respect of your Electronic Application. In the event that the Vendor decides to allocate any lesser number of such Offer Units or Placement Units (as the case may be) or not to allocate any Offer Units or Placement Units (as the case may be) to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM or clicking "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the Internet screen) of the number of Offer Units or Placement Units (as the case may be) applied for shall signify and shall be treated as your acceptance of the number of Offer Units or Placement Units (as the case may be) that may be allocated to you and your agreement to be bound by the Trust Deed.

(10) The Vendor will not keep any application in reserve. Where your Electronic Application is unsuccessful, the full amount of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank, within 24 hours (or such shorter period as the SGX-ST may require) after the close of the Offering balloting provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

Where your Electronic Application is accepted in full or in part only, the balance of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank, within 14 Market Days after the close of the Offering provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

Responsibility for timely refund of application monies (whether from unsuccessful or partially successful Electronic Applications or otherwise) lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any money to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Units or Placement Units (as the case may be), if any, allocated to you before trading the Units on the SGX-ST. None of the SGX-ST, CDP, SCCS, CPF, the Participating Banks, the Co-ordinator for the Singapore Public Offer, the Vendor, the Manager, the Trustee and the Underwriters assumes any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

(11) If your ATM Electronic Application or Internet Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Bank.

Applicants who make ATM Electronic Applications through the following banks may check the provisional results of their ATM Electronic Applications as follows:

| **Bank** | **Telephone** | **Other channels** | **Operating hours** | **Service expected from** |
|---|---|---|---|---|
| DBS Bank | 1800-339 6666 (for POSB account holders)<br><br>1800-111 1111 (for DBS account holders) | Internet Banking www.dbs.com[1] | 24 hours a day | Evening of the balloting day |
| OCBC | 1800-363 3333 | ATM | ATM: 24 hours a day<br><br>Phone Banking: 24 hours a day | Evening of the balloting day |
| UOB Group | 1800-222 2121 | ATM (Other Transactions — "IPO Enquiry")<br><br>www.uobgroup.com[1], [2] | Phone Banking/ATM: 24 hours a day<br><br>Internet Banking: 24 hours a day | Evening of the balloting day |

**Notes:**

(1) Applicants who have made Internet Electronic Applications through the IB websites of DBS Bank or UOB Group may also check the results of their applications through the same channels listed in the table above in relation to ATM Electronic Applications made at the ATMs of DBS Bank or UOB Group.

(2) Applicants who have made Electronic Application through the ATMs or the IB web-site of UOB Group may check the results of their applications through UOB Personal Internet Banking, UOB ATMs or UOB Phone Banking services.

(12) ATM Electronic Applications shall close at 12.00 p.m. on 6 December 2006 or such other date(s) and time(s) as the Vendor may agree with the Underwriters. All Internet Electronic Applications and Internet Placement Applications must be received by 12.00 p.m. on 6 December 2006, or such other date(s) and time(s) as the Vendor may agree with the Underwriters. Internet Electronic Applications are deemed to be received when they enter the designated information system of the relevant Participating Bank, as the case may be.

(13) You are deemed to have irrevocably requested and authorised the Trustee or the Vendor to:

(a) register the Offer Units or Placement Units, as the case may be, allocated to you in the name of CDP for deposit into your Securities Account;

(b) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected or if the Offering does not proceed for any reason, by automatically crediting your bank account with your Participating Bank, with the relevant amount within 24 hours after balloting (or such shorter period as the SGX-ST may require), or within three Market Days if the Offering does not proceed for any reason, after the close or discontinuation (as the case may be) of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account; and

(c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies should your Electronic Application be accepted or accepted in part only, by automatically crediting your bank account with your Participating Bank, with the relevant amount within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account.

(14) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Banks, the Co-ordinator for the Singapore Public Offer, the Manager, the Trustee and the Underwriters, and if, in any such event the Manager, the Trustee, the Underwriters, the Co-ordinator for the Singapore Public Offer and/or the relevant Participating Bank do not receive your Electronic Application, or any data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against the Vendor, the Manager, the Trustee, the Underwriters and/or the relevant Participating Bank or the Co-ordinator for the Singapore Public Offer for any Offer Units or Placement Units, as the case may be, applied for or for any compensation, loss or damage.

(15) The existence of a trust will not be recognised. Any Electronic Application by a trustee must be made in his own name and without qualification. The Vendor shall reject any application by any person acting as nominee.

(16) All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you must promptly notify your Participating Bank.

(17) You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical. Otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.

(18) By making and completing an Electronic Application, you are deemed to have agreed that:

(a) in consideration of the Vendor making available the Electronic Application facility, through the Participating Banks acting as agents of the Vendor at the ATMs and IB websites of the relevant Participating Banks:

(i) your Electronic Application is irrevocable; and

(ii) your Electronic Application, the acceptance by the Vendor and the contract resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(b) none of CDP, CPF Board, the Vendor, the Manager, the Underwriters, the Participating Banks and the Co-ordinator for the Singapore Public Offer shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to the Vendor, the Trustee or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 16 above or to any cause beyond their respective controls;

(c) in respect of the Units for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of the Vendor and not otherwise, notwithstanding any payment received by or on behalf of the Vendor;

(d) you will not be entitled to exercise any remedy for rescission for misrepresentation at any time after acceptance of your application; and

(e) reliance is placed solely on information contained in the Prospectus and that none of the Vendor, the Manager, the Trustee, the Underwriters, the Co-ordinator for the Singapore Public Offer, and any other person involved in the Offering shall have any liability for any information not contained therein.

**Steps for ATM Electronic Applications for Offer Units through ATMs of DBS Bank (including POSB ATMs)**

Instructions for ATM Electronic Applications will appear on the ATM screens of the respective Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "amt", "appln", "&", "I/C", "No.", "SGX" and "Max" refer to "Account", "amount", "application", "and", "NRIC", "Number", "SGX-ST" and "Maximum", respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB)), may differ slightly from those represented below.

Step 1: Insert your personal DBS Bank or POSB ATM Card.

2: Enter your Personal Identification Number.

3: Select "CASHCARD & MORE SERVICES".

4: Select "ESA-IPO SHARE/INVESTMENT".

5: Select "ELECTRONIC SECURITY APPLN (IPOS/BOND/ST-NOTES)".

6: Read and understand the following statements which will appear on the screen:

- THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT/OFFER INFORMATION STATEMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.
- (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS/DOCUMENT/OFFER INFORMATION STATEMENT REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT/OFFER INFORMATION STATEMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/DOCUMENT/OFFER INFORMATION STATEMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT/OFFER INFORMATION STATEMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.

7: Select "CRCT" to display details.

8: Press the “ENTER” key to acknowledge:

- YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND PROSPECTUS/DOCUMENT/OFFER INFORMATION STATEMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.
- YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITY APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF AND THE ISSUER/VENDOR(S).
- FOR FIXED AND MAX PRICE SECURITY APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
- THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.
- FOR TENDER SECURITY APPLICATIONS, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
- YOU ARE NOT A US PERSON AS REFERRED TO IN THE PROSPECTUS/ DOCUMENT/OFFER INFORMATION STATEMENT OR PROFILE STATEMENT AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT.
- THERE MAY BE A LIMIT ON THE MAXIMUM NUMBER OF SECURITIES THAT YOU CAN APPLY FOR SUBJECT TO AVAILABILITY, YOU MAY BE ALLOCATED A SMALLER NUMBER OF SECURITIES THAN YOU APPLIED FOR OR (IN THE CASE OF AN EARLIER CLOSURE UPON FULL SUBSCRIPTION) YOUR APPLICATION MAY BE REJECTED IF ALL THE AVAILABLE SECURITIES HAVE BEEN FULLY ALLOCATED TO EARLIER APPLICANTS.

9: Select your nationality.

10: Select your payment method (i.e. by cash, CPF Funds, or a combination of cash and CPF Funds).

11: Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) account from which to debit your application monies.

12: Enter the number of securities you wish to apply for using cash.

13: Enter the number of securities you wish to apply for using CPF Funds (if applicable).

14: Enter or confirm (if your CDP Securities Account number has already been stored in DBS Bank’s records) your own 12-digit CDP Securities Account number.

15: Check the details of your securities application, your NRIC or passport number and CDP Securities Account number and number of securities on the screen and press the “ENTER” key to confirm your application.

16: Remove the Transaction Record for your reference and retention only.

**Steps for Internet Electronic Application for Offer Units through the IB Website of DBS Bank**

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website are shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "&", "amt", "I/C" and "No." refer to "Account", "and", "Amount", "NRIC" and "Number", respectively).

Step 1: Click on DBS Bank website (www.dbs.com)

2: Login to Internet banking.

3: Enter your User ID and PIN.

4: Select "Electronic Security Application (ESA)".

5: Click "Yes" to proceed and to warrant, *inter alia*, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore.

6: Select your country of residence and click "I confirm".

7: Click on "CRCT" and click the "Submit" button.

8: Click on "Confirm" to confirm, *inter alia*:

- You have read, understood and agreed to all terms of this application and the Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.
- You consent to disclose your name, NRIC or Passport No., address, nationality, CDP Securities A/c No., CPF Investment A/c No. (if applicable) and securities application amount from your DBS/POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).
- You are not a U.S. Person (as such term is defined in Regulatiion S under the United States Securities Act of 1933, as amended).
- You understand that the securities mentioned herein have not been and will not be registered under the United States Securities Act of 1933 as amended (the "US Securities Act") or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of any "US person" (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from or in a transaction subject to, the registration requirements of the US Securities Act and applicable state securities laws. There will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of the United States securities laws.
- This application is made in your own name and at your own risk.
- For FIXED/MAX price securities application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price.

9: Fill in details for securities application and click "Submit".

10: Check the details of your securities application, your NRIC or passport number and click "OK" to confirm your application.

11: Print the Confirmation Screen (optional) for your reference and retention only.

**Terms and Conditions for Use of CPF Funds**

(1) If you are using CPF Funds to subscribe for the Units, you must have a CPF Investment Account maintained with a relevant Participating Bank at the time of your application. If you are applying for the Units through an ATM Electronic Application, you must have an ATM card with that Participating Bank at the time of your application before you can use the ATMs of that Participating Bank to apply for the Units. For an Internet Electronic Application, you must have an existing bank account with, and a User Identification (**"User ID"**) as well as a Personal Identification Number (**"PIN"**) given by, the relevant Participating Bank. Upon the completion of your Internet Electronic Application through the IB website of the relevant Participating Bank, there will be a Transaction Completed Screen of the application which can be printed out by you for your record. This printed record of the Transaction Completed Screen is for your retention and should not be submitted with any printed Application Form. The CPF Investment Account is governed by the Central Provident Fund (Investment Schemes) Regulations, as amended.

(2) CPF Funds may only be withdrawn for applications for the Units in lots of 1,000 Units or integral multiples thereof.

(3) If you are applying for the Units using a printed Application Form and you are using CPF Funds to apply for the Units, you must submit a CPF Cashier's Order for the total amount payable for the number of Units applied for using CPF Funds.

(4) Before you apply for the Units using your CPF Funds, you must first make sure that you have sufficient funds in your CPF Investment Account to pay for the Units. You need not instruct the CPF Board to transfer your CPF Funds from your CPF Ordinary Account to your CPF Investment Account. If the balance in your CPF Investment Account is insufficient and you have sufficient investible CPF Funds in your CPF Ordinary Account, the Participating Bank with which you maintain your CPF Investment Account will automatically transfer the balance of the required amount from your CPF Ordinary Account to your CPF Investment Account immediately for you to use these funds to buy a CPF Cashier's Order from your Participating Bank in the case of an application by way of a printed Application Form or submit your application in the case of an application by way of an Electronic Application. The automatic transfer facility is available until the close of the Public Offer, and the operating hours of the facility are between 8.00 a.m. and 10.00 p.m. from Mondays to Saturdays, and between 8.00 a.m. and 5.00 p.m. on Sundays and public holidays.

(5) The special CPF securities sub-account of the nominee company of the Participating Bank (with whom you maintain a CPF Investment Account) maintained with CDP will be credited with the principal amount of the Units you subscribed for with CPF Funds.

(6) Where you are using CPF Funds, you cannot apply for the Units as nominee for any other person.

(7) All instructions or authorisations given by you in a printed Application Form or through an Electronic Application are irrevocable.

(8) CPF Investment Accounts may be opened with any branch of the Participating Banks.

(9) All information furnished by the CPF Board and the relevant Participating Banks on your authorisation will be relied on as being true and correct.

# LIST OF PRESENT AND PAST PRINCIPAL DIRECTORSHIPS OF DIRECTORS AND EXECUTIVE OFFICERS

## (1) MR HSUAN OWYANG

**Current Directorships**

Ayala International Holdings Limited
CapitaLand Limited
CapitaMall Trust Management Limited
East Asian Institute
MobileOne Ltd
N. M. Rothschild China Holding AG
N. M. Rothschild & Sons (Singapore) Limited
CapitaRetail China Trust Management Limited

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

Asia Venture Fund Ltd (In Liquidation — Members' Voluntary Winding Up)
CapitaLand Residential Limited
Franke Singapore Private Limited
General Securities Trading Pte. Ltd. (Dissolved — Members' Voluntary Winding Up)
General Securities Investments Limited (Dissolved — Members' Voluntary Winding Up)
KTF Limited
The Institute of Policy Studies
TLB Land Limited
Transtech Capital Investments I Ltd (Dissolved — Members' Voluntary Winding Up)
Transtech Capital Investments II Ltd (Dissolved — Members' Voluntary Winding Up)
Transtech Venture Management Pte Ltd (Dissolved — Members' Voluntary Winding Up)
Transpac Capital Pte Ltd
Transpac Industrial Holdings Limited
Transpac Ventures I Ltd (In Liquidation — Members' Voluntary Winding Up)
Urban Management Company (1987) Private Limited

## (2) MR LIEW MUN LEONG

**Current Directorships**

Ascott Residence Trust Management Limited
CapitaLand Limited
CapitaLand Commercial And Integrated Development Limited
CapitaLand Hope Foundation
CapitaLand Financial Limited
CapitaLand Financial Services Limited

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

CapitaLand Property Services Holdings Pte Ltd
Canary Riverside Holdings Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Development Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Hotel Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Investments Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Properties Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Estate Pte Ltd (Members' Voluntary Winding up)

| Current Directorships | Past Directorships (for a period of five years preceding the Latest Practicable Date) |
| --- | --- |
| CapitaLand UK Holdings Limited | EDB Ventures Pte Ltd |
| CapitaLand Retail Limited | EDB Ventures 2 Pte Ltd |
| CapitaLand Residential Limited | IcFox International Ltd |
| CapitaCommercial Trust Management Limited | I.P. Property Fund Asia Limited |
| CapitaMall Trust Management Limited | pFission Pte Ltd |
| China Club Investment Pte Ltd | PSB Holdings Pte Ltd |
| Clarke Quay Pte Ltd | PREMAS International Limited |
| Civil Aviation Authority of Singapore | ST Property Investments Pte Ltd |
| Raffles Holdings Limited | Singapore Technologies Properties Pte Ltd (Dissolved — Members' Voluntary Winding Up) |
| Royal Thali Pte Ltd | The Chinese Opera Institute |
| Singapore-China Foundation Ltd | Temasek Polytechnic |
| The Ascott Group Limited | |
| T.C.C. Capital Land Limited | |
| The Link Management Limited | |
| CapitaRetail China Trust Management Limited | |

**(3) MR VICTOR LIEW CHENG SAN**

| Current Directorships | Past Directorships (for a period of five years preceding the Latest Practicable Date) |
| --- | --- |
| Accuron Technologies Pte Ltd | AF (Indonesia) Pte Ltd |
| Appeal Advisory Panel (Constituted under the Securities and Future Act, Financial Advisers Act, Insurance Act, Trust Companies Act and Business Trusts Act) | Dornier MedTech Gmbh |
| CapitaLand Financial Limited | Jurong Town Council |
| Fullerton Fund Management Company Ltd | Markono Logistics Pte Ltd |
| Lotus India Trustee Company Private Limited | Nexgen Re Limited |
| PT Bank Danamon Indonesia Tbk | Nexgen Financial Holdings Limited |
| SIM Pte Ltd | OUB Bullion & Futures Ltd |
| Simex Compensation Fund | Overseas Union Bank Trustees Ltd |
| Simex Fidelity Fund | Prismlight Pte Ltd |
| ST Treasury Services Ltd | Valuesearch.com Pte Ltd |
| CapitaRetail China Trust Management Limited | Savers-Premium Fund-Board of Trustees (Ministry of Defence) |
| | Singapore Commodity Exchange Ltd |
| | Singapore Exchange Ltd |

### (4) MS CHEW GEK KHIM

**Current Directorships**

Aequitas Pte Ltd
Amalgamated Holdings Private Limited
Amberlight Limited
Cairnhill Rock Pte Ltd
CapitaRetail China Trust Management Limited
Choice Equities Pte Ltd
Chulin Pte Ltd
Consultants Services (Private) Limited
Grange Investment Holdings Private Limited
Granger Pte Ltd
Ho Peng Holdings Private Limited
Integrated Holdings Private Limited
Kambau Pte Ltd
Mellford Pte Ltd
Nothing But The Best Limited
Pendell Pte Ltd
Property Administration Pte Ltd
Raffles Holdings Limited
Raffles Investments (1993) Pte Ltd
Raffles Investments (Singapore) Pte Ltd
Raffles Investments Limited
SEA Specialists Services Pte Ltd
Selected City Property Ltd
Selected Holdings Private Limited
Selected Ventures Pte Ltd
Sigford Pte Ltd
Siong Lim Private Limited
Specialists & Consultants Associates Pte Ltd
Swiftflash Assets Limited
Tan Chin Tuan Ltd
Tecity Holdings Sdn Bhd
Tecity Management Pte Ltd
Tecity Pte Ltd
The Tan Chin Tuan Foundation
The Tan Sri Tan Fdn.
Tiong Cheng Pte Ltd
Tri-Nine Nominees Pte Ltd

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

Baccarat International (Pte.) Limited
John Little Private Limited
Nothing But The Best Pte Ltd
Robinson & Company (Singapore) Private Limited
Robinson and Company Limited
Supa-Save (Private) Limited

## (5) MR DILHAN PILLAY SANDRASEGARA

**Current Directorships**

Babcock & Brown Structured Finance Fund Limited
Banyan Tree Holdings Limited
CapitaRetail China Trust Management Limited
Clifford Chance Wong Pte Ltd
Dynasty Trust
MOH Holdings Pte Ltd
Singapore Management University
SP Services Limited
WOPA Services Private Limited

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

Antara Koh Private Limited
Beyonics Technology Limited
CapitaLand Retail (BJ1) Holdings Pte Ltd
CapitaLand Retail (BJ) Investments Pte Ltd
Hiap Seng Engineering Ltd
Orion Capital (Singapore) Pte Ltd
PowerSeraya Limited

## (6) MR KEE TECK KOON

**Current Directorships**

808 Holdings Pte Ltd
Arc-CapitaLand Residences Japan Private Limited
Bayshore Development Group Limited
CapitaCommercial Trust Management Limited
CapitaLand (Industrial) Investments Pte Ltd
CapitaLand (UK) Pte Ltd
CapitaLand China Development Fund Pte Ltd
CapitaLand China Holdings (Commercial) Pte Ltd
CapitaLand China Residential Fund Ltd
CapitaLand Commercial And Integrated Development Limited
CapitaLand Financial Investments Pte Ltd
CapitaLand Financial Limited
CapitaLand Financial Services Limited
CapitaLand Fund Investment Pte Ltd
CapitaLand Fund Management Limited
CapitaLand Hong Kong Investment (BVI) Limited
CapitaLand ILEC Pte Ltd
CapitaLand Integrated Resorts Pte Ltd

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

818 Pte Ltd
828 Pte Ltd
838 Pte Ltd
Australand Holdings Limited
Australand Investments Limited
Australand Property Limited
Canary Riverside Development Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Estate Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Holdings Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Hotel Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Investments Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Properties Pte Ltd (Members' Voluntary Winding up)
CapitaLand Asia Pte Ltd
CapitaRetail LPM Investment Pte Ltd
CR Hotel Investment Pte Ltd (Members' Voluntary Winding up)
FSCR Investment Pte Ltd (Struke off)
Gemstone Investments Pte Ltd
Greencliff (Surry Hills) Pty Ltd
Kensington Hotel Pte. Ltd.
Kensington Residential Pte Ltd
Net2Room.Com Pte Ltd
Piatra Pte Ltd
SIM International Pte Ltd
SIM Pte Ltd
Singapore-Suzhou Township Development Pte Ltd

**Current Directorships**

CapitaLand RECM Pte Ltd
CapitaLand Retail China Pte Ltd
CapitaLand Retail India Investments Pte Ltd
CapitaLand Retail India Pte Ltd
CapitaLand Retail Japan Investments Pte Ltd
CapitaLand Retail Limited
CapitaLand Retail Management Pte Ltd
CapitaLand Retail Singapore Investments Two Pte Ltd
CapitaLand UK Holdings Limited
CapitaLand-Raffles Properties Pte Ltd
CapitaMall Trust Management Limited
CapitaRetail China (Alpha) Investments Pte Ltd
CapitaRetail China Investments Pte Ltd
CapitaRetail China Trust Management Limited
CapitaRetail Japan Fund Private Limited
CapitaRetail Singapore Management Pte Ltd
CFL Capital Management Sdn Bhd
China Club Investment Pte Ltd
Clarke Quay Pte Ltd
Dongguan City SZITIC Commercial Property Co., Ltd
Foshan City SZITIC Commercial Property Co., Ltd
Grand Design Development Limited
Huizhou City SZITIC Commercial Property Co., Ltd
I. P. Property Fund Asia Limited
Kerzner CapitaLand Integrated Resorts Pte Ltd
Kunshan SZITIC Commercial Property Co., Ltd
Mezzo Capital Pte Ltd
MGM Grand-CapitaLand Pte Ltd
Mianyang SZITIC Commercial Property Co., Ltd
Nanchang SZITIC Commercial Property Co., Ltd
Quanzhou SZITIC Commercial Property Co., Ltd
SZITIC (Chengdu) Commercial Property Co., Ltd
T.C.C. Capital Land Limited

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

Somerset (UK) Pte Ltd
Somerset Residential Properties Pte Ltd
Somerset Retail Holdings Pte Ltd
Somerset Roppongi (Japan) Pte Ltd
Stanhope Gardens Pte Ltd
Stanhope Investments Pte Ltd
Stanhope Properties Pte Ltd
The Ascott E-Investments Pte Ltd
The Ascott Holdings Limited
The Ascott Hospitality Holdings Pte Ltd
The Ascott International Investments Pte Ltd
The Link Management Limited
Westfield Holdings Pte Ltd

| **Current Directorships** | **Past Directorships** (for a period of five years preceding the Latest Practicable Date) |
|---|---|
| The Ascott Group Limited<br>TMall Limited<br>TRM Private Limited<br>Weifang SZITIC Commercial Property Co., Ltd<br>Westbond Investments Pte Ltd<br>Yangzhou SZITIC Commercial Property Co., Ltd<br>Yibin SZITIC Commercial Property Co., Ltd<br>Zhanjiang City SZITIC Commercial Property Co., Ltd<br>Zibo SZITIC Commercial Property Co., Ltd | |

**(7) MR OLIVIER LIM TSE GHOW**

| **Current Directorships** | **Past Directorships** (for a period of five years preceding the Latest Practicable Date) |
|---|---|
| Areca Investment Pte Ltd<br>CapitaCommercial Trust Management Limited<br>CapitaLand China Development Fund Management Pte Ltd<br>CapitaLand China Holdings Pte Ltd<br>CapitaLand Commercial And Integrated Development Limited<br>CapitaLand Corporate Investments Pte Ltd<br>CapitaLand Financial Limited<br>CapitaLand Financial Services Limited<br>CapitaLand ILEC Pte Ltd<br>CapitaLand Property Services Holdings Pte Ltd<br>CapitaLand Residential Limited<br>CapitaLand Retail Limited<br>CapitaLand Treasury Limited<br>CapitaMall Trust Management Limited<br>CapitaRetail China Trust Management Limited<br>CFL Capital Management Sdn Bhd<br>Lucid Investments Ltd<br>RC Hotels (Pte) Ltd<br>Somerset Capital Pte Ltd<br>Somerset Land Pte Ltd<br>The Ascott Group Limited | Hegnau Holdings Pte Ltd (Dissolved — Members' Voluntary Winding Up) |

**(8) MR PUA SECK GUAN**

**Current Directorships**

Albert Complex Pte Ltd
Capita Card Pte Ltd
CapitaLand (Industrial) Investments Pte Ltd
CapitaLand China Property Fund Management Pte Ltd
CapitaLand Financial Investments Pte Ltd
CapitaLand Fund Investment Pte Ltd
CapitaLand Fund Management Limited
CapitaLand RECM Pte Ltd
CapitaLand Retail (BJ1) Holdings Pte Ltd
CapitaLand Retail (S1) Investments Pte Ltd
CapitaLand Retail China Pte Ltd
CapitaLand Retail Hong Kong Investments Pte Ltd
CapitaLand Retail India Investments Pte Ltd
CapitaLand Retail India Pte Ltd
CapitaLand Retail Investments (SY) Pte Ltd
CapitaLand Retail Japan Investments Pte Ltd
CapitaLand Retail Limited
CapitaLand Retail Management Pte Ltd
CapitaLand Retail Singapore Investments Pte Ltd
CapitaLand Retail Trustee Pte Ltd
CapitaMall Trust Management Limited
CapitaRetail China (Alpha) Investments Pte Ltd
CapitaRetail China Fund Management Pte Ltd
CapitaRetail China Investments Pte Ltd
CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd
CapitaRetail Beijing Jiulong Real Estate Co., Ltd
CapitaRetail Zhengzhou Real Estate Co., Ltd
Beijing Hualian Plaza (Henan) Co., Ltd
CapitaRetail China Trust Management Limited
CapitaRetail Japan Fund Management Pte Ltd
CapitaRetail Singapore Management Pte Ltd
Plaza Singapura (Private) Limited

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

Almona Investments Ltd
Amber Capital Properties
Amethyst Holdings Pte Ltd
BCH Office Investment Pte Ltd
Birchvest Investments Pte Ltd
Brimitty Pte Ltd
Canary Riverside Development Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Estate Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Holdings Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Hotel Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Investments Pte Ltd (Members' Voluntary Winding up)
Canary Riverside Properties Pte Ltd (Members' Voluntary Winding up)
Capital Tower Pte Ltd
CapitaLand (HK) Fund Management Ltd
CapitaLand (Japan) Kabushiki Kaisha
CapitaLand (Office) Investments Pte Ltd
CapitaLand China Trust Company Pte Ltd
CapitaLand Investments Pte Ltd
CapitaLand Market Street Pte Ltd
CapitaLand Property Consultants Pte Ltd
CapitaLand Raffles Properties Pte Ltd
CapitaLand Raffles Investment Pte Ltd
CapitaLand Selegie Private Limited
CapitaLand SMA Pte Ltd
CapitaLand-Raffles Properties Pte Ltd
CapitaRetail IH Investment Pte Ltd
Capitol Square Pte Ltd
China Club Investment Pte Ltd
China Square Holdings Pte Ltd
Corporation Place Ltd
Cuppage Centre Pte Ltd
D.L. Properties Ltd
DBS China Square Limited
Ecclick Properties Limited Singapore Branch
Efficient Properties Ltd
E-Pavilion Pte Ltd
Gold Trophy Properties Ltd
Goldbell Investments Ltd
Golden Square Pte Ltd
Grampton Investments Ltd
I.P. Property Fund Asia (S1) Ltd

**Current Directorships**

Premier Healthcare Services International Pte Ltd
Pyramex Investments Pte Ltd
Retail Crown Pte Ltd
Temasek Tower Limited
TMall Limited
Adelphi Property Pte Ltd
BCH Hotel Investment Pte Ltd
BCH Retail Investment Pte Ltd
Bugis City Holdings Pte Ltd
Eureka Office Fund Pte Ltd
George Street Pte Ltd
Hua Qing Holdings Pte Ltd
Orchard Turn Developments Pte Ltd
Orchard Turn Holding Pte Ltd
Orchard Turn Residential Development Pte Ltd
Orchard Turn Retail Investment Pte Ltd
CapitaLand Hualian Management & Consulting (Shenzhen) Co., Ltd
CapitaLand Retail Hong Kong Investments Two (BV) Limited
CapitaLand SZITIC Management & Consulting (Shenzhen) Co., Ltd
CapitaRetail (Shanghai) Management & Consulting Co., Ltd
CapitaRetail Beijing Anzhen Real Estate Co., Ltd
CapitaRetail Beijing Wangjing Real Estate Co., Ltd
CapitaRetail China Developments (B) Pte Ltd
CapitaRetail China Investments (B) Alpha Pte Ltd
CapitaRetail China Investments (B) Beta Pte Ltd
CapitaRetail China Investments (B) Gamma Pte Ltd
CapitaRetail China Investments (B) Pte Ltd
CapitaRetail Dragon Mall (Shanghai) Co., Ltd
CapitaRetail Qiaoxiang (Shenzhen) Co., Ltd
Chongqing Zhongshan Huihua Investment Co., Ltd
Dongguan City SZITIC Commercial Property Co., Ltd
Foshan City Nanhai SZITIC Commercial Property Co., Ltd

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

I.P. Property Fund Asia (S2) Ltd.
I.P. Real Estate Asset Management (Asia) Pte Ltd
I.P. Real Estate Asset Management (Guernsey) Ltd
Interactive Properties Ltd
Inverfin Sdn Bhd
KAIC Pte Ltd
KBC Pte Ltd
Madeley Properties Limited
Magnetite Pte Ltd
Malachite Land Pte Ltd
Operall Investments Ltd
Orthoclase Pte Ltd
Paradiz Investments Ltd
Phoenix Tower Limited.
Pidemco House Pte Ltd
Pidemco Investment Pte Ltd
Pidemco Property Management Services Pte Ltd
Pidemco-Raffles Properties Pte Ltd
Pidemco Tower Pte Ltd
PMCL Pte Ltd
Power-Tech Properties Ltd
Premier Health Corporation (M) Sdn Bhd
Premier Health Corporation International Pte Ltd
Proquest Investments Ltd
Regency Medical Centre (Sungai Petani) Sdn Bhd
Rochor Square Pte Ltd
Rothway Investments Ltd
Rutile Pte Ltd
Sanidine Properties Ltd
Savu Investments Ltd
Savu Properties Ltd
Singapore Pools (Private) Limited
SkyBoost Investments Ltd
Speedown Properties Ltd
Syntax Properties Ltd
Sun Millennium Asset Management Ltd
Tagore Properties Pte Ltd
Tanjong Pagar Heritage Pte Ltd
Tessarina Properties Limited
Thomson Plaza (Pte) Ltd
TRM Private Limited
Ubi Development Pte Ltd
Unibright Investments Ltd
Victoria City Pte Ltd
Wan Tien Realty (Pte) Ltd
Westbonds Investments Pte Ltd

**Current Directorships**

Foshan City SZITIC Commercial Property Co., Ltd
Huizhou City SZITIC Commercial Property Co., Ltd
Hunan SZITIC Commercial Property Development Co., Ltd
Kunshan SZITIC Commercial Property Co., Ltd
Maoming City SZITIC Commercial Property Co., Ltd
Mianyang SZITIC Commercial Property Co., Ltd
Nanchang SZITIC Commercial Property Co., Ltd
Quanzhou SZITIC Commercial Property Co., Ltd
Retail Crown (BVI) Limited
Retail RECM (BVI) Limited
Shanghai Hua Qing Real Estate Development Co., Ltd
SZITIC (Chengdu) Commercial Property Co., Ltd
The Link Management Limited
Weifang SZITIC Commercial Property Co., Ltd
Wuhu SZITIC Commercial Property Co., Ltd
Yangzhou SZITIC Commercial Property Co., Ltd
Yibin SZITIC Commercial Property Co., Ltd
Zhangzhou SZITIC Commercial Property Co., Ltd
Zhanjiang City SZITIC Commercial Property Co., Ltd
Zibo SZITIC Commercial Property Co., Ltd

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

**(9) MR LIM BENG CHEE**

**Current Directorships**

BCH Retail Investment Pte Ltd
CapitaLand Retail Hong Kong Investments Pte Limited
CapitaLand Retail China Pte Ltd
CapitaRetail China Investments Pte Ltd
CapitaRetail China (Alpha) Investments Pte Ltd

**Past Directorships** (for a period of five years preceding the Latest Practicable Date)

BHG (Singapore) Pte Ltd
CapitaRetail IH Investment Pte Ltd
Jubilee Realty Pte Ltd
CapitaLand Bahrain Bay Fund Management Pte Ltd
TRM Private Limited

| **Current Directorships** | **Past Directorships** (for a period of five years preceding the Latest Practicable Date) |
|---|---|
| CaptiaLand Retail India Investments Pte Ltd<br>CapitaLand Retail (SI) Investments Pte Ltd<br>CapitaLand Retail (BJ1) Holdings Pte Ltd<br>CapitaLand Retail Singapore Investments Pte Ltd<br>CapitaLand Retail India Pte Ltd<br>CapitaRetail Huhehaote Jinyu Real Estate Co., Ltd<br>CapitaRetail Beijing Jiulong Real Estate Co., Ltd<br>CapitaRetail Zhengzhou Real Estate Co., Ltd<br>Beijing Hualian Plaza (Henan) Co., Ltd<br>CapitaLand Retail Trustee Pte Ltd<br>CapitaRetail China Fund Management Pte Ltd<br>CapitaRetail China Trust Management Limited<br>CapitaRetail Beijing Anzhen Real Estate Co., Ltd<br>CapitaRetail Beijing Wangjing Real Estate Co., Ltd<br>CapitaRetail China Investments (B) Alpha Pte Ltd<br>CapitaRetail China Investments (B) Beta Pte Ltd<br>CapitaRetail China Investments (B) Gamma Pte Ltd<br>CapitaRetail Dragon Mall (Shanghai) Co., Ltd<br>CapitaRetail China Developments (B) Pte Ltd<br>CapitaRetail China Investments (B) Pte Ltd<br>CapitaLand Retail Hong Kong Investments Two (BV) Limited<br>CapitaRetail Qiaoxiang (Shenzhen) Co., Ltd<br>Chongqing Zhongshan Huihua Investment Co., Ltd<br>Dongguan City SZITIC Commercial Property Co., Ltd<br>Foshan City Nanhai SZITIC Commercial Property Co., Ltd<br>Foshan City SZITIC Commercial Property Co., Ltd<br>Huizhou City SZITIC Commercial Property Co., Ltd<br>Hunan SZITIC Commercial Property Development Co., Ltd<br>Kunshan SZITIC Commercial Property Co., Ltd | |

| **Current Directorships** | **Past Directorships** (for a period of five years preceding the Latest Practicable Date) |
| --- | --- |
| Maoming City SZITIC Commercial Property Co., Ltd<br>Mianyang SZITIC Commercial Property Co., Ltd<br>Nanchang SZITIC Commercial Property Co., Ltd<br>Orchard Turn Holding Pte Ltd<br>Orchard Turn Residential Development Pte Ltd<br>Orchard Turn Retail Investment Pte Ltd<br>Quanzhou SZITIC Commercial Property Co., Ltd<br>SZITIC (Chengdu) Commercial Property Co., Ltd<br>Weifang SZITIC Commercial Property Co., Ltd<br>Wuhu SZITIC Commercial Property Co., Ltd<br>Yangzhou SZITIC Commercial Property Co., Ltd<br>Yibin SZITIC Commercial Property Co., Ltd<br>Zhangzhou SZITIC Commercial Property Co., Ltd<br>Zhanjiang City SZITIC Commercial Property Co., Ltd<br>Zibo SZITIC Commercial Property Co., Ltd | |

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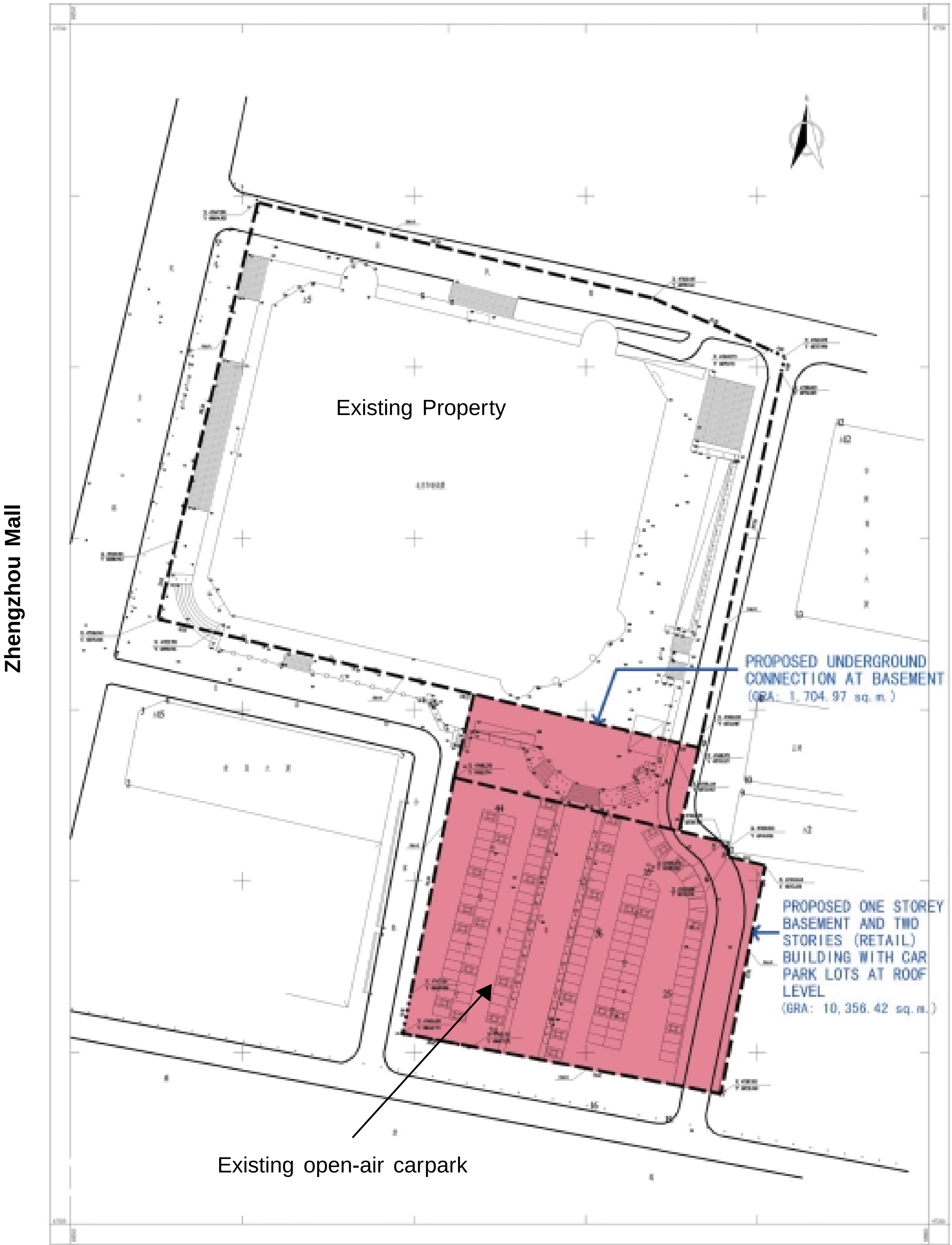
# PROPOSED LAYOUT PLANS FOR ASSET ENHANCEMENT

The proposed layout and proposed new rentable areas shown in each of the following proposed layout plans for asset enhancements, are indicative proposals by the Manager, and are subject to change by the Manager and subject to approval by the relevant authorities.

## Jiulong Mall



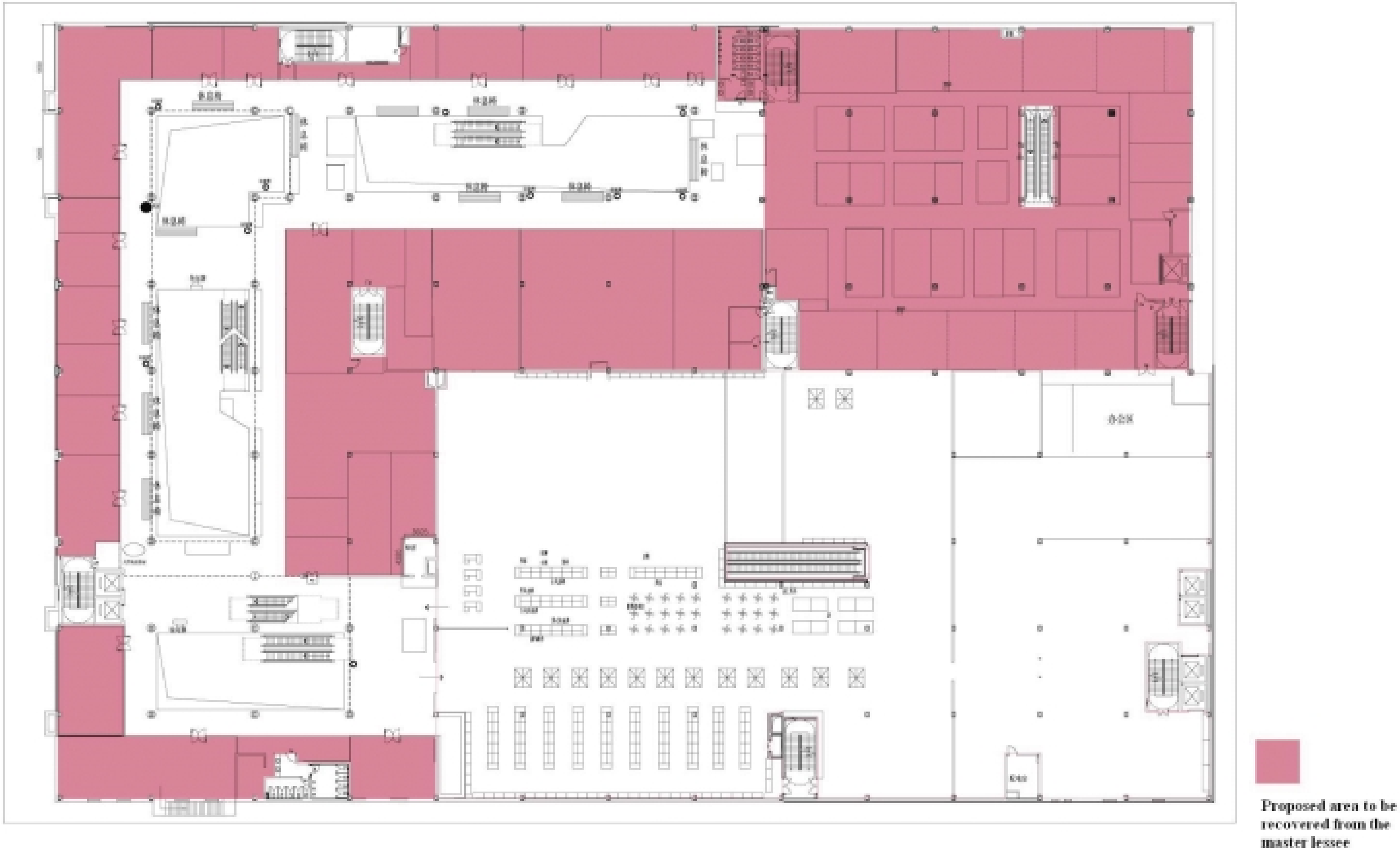
Zhengzhou Mall
Existing Property
PROPOSED UNDERGROUND CONNECTION AT BASEMENT
(GRA: 1,704.97 sq.m.)
PROPOSED ONE STOREY BASEMENT AND TWO STORIES (RETAIL) BUILDING WITH CAR PARK LOTS AT ROOF LEVEL
(GRA: 10,356.42 sq.m.)
Existing open-air carpark

## Jinyu Mall (Level 1)


Proposed area to be recovered from the master lessee

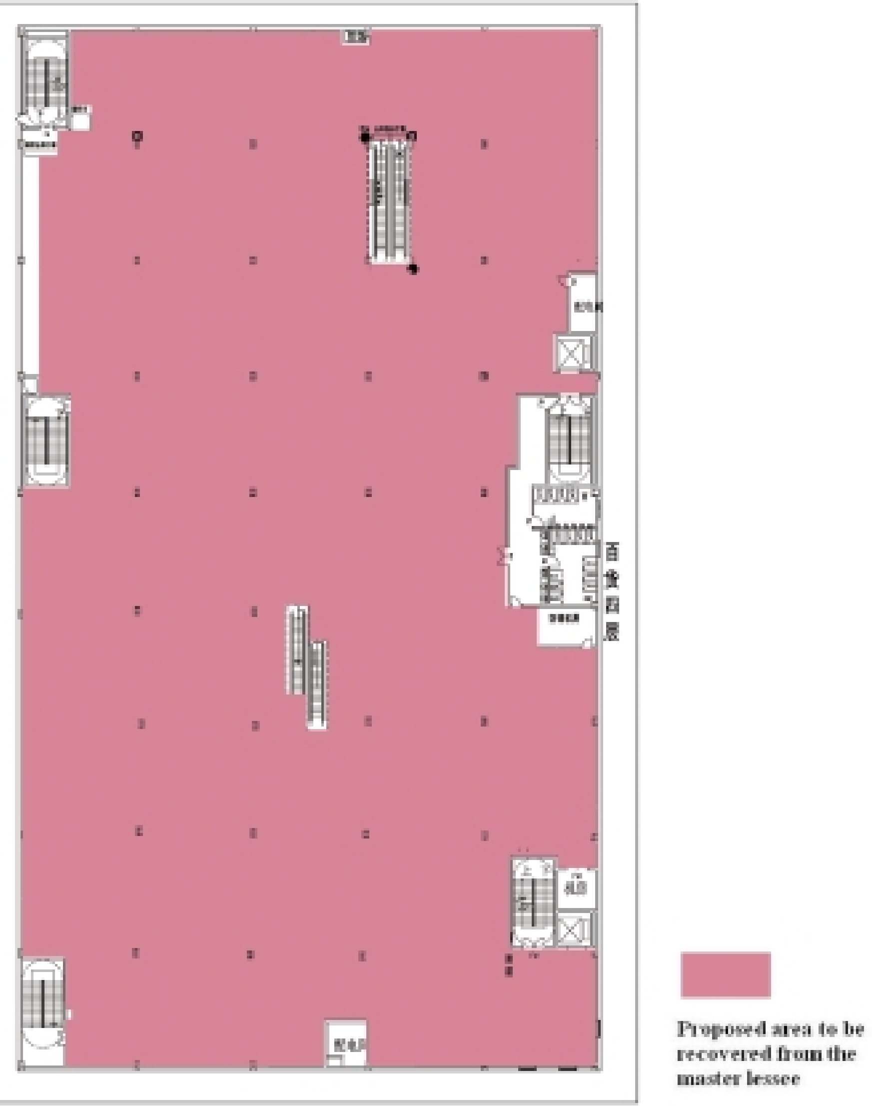
Total potential GFA recoverable for Level 1 to 5 is approximately 32,000sqm

# Jinyu Mall (Level 2)

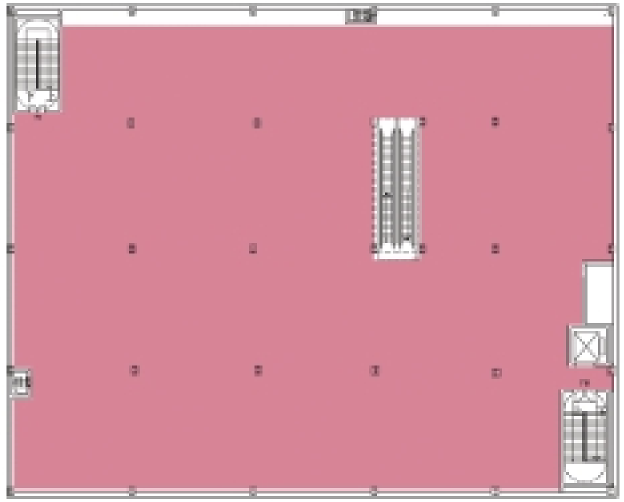


## Jinyu Mall (Level 3)

# Jinyu Mall (Level 4)



## Jinyu Mall (Level 5)



Proposed area to be recovered from the master lessee

**MANAGER OF CAPITARETAIL CHINA TRUST**

**CapitaRetail China Trust Management Limited**
39 Robinson Road
#18-01 Robinson Point
Singapore 068911

**THE SPONSOR**

**CapitaLand Limited**
168 Robinson Road
#30-01 Capital Tower
Singapore 068912

**FINANCIAL ADVISER TO THE VENDOR AND THE MANAGER**

**CapitaLand Financial Services Limited**
39 Robinson Road
#18-01 Robinson Point
Singapore 068911

**FINANCIAL ADVISER TO THE OFFERING**

**J.P. Morgan (S.E.A.) Limited**
168 Robinson Road
17th Floor, Capital Tower
Singapore 068912

**INTERNATIONAL UNDERWRITERS AND BOOKRUNNERS**

**J.P. Morgan (S.E.A.) Limited**
168 Robinson Road
17th Floor, Capital Tower
Singapore 068912

**UBS AG, acting through its business group, UBS Investment Bank**
5 Temasek Boulevard
#18-00 Suntec Tower Five
Singapore 038985

**China International Capital Corporation Limited**
28th Floor, China World Tower Two,
No. 1, Jianguomenwai Avenue,
Beijing, 100004, China

**SINGAPORE UNDERWRITERS**

**J.P. Morgan (S.E.A.) Limited**
168 Robinson Road
17th Floor, Capital Tower
Singapore 068912

**UBS AG, acting through its business group, UBS Investment Bank**
5 Temasek Boulevard
#18-00 Suntec Tower Five
Singapore 038985

**CO-ORDINATOR FOR THE SINGAPORE PUBLIC OFFER AND SUB-UNDERWRITER**

**DBS Bank Ltd**
6 Shenton Way
DBS Building Tower One
Singapore 068809

**UNIT REGISTRAR AND UNIT TRANSFER OFFICE**

**Lim Associates (Pte) Ltd**
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

**TRUSTEE**

**HSBC Institutional Trust Services (Singapore) Limited**
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

## LEGAL ADVISERS

**Legal Adviser to the Offering, the Sponsor, the Vendor and the Manager**

**Allen & Gledhill**
One Marina Boulevard #28-00
Singapore 018989

**Legal Adviser to the Sponsor and the Manager**

**Paul, Hastings, Janofsky & Walker**
21-22/F
Bank of China Tower
1 Garden Road
Hong Kong

**Legal Adviser to the Manager as to China Law**

**Commerce & Finance Law Offices**
6F NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022
China

**Legal Adviser to the Underwriters as to Singapore Law**

**WongPartnership**
One George Street
#20-01
Singapore 049145

**Legal Adviser to the Underwriters as to China Law**

**King & Wood**
40th Floor Office Tower A
Beijing Fortune Plaza
7 Dongsanhuan Zhonglu, Chaoyang District
Beijing 100020, China

**Legal Adviser to the Trustee**

**Shook Lin & Bok**
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

## INDEPENDENT REPORTING ACCOUNTANTS

**KPMG**
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

## INDEPENDENT TAX ADVISER

**Ernst & Young**
10 Hoe Chiang Road
#18-00 Keppel Towers
Singapore 089315

## INDEPENDENT VALUERS

**Independent Valuer to the Trustee**

**Knight Frank Petty Limited**
4/F Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

**Independent Valuer to the Manager**

**CB Richard Ellis (Pte) Ltd**
6 Battery Road #32-01
Singapore 049909

## INDEPENDENT CHINA RETAIL PROPERTY CONSULTANT

**Urbis JHD Pty Ltd**
Level 12
120 Collins Street
Melbourne Vic 3000 Australia

CapitaRetail China Trust

Managed by: CapitaRetail China Trust Management Limited
39 Robinson Road #18-01 Robinson Point Singapore 068911
Tel: 65 6536 1188 Fax: 65 6536 3884