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north asia commercial

For Immediate Release: 1Q FY20/21 Business Update

Newly-acquired Japan Properties Buffered Decline in 1Q FY20/21 Net Property Income

27 July 2020 – Mapletree North Asia Commercial Trust Management Ltd. ("**MNACTM**" or the "**Manager**"), the Manager of Mapletree North Asia Commercial Trust ("**MNACT**"), announced today key financial information and operational updates for the quarter from 1 April 2020 to 30 June 2020 ("**1Q FY20/21**").

Overview

COVID-19 continued to impact the financial and operational performance of MNACT in this quarter, particularly in Hong Kong SAR. The retail environment in Hong Kong SAR remained challenging, affected by restrictive measures necessitated to contain the course of COVID-19 and by the consequential impact on the economy. To support and sustain the long-standing relationships with our tenants, the Manager extended S$18.1 million of rental reliefs in 1Q FY20/21, mainly to the retail tenants at Festival Walk.

The weaker economic outlook arising from the continuing US-China geopolitical tensions and COVID-19 has also affected the demand for commercial office spaces in Beijing and Shanghai, while the Greater Tokyo market was partly affected by COVID-19 restrictive measures and the work-from-home arrangements, with reduced inspection of office units by potential tenants during the quarter. Consequently, there was a slower leasing momentum.

The full-quarter contributions from mBAY POINT Makuhari ("**MBP**") and Omori Prime Building ("**Omori**"), which were acquired in February 2020, buffered the decline in 1Q FY20/21 net property income ("**NPI**") and further diversified MNACT's income stream.

Ms. Cindy Chow, Chief Executive Officer of the Manager, said, "Some of the COVID-19 social distancing measures in Hong Kong SAR had eased in early May 2020 and we saw some improvement to the footfall at Festival Walk's mall. However, a recent resurgence of infections in the city saw the authorities tightening social distancing measures in July 2020, with the latest round of measures effective from 29 July 2020 for at least one week. The uncertain COVID-19 situation and the US-China geopolitical tensions continue to unsettle the retail market. We have further extended rental reliefs to our retail tenants through to 2Q FY20/21, and are prepared to continue to support them should the situation persist or worsen."

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"The headwinds from a slowing economy, geopolitical tensions and COVID-19 continue to exert pressure on the performance of our office property, Gateway Plaza, in Beijing. However, Sandhill Plaza, a decentralised business park property, has remained relatively more stable, maintaining high occupancy rate and positive average rental reversion during the quarter."

"We are pleased that the Japan Properties have demonstrated resilience amid the volatility in the market, achieving higher occupancy levels and positive rental reversion in 1Q FY20/21, compared to the last quarter. Notably for MBP and IXINAL Monzen-nakacho Building ("**MON**"), their occupancy rates have improved from about 87% and 81% as of 31 March 2020, to about 94% and 92% as of 30 June 2020 respectively. Going forward, to strengthen the resilience of our properties, we will continue to focus our leasing strategies on stabilising occupancy rates, and to drive operational efficiency through reducing operating expenses and non-essential capital expenditure."

"Notwithstanding a difficult operating environment, we have maintained financial flexibility and healthy liquidity amounting to S$674.1 million as of 30 June 2020 comprising committed and uncommitted undrawn bank facilities, together with cash balances."

Financial Highlights

	1Q FY20/21	1Q FY19/20	Variance %
Gross Revenue[1] (S$'000)	93,696	104,891	(10.7)
NPI (S$'000)	68,494	85,046	(19.5)

Gross revenue for 1Q FY20/21 decreased by 10.7% to S$93.7 million, compared to 1Q FY19/20, while NPI declined by 19.5% to S$68.5 million. The decline was mainly attributed to rental reliefs granted to tenants and a lower average retail rental rate at Festival Walk as a result of the COVID-19 situation since early 2020, and a lower average occupancy at Gateway Plaza. This was partially offset by a higher average exchange rate of HKD, RMB and JPY against SGD in FY20/21 and the full-quarter's contribution from MBP and Omori following the completion of their acquisitions on 28 February 2020.

Finance costs in 1Q FY20/21 increased by S$1.2 million compared to 1Q FY19/20 mainly due to borrowings to partially fund the acquisitions of MBP and Omori, offset by lower net interest costs arising from lower interest rates on floating debts in FY20/21 and interest savings from the refinancing of borrowings completed in FY19/20.

[1] Revenue is presented net of value added tax applicable to Gateway Plaza and Sandhill Plaza in China. Revenue is presented net of consumption tax applicable to the Japan Properties. Japan Properties includes the two office properties (MBP and Omori) located in Greater Tokyo, Japan which were acquired on 28 February 2020.

Operational Update

Portfolio Update by Asset	Festival Walk	Gateway Plaza	Sandhill Plaza	Japan Properties[a]
Average rental reversion[b] for leases that expired (and were renewed or re-let) by 30 June 2020	Retail: -10% Office: n.a.[c]	- 5%	7%	8%
Committed occupancy level as of 30 June 2020	***Portfolio level: 96.4%***			
	99.3%[d]	91.4%	96.3%	97.7%[e]
Percentage of leases (by lettable area) with expiries in FY20/21 that were renewed or re-let as of 30 June 2020	***Portfolio level: 43%***			
	57%	45%	52%	25%

[a] The operational performance of the Japan Properties is reported on a portfolio basis and includes MBP and Omori.
[b] Average rental reversion is calculated based on the change in the effective rental rates of the new leases compared to the previous leases. It takes into account rent-free periods and step-up rental rates over the lease term (if any). It excludes rental rates for short-term leases that are less than or equal to 12 months as these are usually at a rental premium, and therefore not reflective of prevailing market rents. However, in view of the COVID-19 situation, there has been a slight increase in the number of short term renewals with rental rates that trend lower. Taking into account these leases, the average rental reversion for Festival Walk for leases that were renewed or re-let in 1Q FY20/21 would have been lower at -15%.
[c] There are no office leases expiring in FY20/21 at Festival Walk.
[d] Two leases pre-terminated during 1Q FY20/21, after their parent groups closed all outlets in Hong Kong SAR.
[e] All Japan Properties except MON and MBP registered full occupancy as of 30 June 2020. The occupancy rates of MON and MBP were 91.7% and 94.1% respectively.

Festival Walk

Gross revenue and NPI for 1Q FY20/21 decreased by 33.0% and 39.9% respectively as compared with 1Q FY19/20 as a result of rental reliefs granted and a lower average retail rental rate, partially mitigated by a higher average rate of HKD against SGD. Tenants' sales and shopper traffic registered a decrease of 38.6% and 44.9% respectively from 1 April 2020 to 30 June 2020 over the same quarter last year, impacted by the weak retail sentiments and the COVID-19 situation.

To stimulate sales and support tenants, the Manager organised a number of marketing and promotional events during 1Q FY20/21, including a partnership with Deliveroo which helped boost the delivery sales of the F&B tenants at Festival Walk. More initiatives, including an enhanced mobile app featuring a loyalty programme, have been lined up to improve the retail experience and convenience of shopping at Festival Walk.

Office Properties in Beijing, Shanghai and Greater Tokyo

In the Beijing office market[1], many companies focused on cutting costs amid the sluggish economic conditions, resulting in weak leasing demand. Landlords continued to adjust leasing strategies and lowered their expectations toward rentals. For Gateway Plaza, gross revenue and NPI for 1Q FY20/21 were 9.8% and 9.7% lower respectively as compared to 1Q FY19/20 mainly due to a lower average occupancy rate and a lower average rental rate, partially mitigated by a higher average rate of RMB against SGD.

[1] Savills, Asian Cities Report – 1H 2020 (Beijing Office).

The business park market in Shanghai remained more affordable compared to the centralised office areas. The business park office spaces saw steady demand[1] during the quarter, upon the resumption of leasing activities after the easing of social distancing measures (including work-from-home arrangements). On account of a higher average rental rate and a higher average rate of RMB against SGD, partially offset by a lower average occupancy rate, Sandhill Plaza registered a slight increase in gross revenue and NPI of 1.0% and 1.2% respectively in 1Q FY20/21 compared to that in 1Q FY19/20.

The acquisitions of MBP and Omori, completed in February 2020, further diversified MNACT's portfolio and contributed to the 96.9% and 61.8% increase in gross revenue and NPI for the Japan Properties in 1Q FY20/21 compared to 1Q FY19/20.

Capital Management

The Manager continues to adopt a prudent capital management strategy. MNACT's liquidity position remains healthy as of 30 June 2020, with both committed and uncommitted credit facilities of S$418.5 million, after taking into account two facility agreements[2] entered into during 1Q FY20/21.

As of 30 June 2020, the Group's total gross debt outstanding increased marginally to S$3,397 million from S$3,383 million a quarter ago, bringing MNACT's aggregate leverage ratio to 39.6% as of 30 June 2020 (from 39.3% as of 31 March 2020). The average term to maturity for debt stood at 3.05 years as of 30 June 2020 (31 March 2020: 3.35 years).

The interest cover ratio for 1Q FY20/21[3] improved to 3.6 times[4], compared to 2.7 times for 4Q FY19/20. The annualised effective interest rate for 1Q FY20/21 was lower at 2.17% per annum (4Q FY19/20: 2.33% p.a.) mainly due to lower interest rates from the refinancing of borrowings, lower benchmark rates and lower costs of borrowings to partially fund the acquisitions of MBP and Omori. To mitigate the impact of interest rate and foreign exchange volatilities on distribution, approximately 76% of MNACT's interest cost has been hedged into fixed rates and about 61% of MNACT's expected distributable income FY20/21 has been hedged into SGD as of 30 June 2020.

Distribution to Unitholders

As announced on 29 April 2020, the Manager has adopted half-yearly announcement of financial statements and has amended MNACT's distribution policy to make distributions on a half-yearly basis with effect from the start of FY20/21. The next financial results announcement and distribution will be for the six-month period ending 30 September 2020.

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[1] Colliers, Shanghai Business Parks (July 2020).

[2] Please refer to MNACT's SGX-ST announcements dated 29 May 2020 and 26 June 2020 titled "Disclosure Pursuant to Rule 704(31) of the Listing Manual of the SGX-ST".

[3] Excluding the insurance proceeds, interest cover ratio for 1Q FY20/21 would have been lower at 3.2 times.

[4] On a trailing 12-month basis, the interest cover ratio as of 30 June 2020 was 3.2 times. Excluding the insurance proceeds, interest cover ratio as of 30 June 2020, on a trailing 12-month basis, would have been lower at 3.1 times.

Outlook

According to the International Monetary Fund's latest update[1], global economic growth is projected to shrink by 4.9% in 2020 compared to 2019, due to the sharp decline in trade, consumption and business activities triggered by the wider and deeper impact of COVID-19.

For Hong Kong SAR[2,3], the retail environment remains difficult amid the evolving COVID-19 situation, weak labour market conditions and the ongoing travel restrictions. Retail sales narrowed from a year-on-year decline of 36.1% in April 2020 to a year-on-year decline of 32.8% in May 2020. However, a recent resurgence of infections in the city saw the authorities tightening social distancing measures in July 2020, with the latest round of measures effective from 29 July 2020 for at least one week. This is expected to impact retail sentiments. A rise in vacancy in the shopping centres is expected as retailers continue to face challenges, forcing them to rationalise retail store networks.

For Festival Walk, as our retail tenants continue to navigate through the weak and volatile retail environment, the average renewal or re-let rental rate is expected to be lower going forward, compared to FY19/20. We will consider the need for continuing with rental relief measures as the impact of the COVID-19 continues to evolve.

With its strategic location atop the Kowloon Tong MTR station, its diverse trade mix of more than 200 shops and a wide range of amenities, and frequent patronage by local consumers within the residential catchment of Kowloon Tong, Festival Walk is a lifestyle destination for families, both young and old. We will continue to implement targeted promotions to drive shopper traffic to the mall, fine-tune trade mix, and leverage on technology to enhance overall shopping experience.

On the insurance claims for the loss of retail and office revenues during Festival Walk's closure[4] as well as the property damage sustained[5], to date the Manager has received without prejudice interim payments of HK$145 million (approximately S$26 million) as partial payments on account of the estimated claims.

The assessment of the full quantum of revenue loss and property damage recoverable from insurance claims remains underway. We continue to work closely with the insurers to pursue the insurance claims and will provide further updates when available. Insurance proceeds received for property damage is capital in nature and are not distributable, whilst any insurance proceeds for the revenue loss from

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1 International Monetary Fund, World Economic Outlook Update (June 2020).
2 Hong Kong Census and Statistics Department's "Report on Monthly Survey of Retail Sales" (May 2020).
3 Savills, Hong Kong SAR Leasing (July 2020).
4 Please refer to MNACT's SGX-ST Announcement dated 4 December 2019 titled "Update on Festival Walk and Impact on MNACT".
5 The ongoing repair works at Festival Walk, including the repairs of the escalators and lifts, and installation of the permanent balustrades, are expected to be progressively completed by end FY20/21.

business interruption which are in excess of the distribution top-ups of S$32.9 million paid to Unitholders in 3Q FY19/20 and 4Q FY19/20, will be distributed to Unitholders.

For the Beijing office market[1], given the softening macroeconomic environment caused by geopolitical tensions, COVID-19 and increasingly competitive leasing strategies from office landlords in the market, vacancy rates are expected to continue to rise while rents will trend downward for the foreseeable future. Stablising occupancy levels will remain our key priority at Gateway Plaza.

For business parks in Shanghai[2], although the current market sentiment has become more subdued, leasing demand in business parks is expected to remain resilient given the search for more cost-effective premises, improved connectivity, and the government's push to develop advanced manufacturing, technology and R&D sectors. Sandhill Plaza has maintained a stable performance and is expected to remain resilient, underpinned by its high-quality specifications and rental affordability compared to the centralised office districts.

With upcoming new supply and uncertainties brought about by the COVID-19 situation, vacancy rates in the Tokyo office[3] market are likely to pick up going forward. The Manager will focus on tenant retention to maintain a high level of occupancy and stability for the Japan Properties.

For Gateway Plaza and the Japan Properties, rental concessions have been offered to certain tenants impacted by the ongoing COVID-19. The total amount involved was not significant. The Manager will continue to monitor market developments and will consider appropriate relief on a selective basis, where required.

With the emergence of COVID-19, working from home may be considered by office users in their future office space planning. However, physical offices and dedicated workspaces are expected to continue to be a necessity for the majority of businesses. Our office properties remain well-supported by a diverse tenant mix of multinational corporates and local companies and are strategically located in established office hubs. We remain focused on proactive asset management to adapt to the changing market demands and preferences and to sustain the value of our office properties.

In view of the heightened uncertainties from COVID-19 and market volatilities, MNACT's performance in FY20/21 is expected to be lower than that in FY19/20. We will continue to explore accretive acquisitions in the North Asia market to grow and diversify MNACT's portfolio.

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1 Savills, Asian Cities Report – 1H 2020 (Beijing Office).
2 MNACT Annual Report FY19/20, Independent Market Research Report by Savills (Hong Kong) Limited.
3 Savills, Tokyo Office Supply (June 2020).

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About Mapletree North Asia Commercial Trust

Listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 7 March 2013, Mapletree North Asia Commercial Trust ("MNACT") is the first real estate investment trust ("REIT") that offers investors the opportunity to invest in best-in-class commercial properties situated in prime locations in China, in Hong Kong SAR and in Japan.

MNACT consists of 11 properties in China, in Hong Kong SAR and in Japan:

- Beijing, China: Gateway Plaza, a premier Grade-A office building with a podium area;
- Hong Kong SAR: Festival Walk, a landmark territorial retail mall with an office component;
- Shanghai, China: Sandhill Plaza, a premium quality business park development situated in Zhangjiang Hi-tech Park, Pudong; and
- Japan: three office buildings in Tokyo (IXINAL Monzen-nakacho Building, Higashi-nihonbashi 1-chome Building, and TS Ikebukuro Building); an office building in Yokohama (ABAS Shin-Yokohama Building); two office buildings in Chiba (SII Makuhari Building and Fujitsu Makuhari Building) (these six were acquired on 25 May 2018). Another two office buildings, mBAY POINT Makuhari located in Chiba and Omori Prime Building located in Tokyo, were acquired on 28 February 2020 (collectively the "Japan Properties").

The 11 properties cover a lettable area of approximately 5.2 million square feet, with a total book value of S$8.3 billion as of 30 June 2020.

MNACT is managed by Mapletree North Asia Commercial Trust Management Ltd., a wholly owned subsidiary of Mapletree Investments Pte Ltd. For more information, please visit www.mapletreenorthasiacommercialtrust.com.

IMPORTANT NOTICE

The value of units in MNACT ("**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of MNACT may only deal in their Units through trading on SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units. The past performance of MNACT is not necessarily indicative of the future performance of MNACT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.

The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Any public offering of securities to be made in the United States would be made by means of a prospectus that may be obtained from an issuer and would contain detailed information about such issuer and the management, as well as financial statements. There will be no public offering of the securities referred to herein in the United States.