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greater china commercial

*For Immediate Release*

# MGCCT Delivers Steady Performance for YTD FY16/17

- Available YTD FY16/17 DPU was 5.378 cents, compared to 5.342 cents for YTD FY15/16
- 94% of FY16/17 expired/expiring leases[1] at the portfolio level have been renewed or re-let

***26 January 2017*** – Mapletree Greater China Commercial Trust Management Ltd. ("MGCCTM" or the "Manager"), the Manager of Mapletree Greater China Commercial Trust ("MGCCT"), announced today an Available Distribution per Unit ("DPU") of 5.378 cents for the period from 1 April 2016 to 31 December 2016 ("YTD FY16/17"), slightly higher than the corresponding period in FY15/16.

The Available DPU for the quarter from 1 October 2016 to 31 December 2016 ("3Q FY16/17") was 1.778 cents, a decline of 4.1% over the DPU of 1.854 cents for the same quarter last year.

Ms. Cindy Chow, Chief Executive Officer of the Manager, said, "MGCCT continued to deliver steady returns for YTD FY16/17 despite the challenging business environment. While overall performance was affected by the implementation of Value Added Tax (VAT) and incremental property tax payable for Gateway Plaza, the portfolio remained resilient with increased contributions from Festival Walk and Sandhill Plaza.

MGCCT's portfolio occupancy rate improved from 95.7% a quarter ago to 98.6% as of 31 December 2016. About 6% of portfolio leases by gross rental income expiring by March 2017 are pending renewal or re-letting. The Manager will continue with our proactive asset management strategy to enhance and/or unlock the value of our properties.

As part of our continued efforts to proactively manage MGCCT's refinancing risk with staggered debt maturities, we have completed refinancing of MGCCT's total borrowings due in March 2017 ahead of maturity and also refinanced a substantial portion of the debt due in March 2018. As compared to 30 September 2016, we have extended the average term to maturity for debt from 3.10 years to 3.93 years, and reduced the average all-in cost of debt from 2.89% to 2.78% as of 31 December 2016. About 85% of borrowings are on fixed rates which limit the impact of increases in interest rates on DPU. MGCCT's exposure to HKD and RMB volatility has also been mitigated, with about 87% of the expected distributable income to Unitholders for the full financial year of FY16/17 hedged into SGD."

[1] By lettable area



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## Summary of MGCCT's Results

| | YTD FY16/17 | YTD FY15/16 | Variance % | 3Q FY16/17 | 3Q FY15/16 | Variance % |
|---|---|---|---|---|---|---|
| Gross Revenue (S$'000) | 255,852 | 248,804 | 2.8 | 87,833 | 88,234 | (0.5) |
| Net Property Income ("NPI") (S$'000) | 208,100 | 204,450 | 1.8 | 71,402 | 72,512 | (1.5) |
| Distributable Income (S$'000) | 149,874 | 146,846 | 2.1 | 49,547 | 50,967 | (2.8) |
| Available Distribution per Unit (cents)[1] | 5.378 | 5.342 | 0.7 | 1.778 | 1.854 | (4.1) |
| Annualised Distribution Yield[2] | 7.5% | 7.7% | | 7.4% | 8.0% | |
| Closing Unit Price | S$0.950 | S$0.915 | | S$0.950 | S$0.915 | |

## Portfolio Update

Festival Walk maintained consistent performance for YTD FY16/17 compared to the same period last year, registering an increase of 4.7% and 6.4% for Gross Revenue and NPI respectively. Though sales and footfall in YTD FY16/17 declined by 10.0% and 3.2% respectively due to prevailing weak retail sentiment, the mall remained fully occupied and recorded rental reversion averaging 14% for retail leases that expired by 31 December 2016. About 96% of the retail leases with expiries in FY16/17 have been renewed or re-let as of 31 December 2016. New tenants in the quarter include Smiggle, NARS and ghd (pop-up store). The mall's food & beverage offering was further enhanced with the addition of two pop-up stores (LeTAO and Venchi) and Tai Hing at the FoodFest food court.

Occupancy rate at Gateway Plaza improved from 90.5% last quarter to 96.9% as of 31 December 2016. About 88% of the leases with expiries in FY16/17 have been renewed or re-let at an average rental reversion of 10%. However, the depreciation of RMB against SGD, the implementation of VAT effective May 2016 and the change in property tax basis effective July 2016, resulted in a 18.9% year-on-year decline in NPI for YTD FY16/17.

Sandhill Plaza continued to contribute positive growth for the portfolio with Gross Revenue of S$17.9 million and NPI of S$16.7 million in YTD FY16/17, as compared to Gross Revenue of S$12.2 million and NPI of S$11.4 million in YTD FY15/16 (Sandhill Plaza was acquired on 17 June 2015). The property achieved 100% occupancy as of 31 December 2016. All leases with expiries in FY16/17 have been renewed or re-let at rental reversion averaging 16%.

1 Available DPU for the financial period is calculated based on the income available for distribution for the period over the number of issued units as at the end of the period

2 Percentage of annualised DPU over unit price at the end of the respective period

## Awards & Accolades at Festival Walk

The mall received another five industry accolades in the quarter:

- Three awards from Metro Finance Radio (Experiential Marketing Brilliance Awards): 'Top Ten Experiential Marketing Brilliance Award', 'Brilliance in Collaboration Related' Event for the 'BATMAN v SUPERMAN: Dawn of Justice' event and 'Brilliance in Integrated, Digital Media Experience' for the 'Secret Code Gift Surprises' promotion;
- Two awards from Marketing Magazine (Marketing Excellence Awards): 'Excellence in Mass Event (Silver)' for the 'BATMAN v SUPERMAN: Dawn of Justice' event and 'Excellence in Gaming (Bronze)' for the 'Secret Code Gift Surprises' promotion.

## Capital Management

As a result of the proactive refinancing efforts, MGCCT's debt maturity profile remains well-staggered, with no refinancing requirements in 2017 and total debt due in March 2018 reduced to HK$910 million (7% of total borrowings outstanding). The average debt maturity was extended from 3.10 years (as of 30 September 2016) to 3.93 years (as of 31 December 2016) while the average all-in cost of debt in 3Q FY16/17 was reduced to 2.78% (from 2.89% in 2Q FY16/17). Interest coverage ratio remained healthy at 3.6 times and the fixed to floating debt ratio stood at about 85%.

MGCCT's exposure to the HKD and RMB volatility is mitigated, with about 87% of the expected distributable income for FY16/17 hedged into SGD.

On 21 November 2016, Moody's Investors Service reaffirmed MGCCT's 'Baa1' issuer rating, attesting to the trust's stable operating performance and proactive approach to capital management.

## Outlook

In the third quarter of 2016, China's gross domestic product[1] (GDP) growth was maintained at 6.7%, while Hong Kong's GDP[2] increased by 1.9%, year-on-year. Global economic growth[2] is expected to remain modest in the near term.

For the first eleven months of 2016, total retail sales[3] in Hong Kong declined by 8.6% in value over the same period last year. Challenges in the retail sector[4] remained significant with the strong Hong Kong Dollar, slowing Chinese tourists' arrivals and changes in tourist consumer behaviour. The spending power of the local shoppers[4] should remain firm given a healthy employment market and steady wage growth in Hong Kong.

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[1] China's National Bureau of Statistics
[2] The Government of the Hong Kong Special Administrative Region, "*Third Quarter Economic Report 2016*", 11 November 2016
[3] Hong Kong Census and Statistics Department's "*Report on Monthly Survey of Retail Sales*" (November 2016)
[4] Colliers International, Hong Kong Retail (3Q 2016)

The near-term outlook[1] for Hong Kong's retail sales will depend on inbound tourism as well as local consumer sentiments, amid external uncertainties. Despite the weaker retail environment, Festival Walk's gross revenue is expected to remain stable. The rental reversion rate for the remaining leases expiring in FY16/17 is expected to grow at a moderate pace.

At Gateway Plaza, with slowing demand, especially from multinational corporations in view of the weaker business sentiments, the average rental reversion of remaining leases expiring in FY16/17 is expected to grow modestly, with downward pressure on occupancy rate.

Sandhill Plaza is expected to benefit from healthy rental reversions for the remaining leases expiring in FY16/17 due to the continued trend towards decentralisation, where tenants benefit from significant cost savings, favourable tax incentives and improved accessibility.

Looking ahead, MGCCT's performance at Gateway Plaza remains affected by additional property tax arising from the change in property tax basis and implementation of VAT by the local authorities.

Business and consumer sentiments will continue to be weighed down by the weak global growth environment. Uncertainty and volatility in the financial markets will likely persist.

The Manager will stay focused on proactive asset management to enhance and/or unlock the value of our properties, pursue accretive acquisitions as well as actively monitor and manage interest rate and foreign exchange exposure to deliver long term, sustainable returns to Unitholders.

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**About Mapletree Greater China Commercial Trust**

MGCCT is a Singapore real estate investment trust ("REIT") established with the investment strategy of principally investing, directly or indirectly, in a diversified portfolio of income-producing real estate in the Greater China region, which is used primarily for commercial purposes (including real estate used predominantly for retail and/or offices), as well as real estate-related assets. MGCCT is the first commercial REIT with properties in both China and Hong Kong, and its portfolio comprises Festival Walk, a premier retail and office building in Hong Kong, Gateway Plaza, a premier Grade-A office development with a podium area in Beijing, and Sandhill Plaza, a premium quality business park property in Shanghai. The three properties cover a lettable area of approximately 2.6 million square feet, with a total book value of S$6,028.4 million as of 31 December 2016. MGCCT's investment mandate includes markets in Hong Kong, first tier cities in China (Beijing, Shanghai, Guangzhou and Shenzhen) and key second tier cities in China (Chengdu, Chongqing, Foshan, Hangzhou,

[1] Hong Kong Census and Statistics Department's "*Provisional Statistics of Retail Sales for October 2016*" Press Release

Nanjing, Suzhou, Tianjin, Wuhan and Xi'an). MGCCT is managed by Mapletree Greater China Commercial Trust Management Ltd., a wholly owned subsidiary of Mapletree Investments Pte Ltd.

For more information, please visit www.mapletreegreaterchinacommercialtrust.com.

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