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north asia commercial

For Immediate Release

A) MNACT's 1H FY20/21 DPU declined 26.0% compared to 1H FY19/20

- **Largely due to rental reliefs granted to support tenants**

B) Portfolio value declined by 4.8% based on valuations by independent valuers

C) Portfolio occupancy as of 30 September 2020 remained above 96%

29 October 2020 – Mapletree North Asia Commercial Trust Management Ltd. ("**MNACTM**" or the "**Manager**"), the Manager of Mapletree North Asia Commercial Trust ("**MNACT**"), announced today MNACT's financial results for the first six months from 1 April 2020 to 30 September 2020 ("**1H FY20/21**").

Financial Highlights	**1H FY20/21**	**1H FY19/20**	**Variance %**
Gross Revenue[1] (S$'000)	190,099	210,394	(9.6)
Net Property Income ("**NPI**") (S$'000)	139,740	169,794	(17.7)
Distributable Income (S$'000)	96,832	123,788	(21.8)
DPU[2] (cents)	2.876	3.887	(26.0)
Annualised Distribution Yield[3]	6.1%	5.9%	4.6
Closing Unit Price for period	S$0.935	S$1.320	(29.2)

For the half-year from 1 April 2020 to 30 September 2020 ("**1H FY20/21**"), gross revenue and NPI declined 9.6% and 17.7% compared to the same period last year ("**1H FY19/20**"). This was mainly due to rental reliefs granted to tenants at Festival Walk of S$34.9 million as a result of the COVID-19 impact as well as lower average rental rates at Festival Walk and Gateway Plaza. The decline in revenue and NPI was partially offset by the half-year contribution from the acquisitions of MBP and Omori on 28 February 2020 and higher average rates of HKD, JPY and RMB against SGD.

[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.

[2] a) MNACT has amended its distribution policy to make distributions on a half-yearly basis starting from 1H FY20/21. Consequently, DPU for 1H FY20/21 is calculated based on the income available for distribution for 1H FY20/21 over the number of units in issue as at the end of the period of 3,366,891,945 units. The number of units in issue as at the end of 1H FY20/21 does not include the payment of Manager's base fee and the property manager's management fees (collectively known as "**Fees**") in units of 12,755,390 for 1H FY20/21. The units for payment of Fees for 1H FY20/21, to be issued in November 2020, will be included in the computation of the DPU payable for second half of FY20/21.
b) DPU for 1H FY19/20 is the sum of 1Q and 2Q available DPU. DPU for 1Q FY19/20 and 2Q FY19/20 are calculated based on the income available for distribution for 1Q and 2Q over the number of units in issue as at the end of 1Q and 2Q of 3,181,696,884 and 3,187,863,049 units, respectively.

[3] Defined as annualised DPU for the respective periods, divided by the closing unit price for the period.

Mapletree North Asia Commercial Trust Management Ltd.
10 Pasir Panjang Road, #13-01 Mapletree Business City, Singapore 117438
Tel 65 6377 6111 **Fax** 65 6273 2753 www.mapletreenorthasiacommercialtrust.com
Co. Reg No. 201229323R

In 1H FY20/21, interim payments from the insurers of S$36.8 million[1] were received as payment on account of the estimated insurance claims for property damage and revenue loss due to business interruption at Festival Walk. These insurance proceeds are non-distributable income[2], and are recorded as non-operating income in the financial statements[3].

Accordingly, DPU for 1H FY20/21 was 2.876 cents, 26.0% lower compared to 1H FY19/20, after taking into account distribution adjustments.

Ms. Cindy Chow, Chief Executive Officer of the Manager, said, "While the first six months of FY20/21 had been challenging with the continuing impact from COVID-19, our strategy of enhancing MNACT's resilience through continued diversification via yield-accretive acquisitions and protecting the occupancy levels of our properties, have mitigated to some extent the impact from the COVID-19 and the slowing economy."

"Comparing 2Q FY20/21 and 1Q FY20/21 (ie. the quarter ended 30 June 2020), the NPI for 2Q FY20/21 improved by 4.0%. This was mainly attributable to higher turnover rental revenue, and lower rental reliefs granted to Festival Walk's retail tenants. There was also higher average occupancy at Gateway Plaza and improved average occupancy at MON and MBP. Notwithstanding the improvement seen in 2Q FY20/21, there remains significant uncertainty on when the COVID-19 situation might ease, especially with the onset of winter, and when a more sustained recovery across the various markets that MNACT operates in, will occur."

"For Festival Walk, our retail tenants continue to navigate through a volatile and weak retail environment, impacted by the social distancing measures[4] which were tightened from 29 July 2020 following a resurgence of infections in Hong Kong SAR. With the COVID-19 situation showing some improvement in recent weeks, we have observed a gradual increase in shopper traffic and tenant sales at Festival Walk. We will continue to focus on maintaining a high occupancy rate at Festival Walk which stood at 99.0% at the end of September 2020, while exploring more initiatives to boost sales and traffic."

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[1] Please refer to MNACT's SGX-ST Announcements dated 17 June 2020, 9 July 2020 and 14 October 2020 titled "Update on Festival Walk". To date, the Manager has received interim insurance proceeds of HK$263 million (approximately S$46 million) as partial payments on account of the estimated claims, of which HK$204 million (approximately S$37 million) were received during 1H FY20/21.

[2] As announced on 4 December 2019, the insurance payments made towards revenue loss due to business interruption (or the "Business Interruption Amount") will first be used to repay the external borrowings incurred to fund the distribution top-ups paid to unitholders in 3Q FY19/20 and 4Q FY19/20. Any insurance payments made under the Business Interruption Amount in excess of the distribution top-ups will be distributed to the unitholders. To date, there are no excess insurance payments as yet that can be distributed to the unitholders.

[3] Please refer to MNACT's SGX-ST Announcement dated 29 October 2020 titled "MNACT Unaudited Financial Statements for the Half Year from 1 April 2020 to 30 September 2020 and Distribution Announcement".

[4] Since 28 August 2020, some of the social distancing measures have been gradually relaxed. Based on the latest advisory from the Hong Kong Special Administrative Region ("SAR") Government on 27 October 2020, the city's social distancing rules include capping at four the number of people allowed to gather publicly, capping at six the number of people allowed to sit together at the same table in restaurants, cinemas operating at 75% capacity and ice skating rinks only open to group/private classes.

"In Beijing, notwithstanding the weak office market, the occupancy rate at Gateway Plaza has improved from 91.4% as of 30 June 2020 to 92.2% as of 30 September 2020 mainly due to the Manager's proactive leasing strategies. Both Sandhill Plaza and the Japan Properties have also achieved stable occupancy levels at 96.9% and 97.8%, respectively, marginally higher compared to that at end June 2020[1]. The recent acquisition of The Pinnacle Gangnam in Seoul, expected to be completed by 3Q FY20/21, will contribute further to the diversification of MNACT's income in subsequent quarters."

"In view of the COVID-19 situation and market volatilities, MNACT's performance in FY20/21 is expected to be lower than that in FY19/20. We will continue to drive operational efficiency through reducing operating expenses and non-essential capital expenditure. At the same time, acquisition opportunities will be actively sought to further diversify the portfolio and expand MNACT's income stream."

Portfolio 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 September 2020	Retail: -12% Office: n.a.[c]	- 9%	8%	5%
Committed occupancy level as of 30 September 2020	*Portfolio level: 96.6%*			
	99.0%	92.2%	96.9%	97.8%[d]
Percentage of leases (by lettable area) with expiries in FY20/21 that were renewed or re-let as of 30 September 2020	*Portfolio level: 72%*			
	78%	59%	64%	82%

[a] The operational performance of the Japan Properties is reported on a portfolio basis.

[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 where the rental rates are not reflective of prevailing market rents that are on normal lease tenure basis. Taking into account these leases, the average rental reversion for Festival Walk for leases that were renewed or re-let in 1H FY20/21 would have been lower at -16%.

[c] There are no office leases expiring in FY20/21 at Festival Walk.

[d] All Japan Properties except MON and MBP registered full occupancy as of 30 September 2020. The occupancy rates for MON and MBP were 95.3% and 94.2%, respectively.

Festival Walk

Gross revenue and NPI for 1H FY20/21 were lower by 32.6% and 38.9%, respectively, as compared with 1H 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 36.2% and 45.5%, respectively, from 1 April 2020 to 30 September 2020 over the same period last year due to weaker consumption by the locals amidst the social distancing measures and dine-in bans imposed by the authorities to contain the spread of COVID-19.

[1] Occupancy rates for Sandhill Plaza and the Japan Properties as of 30 June 2020 were 96.3% and 97.7%, respectively.

The Manager continues to finetune the tenant mix at Festival Walk. Tonkichi (Japanese F&B), crocs (footwear), Nautica (apparel), Marimekko (apparel) and Discovery #Mindblown (educational toys) were among the new tenants in 1H FY20/21. Enhancing shopping experience in response to the evolving retail landscape, the Manager launched the '*MyFestival'* loyalty programme integrated into an enhanced Festival Walk mobile app in September 2020. Other features of the mobile app include information on promotions by the tenants, movie schedules of the cinema and real-time car park availability at Festival Walk mall. We will continue to accelerate the digitalisation process, including widening the membership base and bringing more features onboard.

Office Properties in Beijing, Shanghai and Greater Tokyo

For Gateway Plaza, gross revenue and NPI for 1H FY20/21 decreased by 7.6% and 7.8%, respectively, as compared to 1H FY19/20 mainly due to the lower average occupancy rate and lower average rental rate, partially mitigated by a higher average rate of RMB against SGD.

Sandhill Plaza registered a slight increase in gross revenue and NPI of 1.1% and 1.2%, respectively, in 1H FY20/21 compared to a year ago, 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.

The full half-year contribution from MBP and Omori and the resilient performance from the Japan Properties continued to augment and diversify MNACT's income streams in 1H FY20/21, with gross revenue and NPI increasing by 98.4% and 66.9%, respectively, compared to 1H FY19/20.

Precautionary Measures Against COVID-19 at the Properties

In addition to ensuring a clean and safe environment at our properties amid the COVID-19, the Manager has also introduced technology solutions progressively to enhance the safety measures. These include deploying autonomous disinfection-cleaning robots at Festival Walk, installing UV disinfection devices on the handrails of escalators located at high-traffic areas within Festival Walk, and setting up of self-service non-contact temperature screening stations at MBP. These complement the daily routines carried out by the property management teams to clean and disinfect common areas and high-contact areas.

Update on Portfolio Valuation

The Manager conducts valuation of MNACT's portfolio annually in accordance with the requirements under Appendix 6 of the Code on Collective Investment Schemes ("Property Fund Appendix"). The latest annual valuation conducted by MNACT for the full year financial reporting ended 31 March 2020 (ie. FY19/20) saw the onset of the COVID-19, as well as uncertainty over the length and severity of the COVID-19 in the respective markets in which MNACT operates in. As there is now more data on the impact of COVID-19 on the entire portfolio, the Manager had appointed independent valuers to carry out a valuation on the entire portfolio, to determine and update the fair value of the properties.

Based on the valuations[1] as of 30 September 2020, MNACT's portfolio value was S$7,948.3 million, 4.8% lower than the valuation of S$8,347.2 million conducted six months ago as of 31 March 2020. This was largely due to lower market rents assumed by the valuers for Festival Walk and Gateway Plaza as a result of the impact of COVID-19 on the properties' performance, compared to that in the year end valuation as of end March 2020, as well as the net translation loss (against SGD) of S$98.9 million from the weaker HKD and JPY, partially offset by the stronger RMB. The net fair value losses of S$304.9 million[2] is unrealised and has no impact on the distributable income to the unitholders.

Taking into account the loss for the period mainly attributable to the lower portfolio valuation, the Net Asset Value ("NAV") per Unit was lower at S$1.337 as of 30 September 2020, compared to S$1.412 as of 31 March 2020.

Capital Management

MNACT has a healthy liquidity position and as of 30 September 2020, with both committed and uncommitted credit facilities remaining undrawn amounting to nearly S$600.0 million. Together with cash and bank balances of S$273.1 million, MNACT has sufficient liquidity to satisfy its working capital and operating requirements as well as to meet its maturing debt obligations. For FY20/21, about S$78 million of debt (equivalent to approximately 2% of the total gross debt) is due for refinancing by March 2021. No more than 26% of total debt is due in any one financial year. MNACT's average term to maturity remained well staggered at 3.07 years as of 30 September 2020 (30 June 2020: 3.05 years).

Aggregate leverage ratio as of 30 September 2020 was at 40.1% (from 39.6% as of 30 June 2020) mainly due to the lower portfolio valuation. The lower benchmark interest rates resulted in an annualised effective interest rate for 1H FY20/21 of 2.09% per annum, below that of 2H FY19/20 at 2.46% per annum. Accordingly, finance costs in 1H FY20/21 increased slightly by S$0.5 million compared to 1H FY19/20 after taking into account the incremental finance costs on borrowings to partially fund the acquisitions of MBP and Omori. The interest cover ratio as of 30 September 2020, on a trailing 12-month basis, remained stable at 3.0 times[3] (30 June 2020: 3.1 times).

As of 30 September 2020, approximately 77% of MNACT's interest cost has been hedged into fixed rates, and about 84% of the expected distributable income for 2H FY20/21 has been hedged into SGD.

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[1] The valuations on Festival Walk, Gateway Plaza and Sandhill Plaza were carried out by Cushman and Wakefield Limited as of 30 September 2020 and the valuations on the Japan Properties were carried out by CBRE K.K. as of 30 September 2020.

[2] The net fair value losses comprised the fair value losses of S$276.3 million for Festival Walk and S$59.7 million for Gateway Plaza, partially offset by the fair value gains of S$0.1 million for Sandhill Plaza, and S$31.0 million for the Japan Properties.

[3] The interest cover ratios as of 30 September 2020 and 30 June 2020 are based on a trailing 12-month basis and do not take into account the interim insurance proceeds.

Distribution to Unitholders

Unitholders will receive a distribution of 2.876 cents per unit (being 100% of MNACT's distributable income for the period) on Monday, 28 December 2020 for 1H FY20/21. The closure of MNACT's Transfer Books and Register of Unitholders is on Friday, 6 November 2020 at 5.00pm.

Distribution Reinvestment Plan ("DRP")

As part of the Manager's proactive capital management efforts to maintain an optimal overall aggregate leverage for MNACT, the Manager will continue to apply the Distribution Reinvestment Plan ("**DRP**") for MNACT's distribution for the period from 1 April 2020 to 30 September 2020. The issue of units in lieu of cash distributions under the DRP will strengthen MNACT's balance sheet and lower the gearing level progressively.

Outlook

Based on the International Monetary Fund's World Economic Outlook Update in October 2020, global economic growth is projected to contract by 4.4% in 2020 compared to 2019. Compared to the June 2020 forecast of a decline of 4.9% year-on-year, the improved outlook was mainly due to strong government intervention world-wide and a swift recovery in China. Expectations of any improvements may have to be tempered with a possibility of a resurgence of COVID-19 cases with the onset of winter.

<u>Festival Walk, Hong Kong</u>

For Hong Kong SAR, the COVID-19 situation continued to weigh heavily on the retail sector. Retail sales[1] from April 2020 to August 2020 registered a year-on-year decline of 26.7%. As vacancies increase, retail rentals[2] are expected to remain on a downward trend in the near term. Most retailers are expected to remain cautious and reluctant to commit to long-term leases until the retail sector commence a sustained recovery[3]. While inbound tourism is unlikely to recover amid the ongoing travel restrictions, local consumption sentiment[4] may further improve with the recent stabilisation of the COVID-19 situation.

For Festival Walk, in view of the weak retail landscape, a decline in the average renewal or re-let rental rate is expected to continue for the second half of the financial year. We will continue to support our retail tenants with rental relief measures on a case-by-case basis, depending on the effects of the COVID-19 situation on the performance of our tenants.

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[1] Hong Kong Census and Statistics Department's '*Provisional Statistics of Retail Sales for August* 2020' (September 2020). Hong Kong SAR's retail sales figures for September 2020 have not been published as of 29 October 2020.
[2] Cushman and Wakefield, Hong Kong Marketbeat (Retail), 2Q 2020.
[3] CBRE Marketview, Hong Kong Retail, 2Q 2020.
[4] Hong Kong Census and Statistics Department's '*Provisional Statistics of Retail Sales for August* 2020' (September 2020).

China and Japan Properties

In Beijing[1], the overall office vacancy rate rose to 16.6%, marking a 10-year high. The market[2] is expected to remain impacted by the slowing economy and lower rental affordability from tenants, although there have been signs of demand starting to return to the Beijing market[3]. Against the backdrop of a weak demand environment[4], new supply[5] is also likely to push the average vacancy rate further up while exerting downward pressure on rental levels. For Gateway Plaza, the Manager will remain focused on maintaining occupancy levels to stabilise rental incomes.

For business parks in Shanghai[6], with the re-opening of the economy after the height of the COVID-19 impact, the technology, and medical & health sectors are expected to underpin demand for office spaces. Sandhill Plaza is expected to be resilient as office users look for affordable rental locations amid the soft market conditions.

The Tokyo office market[7] is expected to continue to benefit from tight supply-demand conditions although more occupiers are shifting in favour of cost reductions. The Japan Properties, located mainly in fringe office areas or suburban office markets, are expected to maintain a stable performance given the lower rental costs compared to that in the central or city-centre office areas.

In light of the COVID-19 situation, while working from home is currently being adopted by some office users, such practices are not expected to significantly impact the Asia Pacific office markets[8]. The structural office demand within the Greater China market is estimated to be the least impacted from 2022 to 2030[9]. To date, within the MNACT office portfolio, the majority of our tenants (ie. the employees) have resumed work in office, reflecting the continued demand for a physical office environment.

Acquisition of Freehold Office Building in Gangnam, Seoul[10]

The Manager announced on 25 September 2020 the acquisition of The Pinnacle Gangnam, a freehold office building in Seoul. Upon completion of acquisition in 3Q FY20/21, the property is expected to contribute to the steady growth of the distributable income.

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1 Cushman & Wakefield, Beijing Marketbeat (Office), 3Q 2020.
2 JLL: "*Navigating COVID-19: The Beijing Market Explained*", August 2020.
3 Colliers, Beijing Office, 3Q 2020.
4 JLL, Asia Pacific Property Digest, 2Q 2020 (21 August 2020).
5 Cushman & Wakefield, Beijing Marketbeat (Office), 3Q 2020.
6 Colliers Quarterly, Shanghai Business Parks, 2Q 2020.
7 Colliers Quarterly, Tokyo Office, 2Q 2020.
8 Cushman & Wakefield, "*Global Office Impact Study & Recovery Timing*", September 2020.
9 Cushman & Wakefield, "*Global Office Impact Study & Recovery Timing*", September 2020.
10 Please refer to MNACT's SGX-ST Announcement dated 25 September 2020 titled "(A) Acquisition of 50.0% Interest in An Office Building Known As "The Pinnacle Gangnam" Located In Seoul, Korea; (B) Manager To Waive Entitlement To Performance Fees".

Overall

In view of the continued 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.

For further information, please contact:

Mapletree North Asia Commercial Trust Management Ltd.
Elizabeth Loo Suet Quan
Director, Investor Relations
Tel: +65 6377 6705
Email: elizabeth.loo@mapletree.com.sg
Website: www.mapletreenorthasiacommercialtrust.com

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, in Japan and in South Korea[1].

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 ("**MBP**") located in Chiba and Omori Prime Building ("**Omori**") 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$7.9 billion as of 30 September 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.

[1] Please refer to MNACT's SGX-ST Announcement titled "Expansion of Investment Mandate" dated 25 September 2020.

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.