

**For Immediate Release**

## **MAIDEN ACQUISITION IN CHINA OF RMB120M ASSET NEAR PUDONG AIRPORT**

**Singapore, 21 November 2005** – Mapletree Logistics Trust Management Ltd. (MLTM), manager of Mapletree Logistics Trust (MapletreeLog), is pleased to announce that MapletreeLog through its Trustee, HSBC Institutional Trust Services (Singapore) Limited (Trustee) has signed separate conditional sale and purchase agreements to purchase Ouluo Logistics Centre (Ouluo) for RMB120 million (S\$25.53 million<sup>1</sup>). Well-known third party logistics (3PL) players DHL and Sagawa account for close to half of the space at the non-bonded 3PL logistics centre.

### **Benefits and rationale of the Acquisition**

Mr Chua Tiow Chye, Chief Executive Officer of MLTM, said, “We are very pleased to have secured this strategic asset as our maiden acquisition in China. We see Ouluo truly as a good find given the scarcity of well-located logistics assets of investible grade in China in general, and specifically in a location in such close proximity to a key transport node as strategic as the rapidly growing Pudong Airport.”

“There is hardly any new supply around the Pudong Airport area. This makes Ouluo all the more important strategically to MapletreeLog. It allows us to gain a foothold in Shanghai, an extremely important logistics market in the long run given the continued strength of the outsourcing trend in China,” Mr Chua added.

The acquisition of Ouluo also demonstrates MapletreeLog’s yield plus growth strategy: higher rental reversions expected over the next few years provide growth to augment the initial yield accretion. Ouluo’s warehouse space is fully leased, with leading international 3PL operators like DHL and Sagawa as key tenants. But it is currently about 10% to 15% under-rented, which gives

room for positive rental reversions over the next few years. Rental growth can be further sweetened if market rentals continue to firm as demand for logistics facilities in China increases. Such rental enhancement provides lifts to organic growth in markets such as China and Hong Kong where rental increases feature more prominently in the total return estimates than in Singapore where organic growth is lower at around 1.5%.

Further growth could be extracted from phase two of Ouluo's development, in which MapletreeLog has first right to buy over the new facilities when they become income generating.

Besides the expected accretion and growth potential, the Ouluo acquisition also enhances the overall profile of MapletreeLog's portfolio: a reduction in tenant concentration, greater geographical diversification and the shorter tenancy terms allows the portfolio to tap the underlying growth of China's logistics business.

### **Accretion plus growth**

Ouluo has an estimated initial property yield of 6.5% ungeared (before tax) or 8.1% to 11.4% (after tax) assuming a gearing of 50% to 70% respectively at the asset level. The acquisition is expected to be accretive compared to the implied net property income yield of 4.1%<sup>2</sup>.

### **Benefits and rationale of going into China**

While Singapore remains a core market for MapletreeLog, there would be limits to growth if the trust were to remained focused solely in the domestic market. It is critical to MapletreeLog's business model that we expand overseas because the logistics sector is a regional if not global industry. Staying confined to Singapore would mean that MapletreeLog cannot "follow the clients" effectively to be their strategic real estate partner as they expand in Asia.

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<sup>1</sup> Based on exchange rate of SGD1.00 = RMB4.70.

<sup>2</sup> Based on closing unit price as at Nov 18 of S\$1.03.

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The outlook for China's air cargo business is bright. The Civil Aviation Administration of China (CAAC) is projecting air transportation in China to expand 12% per annum between 2006 and 2010. This growth trend is underpinned by the continued strength in global outsourcing.

China has already benefited from the increased outsourcing of labour-intensive, low-value industries such as furniture, toys and footwear. These industries accounted for 12% of all goods exported to the US in 2003, up from 3% in 1989 (in US\$ value)<sup>3</sup>. But China has also moved up the value chain of outsourcing, with higher value airfreight business making up 18% of all exports to the US in 2003, compared with only 1.4% in 1989<sup>4</sup>.

According to GCW Consulting, a US-based strategic consultancy in the aviation, energy and water resource, Shanghai's Pudong and Hongqiao airports have a combined 34% of China's overall air cargo market share. Significantly, it estimates that Shanghai accounts for a higher 66% share of China's international air cargo but only 16% of domestic air cargo. GCW reckons compounded average growth rate for Shanghai's air cargo volume for the period 1993-2004 was 25%.

The manager believes that with China's accession into WTO, the momentum for outsourcing and therefore the demand for airfreight logistics will continue to be strong.

## Funding

In line with the capital management policy MLTM has articulated earlier in anticipation of MapletreeLog's forays into the region to buy assets, the manager intends to leverage more of MapletreeLog's balance sheet for offshore acquisitions such as Ouluo. This will provide some natural hedge for the acquisitions as well as to optimize the balance of debt/equity for MapletreeLog. Assuming 100% debt financing and taking into account the recently completed equity private placement, MapletreeLog's leverage ratio at no more than 27.4%<sup>5</sup> is still relatively low. The manager is comfortable that MapletreeLog has adequate resources to fund the purchase of Ouluo. This does not, however, preclude the Manager from considering alternative funding

<sup>3</sup> Data from US Census Bureau.

<sup>4</sup> Data from US Census Bureau, measured in sea-weight.

<sup>5</sup> Based on balance sheet as at 30 September 2005

options such as the issuance of new units in MapletreeLog in the near future to refinance its debt and/or in conjunction with other acquisitions.

### **General Description of the deals**

The Property comprises seven blocks of single storey steel-framed warehouses and one ancillary office block used by the 3PL and distribution centre operators. It is located at 785 and 909 Yuanhang Road, Jichang Town, Pudong New Area, Shanghai, close to the rapidly growing Pudong Airport. It is adjacent to the main highway which affords good accessibility to both the Shanghai WaiGaoQiao port and the Yangshan deep sea port. It has a gross floor area of about 33,246 sqm which sits on leasehold land covering an area of about 82,795 sqm. The acquisition of the property is expected to be completed by January next year, subject to conditions precedents and necessary approvals from the authorities.

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### **About MapletreeLog ([www.mapletreelogisticstrust.com](http://www.mapletreelogisticstrust.com))**

MapletreeLog, the first Asia-focused logistics REIT in Singapore, was listed on the SGX-ST main board on 28 July 2005. Its principal strategy is to invest in a diversified portfolio of income-producing logistics real estate and real estate-related assets. It has an initial portfolio of 15 logistics assets in Singapore valued at S\$456.5 million (as at 30 Sep 2005). The latest acquisition of Ouluo Logistics Centre, plus three other announced last month, brings its portfolio to 19 assets valued at S\$520.1 million. MapletreeLog is managed by Mapletree Logistics Trust Management Ltd., a wholly-owned subsidiary of Mapletree Investments Pte Ltd.

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### Important Notice

The value of units in MapletreeLog ("Units") and the income 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 may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of MapletreeLog is not necessarily indicative of its future performance.

This release 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, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.