Interview with the Group CEO

Mr Hiew Yoon Khong

1. FY16/17 is the third year of Mapletree's five-year business plan. How has Mapletree performed, and what were some of the highlights?

It has been a rewarding year with the Group's PATMI[1] hitting a high of S$1,413.7 million, a 46% increase as compared to the previous year. Backed by strong recurring earnings, this year's PATMI is the highest ever achieved since Mapletree's establishment in 2000. This attests to the long-term viability of our business model, and the effectively integrated roles we play as a real estate developer, investor and capital manager to deliver strong and sustainable returns. In particular, we achieved recurring earnings of S$643.6 million, an increase of 22% compared to FY15/16. Overall, we are on track to meet our second Five-Year Business Plan KPI Targets.

Heading into the third year of the five-year plan, the Group's return on equity (ROE[2]) continues to remain strong at 12.8% for FY16/17. This means that our average ROE[2] for these past three years is 11.1%, which is within our target of 10% to 15%.

2. Evidently Mapletree's business is healthy, and the Group has taken steps to expand further beyond Asia in FY16/17. What is the reason for steering in that direction, and what has Mapletree done to grow its presence in these markets?

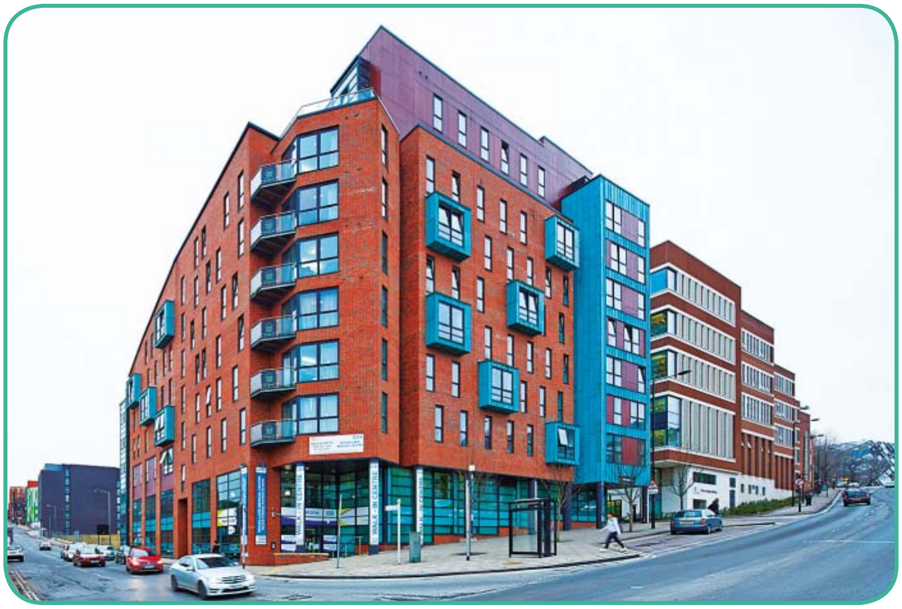
While Asia is our core market and has presented the Group with opportunities for growth, the economic slowdown in this region has inevitably posed challenges to our growth in recent years.

Key Performance Indicators (KPIs)	FY16/17	Target by FY18/19
Returns		
Five-year NAV CAGR[3] (from FY12/13)	11.8%	**10% - 15%**
Average five-year ROIE[4] (from FY12/13)	11.2%	**10% - 15%**
Earnings		
EBIT + SOA[5]	S$1,575.1 million	**S$1.6 billion - S$2.3 billion**
Fee Income[6]	S$277.4 million (FY14/15 to FY16/17 cumulative: S$785.1 million)	**S$350 million - S$500 million (Five-year cumulative: >S$1.5 billion)**
Scale		
Assets Under Management (AUM)	S$39.5 billion	**S$40 billion - S$50 billion**
AUM ratio (managed vs owned assets)	2.5:1	**>3:1**

We have evaluated the market comprehensively and made a strategic decision to expand into developed economies like Australia, the United States (US), the United Kingdom (UK) and Germany three years ago. These countries present attractive investment opportunities for us with their vibrant and mature real estate landscape, and we believe that student accommodation, corporate housing / serviced apartment, office and business park, and logistics are real estate asset classes that are scalable segments which offer resilient yields in these markets.

With that in mind, we ventured into the student accommodation asset class in 2016, by acquiring two portfolios in the UK and the US. Both countries are home to the largest number of top universities in the world, and with the relatively anti-cyclical nature of student accommodation, we were able to grow new income streams and attain higher revenue of S$2,328.8 million in FY16/17. This is a 24% increase from a year ago.

Combining these two portfolios and adding another portfolio of similar properties in the US, we successfully syndicated the Mapletree Global Student Accommodation Private Trust (MGSA P-Trust) and raised equity of US$535 million (~S$746.2 million) in March 2017. It is the first private trust in Singapore that offers investors the opportunity to invest in an attractive and resilient income-yielding student accommodation portfolio of 35 assets, located across 22 cities in the UK and the US. The strong demand by investors for MGSA P-Trust validates our investment thesis for this alternative real estate asset class and the confidence investors have in Mapletree's track record of delivering the desired returns.



Rockingham House in Sheffield, one of the UK student accommodation properties under MGSA P-Trust

1 PATMI denotes net profit (after tax and non-controlling interests) attributable to perpetual securities holders and equity holder of the Company.
2 ROE denotes return on equity and is computed based on PATMI attributable to equity holders of the Company over shareholder's funds.
3 NAV CAGR is adjusted for dividends distributed to shareholder and calculated excluding non-controlling interests and perpetual securities and with NAV as at 31 March 2012 as starting base.
4 ROIE denotes return on invested equity and is computed based on Operational PATMI (less profit attributable to perpetual securities) over the Group's equity from shareholder adjusted for unrealised revaluation gains or losses and such other non-cash flow and non-operating items including mark-to-market fair value adjustments and negative goodwill.
5 Earnings before interest and tax (EBIT) plus share of operating profit or loss of associated companies and joint ventures (SOA), excluding revaluation, SOA gains or losses relating to disposal, foreign exchange and derivatives gains or losses.
6 Including REIT management fees.

Mapletree Business City II was completed in April 2016, and features a 30-storey business park building and recreational facilities such as futsal and basketball courts

In February 2017, we also acquired Oakwood Worldwide (Oakwood), a premier global provider of corporate housing / serviced apartment solutions. The acquisition comes after a three-year partnership and includes all of Oakwood's global operations which manages over 14,000 units worldwide. It strengthens and supports the growth momentum of Mapletree's corporate housing / serviced apartment business globally. As at 31 March 2017, Mapletree owns nine corporate housing / serviced apartment properties in the US and one corporate housing / serviced apartment property in Australia. In addition to these, Mapletree has two corporate housing /serviced apartment properties in Japan and one more in Vietnam under development.

In the business park space, we acquired Green Park, a 79-hectare (ha) award-winning business park in Reading, UK, in May 2016. The acquisition was part of our current five-year business plan to acquire quality, income-producing assets with long weighted average leases to expiry, which are anchored by a strong tenant base for stable and growing yields.

3. With several acquisitions in FY16/17 in the US and UK, has Asia taken a back seat?

Although our AUM in New Markets – Australia, Europe and the US – grew from S$398.1 million to S$5.6 billion over the last three years, and currently account for 14% of our total AUM, Asia remains central to our business. Of the six private funds we manage, five are focused on investing in this region. In addition, 82% of the Group's revenue is generated from Asia-based assets.

Our two private funds in Japan – MJOF, a Japan-focused office fund, and MJLD, a Japan-focused logistics development fund – have been active in sourcing and investing in new projects. During the year, MJLD committed to four logistics projects at a development cost of JPY59.2 billion (~S$0.7 billion), bringing the total number of assets under MJLD to 11.

In addition, we have started construction of a nine-storey big-box retail property with a net lettable area (NLA) of about 20,000 square metres (sqm) in Namba, Osaka. Upon completion in 2019, it will be leased to one of Japan's largest electronic retailers.

In June 2016, Mapletree made its largest investment in Vietnam by acquiring Kumho Asiana Plaza, located at the heart of the central business district, District 1 of Ho Chi Minh City. It is one of the largest mixed-use properties and comprises Grade A offices, quality serviced apartments and a hotel managed by InterContinental Hotels Group. This income-yielding investment is part of the Group's overall strategy to further grow its sustainable earnings.

In China, we officially opened Mapletree's South China Singapore City International Education Zone, part of Nanhai Business City Phase 4, in January 2017. Nanhai Business City is a 42-ha mixed-use development which features retail, residential, hotel and office components. Also in China, we have invested in 34 logistics projects, with more than 80% of total gross floor area located in Tier 1 and 2 cities.

In Singapore, 18 Tai Seng, a nine-storey mixed-use development comprising business 2 (B2) industrial, retail and office space obtained its Temporary Occupancy Permit (TOP) in November 2016 and opened the retail space in February 2017.

Earlier in April 2016, Mapletree Business City II (MBC II) was completed. At 30 storeys, this is Singapore's tallest business park building and the final phase of the master plan to rejuvenate the 13.5-ha Alexandra Precinct.

4. As an investor and capital manager, how does Mapletree manage to continuously grow its recurring income and sustain returns in Asia and beyond?

As a capital manager, we seek to syndicate and grow our third-party AUM (such as our managed REITs and private funds) to create a stable earnings base. This has delivered results, with considerable value generated to the Group's shareholder's funds over the years. Shareholder's funds grew to S$11.2 billion in FY16/17, a 13% increase from S$9.9 billion the year before. In addition, the Group achieved a return on invested equity (ROIE[4]) of 18.7% this year, bringing the average five-year ROIE[4] to 11.2%.

As a capital manager, we actively look to bring to the market quality and relevant investment products, whilst creating value for existing investors. As a Sponsor, we offer our four REITs suitable, stable and income-producing assets for acquisition, thus ensuring that they have a steady pipeline of assets for their investment needs.

In August 2016, Mapletree Commercial Trust (MCT) acquired Mapletree Business City I (MBC I) for S$1.78 billion. Completed in 2010, MBC I has a strong and diverse tenant base consisting of reputable multinational corporations and enjoys a high occupancy of 99%. The equity fundraising exercise to fund the acquisition was very successful with S$1.04 billion raised, and was accorded the Best Follow-On Offering/Accelerated Bookbuild at the GlobalCapital Asia Regional Capital Markets Awards 2016.

During the year, we also successfully syndicated MGSA P-Trust. This was executed on a private platform to bring the product to market quickly. It was more cost effective to set up and operate on an ongoing basis without the lengthy process to launch an initial public offering and the increasing compliance costs to maintain a REIT. Divesting suitable assets to our listed and private funds reduces the weight on our balance sheet and frees up capital for the Group to pursue new growth opportunities. To ensure a clear alignment of interests with investors, we maintain at least a 25% stake in all the funds we manage.

Over time, we plan to scale up our student accommodation portfolio, and create a series of private trusts focused on this strong, resilient asset class. Once our next student accommodation portfolio achieves its target of US$1.5 to US$2.0 billion (~S$2.1 to S$2.8 billion), we will syndicate another private trust. We are evaluating potential acquisitions in the US and UK, and prospecting in markets like Australia, Germany, the Netherlands and Spain, where the tertiary education sector is growing.

4 ROIE denotes return on invested equity and is computed based on Operational PATMI (less profit attributable to perpetual securities) over the Group's equity from shareholder adjusted for unrealised revaluation gains or losses and such other non-cash flow and non-operating items including mark-to-market fair value adjustments and negative goodwill.

An artist impression of Mapletree Kobe Logistics Centre, Japan, one of the four logistics projects committed by MJLD in FY16/17