

ANNOUNCEMENT

**ACQUISITION OF 7 BLOCKS OF WAREHOUSE / DISTRIBUTION CENTRES AND
1 OFFICE BLOCK AT OULUO LOGISTICS CENTRE AT 785 AND 909 YUANHANG ROAD,
JICHANG TOWN, PUDONG NEW DISTRICT, SHANGHAI, PEOPLE'S REPUBLIC OF CHINA**

1 In relation to the initial public offering of Mapletree Logistics Trust ("MapletreeLog"), the joint financial advisers, underwriters and bookrunners were DBS Bank and UBS AG, acting through its business group, UBS Investment Bank.

2 INTRODUCTION

The Acquisition

2.1 Mapletree Logistics Trust Management Ltd., as manager of MapletreeLog (the "Manager"), has identified 7 blocks of warehouse / distribution centres and 1 ancillary office block at Ouluo Logistics Centre at 785 and 909 Yuanhang Road, Jichang Town, Pudong New District, Shanghai, People's Republic of China (the "Property") for acquisition by MapletreeLog at the purchase price of RMB120 million (approximately S\$25.53 million¹) (the "Acquisition").

2.2 MapletreeLog, through its subsidiary, MapletreeLog Ouluo (Shanghai) Ltd ("MapletreeLog Ouluo") has entered into separate conditional sale and purchase agreements (the "S&P Agreements"), with 上海欧罗投资有限公司 ("Ouluo") for the Acquisition.

3 INFORMATION ON THE PROPERTY

3.1 The Property is owned by Ouluo and comprises 7 blocks of single storey steel framed warehouses and one ancillary office block used by third party logistics and distribution centre purposes. It is situated off Yuandong Avenue and is strategically located near the Pudong Airport and is adjacent to the main highway between the Shanghai WaiGaoQiao Free Trade Zone and the Yangshan deep sea port.

3.2 Completed in year 2003/2004, the Property, with a gross floor area of approximately 33,246 sqm, sits on land covering an area of approximately 82,795 sqm.

4 VALUE OF THE PROPERTY

The Property was valued at RMB128 million in a valuation report dated 31 October 2005 prepared by Savills (Hong Kong) Limited in accordance with the instructions issued by the Trustee. The valuation was prepared using the capitalisation approach, discounted cash flow analysis and direct comparison method.

¹ Based on exchange rate of RMB4.70 to S\$1.

5 PRINCIPAL TERMS OF THE ACQUISITION

The S&P Agreements

The principal terms of the S&P Agreements relating to the Property are as follows:-

- (i) **Conditions Precedent:** The completion of the Acquisition is conditional upon, amongst other things:-
 - (a) The approval of the shareholders of Ouluo for the sale of the Property;
 - (b) The parties having obtained all the permits, approvals, authorisations and consents of the government authorities of the People's Republic of China or third parties necessary to perform their respective obligations under the S&P Agreement and complete the acquisition; and
 - (c) all conditions under the S&P Agreements being fulfilled;
- (ii) **Payment of Purchase Consideration:** The purchase consideration of the Property is RMB120 million (the "Consideration"). Pursuant to the S&P Agreements, MapletreeLog Ouluo shall pay the Consideration in the following stages:-
 - (a) Upon the signing of the S&P Agreements, MapletreeLog Ouluo shall pay the deposit of RMB6 million, which shall be placed with the appointed solicitor as stakeholders;
 - (b) Upon the satisfactory completion of due diligence and the submission of the application for the transfer of the title to 909 Yuanhang Road, MapletreeLog Ouluo shall pay RMB20 million; and
 - (c) Upon the completion of the titles transfer and handover, MapletreeLog Ouluo shall pay the balance of the Consideration of RMB94 million.

6 RATIONALE AND BENEFIT OF THE ACQUISITION TO MAPLETREELOG

6.1 Foothold in a Fast Growing China's Logistics Market

- 6.1.1 The Acquisition is in line with the Manager's objective to grow MapletreeLog based on a yield plus growth investment strategy. China is a key market as part of our regional growth strategy.
- 6.1.2 There is hardly any new supply around the Pudong Airport area. This makes the Acquisition all the more important strategically to MapletreeLog. It allows MapletreeLog 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.

6.2 **Accretive in Short Term and Growth in Medium Term**

- 6.2.1 The Manager aims to achieve distribution growth and to enhance the value of MapletreeLog's property portfolio over time through, *inter alia*, selectively acquiring additional properties that meet the Manager's investment criteria. The Acquisition of the Property will be immediately accretive to MapletreeLog's distributable income. Based on the purchase price of RMB120 million for the Acquisition, the Property is expected to deliver an ungeared property yield of 6.5% (before acquisition costs and tax) in the first year compared to an implied net property income yield of 4.1% based on the S\$1.03 closing price on 18 November 2005.
- 6.2.2 Ouluo 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 the Ouluo's development, in which MapletreeLog has first right to buy over the new facilities when they become income generating.
- 6.2.3 Besides the expected accretion and growth potential, the 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.

6.3 **Diversification of MapletreeLog's Portfolio**

The Acquisition will further diversify MapletreeLog's portfolio of properties and tenant mix as well as improve the overall occupancy rate. The existing warehouses are 100% leased out. The design of the Property is suited to meet the needs of third party logistics providers and distribution operators.

6.4 **Good Location**

The Property is located close to the fast growing Pudong Airport, allowing MapletreeLog to tap onto the growth of the airport and serve its logistics and distribution clients. Its strategic location near Pudong Airport makes it an ideal location for airport distribution facilities. It is adjacent to the main highway which affords good accessibility to both the Shanghai WaiGaoQiao port and the Yangshan deep sea port. In sourcing for acquisitions, the Manager is focusing on locations near ports, airports and within industrial areas; hence this acquisitions demonstrates the execution of this strategy to secure assets where the demand for such logistics facilities and growth potential are the greatest.

6.5 **Benefits and Rational of going into China**

- 6.5.1 While Singapore remains a core market for MapletreeLog, there would be limits to growth if MapletreeLog were to remain 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.

- 6.5.2 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.
- 6.5.3 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)². 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 1989³.
- 6.5.4 According to GCW Consulting, a US-based strategic consultancy in the aviation, energy and water resource, Shanghai's Pudong and Hongqiao airports have 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 Consulting reckons compound average growth rate for Shanghai's air cargo volume for the period 1993 to 2004 was 25%.
- 6.5.5 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.

7 METHOD OF FINANCING AND THE FINANCIAL EFFECTS OF THE ACQUISITION

- 7.1 The acquisition of the Property is expected to be completed by January 2006, subject to conditions precedents and necessary approvals from the authorities. Assuming 100% debt financing and taking into account the recently completed equity private placement, MapletreeLog's leverage ratio at no more than 27.4% is still relatively low. The Manager is comfortable that MapletreeLog has adequate resources to fund the purchase of the Property. This does not, however, preclude the Manager from considering alternative funding 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.
- 7.2 The Acquisition generates an ungeared net property income (before tax) yield of 6.5% against MapletreeLog's implied net property income yield of about 4.1%⁴. Assuming gearing of 50% to 70% at the asset level, earnings before depreciation and amortisation yield ranges from 8.1% to 11.4% respectively. The Acquisition is expected to be accretive compared to the implied net property income yield of 4.1% based on the S\$1.03 closing price on 18 November 2005.

² Data from US Census Bureau.

³ Data from US Census Bureau, measured in sea-weight.

⁴ The Manager is unable to show the effect of the Acquisition on the net tangible asset per Unit and on the distribution per Unit for the most recently completed financial year, assuming that the Acquisition had been effected at the beginning of that financial year, as the relevant historical financial information is not available. The prospectus of MapletreeLog dated 18 July 2005 (the "Prospectus") had set out the reasons why the Manager was unable to prepare pro forma statements of total return, cash flow statements and balance sheets to show the pro forma historical financial performance of MapletreeLog. On the basis of these reasons, MapletreeLog was granted a waiver by the SGX-ST from the requirement to prepare historical pro forma statements of total return, cash flow statements and balance sheets and none were shown in the Prospectus. Further, the net profits attributable to the Property are not available because the Property is being occupied by the vendor prior to its acquisition by MapletreeLog and will be leased back to the vendor thereafter.

8 INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

No directors of the Manager or substantial Unitholders are interested in the Acquisition.

9 OTHER INFORMATION

9.1 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transaction contemplated in relation to the Acquisition.

9.2 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours (prior appointment will be appreciated) at the registered office of the Manager at 1 Maritime Square #13-01 HarbourFront Centre Singapore 099253 for a period of 3 months commencing from the date of this Announcement:-

- (i) the S&P Agreements; and
- (ii) the valuation reports on the Property.

By Order of the Board
Giam Lay Hoon (Ms)
Company Secretary
Mapletree Logistics Trust Management Ltd.
(Company Registration No. 200500947N)
As Manager of Mapletree Logistics Trust

21 November 2005

Important Notice

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

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 other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events. The past performance of MapletreeLog and the Manager are not necessarily indicative of the future performance of any of them.

The value of 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 MapletreeLog may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The information in this Announcement must not be published outside the Republic of Singapore and in particular, but without limitation, must not be published in any United States edition of any publication.