



**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND DISTRIBUTION
ANNOUNCEMENT**

TABLE OF CONTENTS

Item No.	Description	Page No.
-	Summary of CCT Group Results	2
-	Introduction	2
1(a)(i)	Statement of Total Return & Distribution Statement	3 – 5
1(b)(i)	Statement of Financial Position	6 – 7
1(b)(ii)	Aggregate Amount of Borrowings and Debt Securities	8
1(c)(i)	Statement of Cash Flow	9
1(d)(i)	Statement of Movement in Unitholders' Funds	10
1(d)(ii)	Details of Any Change in the Units	10 – 11
2 & 3	Audit Statement	11
4 & 5	Changes in Accounting Policies	11
6	Earnings Per Unit and Distribution Per Unit	12
7	Net Asset Value / Net Tangible Asset Per Unit	12
8	Review of the Performance	13
9	Variance from Previous Forecast / Prospect Statement	14
10	Outlook & Prospects	14
11 & 12	Distributions	14 – 15
13	General Mandate relating to Interested Person Transactions	15
14	Confirmation that issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual	15
15	Confirmation pursuant to Rule 705(5) of the Listing Manual	15

**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT**

SUMMARY OF CCT GROUP RESULTS

	Notes	1Q 2019	1Q 2018	Change %
Gross Revenue (S\$'000)	1	99,762	96,418	3.5
Net Property Income (S\$'000)	1	79,802	77,209	3.4
Distributable Income (S\$'000)	2	82,723	76,606	8.0
Distribution Per Unit ("DPU") (cents)		2.20	2.12	3.8

Notes:

- (1) Gross revenue and net property income in 1Q 2019 were higher compared with that of 1Q 2018 mainly from Asia Square Tower 2 ("AST2") and Gallileo (acquired on 18 June 2018), that offset the loss of net property income arising from the divestment of Twenty Anson on 29 August 2018.
- (2) Distributable income in 1Q 2019 includes tax-exempt income of S\$3.4 million (1Q 2018: nil).

INTRODUCTION

CapitaLand Commercial Trust ("CCT") was established pursuant to a trust deed dated 6 February 2004 (as amended) executed between CapitaLand Commercial Trust Management Limited, as manager of CCT (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited, as trustee of CCT (the "CCT Trustee").

As at 31 March 2019, CCT's property portfolio comprises:

- (1) Capital Tower
- (2) Six Battery Road
- (3) 21 Collyer Quay ("HSBC Building")
- (4) Bugis Village
- (5) CapitaGreen, held through wholly owned MSO Trust
- (6) Asia Square Tower 2 ("AST2"), held through wholly owned subsidiary Asia Square Tower 2 Pte. Ltd. ("AST2 Co."), which is in turn held by MVKimi (BVI) Limited (collectively referred to as "AST2 Group")
- (7) Raffles City Singapore, held through CCT's 60.0% interest in RCS Trust
- (8) One George Street, held through CCT's 50.0% interest in One George Street LLP ("OGS LLP")
- (9) CapitaSpring, a property under development, held through CCT's 45.0% interest in Glory Office Trust ("GOT") and Glory SR Trust ("GSRT")
- (10) Gallileo, an office building in Frankfurt, Germany, held through CCT's 94.9% interest in Gallileo Property S.a.r.l. ("Gallileo Co."), which is in turn held by special purpose vehicles CCT Galaxy Two Pte. Ltd. and CCT Galaxy One Pte. Ltd. ("Galaxy SPVs") (collectively referred to as "Gallileo Group").

CCT also owns approximately 10.9% of MRCB-Quill REIT ("MQREIT"), a commercial real estate investment trust listed in Malaysia.

On 1 April 2019, Bugis Village was returned to the State and CCT received a compensation sum of S\$40.7 million. CCT signed a one-year master lease agreement with Singapore Land Authority with effect from 1 April 2019 to 31 March 2020.

CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT

1(a)(i) Statement of Total Return & Distribution Statement (1Q 2019 vs 1Q 2018)

<u>Statement of Total Return</u>	Note	Group			Trust		
		1Q 2019	1Q 2018	Change	1Q 2019	1Q 2018	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross rental income	1	94,479	91,817	2.9	66,601	70,129	(5.0)
Car park income		1,830	1,445	26.6	1,375	1,074	28.0
Other income	2	3,453	3,156	9.4	2,572	2,186	17.7
Gross revenue		99,762	96,418	3.5	70,548	73,389	(3.9)
Property management fees		(2,356)	(2,166)	8.8	(1,592)	(1,664)	(4.3)
Property tax	3	(7,545)	(7,635)	(1.2)	(5,380)	(5,640)	(4.6)
Other property operating expenses	4	(10,059)	(9,408)	6.9	(7,439)	(7,618)	(2.3)
Property operating expenses		(19,960)	(19,209)	3.9	(14,411)	(14,922)	(3.4)
Net property income	5	79,802	77,209	3.4	56,137	58,467	(4.0)
Interest income	6	1,213	1,202	0.9	13,831	9,693	42.7
Investment income	7	1,497	1,647	(9.1)	42,740	35,097	21.8
Asset management fees:							
- Base fees		(1,939)	(1,908)	1.6	(1,530)	(1,503)	1.8
- Performance fees		(3,236)	(2,865)	12.9	(2,597)	(2,426)	7.0
Trust and other operating expenses	8	(1,086)	(839)	29.4	(9,652)	(9,456)	2.1
Finance costs	9	(16,943)	(19,335)	(12.4)	(16,856)	(14,129)	19.3
Net income before share of profit of joint ventures		59,308	55,111	7.6	82,073	75,743	8.4
Share of profit (net of tax) of joint ventures	10	22,130	22,992	(3.7)	-	-	-
Net income before tax		81,438	78,103	4.3	82,073	75,743	8.4
Loss on disposal of subsidiary	11	-	-	-	-	(4,478)	NM
Total return for the period before tax		81,438	78,103	4.3	82,073	71,265	15.2
Tax expense	12	(1,519)	(1,133)	34.1	(162)	(231)	(29.9)
Total return for the period after tax		79,919	76,970	3.8	81,911	71,034	15.3
<u>Attributable to</u>							
Unitholders		79,723	76,970	3.6	81,911	71,034	15.3
Non-controlling interest	13	196	-	NM	-	-	-
Total return for the period		79,919	76,970	3.8	81,911	71,034	15.3
<u>Distribution Statement</u>							
Total return attributable to unitholders		79,723	76,970	3.6	81,911	71,034	15.3
Net tax and other adjustments	14	(24,391)	(24,736)	(1.4)	(2,588)	5,572	NM
Tax-exempt income distribution		3,400	-	NM	3,400	-	NM
Distribution from joint ventures	15	23,991	24,372	(1.6)	-	-	-
Distributable income to unitholders		82,723	76,606	8.0	82,723	76,606	8.0

NM – Not Meaningful

CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT

Notes:

- (1) Gross rental income in 1Q 2019 at the Group level was higher mainly due to contributions from AST2 and Gallileo which offset the loss of rental income from the divestment of Twenty Anson.
- (2) Higher bulk energy savings income accounted for the higher other income for 1Q 2019 vis-à-vis 1Q 2018.
- (3) Lower property tax for 1Q 2019 was mainly due to divestment of Twenty Anson.
- (4) At the Trust level, other property operating expenses for 1Q 2019 was lower from 1Q 2018 mainly due to the divestment of Twenty Anson. At the Group level, the increase in other property operating expenses for 1Q 2019 vis-a-vis 1Q 2018 was mainly from Gallileo which was acquired on 18 June 2018.
- (5) The following was included as part of the net property income:

	Group			Trust		
	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %
Depreciation and amortisation of lease incentives ^(5a)	1,212	1,486	(18.4)	196	461	(57.5)
Impairment losses on trade receivables	-	12	NM	-	12	NM

- (5a) Depreciation and amortisation of lease incentives in 1Q 2019 was lower than that in 1Q 2018 mainly due to divestment of Twenty Anson.
- (6) Interest income includes the following:

	Group			Trust		
	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %
Interest income from cash balance	234	223	4.9	177	190	(6.8)
Interest income from unitholder's loan ^(6a)	979	979	-	13,654	9,503	43.7
Total	1,213	1,202	0.9	13,831	9,693	42.7

- (6a) Interest income from unitholder's loans was higher in 1Q 2019 versus 1Q 2018 due to additional / new unitholder loans granted.
- (7) Investment income at the Group level relates to distribution received from MQREIT while at the Trust level, it relates to dividends received from AST2 Co. (1Q 2018: nil), MSO Trust, RCS Trust and OGS LLP.
- (8) Higher trust and other operating expenses for 1Q 2019 vis-à-vis 1Q 2018 was due to higher professional fees incurred.
- (9) Finance costs include the following:

	Group			Trust		
	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %
Interest cost ^(9a)	16,379	18,219	(10.1)	16,403	13,254	23.8
Amortisation of transaction costs ^(9b)	564	1,116	(49.5)	453	875	(48.2)
Total	16,943	19,335	(12.4)	16,856	14,129	19.3

- (9a) At the Group level, lower Interest cost for 1Q 2019 versus 1Q 2018 was due to lower borrowings. At the Trust level, the higher interest cost in 1Q 2019 was due to borrowings incurred to fund the acquisition of Gallileo.
- (9b) Lower amortisation of transaction costs in 1Q 2019 vis-à-vis 1Q 2018 was due to lower borrowings.

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CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT

- (10) Share of profit of joint ventures relates mainly to results for CCT's interest in 60.0% of RCS Trust, 50.0% of OGS LLP and 45.0% of GOT & GSRT. Summary of the share of results of joint ventures is as follows:

	Group		
	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %
Gross revenue	41,981	41,265	1.7
Property operating expenses	(9,195)	(9,771)	(5.9)
Net property income	32,786	31,494	4.1
Finance costs ^(10a)	(7,758)	(5,656)	37.2
Trust and other expenses	(2,898)	(2,846)	1.8
Net profit of joint ventures (after tax)	22,130	22,992	(3.7)

- (10a) Higher finance costs in 1Q 2019 was due to higher interest rates for the borrowings of RCS Trust and OGS LLP as well as more borrowings by RCS Trust.
- (11) This relates to the disposal of FirstOffice Pte. Ltd., a wholly owned subsidiary of CCT which was dissolved on 23 April 2018.
- (12) Higher tax expense in 1Q 2019 for the Group was mainly from Gallileo.
- (13) This relates to the non-controlling interest of Gallileo Co..
- (14) Included in net tax and other adjustments are the following:

	Group			Trust		
	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %	1Q 2019 S\$'000	1Q 2018 S\$'000	Change %
Asset management fee payable in Units ^(14a)	1,087	1,556	(30.1)	1,087	1,556	(30.1)
Trustee's fees	254	250	1.6	203	199	2.0
Amortisation of transaction costs on bank borrowings	564	1,116	(49.5)	453	875	(48.2)
Share of profit of joint ventures	(22,130)	(22,992)	(3.7)	-	-	-
Tax-exempt income distribution	(3,400)	-	NM	(3,400)	-	NM
Temporary differences and other items	(766)	(4,666)	(83.6)	(931)	2,942	NM
Total	(24,391)	(24,736)	(1.4)	(2,588)	5,572	NM

- (14a) This relates to asset management fees of AST2 payable in Units.
- (15) This relates to distributions from RCS Trust (CCT's 60.0% interest) and OGS LLP (CCT's 50.0% interest).

NM – Not Meaningful

CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT

1(b)(i) Statement of Financial Position as at 31 March 2019 vs 31 December 2018

Note	Group			Trust			
	31 Mar 2019 S\$'000	31 Dec 2018 S\$'000	Change %	31 Mar 2019 S\$'000	31 Dec 2018 S\$'000	Change %	
Non-current assets							
	795	793	0.3	764	790	(3.3)	
Plant and equipment							
Investment properties	1	7,605,141	7,613,634	(0.1)	3,607,485	3,605,700	0.0
Interest in subsidiaries	2	-	-	-	3,701,820	3,707,905	(0.2)
Equity instrument at fair value	3	41,587	40,632	2.4	41,587	40,632	2.4
Interest in joint ventures	4	1,767,104	1,763,086	0.2	1,433,646	1,428,818	0.3
Financial derivatives	5	6,811	7,348	(7.3)	6,360	7,050	(9.8)
Total non-current assets		9,421,438	9,425,493	(0.0)	8,791,662	8,790,895	0.0
Current assets							
Asset held for sale	6	40,746	40,746	0.0	40,746	40,746	0.0
Trade and other receivables		50,123	49,355	1.6	68,692	70,163	(2.1)
Cash and cash equivalents		80,925	174,913	(53.7)	55,292	144,106	(61.6)
Financial derivatives	5	214	-	NM	214	-	NM
Total current assets		172,008	265,014	(35.1)	164,944	255,015	(35.3)
Total assets	7	9,593,446	9,690,507	(1.0)	8,956,606	9,045,910	(1.0)
Current liabilities							
Trade and other payables	8	54,414	63,663	(14.5)	56,947	63,393	(10.2)
Current portion of security deposits		14,940	10,708	39.5	9,114	8,173	11.5
Interest-bearing liabilities	9	122,800	120,800	1.7	122,800	120,800	1.7
Financial derivatives	5	26,522	24,197	9.6	26,522	24,197	9.6
Current tax payable		5,116	5,401	(5.3)	212	194	9.3
Total current liabilities		223,792	224,769	(0.4)	215,595	216,757	(0.5)
Non-current liabilities							
Non-current portion of security deposits		53,219	57,302	(7.1)	35,363	36,315	(2.6)
Interest-bearing liabilities	10	2,485,178	2,493,182	(0.3)	2,091,670	2,095,736	(0.2)
Financial derivatives	5	3,657	3,725	(1.8)	2,982	2,771	7.6
Other payables	11	433	430	-	131,558	131,559	(0.0)
Deferred tax liabilities	12	2,229	1,938	15.0	-	-	-
Total non-current liabilities		2,544,716	2,556,577	(0.5)	2,261,573	2,266,381	(0.2)
Total liabilities		2,768,508	2,781,346	(0.5)	2,477,168	2,483,138	(0.2)
Net assets		6,824,938	6,909,161	(1.2)	6,479,438	6,562,772	(1.3)
Represented by:							
Unitholders' funds		6,807,917	6,892,018	(1.2)	6,479,438	6,562,772	(1.3)
Non-controlling interests	13	17,021	17,143	(0.7)	-	-	-
Total equity		6,824,938	6,909,161	(1.2)	6,479,438	6,562,772	(1.3)

NM – Not Meaningful

CAPITALAND COMMERCIAL TRUST 2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND DISTRIBUTION ANNOUNCEMENT

Notes:

- (1) Investment properties are stated at valuations performed by independent valuers as at 31 December 2018, adjusted for capital expenditure capitalized in 1Q 2019.
- (2) Include cost of investments in CCT MTN Pte. Ltd., MSO Trust, AST2 Group and Gallileo Group (including the loans to subsidiaries).
- (3) This relates to CCT's 10.9% stake in MQREIT. Higher closing price of MQREIT as well as the stronger Ringgit against SGD accounted for the higher value.
- (4) This relates to CCT's 60.0% interest in RCS Trust, 50.0% interest in OGS LLP and 45.0% interest in GOT and GSRT (including unitholder's loan).
- (5) This relates to the fair values of cross currency swaps and/or interest rate swaps.
- (6) Asset held for sale relates to Bugis Village which was returned to the State on 1 April 2019 for which CCT received a compensation sum of S\$40.7 million.
- (7) Total assets were S\$9,593.4 million as at 31 March 2019 (31 December 2018: S\$9,690.5 million). Total deposited property value (as defined in the Code on Collective Investment Schemes) as at 31 March 2019 was S\$11,101.5 million (31 December 2018: S\$11,193.5 million).
- (8) Lower Trade and other payables as at 31 March 2019 was mainly due to the payment of FY 2018 performance component of asset management fees to the Manager.
- (9) This relates to JPY10.0 billion fixed rate notes (hedged via cross currency swaps to S\$148.3 million) due on 16 December 2019. There are sufficient bank facilities to refinance the liability.
- (10) The non-current interest-bearing liabilities as at 31 March 2019 comprised:
 - (a) Unsecured fixed/floating rate notes totaling S\$725.0 million; JPY14.9 billion and HKD585.0 million (hedged via cross currency swaps to S\$277.5 million);
 - (b) Unsecured bank borrowings of S\$767.1 million and EUR208.8 million; and
 - (c) Secured bank borrowings of MSO Trust for S\$180.0 million and Gallileo Co. of EUR140.0 million.
- (11) At the Trust level, Other payables as at 31 March 2019 relates to the lease liabilities payable to CCT's subsidiary, AST2 Co., under the master lease arrangement. At the Group level, it relates to payables owing to the non-controlling interest and lease liabilities of Gallileo Co..
- (12) This relates to deferred tax provision of Gallileo Co..
- (13) This relates to CCT's non-controlling interest of Gallileo Co..

**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT**

1(b)(ii) Aggregate amount of borrowings and debt securities

	Group			Trust		
	31 Mar 2019 S\$'000	31 Dec 2018 S\$'000	Change %	31 Mar 2019 S\$'000	31 Dec 2018 S\$'000	Change %
Secured borrowings						
Amount repayable after one year ⁽¹⁾	394,551	398,579	(1.0)	-	-	-
Less: Unamortised portion of transactions costs ⁽¹⁾	(1,043)	(1,133)	(7.9)	-	-	-
Net secured borrowings after one year	393,508	397,446	(1.0)	-	-	-
Unsecured borrowings						
Amount repayable after one year	2,096,101	2,100,507	(0.2)	2,096,101	2,100,507	(0.2)
Less: Unamortised portion of transactions costs	(4,431)	(4,771)	(7.1)	(4,431)	(4,771)	(7.1)
Net unsecured borrowings after one year	2,091,670	2,095,736	(0.2)	2,091,670	2,095,736	(0.2)
Amount repayable within one year	122,800	120,800	1.7	122,800	120,800	1.7
Total unsecured borrowings	2,214,470	2,216,536	(0.1)	2,214,470	2,216,536	(0.1)
Total secured and unsecured borrowings	2,607,978	2,613,982	(0.2)	2,214,470	2,216,536	(0.1)

Note :

(1) This relates to MSO Trust's and Gallileo Co.'s borrowings and transactions costs.

For information only

This relates to CCT's interest in the aggregate external borrowings of its joint ventures, namely RCS Trust (CCT's 60.0% interest), OGS LLP (CCT's 50.0% interest), GOT and GSRT (CCT's 45.0% interest), which are not included under total borrowings in the statement of financial position of the Group.

Secured borrowings ⁽¹⁾

Amount repayable after one year

Less: Unamortised portion of transactions costs

Net secured borrowings

Unsecured borrowings ⁽²⁾

Amount repayable after one year

Less: Unamortised portion of transactions costs

Net repayable after one year

Total secured and unsecured borrowings

For information only		
31 Mar 2019 S\$'000	31 Dec 2018 S\$'000	Change %
591,500	582,500	1.5
(3,195)	(3,390)	(5.8)
588,305	579,110	1.6
691,500	690,000	0.2
(1,086)	(1,171)	(7.3)
690,414	688,829	0.2
1,278,719	1,267,939	0.9

Notes :

(1) Secured borrowings relate to CCT's 50.0% interest in borrowings of OGS LLP and CCT's 45.0% interest in borrowings of GOT and GSRT.

(2) Unsecured borrowings relate to CCT's 60.0% interest in borrowings of RCS Trust.

NM: Not meaningful

CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT

1(c)(i) Statement of Cash Flow (1Q 2019 vs 1Q 2018)

	Group	
	1Q 2019	1Q 2018
Note	S\$'000	S\$'000
Operating activities		
Total return for the period before tax	81,438	78,103
Adjustments for :		
Share of profit of joint ventures	(22,130)	(22,992)
Amortisation of lease incentives	1,177	1,434
Depreciation of plant and equipment	35	52
Finance costs	16,943	19,335
Impairment losses on trade receivables	-	12
Interest income	(1,213)	(1,202)
Loss on disposal of plant and equipment	2	-
Asset management fees paid and payable in Units	1,087	1,556
Distribution from equity investment	(1,497)	(1,647)
Operating income before working capital changes	75,842	74,651
Changes in working capital		
Trade and other receivables	(3,898)	(3,451)
Trade and other payables	(12,933)	(6,186)
Security deposits	149	(371)
Cash generated from operating activities	59,160	64,643
Tax expenses paid	(1,437)	(850)
Net cash from operating activities	57,723	63,793
Investing activities		
Capital expenditure on investment properties	(984)	(3,140)
Purchase of plant and equipment	(4)	(34)
Distribution received from equity instrument	1,497	1,647
Distributions received from joint ventures	25,651	26,561
Interest income received	1,285	1,202
Acquisition of subsidiary	(2,101)	(19,131)
Net cash from investing activities	25,344	7,105
Financing activities		
Interest paid	(19,735)	(12,228)
Payment of transaction costs related to borrowings	(150)	(1,549)
Distribution to unitholders	(157,170)	(140,769)
Proceeds from interest-bearing loans and borrowings	-	1,247,600
Repayment of interest-bearing loans and borrowings	-	(1,187,687)
Net cash used in financing activities	(177,055)	(94,633)
Net decrease in cash and cash equivalents	(93,988)	(23,735)
Cash and cash equivalents at beginning of period	174,913	122,581
Cash and cash equivalents at end of period	80,925	98,846

Note:

- 1) For 1Q 2019, it relates to the remaining purchase consideration paid for Gallileo Co., and for 1Q 2018, it relates to the remaining purchase consideration paid for AST2 Group.

**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT**

1(d)(i) Statement of movement in unitholders' funds (1Q 2019 vs 1Q 2018)

	Note	Group		Trust	
		1Q 2019 S\$'000	1Q 2018 S\$'000	1Q 2019 S\$'000	1Q 2018 S\$'000
Unitholders' fund as at beginning of period		6,892,018	6,416,923	6,562,772	5,993,766
Operations					
Total return for the period attributable to unitholders		79,723	76,970	81,911	71,034
Unitholders' transactions					
Creation of units:					
- Units issued in respect of RCS Trust's asset management fees		4,828	5,448	4,828	5,448
- Asset management fee paid and payable in Units		1,087	1,556	1,087	1,556
Distributions to unitholders		(165,504)	(147,934)	(165,504)	(147,934)
Net decrease in net assets resulting from unitholders' transactions		(159,589)	(140,930)	(159,589)	(140,930)
Movement in reserves					
- Foreign currency translation reserves	1	(63)	-	-	-
- Fair value reserves / available-for-sale reserves	2	956	(7,555)	956	(7,555)
- Hedging reserves	3	(5,128)	23,774	(6,612)	12,827
Net (decrease) / increase in net assets resulting from movement in reserves		(4,235)	16,219	(5,656)	5,272
Net decrease in net assets		(84,101)	(47,741)	(83,334)	(64,624)
Unitholders' fund as at end of period		6,807,917	6,369,182	6,479,438	5,929,142

Notes:

- (1) This relates to translation differences from foreign operations and foreign currency loans forming part of net investment in foreign operations.
- (2) This relates to marked to market movement of MQREIT.
- (3) The movement in hedging reserves for the Trust relates to the fair value changes of the cross currency and interest rate swaps and the revaluation of JPY and HKD notes. Included in movement for the Group was MSO Trust's movement in hedging reserves and the Group's share of movement in hedging reserves of the joint ventures.

1(d)(ii) Details of any change in the units (1Q 2019 vs 1Q 2018)

	Group and Trust	
	1Q 2019 Units	1Q 2018 Units
Units in issue as at beginning of period	3,744,429,288	3,608,145,589
New Units issued:		
- As payment of asset management fee in relation to 60.0% interest in RCS Trust ⁽¹⁾	2,715,282	2,845,043
- As payment of asset management fees in relation to CCT's properties ⁽²⁾	2,035,547	732,821
Total Units issued as at end of period	3,749,180,117	3,611,723,453

CAPITALAND COMMERCIAL TRUST

2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND DISTRIBUTION ANNOUNCEMENT

Notes:

- (1) For 1Q 2019, it relates to payment of FY 2018 performance fees and 50.0% of the base component of management fees for 4Q 2018. The remaining 50.0% of the base component of management fees was paid in cash. (1Q 2018: Units issued for payment of base component of management fees for 4Q 2017 and FY 2017 performance fees).
- (2) For 1Q 2019, this relates to Units issued for payment of 4Q 2018 base component and FY 2018 performance component of AST2's asset management fees (1Q 2018: Units issued for payment of FY 2017 performance component of the asset management fees of One George Street and Wilkie Edge).

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recent audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted new Financial Reporting Standards in Singapore ("FRSs") for the financial period beginning 1 January 2019 as follows:

FRS 116 Leases

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group recognises its existing operating lease arrangements as ROU assets with corresponding lease liabilities and measures lease liabilities by applying a single discount rate to its office leases.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with the principles of FRS116.

For ROU assets which meet the definition of investment properties under the principles of FRS 40, the Group presents these leased assets as part of investment properties. For other ROU assets, the Group presents them as part of plant and equipment.

The nature of expenses related to such leases has changed as the principles under FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

There is no significant impact to the financial statements of the Group.

**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT**

6 Earnings per unit ("EPU") and distribution per unit ("DPU") for the financial period

EPU (1Q 2019 vs 1Q 2018)

	Group		Trust	
	1Q 2019	1Q 2018	1Q 2019	1Q 2018
<u>Basic EPU</u> ⁽¹⁾				
Weighted average number of Units for the period	3,746,230,474	3,609,424,762	3,746,230,474	3,609,424,762
Basic EPU	2.13¢	2.13¢	2.19¢	1.97¢
<u>Diluted EPU</u> ⁽²⁾				
Weighted average number of Units for the period (diluted)	3,747,672,451	3,611,422,894	3,747,672,451	3,611,422,894
Diluted EPU	2.13¢	2.13¢	2.19¢	1.97¢

Notes:

- (1) Basic EPU was computed on total return for the period after tax (excluding non-controlling interests) over the weighted average number of Units for the period.
- (2) Diluted EPU was computed on total return for the period after tax (excluding non-controlling interests) over the weighted average number of Units for the period which had included potential dilutive Units assuming issuance of Units for the settlement of unpaid asset management fees.

Distribution per unit ("DPU")

In computing the DPU, the number of Units as at end of the period was used for the computation.

	1Q 2019	1Q 2018
Number of Units in issue at the end of the period	3,749,180,117	3,611,723,453
DPU (cents) for period	2.20¢	2.12¢

7 Net asset value ("NAV") / Net tangible asset ("NTA") per Unit based on Units in issue at the end of the period.

	Note	Group		Trust	
		31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Number of Units in issue at end of the period		3,749,180,117	3,744,429,288	3,749,180,117	3,744,429,288
NAV / NTA (S\$'000)	1	6,807,917	6,892,018	6,479,438	6,562,772
NAV / NTA per Unit	2	\$1.82	\$1.84	\$1.73	\$1.75
Adjusted NAV / NTA per Unit (excluding the distributable income to unitholders)		\$1.79	\$1.80	\$1.71	\$1.71

Notes:

- (1) This excluded non-controlling interest's share of NAV/NTA.
- (2) NAV/NTA per Unit were computed based on NAV/NTA over the number of Units in issue as at end of the period respectively.

**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT**

8 Review of the performance

Statement of Total Return

Gross revenue	99,762	96,418	3.5
Property operating expenses	(19,960)	(19,209)	3.9
Net property income	79,802	77,209	3.4
Interest income	1,213	1,202	0.9
Investment income	1,497	1,647	(9.1)
Asset management fees:			
- Base fees	(1,939)	(1,908)	1.6
- Performance fees	(3,236)	(2,865)	12.9
Trust and other operating expenses	(1,086)	(839)	29.4
Finance costs	(16,943)	(19,335)	(12.4)
Net income before share of profit of joint ventures	59,308	55,111	7.6
Share of profit (net of tax) of joint ventures	22,130	22,992	(3.7)
Net income before tax	81,438	78,103	4.3
Tax expense	(1,519)	(1,133)	34.1
Total return for the period after tax	79,919	76,970	3.8
<u>Distribution Statement</u>			
Total return attributable to unitholders	79,723	76,970	3.6
Net tax and other adjustments	(24,391)	(24,736)	(1.4)
Tax-exempt income distribution	3,400	-	NM
Distribution from joint ventures	23,991	24,372	(1.6)
Distributable income to unitholders	82,723	76,606	8.0
DPU for the period	2.20¢	2.12¢	3.8

Group		
1Q 2019	1Q 2018	Change
S\$'000	S\$'000	%
99,762	96,418	3.5
(19,960)	(19,209)	3.9
79,802	77,209	3.4
1,213	1,202	0.9
1,497	1,647	(9.1)
(1,939)	(1,908)	1.6
(3,236)	(2,865)	12.9
(1,086)	(839)	29.4
(16,943)	(19,335)	(12.4)
59,308	55,111	7.6
22,130	22,992	(3.7)
81,438	78,103	4.3
(1,519)	(1,133)	34.1
79,919	76,970	3.8
79,723	76,970	3.6
(24,391)	(24,736)	(1.4)
3,400	-	NM
23,991	24,372	(1.6)
82,723	76,606	8.0
2.20¢	2.12¢	3.8

NM – Not Meaningful

Review of CCT Group's performance 1Q 2019 vs 1Q 2018

- Gross revenue for 1Q 2019 was S\$99.8 million, an increase of S\$3.3 million or 3.5% over 1Q 2018. The increase was mainly from Gallileo and AST2 which offset the loss in gross revenue due to the divestment of Twenty Anson.
- Property operating expenses for 1Q 2019 were S\$20.0 million, an increase of S\$0.8 million or 3.9% over 1Q 2018 mainly due to Gallileo's property operating expenses.
- Trust and other operating expenses in 1Q 2019 of S\$1.1 million increased by S\$0.2 million from 1Q 2018 mainly due to higher professional fees incurred.
- Finance costs of S\$16.9 million for 1Q 2019 were S\$2.4 million or 12.4% lower than 1Q 2018 largely due to lower borrowings.
- Share of profit of joint ventures relates to CCT's 60.0% interest of results of RCS Trust, 50.0% interest in OGS LLP and 45.0% interest in GOT and GSRT.
- CCT's distributable income for 1Q 2019 of S\$82.7 million increased by 8.0% from that of 1Q 2018 mainly due to better performance of CCT portfolio as well as the distribution of tax-exempt income of S\$3.4 million.

CAPITALAND COMMERCIAL TRUST

2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND DISTRIBUTION ANNOUNCEMENT

9 Variance from Previous Forecast / Prospect Statement

CCT did not disclose any forecast to the market.

10 Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

CCT's distributable income of S\$82.7 million for 1Q 2019 was an increase of 8.0% from 1Q 2018. Distribution per unit was 2.20 cents, 3.8% higher than the 2.12 cents a year ago. Gross revenue and net property income for the quarter increased by 3.5% and 3.4% year-on-year to S\$99.8 million and S\$79.8 million respectively. The improved performance was largely due to contributions from Gallileo – acquired in June 2018 – and higher occupancy at Asia Square Tower 2, which more than offset the divestment of Twenty Anson.

CCT's portfolio occupancy rate was 99.1% as at 31 March 2019. The Trust delivered a strong set of results from its strategic portfolio reconstitution achieved by the acquisition of a 94.9% stake in Gallileo and the divestment of Twenty Anson, which mitigated the flow through of negative rental reversions from leases committed last year. This resilient performance was further underpinned by CCT's proactive asset and capital management.

In 1Q 2019, CCT signed over 225,000 square feet of new leases and renewals, of which 18% were new leases. New demand for office space was driven by tenants from diverse trade sectors. To date, more than half of 2019 expiring leases (based on monthly rental income) have already been committed. However, the negative rent reversions for leases signed in prior quarters are expected to flow through as seen in the year-on-year gross revenue for CapitaGreen and Six Battery Road in 1Q 2019. This may impact overall portfolio revenue growth in 2019.

CCT returned leasehold interest of Bugis Village to the State on 1 April 2019 and received the agreed compensation sum of S\$40.7 million. Concurrently, CCT signed a one-year master lease with the State for Bugis Village from 1 April 2019 to 31 March 2020, with a projected net income of S\$1.0 million. As at 1 April 2019, about 84% of tenants at Bugis Village have committed to extend their leases.

As part of CCT's proactive capital management efforts, most of the borrowings due in 2019 have been refinanced ahead of their maturity and the Trust only has a fixed rate Japanese Yen (equivalent S\$148.3 million) medium term notes due end of this year. Average cost of debt was 2.5% per annum as at 31 March 2019. Aggregate leverage inched up slightly from 34.9% in 4Q 2018 to 35.2% in 1Q 2019, largely due to a S\$9 million debt drawdown for CapitaSpring (45.0% interest). To provide certainty of interest expense, 92% of CCT's total borrowings are on fixed rates.

Outlook

The monthly Grade A office market rent in Singapore increased by 3.2% year-on-year to S\$11.15 per square foot in 1Q 2019, according to data from CBRE Research. Occupancy in Singapore's Core CBD office buildings as at end March was 95.4%, up from 94.8% in the previous quarter. The Singapore office market is expected to see continued rental growth in 2019. Barring unforeseen events affecting macro environment, the Singapore office market is expected to see continued rental growth in 2019.

Prime office market rent in Frankfurt has remained resilient through property cycles. Vacancy rates have declined to record lows in the Banking District, where Gallileo is located, due to active office leasing. Leasing commitments at new developments have also increased.

11 Distributions

11(a) Current financial period

Any distributions declared for the current financial period? No.

11(b) Corresponding period of the preceding financial period

Any distributions declared for the current financial period? No.

**CAPITALAND COMMERCIAL TRUST
2019 FIRST QUARTER UNAUDITED FINANCIAL STATEMENT AND
DISTRIBUTION ANNOUNCEMENT**

12 If no distribution has been declared/recommended, a statement to that effect

CCT's distribution policy is to make distributions to Unitholders on a semi-annual basis, with the amount calculated for the six-months period ending on 30 June and 31 December each year. As such, no distribution has been declared for the period ended 31 March 2019.

13 General mandate relating to interested party transactions

CCT has not obtained a general mandate from unitholders for Interested Person Transactions.

14 Confirmation that issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Manager confirms that it has procured undertakings from all its Directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual.

15 Confirmation Pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the first quarter 2019 unaudited financial statements of the Group and Trust to be false or misleading in any material respect.

On behalf of the Board of the Manager,
CapitaLand Commercial Trust Management Limited

Andrew Lim
Director

Chee Tien Jin Kevin
Director

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 other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, 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.

By Order of the Board
CapitaLand Commercial Trust Management Limited
(Company registration no. 200309059W)
As Manager of CapitaLand Commercial Trust

Lee Ju Lin Audrey
Company Secretary
18 April 2019