# LETTER TO UNITHOLDERS

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**SAMUEL TSIEN**
Non-Executive Chairman and Director

**SHARON LIM**
Executive Director and Chief Executive Officer

Dear Unitholders,

The global economy has confronted unprecedented challenges in recent years, from the COVID-19 pandemic to the Russia-Ukraine conflict, along with persistently high inflation, rising interest rates and energy prices, as well as an increasingly shaky global economy. In response, companies are recalibrating their strategies, operations and objectives to navigate this operating climate with greater efficiency and reduced costs.

## Making an iMPACT – Successful Merger with MNACT

As we face increasingly limited opportunities within Singapore, it became clear that we must look beyond our shores to secure future growth. As such, overseas expansion into Asia, a region with a shared background and familiarity, is necessary. To achieve this, we require a ready platform with extensive scale and reach. The merger with MNACT provides precisely this, offering ready footholds in key Asian gateway cities that will serve as a springboard for future growth.

We are heartened to receive the mandate from Unitholders for the merger at the EGM held on 23 May 2022. With the completion of the merger on 21 July 2022, and the subsequent name change on 3 August 2022 from Mapletree Commercial Trust to Mapletree Pan Asia Commercial Trust, or MPACT, we are excited to begin a new chapter.

## Steady Performance Amid Challenging Times

This is our maiden set of full-year results post-merger. MPACT closed the financial year with 65.4% and 62.6% yoy growth in gross revenue and NPI to S$826.2 million and S$631.9 million, respectively. This growth was primarily driven by the contribution from properties acquired through the merger, as well as higher earnings from our core assets, VivoCity and MBC. Notably, the better performance by the core assets cushioned the increase in utility and financing expenses. Consequently, FY22/23 amount available for distribution to Unitholders amounted to S$445.6 million. DPU for the year topped 9.61 Singapore cents, up 0.8% yoy. Excluding the release of retained cash in FY21/22, FY22/23 DPU was up 6.1% yoy.

Since our listing on 27 April 2011, MPACT's unit price has grown from S$0.88 to S$1.80 as of 31 March 2023. After accounting for total distributions of 98.69 Singapore cents per Unit paid out to date, the total return to Unitholders is 216.7%.

## Core Assets Provide Stable Foundation

VivoCity and MBC continued to provide a steady income stream. Together, they generated a combined S$445.8 million in gross revenue and S$345.9 million in NPI in FY22/23, up 11.5% and 11.3%, respectively, from the previous year.

Capitalising on Singapore's post-COVID recovery momentum, VivoCity's full-year tenant sales surpassed S$1 billion, setting a record high and exceeding pre-pandemic levels. Throughout the year, we focused on active tenant remixing, collaborated with existing tenants to refresh and expand their stores, ultimately revitalising the mall. With the removal of COVID-19 restrictions, VivoCity resumed its hallmark large-scale celebratory events during Christmas and Chinese New Year. These long-awaited events were enthusiastically received by shoppers of all ages.

Since the beginning, we have consistently implemented AEIs to position VivoCity at the forefront of competition. In FY22/23, we commenced an 80,000 square feet reconfiguration exercise, transforming a portion of the Level 1 space occupied by anchor tenant, TANGS, into a new retail zone. This initiative, years in the making, offers several benefits. Firstly, it leverages the escalator node added in 2018 to create an additional channel for shopper traffic, hence enhancing overall mall circulation. Secondly, the new retail zone injects fresh energy into the mall, as the zone features a curated selection of popular food and beverage ("F&B") establishments alongside an enhanced beauty and fragrance cluster. TANGS has unveiled their rejuvenated store following its footprint optimisation, further enriching the shopping experience at VivoCity. The retail zone has opened progressively since the end of May 2023, and we expect the entire AEI to generate more than 20% of return on investment.

VivoCity concluded FY22/23 with 99.1% committed occupancy and recorded an impressive full-year rental uplift of 7.7%.

Despite changes in workspace requirements by some businesses adapting to the new normal of hybrid work arrangements, MBC likewise achieved positive results, closing FY22/23 with 95.4% committed occupancy and a full-year rental uplift of 8.0%.

Together, these two assets anchored MPACT's stability by accounting for approximately 53% and 54% of the total contribution to revenue and NPI, respectively.

Our other Singapore properties, mTower, Mapletree Anson and BOAHF, also delivered healthy results. Collectively, they posted a committed occupancy of 95.9% and recorded a full-year rental uplift of 1.6%.

The Singapore assets played a vital role in driving our performance. During the year, they recorded an increase of S$33.0 million of NPI, which not only covered the rise in utility costs but also more than offset the higher cost of Singapore dollar

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borrowings. Moreover, the successful renewal of a majority of Google's leases at MBC over the last two financial years[1], as well as Bank of America's lease at BOAHF, further reinforced MPACT's ongoing resilience.

## Greater China Assets Navigate Prolonged COVID-19 Restrictions

MPACT's Greater China properties continued to face headwinds during the year due to the prolonged COVID-19 situation and the country's "zero-COVID" policy. Nevertheless, we persevered in our leasing and marketing efforts to mitigate the impact.

Festival Walk, our retail mall in Hong Kong, which also experienced operational challenges stemming from the social incidents that occurred in the territory between 2019 and 2020, started to see gradual and steady recovery in shopper flows. COVID-19 restrictions, which significantly affected shopper traffic and tenant sales for much of the year, were progressively relaxed from the second half of FY22/23. This, combined with the reopening of the border with Mainland China, resulted in a 16.0% and 9.3% yoy improvement in shopper traffic and tenant sales, respectively. We also positively renewed the lease with Arup, a major tenant at Festival Walk. By the end of FY22/23, the property achieved near-full committed occupancy. With signs of rent stabilisation, the outlook looks more promising.

As we move forward, we will intensify our efforts in tenant remixing and introducing new retail concepts to strengthen Festival Walk's appeal to the local community.

Gateway Plaza and Sandhill Plaza, our properties in Beijing and Shanghai, respectively, faced tight social distancing measures and lengthy lockdowns during FY22/23. These hindered leasing efforts and weighed on the performance of our China portfolio, leading to 86.5% committed occupancy as of 31 March 2023. Despite the tough environment, we succeeded in renewing the lease of our second-largest tenant, BMW, for five years until 2028 at Gateway Plaza. This important accomplishment removed a significant occupancy risk. The vast lifting of COVID-19 measures in Greater China and the eagerly anticipated reopening of borders since early 2023 present opportunities to improve the performance of our Greater China portfolio.

The Japan properties concluded the year with 97.5% committed occupancy and full-year positive rental reversion of 1.9%. The Pinnacle Gangnam, a quality office building in South Korea, benefited from favourable market dynamics in the Gangnam Business District ("GBD") and maintained robust performance. It ended the year with 99.3% committed occupancy and achieved a strong rental reversion of 14.2% for FY22/23. The vibrant GBD market, characterised by limited supply, is expected to continue to support occupancy and rental rates for The Pinnacle Gangnam.

## Proactive Capital Management Approach Fosters Resilience

MPACT's proactive capital and risk management approach is centred on fostering resilience and creating sustainable, long-term growth. We do so by safeguarding the capital structure, diversifying funding sources and ensuring financial flexibility, while keeping overall costs at a sensible level.

In September 2022, we established a S$5.0 billion Euro Medium Term Securities Programme, broadening our funding pool. In March 2023, we tapped into this programme by issuing S$150.0 million of fixed rate senior green notes, in line with MPACT's Green Finance Framework. This issuance allowed us to secure funds from capital providers who share our commitment in making a positive environmental impact.

At the end of FY22/23, we have in total approximately S$1.6 billion of cash and undrawn committed facilities, ensuring sufficient liquidity to fulfil MPACT's working capital and financial obligations.

As of 31 March 2023, about 75.5% of the total gross debt of S$6.9 billion was fixed through fixed rate debt or interest rate swaps. Additionally, approximately 93% of MPACT's expected distributable income (based on rolling four quarters) was derived from or hedged into Singapore dollar. These measures help to mitigate the effects of volatilities in interest and foreign exchange rates.

We continued to maintain a well-staggered debt maturity profile, with no more than 22% of debt due in any financial year. As much as we can and where practicable, we align MPACT's debt mix with the geographical composition of the AUM, creating a natural hedge.

MPACT's portfolio property valuation totalled S$16.6 billion as at 31 March 2023, 87.9% higher than a year ago. The primary driver for this increase was the expansion in investment properties resulting from the merger. Our Singapore assets posted a slight increase in valuation, mainly driven by VivoCity's improved performance. It is also worth noting that the capitalisation rates applied by the independent valuers have remained consistent for all properties as compared to a year ago. Evaluating the valuations of MPACT's investment properties in their respective local currencies, most of the properties have maintained stable valuations as compared to the previous year. However, the stronger Singapore dollar has led to lower values on our books when translated to Singapore dollars.

As of 31 March 2023, MPACT's aggregate leverage was 40.9%. For FY22/23, the weighted average all-in cost of debt was 2.68% per

[1] A significant portion of Google's leases have been renewed over the last two financial years, leaving approximately one-fifth of its space up for expiry in FY24/25.

annum and the adjusted interest coverage ratio was approximately 3.5 times on a 12-month trailing basis.

As the older fixed rate debts and interest rate swaps progressively mature, the overall cost of financing is expected to increase if interest rates remain elevated. MPACT is committed to staying disciplined and vigilant in managing the capital structure, and we will continue to monitor the market and adapt our strategies as needed to ensure stability.

## Embracing Sustainability for a Better Future

MPACT remains fully dedicated to sustainability as a fundamental aspect of our business, even as our geographic scope expands. During the year, we reviewed and identified our material environment, social and governance ("ESG") factors, and embarked on a "net zero by 2050" journey that is aligned with our Sponsor's ambition and the Paris Agreement. Our sustainability roadmap focuses on key areas, setting short to long-term targets and initiating efforts to decarbonise our operations. We also invest in our people and communities to ensure shared growth.

Some of our key sustainability achievements in FY22/23 include approximately 85% of our portfolio (by lettable area) being green-certified, generation of more than 1.9 million kilowatt-hour ("kWh") of solar energy, introduction of green leases in Singapore, updating of MPACT's Green Finance Framework and the subsequent issuance of green notes under this framework.

In addition, we have adopted a new climate risk assessment tool to help us better assess climate-related risk and further conducted scenario analysis in line with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). This proactive approach enables us to address climate mitigation, adaptation and resilience effectively.

Committed to transparency and accountability, MPACT will participate in the 2023 GRESB Real Estate Assessment, expanding on the participation of MCT and MNACT in previous years. We have also updated our reporting framework to align with SGX-ST's new core metrics and the Global Reporting Initiative Standards 2021.

MPACT embraces an iterative approach to sustainability. By consistently refining our ESG strategy, practices and disclosures, we strive to enhance transparency, accountability and trust with our stakeholders. We invite you to review our Sustainability Report and share your feedback on our sustainability initiatives and outcomes.

## Pushing Our Boundaries

The global economic outlook remains fragile with growth expected to be softer than last year according to IMF[1]. The ongoing Russia-Ukraine conflict, higher energy prices, interest rate hikes and volatility in the global financial markets may heighten downside risks. Despite these headwinds, we find encouragement in regional developments, such as Singapore's return to post-pandemic normalcy and China's lifting of COVID-19 measures and border reopening since early 2023.

In the face of recent downturns in the tech and finance sectors, we take comfort in the renewals of several key leases at MBC, BOAHF, Festival Walk and Gateway Plaza, which place us in a resilient position. We will continue to deploy targeted strategies to manage our assets and advance our objectives. With a diverse tenant base, keen understanding of tenants' needs, and a proactive approach to asset management, we are confident in our ability to skilfully manoeuvre through market shifts.

As we look to the future, our primary responsibility as a merged entity is executing our "4R" Asset & Capital Management Strategy: **R**echarge, **R**efocus, **R**econstitute and **R**esilience. MPACT's enlarged scale and enhanced diversification, anchored by our core assets, will empower us to pursue capital recycling opportunities, asset enhancement and development initiatives, and acquisitions across Asia's key gateway markets over time. We will also prioritise maintaining our balance sheet resilience, which underpins the stability of our entire franchise. Our unwavering commitment to Unitholders is to drive long-term growth and sustainable returns, making an impact and pushing the boundaries of our potential.

## Acknowledgements

On behalf of the Board, we express our gratitude to Mr Tsang Yam Pui, Ms Kwa Kim Li, Mr Koh Cheng Chua, Mr Hiew Yoon Khong and Ms Amy Ng for their service as they stepped down from the Board following the completion of the merger. We warmly welcome our new board members, who were former directors of Mapletree North Asia Commercial Trust Management Ltd.[2], as they provide valuable continuity. Ms Tan Su Shan, Ms Lilian Chiang, Mr Chua Kim Chiu, Mr Lawrence Wong, Mr Pascal Lambert and Mr Chua Tiow Chye each brings a wealth of experience that will bolster our efforts to create long-term value for Unitholders.

Finally, our gratitude goes to Unitholders, tenants, shoppers and partners, as well as our colleagues who have worked tirelessly through and after the merger. We are excited about this new chapter and look forward to making an impact together as MPACT.

**SAMUEL TSIEN**
Non-Executive Chairman and Director

**SHARON LIM**
Executive Director and
Chief Executive Officer

1 Reference: International Monetary Fund ("IMF"), World Economic Outlook Update, April 2023.
2 Previously the Manager of MNACT until it was delisted.