LETTER TO UNITHOLDERS

Left:
TSANG YAM PUI
Non-Executive Chairman and Director

Right:
SHARON LIM
Executive Director and Chief Executive Officer

Dear Unitholders,

Much of FY21/22 remained marred by COVID-19 as the emergence of new virus variants resulted in shifts in policies and re-imposition of stringent health measures to contain further transmissions. To help businesses overcome the challenges, the Government has implemented various support schemes. MCT has been committed in doing our part as a responsible landlord, as we continued to work closely with tenants and provided meaningful support where warranted. Since the start of the pandemic, we have helped eligible retail tenants offset on average approximately 5.8 months of their fixed rents[1].

A DIFFERENTIATED PERFORMANCE

At MCT, our business is built to weather difficult periods. Against a backdrop of unprecedented challenges inflicted by COVID-19, we are proud to deliver a set of steady results.

FY21/22 gross revenue and net property income ("NPI") topped S$499.5 million and S$388.7 million, up by 4.3% and 3.1% respectively as compared to FY20/21. This was contributed by higher revenue from all properties except Mapletree Anson due to its transitional vacancy. Following several adjustments in COVID-19 policies primarily in the first half of the financial year, Singapore has succeeded in getting the vast majority of the population vaccinated and gone on to resume social and business activities.

1 Inclusive of passing on of property tax rebates, cash grants from the Government and other mandated grants to qualifying tenants.

In tandem with the gradual return of normalcy, rental rebates for retail tenants have tapered progressively and carpark income has improved. Other key drivers for the better year-on-year performance include compensation received from the negotiated lease pre-termination at mTower and the effects of step-up rents in existing leases.

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Back in 4Q FY19/20 when the COVID-19 pandemic was still unfolding, we took an extra dose of prudence and retained S$43.7 million of distribution[1] to shore up liquidity. Of this, S$28.0 million was released as distribution to Unitholders in FY20/21. As the uncertainty from COVID-19 has abated further, we have released the remaining S$15.7 million of retained cash as distribution to Unitholders this financial year. Consequently, the amount available for distribution totalled S$317.0 million, and DPU for the full year amounted to 9.53 Singapore cents.

We have delivered consistently through ever-changing economic cycles. Since our public listing on 27 April 2011, MCT's unit price has grown from S$0.88 to S$1.89 as at 31 March 2022. Including total distribution of 89.08 Singapore cents per unit paid out since listing, the total return to Unitholders was 216.0%. This differentiated performance is a testament to our ability to constantly recharge our properties and stay agile during challenges, and the position of strength we have fostered for MCT over the years.

VIVOCITY – WELL-POSITIONED FOR THE UPTURN

The enduring appeal of VivoCity stems from our intensive management effort. Since VivoCity's official opening in 2006, we have worked hard to revitalise and re-imagine the mall, moving away from a commoditised shopping experience and towards a broadened value proposition for consumers. Operationally, this has guided us in how we create the most welcoming space that can meet the evolving demands of shoppers while enabling retailers to showcase their offerings to the fullest.

The confluence of the pandemic and e-commerce have certainly accelerated the long-standing trend of consolidation where retailers are compelled to optimise their footprints by retaining only the best-performing stores. By keeping our fingers firmly on the market's pulse, we were able to navigate the COVID-19 challenges with deft, ensuring the continued performance of VivoCity.

In our last letter to you, we shared the expansion of adidas at VivoCity to launch two flagship stores for their Originals and Performance lines. The two stores, which are the biggest in Southeast Asia and Singapore, were opened in December 2020 and April 2021 respectively. Building on this success, the team further secured the expansion of tenants such as Gram Café, Puma and Timezone.

During the year, we also took the opportunity to reconfigure approximately 3,000 square feet of prime space on Basement 2 to accommodate popular fast food concept stores like Mr. Coconut, KFC and MOS Burger, tactically nestling them near the entrance of the HarbourFront Mass Rapid Transit ("MRT") station to capture the high volume of foot traffic.

As part of our ceaseless effort in curating the most vibrant retail mix for shoppers, we introduced tenants including DJI, a world-renowned maker of camera drones, and long-awaited athleisure and sports retailers such as lululemon and Foot Locker. These additions cater to the growing segment of hobbyists and athleisure devotees, and will certainly widen VivoCity's appeal. And of course, we continued to refresh the mall's F&B offerings, welcoming popular concepts such as Tai Cheong Bakery and Una Una.

VivoCity's shopper reward programme, VivoRewards+, was revamped in October 2021. This initiative capitalises on the success of the mall's parking credit redemption programme and transforms it into an all-inclusive loyalty programme for everyone. Through one simple-to-use app, shoppers can easily collect points and exchange them for parking credits, store vouchers, discounts, and more. It also features promotions, giveaways, exclusive partnerships with banks, top spender rewards and exciting flash deals to promote sign-ups and engagement with shoppers.

1 By way of capital allowance claims and capital distribution retention.

LETTER TO UNITHOLDERS

Our proactive management efforts have yielded positive results. Although the year started with a five-week nationwide cessation of dining-in at all F&B establishments[1], VivoCity's tenant sales have subsequently bounced back in tandem with easing COVID-19 measures, with 4Q FY21/22 reaching pre-COVID levels. Throughout FY21/22, the recovery in tenant sales has outpaced shopper traffic. For FY21/22, tenant sales improved by 15.6% year-on-year to S$804.0 million, while shopper traffic improved by 4.5% to 26.9 million. For FY21/22, VivoCity achieved positive rental uplift of 2.5%. These are clear indicators of VivoCity's distinct strength, and how it is well-positioned to ride the upturn.

POSITIVE MOMENTUM AT OFFICE AND BUSINESS PARK ASSETS

The protracted nature of COVID-19 and the shift to work-from-home and hybrid work arrangements have led to the recalibration of workspace requirements by businesses. In response, we have stepped up our engagement efforts to anticipate businesses' changing needs and to bring in new tenants.

Lease renewals at MBC were concluded early in the financial year, with new tenants being brought in progressively throughout FY21/22. Despite the flux in tenants, MBC closed the year with 97.3% committed occupancy. Overall, MBC continued to provide a steady source of revenue and remained an integral component of MCT's resilience.

Notably, good progress was made at backfilling mTower, resulting in its actual occupancy improving to 84.7% (in March 2022) from 75.5% (in March 2021). The majority of mTower's vacancy was due to the negotiated pre-termination of a lease, and the compensation received in 1Q FY21/22 provided more than a year's cover for backfilling.

Mapletree Anson closed its transitional vacancy as it achieved full commitment as at 31 March 2022, while BOAHF continued to be fully occupied.

Stemming from our proactive leasing approach, MCT's office and business park assets were able to provide a solid base for the vehicle. Together, they contributed S$315.6 million of gross revenue, 1.9% higher than FY20/21. Positive rental uplift of 1.7% was recorded for FY21/22, and we expect the positive leasing momentum to continue through to the new financial year.

FORTIFYING OUR CAPITAL STRUCTURE FOR LONG-TERM RESILIENCE

Our capital management strategy is risk-based and focuses on maintaining overall resilience. We do this by ensuring a robust capital structure that is supported by diversified sources of funding, while keeping the overall cost of debt at a sensible level.

As at 31 March 2022, there were approximately S$500 million of cash and undrawn committed facilities available to support financial flexibility. The debt maturity profile remained well-distributed with no more than 24% of debt due for refinancing in any financial year. With approximately 80.3% of the total gross debt of S$3,014.0 million of debt fixed by way of fixed rate debt or interest rate swaps, there is reasonable certainty over interest expenses.

MCT's investment properties were valued at S$8.8 billion as at 31 March 2022, 1.0% higher than a year ago, resulting in an aggregate leverage ratio of 33.5%. Due to the passing of time, the average term to maturity was shorter at 3.3 years as at 31 March 2022. For FY21/22, the weighted all-in-cost of debt averaged 2.40% per annum and we maintained a healthy 4.8 times interest coverage ratio.

In navigating today's rising interest rates, we will continue to safeguard the balance sheet prudently, and stay proactive in seizing suitable opportunities to achieve an optimal balance of risks and costs.

MAKING A POSITIVE IMPACT

Our approach towards sustainability is aligned with that of the Sponsor's, and is anchored by our shared belief to incorporate the "triple bottom line" in running our business: financial, social and environmental. Increasingly, we are starting to see sustainability take the centre stage for major corporations worldwide. In the long shadows of COVID-19, we continue to make progress in our Environmental, Social and Governance ("ESG") efforts.

For instance, we conducted an environmental risk assessment during the year and the results of the risk findings were integrated into MCT's Enterprise Risk Management framework. This is expected to help us better identify and manage climate-related risks and opportunities. In addition, we adopted the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and have made our inaugural disclosure within the Sustainability Report.

1 From 16 May to 13 June 2021, dining-in at all F&B establishments was halted, limit for social gatherings was capped at two, and work-from-home was imposed as the default work arrangement. The limit on social gatherings was raised to five from 14 June 2021 but dining-in (subject to group limit of two) resumed only from 21 June 2021.

Since 2020, we have been graded "A" for GRESB Public Disclosure and this year, we were conferred a GRESB Three Star rating for our inaugural participation in the GRESB Real Estate Assessment. The latter is a global ESG performance benchmark for real estate companies and funds, and the assessment will help us better gauge our performance against global peers, and to fine-tune our sustainability practices.

Sustainability remains at the heart of our business. We recognise that there is much to be done and we will remain relentless in our endeavour to make a positive impact. Our sustainability efforts are elaborated in our sixth Sustainability Report.

PROPOSED MERGER WITH MAPLETREE NORTH ASIA COMMERCIAL TRUST

In steering MCT through the COVID-19 turbulence and amidst the limited opportunities within our shores, we became cognisant of the need to expand overseas to secure our future growth. Nearly every REIT has been focused on growing through the acquisition of assets. However, we believe that the key to sustained growth is to add a platform with scale and reach in Pan Asia.

On 31 December 2021, we announced the proposed merger with MNACT to form MPACT[1]. The Proposed Merger is undoubtedly a significant step, but it is a transformative one that will put MCT on the best path forward. MCT has a track record of stability while MNACT has existing footholds in key gateway cities of Asia. Therefore, by coming together as MPACT, we can better unlock the upside potential of a multiple-geography platform and put ourselves onto a new growth trajectory.

With the approvals from our Unitholders at the Extraordinary General Meeting ("EGM") held on 23 May 2022, as well as the Sponsor's unwavering support, we are now more ready than ever to take MCT to the next level. Our immediate focus will be on harnessing the best of both teams to capitalise on the impending market recovery. The enlarged scale and stronger financial muscles will enable MPACT to undertake capital recycling opportunities, take on value-adding asset enhancement and development initiatives, and pursue larger acquisitions in Asia's key gateway markets. That said, we will remain judicious in evaluating potential opportunities in our drive to deliver growth.

TAKING MCT TO THE NEXT LEVEL

Towards the end of the financial year, the Singapore Government has taken a decisive step to relax wide-ranging COVID-19 measures. These include raising the limits for dining-in and social activities, allowing 100% of employees to return to their workplaces and reopening the country's borders, as well as the subsequent removal of all group size limits. At the same time, we have also observed encouraging indicators on the ground such as recovering tenant sales and positive leasing momentum. We expect our assets to benefit further as more economic activities resume and international travel returns to normalcy. Nonetheless, the global geopolitical environment remains fragile. This, together with rising energy prices and interest rates, could impede full recovery.

MCT's long-term success is rooted in our quality portfolio and a strong management team. Notably, our willingness and ability to adapt and evolve have been critical to our differentiated performance through the pandemic. To forge ahead strongly, we need to make a bold move. To take MCT to the next level, we need to spread our wings. To this end, we are heartened to obtain Unitholders' approval to proceed with the Proposed Merger. Looking forward, our biggest responsibility is to execute the "4R" asset and capital management strategy when the Proposed Merger is completed. Our primary commitment remains unchanged – to drive long-term growth and sustainable return. With a diversified and high quality portfolio across Singapore, Hong Kong, China, Japan and South Korea, of which best-in-class assets constitute approximately 67% of the merged portfolio, we believe we can deliver on our commitment.

ACKNOWLEDGEMENTS

In closing, we want to thank our Directors for their tireless commitment and guidance. It is also a privilege to express our appreciation to our employees in this letter – their hard work and dedication have helped pull MCT through another demanding year.

Finally, our gratitude goes to all our Unitholders, tenants, shoppers and partners. We thank you for your resolute confidence and support.

TSANG YAM PUI
Non-Executive Chairman and Director

SHARON LIM
Executive Director and Chief Executive Officer

1 Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings given to them in the circular issued by the Manager to MCT Unitholders on 29 April 2022 (the "Circular").