LETTER TO **UNITHOLDERS**

Left:
TSANG YAM PUI
Non-Executive Chairman and Director

Right:
SHARON LIM
Executive Director and Chief Executive Officer

Dear Unitholders,

FY20/21 was an extraordinary year in which the world was dramatically shaped by COVID-19. The social and economic toll exacted by the pandemic was far-reaching and continues today. Governments worldwide imposed strict and wide-ranging measures to stem the spread of the outbreak. In Singapore, non-essential businesses were shut and movements were restricted for almost ten weeks from April 2020[1]. Although restrictions have since been relaxed gradually, business and economic activities have been disrupted for most part of the financial year. Singapore posted its worst recession since independence, contracting by 5.4% in 2020[2].

GIVING MEANINGFUL SUPPORT TO IMPACTED TENANTS

The severity and unprecedented nature of the COVID-19 disruptions called for a deft response. Recognising

1 Refers to the circuit breaker from 7 April to 1 June 2020 and Phase One easing of circuit breaker from 2 to 18 June 2020 during which the majority of businesses were closed.

2 Source: Ministry of Trade and Industry ("MTI"), Press Release dated 15 February 2021.

The severity and unprecedented nature of the COVID-19 disruptions called for a deft response. Recognising that our actions today would define MCT in the years to follow, we swiftly rolled out one of the most comprehensive plans in the market to assist our tenants in coping with the mounting pressures, with a view to preserving the long-term health of the retail eco-system.

that our actions today would define MCT in the years to follow, we swiftly rolled out one of the most comprehensive plans in the market to assist our tenants in coping with the mounting pressures, with a view to preserving the long-term health of the retail eco-system.

We announced our first tenant support programme in February 2020 that was worth S$11.0 million. Since then, we have gone beyond the mandatory passing on of grants and rebates by the government. As at the end of FY20/21, a total of seven tenant support packages comprising more than S$70.0 million[1] of rental rebates have been rolled out for eligible retail tenants to help them offset on average more than four months of fixed rents.

TACKLING COVID-19 UNCERTAINTIES PRUDENTLY

MCT recorded S$479.0 million of gross revenue and S$377.0 million of NPI, lower by 0.8% and 0.2% respectively as compared to FY19/20. Although our full year performance was dampened by the COVID-19 rental rebates, MBC II's maiden full year contribution helped to cushion the impact.

In 4Q FY19/20, S$43.7 million of distribution was retained[2] as we sought to boost MCT's financial flexibility to tackle the rapidly evolving COVID-19 crisis. As the uncertainties associated with COVID-19 have moderated since then, S$28.0 million of the retained cash has been released and included in the distributions to Unitholders this financial year. Consequently, the amount available for distribution totalled S$314.7 million in FY20/21, up 29.4% year-on-year, and full year DPU was 9.49 Singapore cents, up 18.6% year-on-year.

MAINTAINING LONG-TERM RESILIENCE

At MCT, our focus has always been on generating long-term sustainable returns. Since our listing on 27 April 2011, our market capitalisation has grown from S$1.6 billion to more than S$7.0 billion as at 31 March 2021. Including total distribution of 79.55 Singapore cents per unit paid out since listing, the total return to Unitholders was 231.3%.

Against a global backdrop of economic dislocations and volatile stock market, MCT's unit price rose 15.8% during the financial year to close at S$2.12 on 31 March 2021. Taking into account distributions, we delivered total return of 21.0% in FY20/21.

ENHANCING VIVOCITY FOR THE EVENTUAL UPTURN

Over the years, we have worked hard to execute our property business plans, and with great success. Even as we navigated the COVID-19 turmoil, we continued to undertake initiatives to make VivoCity better.

With COVID-19 causing disruptions, we seized the opportunity to carry out improvement works at a time when they would cause minimal inconvenience to tenants and shoppers. For instance, we took advantage of the circuit breaker downtime to replace the flooring of the entire mall, giving it a refreshed look.

We also embarked on two space reconfiguration exercises in the mall. First, we optimised Best Denki's space on Level 2 to accommodate home-grown online-to-offline fashion retailer Love, Bonito. This project was completed in 2Q FY20/21, delivering more than 30% annual return on investment[3]. We followed on to rejuvenate the promenade-facing F&B cluster on Level 1 to bring in new concepts including Afuri Ramen, Green Common, Hoshino Coffee and Shake Shack.

1 Inclusive of the passing on of property tax rebates, cash grants from the government and other mandated grants to qualifying tenants.
2 By way of capital allowance claims and capital distribution retention.
3 On a stabilised basis and based on approximately S$1.3 million of capital expenditure.

LETTER TO **UNITHOLDERS**

Since its progressive opening from September 2020, the new cluster has been warmly received by shoppers, generating much buzz. The exercise was fully completed in 3Q FY20/21 and achieved an approximate 30% annual return on investment[1].

We cannot ignore how COVID-19 has accelerated the long-standing trend of retail consolidation. More so than ever, retailers are compelled to consolidate their footprints by focussing on stores in high quality locations. Notwithstanding, VivoCity secured the expansion of existing tenant, adidas, which launched two flagship stores for its Originals and Performance lines in December 2020 and April 2021 respectively. The two expanded stores brought adidas' total footprint at VivoCity to more than 19,000 square feet, or approximately 2.7 times its original size. Additionally, they are the biggest in Southeast Asia and Singapore respectively, and carry the most extensive and exclusive selections of products and services. The expanding collection of larger-format concept stores at VivoCity is certainly a treat for shoppers, and is also an affirmation of the mall's leading position. Most of all, the revitalised retail offerings will position VivoCity well for the eventual upturn.

Our proactive asset management approach has enabled MCT's retail assets to maintain high occupancies and retain a good portion of tenants. Despite approximately 20% of NLA expiring during this challenging period, FY20/21 ended with a retention rate of 80.8%. VivoCity closed the financial year with 99.1% committed occupancy, marginally lower than the previous year's 99.7%.

STABILITY ANCHORED BY MBC II

In FY20/21, MCT's office and business park assets registered S$309.7 million of gross revenue and S$251.4 million of NPI, up 13.7% and 14.7% respectively year-on-year. This was largely driven by the full year contribution from MBC II which was acquired on 1 November 2019, as well as higher contribution from Mapletree Anson due to higher occupancy and step-up rents in existing leases.

In a considerably subdued environment where tenants are recalibrating their space requirements in response to prolonged work-from-home directives, we have chosen to prioritise occupancy in order to maintain steady income streams. As a result, MCT was able to maintain healthy occupancy levels. At the end of FY20/21, MBC I and mTower were 94.6% and 91.7%[2] committed respectively, while MBC II, Mapletree Anson and MLHF were 100% occupied.

FORTIFYING OUR CAPITAL STRUCTURE

Financial flexibility remains crucial to MCT's stability in such uncertain times. Throughout the year, MCT remained well-capitalised and the sources of funding were well-diversified.

As at 31 March 2021, there were more than S$600 million of cash and undrawn facilities available, providing ample liquidity to meet working capital and financial obligations. The debt maturity profile stayed well-distributed with no more than 24% of debt due for refinancing in any financial year. On top of that, we have reasonable certainty over interest expenses as approximately 70.7% of the total gross debt of S$3,032.9 million was fixed by way of fixed rate debt or interest rate swaps. MCT's total investment properties were valued at S$8.7 billion as at 31 March 2021, resulting in an aggregate leverage ratio of 33.9%. For FY20/21, the weighted all-in cost of debt averaged 2.48% per annum. We continued to keep a healthy 4.4 times interest coverage ratio. Subsequent to the reporting year, we redeemed S$70.0 million of medium term notes ("MTN"). With this, we completed the refinancing for FY21/22 ahead of time.

Last year, we retained S$43.7 million of distribution in anticipation of a rough FY20/21. Taking into account a less uncertain COVID-19 situation, and as we sought to balance having sufficient reserves for rainy days and delivering reasonable returns to Unitholders, we have released part of the retained cash as distributions in FY20/21.

REAFFIRMING OUR COMMITMENT TO SUSTAINABILITY

At MCT, we firmly believe in "doing well by doing good". This is because businesses thrive only when the environment and the society are being taken care of. COVID-19 is a prime example of how externalities can debilitate businesses quickly, making it a litmus test of corporate responsibility and operational credibility.

1 On a stabilised basis and based on approximately S$0.7 million of capital expenditure.

2 Subsequent to the reporting year, there was mutual agreement to terminate a lease at mTower ahead of its commencement. Assuming the lease pre-termination had occurred before 31 March 2021 and the space had remained uncommitted as at 31 March 2021, mTower's committed occupancy would be 79.7%.

With health and safety as our top priority, precautionary steps were taken to protect our tenants, shoppers and staff during the pandemic. For users of our properties, we stepped up cleaning frequencies and deployed disinfecting robots and thermal scanning systems to minimise human contact. For our staff, we promptly rolled out split-work arrangements where possible and accelerated the Group's digitisation process to help them work better from home. For the public, we organised public communication campaigns to educate and remind them on safe distancing practices. These are just a few examples of the wide-ranging measures that we have implemented.

Undoubtedly, environmental, social and governance ("ESG") factors will play an increasingly pivotal role in influencing how businesses operate in a post-COVID world. It is with this in mind that we reaffirm our commitment towards sustainability. The goal towards a sustainable future is a shared one. We will continue to examine ESG concerns closely and integrate sustainability into our business, striving to make a meaningful difference. MCT's sustainability efforts will be further elaborated in our fifth Sustainability Report.

RISING ABOVE COVID-19

We have begun to see encouraging signs of recovery in the second half of the financial year as Singapore gradually reopened its economy and expanded its inoculation programme. In tandem with the phased easing of COVID-19 protocols, shopper traffic and tenant sales at VivoCity have improved progressively, with the rebound in sales outpacing shopper traffic. 4Q FY20/21 recorded tenant sales that was 5.2% higher than 4Q FY19/20 levels. This compares well against 1Q FY20/21, 2Q FY20/21 and 3Q FY20/21, which recorded sales amounting to 36.6%, 78.0% and 85.9% respectively of the corresponding quarters in FY19/20. Measured against pre-COVID levels, monthly tenant sales for January to March 2021 have reached more than 86.0% of the corresponding months in 2019.

Notwithstanding these positive indicators, prolonged border closures have hindered full recovery. We expect the road ahead to remain long and winding. As we write this letter, Singapore is back on heightened alert[1] to curb the local transmission of COVID-19, reintroducing measures such as capping the limit for social gatherings at two, halting dining-in at F&B establishments and imposing work-from-home as the default work arrangement. Although the economy has been forecast to grow at 4.0% to 6.0% in 2021[2], recovery is expected to be uneven across sectors. Inevitably, it will take time for the retail, office and business park markets to resume full leasing momentum.

In the near term, we will continue to work closely with our tenants and provide targeted assistance where warranted. As the operating environment changes, we will calibrate such rental assistance accordingly.

The world has crossed the one-year mark in the battle against COVID-19. As we journey forward, we are confident of our renewed strength and acute ability to navigate through crises. MCT is ultimately anchored by a well-diversified portfolio which will continue to derive stable cash flows from high-quality tenants. Crucially, the vehicle benefits from the agility and robustness of the Group as a whole. Because of these, we believe that MCT will rise above the current storm and emerge more resilient than ever.

ACKNOWLEDGEMENTS

In closing, we would like to thank our Directors for their stewardship and counsel. We are also appreciative of our employees for their hard work as we pull MCT through one of the most challenging times the world has faced. Finally, our gratitude goes to all our tenants, shoppers and partners for your enduring support, and to all Unitholders for your unwavering trust.

Please stay safe and healthy.

TSANG YAM PUI
Non-Executive Chairman and Director

SHARON LIM
Executive Director and Chief Executive Officer

1 Refers to Phase 2 (Heightened Alert) from 16 May to 13 June 2021.
2 Source: MTI, Press Release dated 25 May 2021.