

## Letter to Unitholders



**Amy Ng**  
Executive Director and  
Chief Executive Officer

**Tsang Yam Pui**  
Chairman and  
Non-Executive Director

Dear Unitholders,

We are pleased to report that Mapletree Commercial Trust ("MCT") registered a fourth consecutive year of good results. For the financial year ended 31 March 2015 ("FY14/15"), we surpassed last year's performance, achieving a record S\$211.7 million in Net Property Income ("NPI") and delivering a Distribution per Unit ("DPU") of 8.0 cents. Our financial results reflected the robust performance of the properties and our proactive approach to capital management.

With total cumulative distribution of 27.13 Singapore cents, Unitholders would have enjoyed total returns of about 113%<sup>1</sup> since listing on 27 April 2011 or more than double the original investment.

Buoyed by the strong operating performances at VivoCity and PSAB, MCT's portfolio recorded a 4.1% increase in valuation from S\$4,034 million a year ago to S\$4,199 million (as at 31 March 2015). Net asset value per unit grew correspondingly by 6.9% to S\$1.24 per unit (as at 31 March 2015).

### Focused Execution

In FY14/15, the higher gross revenue continued to be driven by robust performance at VivoCity and consistent contribution from the office properties.

VivoCity maintained its strong performance with revenue and NPI growth of 6.9% and 10.5% respectively for the year. As we executed our leasing strategy for expiring leases, including active tenant and brand mix management, we also focused on creating 15,000 square feet of retail space at Basement 1 which was part of our Asset Enhancement Initiative ("AEI").

The AEI entailed the creation of higher yielding space at Basement 1 by decanting lower yield space and back-of-house areas. The car park lots removed at Basement 1 were replaced at Basement 2 and the multi-storey car park, hence there was no reduction in parking spaces as a result of the AEI. We are also glad to report that the new retail space at Basement 1 has been fully leased (as of 31 March 2015) to tenants in the fashion, beauty and lifestyle trades which include two first-to-market retailers in Singapore – American Eagle Outfitters and Weekends. Tenants have progressively started trading from mid-April 2015.

We continued to capitalise on VivoCity's unique features and scale which allow us to organise large-scale events to create distinctive experiences for our shoppers. In February 2015, we hosted the Singapore Armed Forces' ("SAF") SAF50@Vivo event where we jointly celebrated SAF's 50<sup>th</sup> Year Anniversary and SG50<sup>2</sup> with our shoppers. The Army, Navy and Air Force came together at VivoCity to showcase a wide array of military assets, display of exhibits on the SAF and stories of our defence pioneers. Shoppers were able to get on board the Navy's largest warship, the Landing Ship Tank RSS Endurance (berthed at the waterfront promenade), and even experience the Fast Craft Utility by taking a ride on it out to sea.

Active engagement with tenants has also been one of our key priorities. We continued to conduct the monthly Service Excellence Workshops, our in-house program in place since July 2010, which provides training on customer service delivery and building customer loyalty. During the year, we also devoted more resources in identifying and organising activities that would more directly and effectively drive tenant sales.

While Singapore saw a general slowdown in retail spending<sup>3</sup> last year, tenant sales at VivoCity remained resilient for FY14/15. VivoCity set yet another new sales record of about S\$909 million despite some trading downtime due to the AEI works. The mall also garnered several awards during the year, including The Best Family-Friendly Mall and one of the Top 3 Shopping Centres (City) at the AsiaOne People's Choice 2014, and Winner for Outstanding Efforts in Advertising and Promotions at the Singapore Retailer's Association Shopping Centre Awards 2014. We sincerely thank our shoppers for their unwavering support and loyal patronage of the mall.

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<sup>1</sup> Based on the closing price of S\$1.60 on 31 March 2015.

<sup>2</sup> SG50 is a nationwide celebration of Singapore's 50<sup>th</sup> year of independence in 2015.

<sup>3</sup> The Singapore's Retail Sales Index (excluding motor vehicles) for April 2014 to March 2015 declined year-on-year for 8 out of 12 months, ending with -3.2% for the month of March 2015. (Source: Monthly Retail Sales and Food & Beverage Services Indices March 2015, Department of Statistics Singapore)

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Turning to our office assets, PSA Building delivered a sound performance driven largely by positive rental reversions from the office leases, benefitting from the Alexandra Precinct's continued attraction as an office location. For Alexandra Retail Centre, its positioning as an amenity centre served the precinct well especially as we refreshed the mall with improved offerings in food and beverage, convenience shopping and services.

Both Mapletree Anson and MLHF continued to contribute consistent earnings and positive NPI growth. During the year, we successfully concluded the rent review negotiations for the lease at MLHF, locking in a positive rental reversion for the balance term of the lease.

### Enhanced Operational Efficiency

In last year's letter, we had shared that we would actively manage the assets, remain focused on cost management and improve productivity. We did, over the course of the year, continue our efforts in cost containment by enhancing operating efficiency and managing energy consumption. We managed to achieve cost savings across the portfolio amidst an operating environment of cost increases. This resulted in a 1.6% reduction in overall operating expenses compared to the prior financial year.

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Our strides in the direction of building a sustainable environment and promoting green initiatives also earned us yet another Green Mark certification for our portfolio. We are pleased that, in March 2015, the Building and Construction Authority ("BCA") awarded PSA Building the Green Mark Gold<sup>Plus</sup> award. With this, all of our properties in the portfolio have been certified Green Mark Gold and above by BCA.

Our tenants remain one of our key stakeholders and we will continue to engage them to find and share areas of synergies where possible in the light of the challenging operating environment. We have begun sharing with both office and retail tenants some of the energy tariff savings that were achieved. We hope that this would help our tenants ease some of the cost pressures that they faced.

### Proactive Capital Management

FY14/15 was also an active year in capital management for MCT. During the course of the year, we issued three series of Medium Term Notes ("MTN") from our S\$1 billion Multicurrency MTN Programme at competitive rates. A total of S\$250 million of proceeds were raised and utilised to early refinance debts due in FY15/16 and FY17/18<sup>4</sup>. This extended MCT's average term to maturity of debt to 3.6 years (as at 31 March 2015) from 2.5 years (as at 31 March 2014).

We repaid S\$40 million of debt during the year as part of our capital management strategy. Together with the increase in valuation of MCT's assets, aggregate leverage ratio declined to 36.4%, from 38.7% a year earlier.

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Notwithstanding the issuance of longer dated MTNs, MCT closed the year with a healthy interest coverage ratio of 5.3 times and an average all-in cost of debt of about 2.28% per annum.

Following the end of the financial year, we further refinanced borrowings due in April 2015 with new debt drawn from the 6-year bilateral term loan facility that we had committed in January 2015. The weighted average term to maturity of the borrowings was further extended to about 4.3 years (as at 22 April 2015) while the percentage of debt on fixed rates stands at 73.9%. With this, the borrowings due in FY15/16 have been fully refinanced<sup>5</sup>.

### Rating Upgrade

On 10 November 2014, Moody's Investor Service upgraded MCT's issuer rating to Baa1 (stable) from Baa2 (positive). The upgrade reflects an improved and strong operating performance track record across MCT's property portfolio since MCT's listing in April 2011. The upgrade also attests to our proactive approach to capital management.

<sup>4</sup> FY17/18 - For the period from 1 April 2017 to 31 March 2018.

<sup>5</sup> Save for less than S\$1.0 million borrowings drawn on revolving credit facility.

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MCT was awarded runner-up for the Most Transparent Company Award in the REITs and Business Trusts category at the SIAS Investors' Choice Awards 2014 organised by the Securities Investors Association of Singapore.

## Recognition from Investment Community

In October 2014, MCT was awarded runner-up for the Most Transparent Company Award in the REITs and Business Trusts category at the SIAS Investors' Choice Awards 2014 organised by the Securities Investors Association of Singapore. This award is a strong testament from the investment community on our efforts in maintaining high disclosure and transparency standards.

## Commitment to Corporate Social Responsibility

With Singapore's largest retail mall in MCT's portfolio, we have supported a number of philanthropic, social and environmental causes at the mall, leveraging the shopper traffic to increase the visibility and impact of such causes. 2014 marked the fifth consecutive year of VivoCity's hosting of the Hair for Hope event organised by the Children's Cancer Foundation. VivoCity also hosted the Festival of Biodiversity organised by the National Parks Board, which aims to foster a sense of appreciation for our natural heritage and the importance of biodiversity.

## The Year Ahead

The Singapore economy is forecast to grow between 2.0% to 4.0%<sup>6</sup> for 2015 amidst global uncertainties. Labour intensive businesses are likely to continue to see their growth impacted by the tight labour market.

As noted in CBRE's Market Overview report<sup>7</sup> contained in this Annual Report, the outlook for both retail and office sectors is one that would present some constraints to growth, with businesses holding back expansion plans while potential new supply come on stream in the next few years.

We have made good strides in managing operating costs and efficiencies, and completed the AEI at VivoCity ahead of time. The efforts and work done in FY14/15 will put us in a relatively good position to continue with our execution in FY15/16.

The interest rate environment experienced significant volatility in the first few months of 2015 with uncertainties still looming over the timing of interest rate increase by the US Federal Reserve. On the capital management front, we will continue to keep our pulse on the ground and manage interest rate and liquidity risks actively.

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As before, we are committed to work towards providing Unitholders with regular and relatively stable distributions in the new financial year.

With our focus on asset and capital management, barring any further downside risks, we expect MCT's portfolio to remain relatively resilient. As before, we are committed to work towards providing Unitholders with regular and relatively stable distributions in the new financial year.

## Acknowledgements

On behalf of the Board, we would like to express our appreciation to Mr Tan Chee Meng, who resigned as an Independent Director with effect from 9 June 2014, for his advice and insights. We are at the same time, delighted to have Mr Koh Cheng Chua joining the Board. His extensive banking experience added to the diversity of the Board.

In closing, we would like to thank our Board of Directors for their guidance during the year. We would also like to thank the management team and our employees whose commitment and hard work have made this year's achievements possible.

Our heartfelt thanks and appreciation, as well, go to MCT Unitholders, our tenants, business partners and shoppers for their strong support in FY14/15.

**Tsang Yam Pui**  
Chairman and  
Non-Executive Director

**Amy Ng**  
Executive Director and  
Chief Executive Officer

<sup>6</sup> Source: Ministry of Trade and Industry 2015 GDP Growth Forecast, dated 26 May 2015.

<sup>7</sup> Please refer to the Market Overview Report by CBRE on pages 38 to 49 of the Annual Report.