mapletree
pan asia commercial

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 25 August 2005 (as amended))

MAPLETREE PAN ASIA COMMERCIAL TRUST UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER FINANCIAL PERIOD FROM 1 APRIL 2023 TO 30 JUNE 2023

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INTRODUCTION

Mapletree Pan Asia Commercial Trust ("MPACT") is a real estate investment trust ("REIT") positioned to be the proxy to key gateway markets of Asia. Listed on the SGX-ST, it made its public market debut as Mapletree Commercial Trust ("MCT") on 27 April 2011.

On 21 July 2022, the Manager announced the completion of the merger of MCT and Mapletree North Asia Commercial Trust ("MNACT") by way of a trust scheme of arrangement (the "Merger", the "Trust Scheme"). Following which, MNACT Group's financials is consolidated into MPACT Group from 21 July 2022, the effective date of Trust Scheme. On this date, the new management fee structure pegged to distributable income and DPU growth also took effect. On 3 August 2022, MNACT was delisted and consequently on the same day the merged entity was renamed MPACT.

MPACT's principal investment objective is to invest on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate used primarily for office and/or retail purposes, as well as real estate-related assets, in the key gateway markets of Asia (including but not limited to Singapore, China, Hong Kong, Japan and South Korea).

As at 30 June 2023, MPACT's total assets under management was S$16.5 billion[1], comprising 18 commercial properties (the "Properties") across five key gateway markets of Asia - five in Singapore, one in Hong Kong, two in China, nine in Japan and one in South Korea.

Within Singapore, the Properties are:

- VivoCity – Singapore's largest mall located in the HarbourFront Precinct;
- Mapletree Business City ("MBC") – a quality, large-scale integrated office, business park and retail complex with Grade A specifications, supported by ancillary retail space, located in the Alexandra Precinct;
- mTower – an established integrated development with a 40-storey office block and a three-storey retail podium, Alexandra Retail Centre ("ARC"), located in the Alexandra Precinct;
- Mapletree Anson – a 19-storey premium office building located in Singapore's Central Business District; and
- Bank of America HarbourFront ("BOAHF") – A premium six-storey office building located in the HarbourFront Precinct.

Outside Singapore, the Properties are:

- Festival Walk, Hong Kong[2] – a prominent shopping mall with a four-storey office tower atop a seven-storey retail mall, located in Kowloon Tong;
- Gateway Plaza, China – a quality office building that comprises two 25-storey towers connected by a three-storey podium area, located in the well-established Lufthansa commercial hub;
- Sandhill Plaza, China – a quality business park development that comprises one 20-storey tower and seven blocks of 3-storey buildings, located in the Zhangjiang Science City;
- Japan Properties – nine quality freehold office buildings; five in Tokyo 23 wards (Hewlett-Packard Japan Headquarters Building ("HPB"), IXINAL Monzen-nakacho Building, Omori Prime Building, TS Ikebukuro Building and Higashi-nihonbashi 1-chome Building), three in Chiba City (mBAY POINT Makuhari, Fujitsu Makuhari Building and SII Makuhari Building) and one in Yokohama City (ABAS Shin-Yokohama Building); and
- The Pinnacle Gangnam ("TPG"), South Korea – a 20-storey freehold office building with retail amenities located in Gangnam Business District, Seoul.

MPACT's distribution policy is to distribute at least 90% of its taxable income, as well as its tax-exempt income. From 1 April 2020 to 30 September 2022, the distributions were paid out on a half-yearly basis and with effect from 1 October 2022, the distribution is on a quarterly basis.

Footnotes:

1. Includes MPACT's 50% effective interest in TPG.
2. Where "Hong Kong" is mentioned, it refers to the Hong Kong Special Administrative Region.

SUMMARY RESULTS OF MAPLETREE PAN ASIA COMMERCIAL TRUST GROUP

	1Q FY23/24 (S$'000)	1Q FY22/23 (S$'000)	Variance %
Gross revenue	237,118	134,997	75.6
Property operating expenses	(57,918)	(28,333)	N.M.
Net property income	179,200	106,664	68.0
Amount available for distribution	116,010	83,287	39.3
- to Unitholders	114,752	83,287	37.8
- to Perpetual securities holders	1,258	-	N.M.
Distribution per unit (cents)	2.18	2.50	(12.8)

N.M.: Not meaningful

DISTRIBUTION DETAILS

Distribution period	1 April 2023 to 30 June 2023
Distribution rate/ type	Taxable income distribution of 1.49 cents per unit Tax-exempt income distribution of 0.46 cent per unit Capital distribution of 0.23 cent per unit
Trade ex-date	7 August 2023, 9.00 a.m.
Record date	8 August 2023, 5.00 p.m.
Payment date	14 September 2023

CONDENSED INTERIM FINANCIAL STATEMENTS

1(a) Consolidated Statement of Profit or Loss and Distribution Statement

Consolidated Statement of Profit or Loss	1Q FY23/24 (S$'000)	1Q FY22/23 (S$'000)	Variance %
Gross revenue	237,118	134,997	75.6
Property operating expenses[1]	(57,918)	(28,333)	N.M.
Net property income	**179,200**	**106,664**	**68.0**
Finance income	607	140	N.M.
Finance expenses	(54,708)	(19,214)	N.M.
Manager's management fees[2]			
- Base fees	(12,208)	(5,605)	N.M.
- Performance fees	-	(4,266)	100.0
Trustee's fees	(454)	(262)	(73.3)
Other trust expenses	(840)	(482)	(74.3)
Foreign exchange (loss)/gain[3]	(277)	8,027	N.M.
Net change in fair value of financial derivatives[4]	2,438	(7,677)	N.M.
Profit before tax and fair value change in investment properties and share of profit of a joint venture	**113,758**	**77,325**	**47.1**
Share of profit of a joint venture[5]	1,499	-	N.M.
Profit for the financial period before tax	**115,257**	**77,325**	**49.1**
Income tax expense[6]	(7,547)	(1)	N.M.
Profit for the financial period after tax	**107,710**	**77,324**	**39.3**
Attributable to:			
- Unitholders	106,233	77,324	37.4
- Perpetual securities holders[7]	1,258	-	N.M.
- Non-controlling interest[8]	219	-	N.M.
Profit for the financial period after tax	**107,710**	**77,324**	**39.3**
Earnings per unit (cents)			
- Basic	**2.03**	**2.32**	**(12.5)**
- Diluted	**2.03**	**2.32**	**(12.5)**

1(a) Consolidated Statement of Profit or Loss and Distribution Statement (continued)

Distribution Statement	**1Q FY23/24 (S$'000)**	**1Q FY22/23 (S$'000)**	**Variance %**
Profit for the financial period after tax before distribution	**106,233**	**77,324**	**37.4**
Adjustments:			
- Trustee's fees	454	262	73.3
- Financing fees	2,477	872	N.M.
- Management fees paid/payable in units	4,883	4,016	21.6
- Net change in fair value of financial derivatives	(2,438)	7,677	N.M.
- Net unrealised foreign exchange loss/(gain)	85	(8,030)	N.M.
- Deferred tax expenses	2,505	-	N.M.
- Net effect of other non-tax deductible items and other adjustments[9]	553	1,166	(52.6)
Amount available for distribution to Unitholders	**114,752**	**83,287**	**37.8**
Comprising:			
- Taxable income	78,301	82,605	(5.2)
- Tax-exempt income	24,261	-	N.M.
- Capital distribution	12,190	682	N.M.
	114,752	**83,287**	**37.8**

Footnotes:

1. Included as part of the property operating expenses were the following:

	1Q FY23/24 (S$'000)	**1Q FY22/23 (S$'000)**	**Variance %**
Depreciation	270	33	N.M.
Impairment of trade receivables	-	38	(100.0)
Utility expenses	9,896	2,011	N.M.

2. Effective from 21 July 2022, the management fee structure is pegged to distributable income and DPU growth.

3. In 1Q FY23/24, the foreign exchange loss arose from the difference in foreign exchange rates for the translation of the remitted funds and the contract rates of the currency forwards.

   In 1Q FY22/23, the foreign exchange gain mainly relates to the Japanese Yen ("JPY") denominated medium term notes ("MTN") issued in March 2015 and arose from the translation of the JPY MTN into MPACT Treasury Company Pte. Ltd.'s ("MPACT TCo") functional currency in Singapore dollar. A cross currency interest rate swap ("CCIRS") has been entered into to hedge against any foreign exchange exposure on the principal and interest payments. The foreign exchange gain is unrealised and has no impact on the amount available for distribution to Unitholders.

1(a) Consolidated Statement of Profit or Loss and Distribution Statement (continued)

4. This relates to the revaluation of the CCIRSs which were entered into to hedge against foreign exchange risk and the revaluation of the currency forwards which were entered into to hedge against the foreign exchange risks arising from highly probable transactions. The CCIRS and currency forwards are not designated for hedge accounting and any change in fair value of these derivative financial instruments have been taken to profit or loss. The unrealised fair value change of financial derivatives has no impact on amount available for distribution to Unitholders.
5. This relates to the 50% effective interest in TPG held through MNACT.
6. This relates to income tax expense, withholding tax expense and deferred tax expense of MPACT TCo, Mapletree North Asia Commercial Trust Treasury Company (S) Pte. Ltd., 80 Alexandra Pte. Ltd. and the overseas subsidiaries, where applicable.
7. This relates to the S$250,000,000 perpetual securities, at a coupon rate of 3.50% per annum, issued by MNACT on 8 June 2021 to partially fund the acquisition of HPB. CCIRSs were entered to swap SGD coupon rate to JPY coupon rate for these perpetual securities.
8. This relates to the 1.53% effective interest in the Japan Properties held by Mapletree Investments Japan Kabushiki Kaisha.
9. This mainly includes capital allowances claims, other non-tax deductible items and rollover income adjustments.

1(b) Consolidated Statement of Comprehensive Income

	1Q FY23/24 (S$'000)	1Q FY22/23 (S$'000)	Variance %
Profit for the financial period after tax before distribution	**107,710**	**77,324**	**39.3**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- Fair value (loss)/gain	(2,264)	14,754	N.M.
- Reclassification to profit or loss	17,757	1,907	N.M.
Net currency translation differences relating to financial statements of foreign subsidiaries and quasi-equity loans	(66,422)	-	N.M.
Share of currency translation differences relating to a foreign joint venture	647	-	N.M.
Net currency translation differences on hedges of net investment in foreign operation[1]	11,277	-	N.M.
Other comprehensive (loss)/ income, net of tax	**(39,005)**	**16,661**	**N.M.**
Total comprehensive income	**68,705**	**93,985**	**(26.9)**
Attributable to:			
- Unitholders	67,335	93,985	(28.4)
- Perpetual securities holders	1,258	-	N.M.
- Non-controlling interest	112	-	N.M.
Total comprehensive income	**68,705**	**93,985**	**(26.9)**

Footnote:

1. Relates to fair value changes on the derivative financial instruments (CCIRSs to swap SGD coupon rate to JPY coupon rate) for perpetual securities issued to partially fund the acquisition of HPB.

2 Statements of Financial Position

	Group		MPACT	
	30 Jun 2023 (S$'000)	31 Mar 2023 (S$'000)	30 Jun 2023 (S$'000)	31 Mar 2023 (S$'000)
Current assets				
Cash and bank balances[1]	163,208	216,147	30,580	54,597
Trade and other receivables[2]	17,462	13,359	6,829	9,420
Tax recoverable[3]	5,848	5,849	-	-
Other assets[4]	5,659	3,525	704	1,122
Inventories	423	410	-	-
Derivative financial instruments[5]	34,116	57,577	7,326	4,443
	226,716	**296,867**	**45,439**	**69,582**
Non-current assets				
Investment properties[6]	16,217,685	16,321,443	7,329,068	7,327,000
Plant and equipment	1,938	2,195	47	55
Investment in subsidiaries	-	-	4,969,433	4,969,433
Investment in joint venture[7]	122,089	119,943	-	-
Derivative financial instruments[5]	108,359	88,372	38,414	38,733
	16,450,071	**16,531,953**	**12,336,962**	**12,335,221**
Total assets	**16,676,787**	**16,828,820**	**12,382,401**	**12,404,803**
Current liabilities				
Trade and other payables[8]	215,256	223,496	85,837	96,699
Borrowings[9]	781,291	754,365	174,747	114,838
Lease liabilities	58	66	-	-
Loans from a subsidiary[10]	-	-	84,984	84,974
Current income tax liabilities[11]	6,295	7,528	-	-
Derivative financial instruments[5]	446	103	1,706	2,204
	1,003,346	**985,558**	**347,274**	**298,715**
Non-current liabilities				
Other payables[8]	128,437	139,076	58,080	53,445
Borrowings[9]	5,918,440	6,029,193	1,751,414	1,826,144
Lease liabilities	67	76	-	-
Loans from a subsidiary[10]	-	-	793,462	793,832
Deferred tax liabilities[12]	184,688	182,379	-	-
Derivative financial instruments[5]	4,096	10,158	18,987	20,516
	6,235,728	**6,360,882**	**2,621,943**	**2,693,937**
Total liabilities	**7,239,074**	**7,346,440**	**2,969,217**	**2,992,652**
Net assets	**9,437,713**	**9,482,380**	**9,413,184**	**9,412,151**
Represented by:				
- Unitholders' funds	9,176,798	9,220,257	9,413,184	9,412,151
- Perpetual securities holders[13]	248,117	249,437	-	-
- Non-controlling interest	12,798	12,686	-	-
	9,437,713	**9,482,380**	**9,413,184**	**9,412,151**
Units in issue ('000)	**5,243,346**	**5,239,332**	**5,243,346**	**5,239,332**
Net asset value per unit attributable to Unitholders (S$)	**1.75**	**1.76**	**1.80**	**1.80**

2 Statements of Financial Position (continued)

Footnotes:

1. The decrease in cash and bank balances was mainly due to payment of distribution to Unitholders and net repayment of bank borrowings, partially offset by net cash generated from operations.
2. There was no allowance for expected credit losses included in trade and other receivables as at 30 June 2023 (31 March 2023: S$nil).
3. Tax recoverable refers mainly to the net income tax recoverable of Mapletree Business City LLP ("MBC LLP") prior to the acquisition by MPACT.
4. The increase in other assets was mainly due to increase in prepayments.
5. Derivative financial instruments reflect the fair value as at period end of the (i) interest rate swaps ("IRS"); (ii) CCIRS; and (iii) currency forwards entered into by the Group to manage its interest rate risks and foreign currency risks. The change in fair value of derivative financial instruments were mainly due to fluctuation in the interest rate and currency.
6. The decrease in investment properties was mainly due to foreign exchange impact from the depreciation of RMB and JPY, partially offset by capital expenditure incurred for the period and foreign exchange impact from the appreciation of HKD. For more details, please refer Paragraph 5.5.
7. Investment in joint venture relates to the 50% effective interest in IGIS Qualified Investment Type Private Placement Real Estate Investment Trust No. 6, which hold TPG.
8. The decrease in trade and other payables was mainly due to decrease in tenancy related deposits and rental received in advance. Other payables (non-current) relate to tenancy related deposits.
9. Borrowings represent bank borrowings, MTN and Tokutei Mokuteki Kaisha ("TMK") bonds measured at amortised cost. The decrease in total borrowings was mainly due to net repayment of borrowings during the period and foreign exchange impact from the depreciation of RMB and JPY, partially offset by foreign exchange impact from the appreciation of HKD.

   Notwithstanding the net current liabilities position, based on the Group's available financial resources, the Manager is of the opinion that the Group will be able to refinance its borrowings and meet its current obligations as and when they fall due. Specifically, the Group has sufficient credit facilities available to refinance the portion of the borrowings due within the next 12 months.
10. Loans from a subsidiary represent the unsecured borrowings from MPACT TCo on-lent to MPACT. The unsecured borrowings from MPACT TCo were raised through the issuance of MTN under the MTN Programme.
11. The decrease in the current income tax liabilities was mainly due to income tax paid during the period, partially offset by the income tax recorded on the Group's taxable profits for the period.
12. Deferred tax liabilities rose from (i) changes in fair value of investment properties; (ii) accelerated tax depreciation; (iii) changes in fair value of derivative financial instruments; and (iv) unremitted earnings of overseas subsidiaries.
13. The perpetual securities issued by MNACT on 8 June 2021 have no fixed redemption date, with the redemption at the option of MNACT on 8 June 2026 and each distribution payment date thereafter, and will bear an initial rate of distribution of 3.50% per annum for the first five years. The rate of distribution will be repriced after the first five years. Distributions are payable semi-annually at the discretion of MNACT and will be non-cumulative. The perpetual securities, net of issuance costs, are classified and recognised as equity instruments. CCIRSs were entered to swap SGD coupon rate to JPY coupon rate for these perpetual securities.

3 Consolidated Statement of Cash Flows

	1Q FY23/24 (S$'000)	1Q FY22/23 (S$'000)
Cash flows from operating activities		
Profit for the financial period after tax before distribution	107,710	77,324
Adjustments for:		
- Income tax expense	7,547	1
- Depreciation	270	33
- Adjustments for rental incentives amortisation	404	907
- Impairment of trade receivables	-	38
- Net unrealised foreign exchange loss/(gain)	85	(8,030)
- Net change in fair value of financial derivatives	(2,438)	7,677
- Finance income	(607)	(140)
- Finance expenses	54,708	19,214
- Manager's management fees paid/payable in units	4,883	4,016
- Share of profit of a joint venture	(1,499)	-
	171,063	101,040
Change in working capital:		
- Trade and other receivables	(6,827)	(1,896)
- Other current assets	(13)	326
- Inventories	(2,134)	-
- Trade and other payables	36,096	(9,308)
Cash generated from operations	**198,185**	**90,162**
- Income tax paid	(7,127)	-
Net cash provided by operating activities	**191,058**	**90,162**
Cash flows from investing activities		
Prepayments of transaction costs directly attributable to the Merger	-	(1,053)
Additions to investment properties	(13,006)	(4,062)
Additions to plant and equipment	(11)	-
Dividend received from a joint venture	2,735	-
Finance income received	432	170
Net cash used in investing activities	**(9,850)**	**(4,945)**

3 Consolidated Statement of Cash Flows (continued)

	1Q FY23/24 (S$'000)	1Q FY22/23 (S$'000)
Cash flows from financing activities		
Proceeds from bank borrowings	428,694	54,000
Repayment of bank borrowings	(473,189)	(54,000)
Redemption of notes	(11,690)	-
Principal payment of lease liabilities	(17)	-
Payment of financing fees	(2,259)	(165)
Finance expenses paid	(50,078)	(15,695)
Payment of distribution to Unitholders	(117,885)	(170,829)
Payment of distribution to perpetual securities holders	(2,578)	-
Change in restricted cash	139	-
Net cash used in financing activities	**(228,863)**	**(186,689)**
Net decrease in cash and cash equivalents	**(47,655)**	**(101,472)**
Cash and cash equivalent at beginning of financial period	195,202	124,170
Effect of currency translation on cash and cash equivalents	(4,299)	-
Cash and cash equivalent at end of financial period[1]	**143,248**	**22,698**

Footnote:

1. For purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprises of the following:

	1Q FY23/24 (S$'000)	1Q FY22/23 (S$'000)
Cash and bank balances	**163,208**	**22,698**
Less: Restricted cash	(19,960)	-
Cash and cash equivalents per consolidated statement of cash flows	**143,248**	**22,698**

Restricted cash relates to the amount of cash reserves for the Japan Properties which is required to be maintained based on the agreements with the banks. Restricted cash are reserves kept for use in capital expenditure, interest expense and certain property-related expenses to ensure these liabilities can be met when incurred.

4 Statements of Movements in Unitholders' Funds

	Group		MPACT	
	1Q FY23/24 (S$'000)	**1Q FY22/23 (S$'000)**	**1Q FY23/24 (S$'000)**	**1Q FY22/23 (S$'000)**
Operations				
Balance at beginning of financial period	**1,776,063**	**1,792,513**	**1,758,348**	**11,816,026**
Profit for the financial period	106,233	77,324	107,237	77,025
Distributions to Unitholders	(117,885)	(170,829)	(117,885)	(170,829)
Transfer to General Reserve	(311)	-	-	-
Balance at end of financial period	**1,764,100**	**1,699,008**	**1,747,700**	**1,722,222**
Unitholders' Contribution				
Balance at beginning of financial period	**7,633,347**	**3,974,425**	**7,633,347**	**3,974,425**
Issue of new units arising from:				
- Settlement of management fees	7,091	8,609	7,091	8,609
Balance at end of financial period	**7,640,437[1]**	**3,983,034**	**7,640,437[1]**	**3,983,034**
Hedging Reserve				
Balance at beginning of financial period	**38,028**	**26,599**	**20,456**	**13,978**
Fair value changes, net of tax	(2,241)	14,754	6,079	8,692
Reclassification to profit or loss, net of tax	17,753	1,907	(1,488)	1,372
Balance at end of financial period	**53,540**	**43,260**	**25,047**	**24,042**
General Reserve				
Balance at beginning of financial period	**896**	**-**	**-**	**-**
Transfer from Operations	311	-	-	-
Balance at end of financial period	**1,207**	**-**	**-**	**-**
Foreign Currency Translation Reserve				
Balance at beginning of financial period	**(228,077)**	**-**	**-**	**-**
Net currency translation differences relating to financial statements of foreign subsidiaries and quasi-equity loans	(66,334)	-	-	-
Share of currency translation differences relating to a foreign joint venture	647	-	-	-
Net currency translation differences on hedges of net investment in foreign operation	11,277	-	-	-
Balance at end of financial period	**(282,487)**	**-**	**-**	**-**
Total Unitholders' funds at end of financial period	**9,176,798[1]**	**5,725,302**	**9,413,184**	**5,729,298**

[1] Total does not sum up due to rounding differences.

4 Statements of Movements in Unitholders' Funds (continued)

	Group		MPACT	
	1Q FY23/24 (S$'000)	**1Q FY22/23 (S$'000)**	**1Q FY23/24 (S$'000)**	**1Q FY22/23 (S$'000)**
Total Unitholders' funds at end of financial period (continued)	**9,176,798**	**5,725,302**	**9,413,184**	**5,729,298**
Perpetual securities				
Balance at beginning of financial period	249,437	-	-	-
Profit attributable to perpetual securities holders	1,258	-	-	-
Coupon paid	(2,578)	-	-	-
Balance at end of financial period	**248,117**	**-**	**-**	**-**
Non-controlling interest				
Balance at beginning of financial period	**12,686**	**-**	**-**	**-**
Profit attributable to non-controlling interest	219	-	-	-
Fair value changes on hedge, net of tax	(23)	-	-	-
Reclassification to profit or loss, net of tax	4	-	-	-
Net currency translation differences relating to financial statements of foreign subsidiaries	(88)	-	-	-
Balance at end of financial period	**12,798**	**-**	**-**	**-**
Total	**9,437,713**	**5,725,302**	**9,413,184**	**5,729,298**

5 Notes to the Condensed Interim Financial Statements

5.1 Basis of Preparation

The condensed interim financial statements for the first quarter ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in MPACT’s and the Group’s financial positions and the Group’s performance since the most recent audited annual financial statements for the financial year ended 31 March 2023.

The condensed interim financial statements are presented inf Singapore Dollars (“S$” or “SGD”), which is MPACT’s functional currency and rounded to the nearest thousand, unless otherwise stated.

The accounting policies adopted and methods of computation applied are consistent with those used in the audited financial statements for the financial year ended 31 March 2023, except for the adoption of new and amended standards as set out in Paragraph 5.2.

In preparing the condensed interim financial statements, the Manager has exercised its judgement, and made estimates and assumptions in the process of applying the Group’s accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Areas involving a higher degree of judgement, where estimates and assumptions are significant to the condensed interim financial statements, are disclosed in Paragraph 5.5 – Investment Properties.

5.2 New and Amended Standards Adopted by the Group

The Group has adopted new or amended SFRS(I)s and Interpretations to SFRS(I)s (“INT SFRS(I)”) that are mandatory for application from 1 April 2023. The adoption of these new or amended SFRS(I)s and INT SFRS(I)s did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial period.

5.3 Gross Revenue

	Group	
	1Q FY23/24 (S$’000)	**1Q FY22/23 (S$’000)**
Rental income	215,820	127,193
Car parking income	5,806	3,351
Other operating income[1]	15,492	4,453
	237,118	**134,997**

[1] The other operating income mainly includes sale of electricity, compensation income from pre-termination of leases, ice rink income, additional air-conditioning, and rental from event space.

5.4 Earnings Per Unit ("EPU") and Distribution Per Unit ("DPU")

	Group	
	1Q FY23/24	1Q FY22/23
Weighted average number of units ('000)	5,240,920	3,326,354
EPU[1] (cents) – basic and diluted[2]	**2.03**	**2.32**
Number of units in issue at end of financial period ('000)	5,243,346	3,328,047
DPU (cents)	**2.18**	**2.50**

[1] In computing the EPU, profit after tax for the financial period and the weighted average number of units at the end of the financial period are used.

[2] Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the financial period.

5.5 Investment Properties

	Group		MPACT	
	30 Jun 2023 (S$'000)	31 Mar 2023 (S$'000)	30 Jun 2023 (S$'000)	31 Mar 2023 (S$'000)
Completed investment properties				
Beginning of financial period/year	16,321,443	8,821,000	7,327,000	7,270,000
Additions through acquisition[1]	-	7,747,580	-	-
Additions during the period/year	4,604	52,741	2,068	36,695
Change in fair value of investment properties	-	39,743	-	20,305
Translation difference on consolidation	(108,362)	(339,621)	-	-
End of financial period/year	**16,217,685**	**16,321,443**	**7,329,068**	**7,327,000**

[1] On 21 July 2022, the Group acquired all the issued and paid-up units of MNACT by way of a Trust Scheme in accordance with the Singapore Code on Take-overs and Mergers. Following the completion, MNACT became a wholly owned subsidiary and unlisted sub-trust of MPACT. The Manager had waived its acquisition fee entitlement in respect of the Merger.

The Group's investment properties are measured at fair value based on valuations performed by independent professional valuers at least once a year, or more frequently if required. Under the Monetary Authority of Singapore's Property Funds Guideline, a valuer should not value the same property for more than two consecutive financial years.

The latest independent valuations were performed as at 31 March 2023 for all the properties. The fair value of the Group's investment properties as at 30 June 2023 are based on valuations performed by independent professional valuers as at 31 March 2023 and capital expenditure capitalised during the period from 1 April 2023 to 30 June 2023.

Taking into account the operating performance of the investment properties since 31 March 2023 together with the business environments in which the properties are situated, the Manager is of the view that the fair value of the investment properties has not materially changed from the most recent valuations conducted as at 31 March 2023.

5.5 Investment Properties (continued)

SFRS(I) 13 Fair Value Measurement establishes a fair value hierarchy that categorises the fair values into three levels based on the inputs used in the valuation techniques when measuring the fair value of assets and liabilities.

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the investment properties within the Group's and MPACT's portfolio are classified within Level 3 of the fair value measurement hierarchy. The following table presents the valuation techniques and key unobservable inputs that were used:

Geographical regions	Valuation techniques	Key unobservable inputs
Singapore	Income capitalisation	Capitalisation rate 3.35% - 4.85% (31 March 2023: 3.35% - 4.85%)
	Discounted cash flow	Discount rate 6.50% - 7.25% (31 March 2023: 6.50% - 7.25%)
Hong Kong	Term and reversion[1]	Term and reversion rate 4.15% (31 March 2023: 4.15%)
	Discounted cash flow	Discount rate 7.80% (31 March 2023: 7.80%)
China	Term and reversion[1]	Term and reversion rate 5.00% - 5.50% (31 March 2023: 5.00% - 5.50%)
	Discounted cash flow	Discount rate 7.50% - 9.25% (31 March 2023: 7.50% - 9.25%)
	Direct comparison	Adjusted price per square metre RMB 37,991 - RMB 61,499
Japan	Discounted cash flow	Discount rate 3.20% - 4.20% (31 March 2023: 3.20% - 4.20%)

[1] Properties are valued by capitalising the amount of net income receivable from existing tenancies, after deducting any specific costs which must be borne by the recipient. Both the term and reversion are capitalised by the market capitalisation rates, which reflect the rate of investment, alienation restrictions, effect of inflation and prospect of rental growth, if any.

5.5 Investment Properties (continued)

Relationship of key unobservable inputs to fair value

- The higher the capitalisation rate, the lower the fair value.
- The higher the discount rate, the lower the fair value.
- The higher the term and reversion rate, the lower the fair value.
- The higher the adjusted price per square feet, the higher the fair value.

There were no significant inter-relationships between unobservable inputs.

Security

As at 30 June 2023, the investment properties in Japan with an aggregate fair value of S$1,392,115,000 (31 March 2023: S$1,449,075,000) were pledged as security for the TMK bonds and certain bank loans of the Japanese subsidiaries. As at 30 June 2023 and 31 March 2023, all investment properties held directly by MPACT are unencumbered.

5.6 Borrowings and Loans from a Subsidiary

	Group		**MPACT**	
	30 Jun 2023 (S$'000)	**31 Mar 2023 (S$'000)**	**30 Jun 2023 (S$'000)**	**31 Mar 2023 (S$'000)**
Borrowings				
Current				
Bank loans (secured)	147,488	-	-	-
Bank loans (unsecured)	463,160	602,561	175,000	115,000
TMK Bonds (secured)	30,789	-	-	-
MTN (unsecured)	141,046	152,762	-	-
Transaction costs to be amortised	(1,192)	(958)	(253)	(162)
	781,291	**754,365**	**174,747**	**114,838**
Non-current				
Bank loans (secured)	545,538	722,188	-	-
Bank loans (unsecured)	4,546,329	4,447,758	1,760,000	1,835,000
TMK Bonds (secured)	30,789	64,169	-	-
MTN (unsecured)	814,341	814,299	-	-
Transaction costs to be amortised	(18,557)	(19,221)	(8,586)	(8,856)
	5,918,440	**6,029,193**	**1,751,414**	**1,826,144**
Loans from a subsidiary				
Current				
Loans from a subsidiary	-	-	85,000	85,000
Transaction costs to be amortised	-	-	(16)	(26)
	-	**-**	**84,984**	**84,974**
Non-current				
Loans from a subsidiary	-	-	795,000	795,000
Transaction costs to be amortised	-	-	(1,538)	(1,168)
	-	**-**	**793,462**	**793,832**
Total borrowings	**6,699,731**	**6,783,558**	**2,804,607**	**2,819,788**

5.6 Borrowings and Loans from a Subsidiary (continued)

(a) Ratios

	Group	
	30 Jun 2023 (S$'000)	**31 Mar 2023 (S$'000)**
Total gross borrowings[1]	6,845,698	6,928,724
Total deposited property[1]	16,801,215	16,954,665
Aggregate leverage ratio	40.7%	40.9%
Interest coverage ratio ("ICR")[2]	3.3 times	3.5 times
Adjusted ICR[3]	3.2 times	3.5 times

[1] Excludes share attributable to non-controlling interest and includes the Group's proportionate share of joint venture's gross borrowings and deposited property value.

[2] Computed by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange differences) ("EBITDA"), by the trailing 12 months interest expense and borrowing-related fees.

[3] Computed by dividing the trailing 12 months EBITDA, by the trailing 12 months interest expense and borrowing-related fees and distribution of hybrid securities.

The Group is in compliance with the borrowing limit requirement imposed by the CIS Code and all externally imposed capital requirements for the financial period ended 30 June 2023 and financial year ended 31 March 2023.

(b) Undrawn committed borrowing facilities

	Group		MPACT	
	30 Jun 2023 (S$'000)	**31 Mar 2023 (S$'000)**	**30 Jun 2023 (S$'000)**	**31 Mar 2023 (S$'000)**
Expiring beyond one year	1,352,232	1,380,229	502,000	752,000

5.7 Units in Issue

	Group and MPACT	
	1Q FY23/24	**1Q FY22/23**
	'000	**'000**
Units at beginning of financial period	5,239,332	3,323,514
Units issued as settlement of Manager's management fees	4,014[1]	4,534[2]
Units at end of financial period[3]	**5,243,346**	**3,328,047**[4]

[1] On 26 May 2023, 4,013,600 new units were issued at an issue price of S$1.7667 per unit as part payment of Manager's base fees for the period from 1 January 2023 to 31 March 2023 and Manager's performance fees for FY22/23.

[2] On 5 May 2022, 4,533,905 new units were issued at an issue price of S$1.8989 per unit as part payment of Manager's base fees for the period from 1 January 2022 to 31 March 2022 and Manager's performance fees for FY21/22.

[3] There were no convertibles, treasury units and units held by its subsidiaries as at 30 June 2023 and 30 June 2022.

[4] As at 30 June 2023, the units in issue is 5,243,346,008 (30 June 2022: 3,328,047,490). Total does not sum up due to rounding differences.

5.8 Net Asset Value ("NAV") and Net Tangible Asset ("NTA") Per Unit

	Group		MPACT	
	30 Jun 2023	**31 Mar 2023**	**30 Jun 2023**	**31 Mar 2023**
Number of units in issue at end of financial period/ year ('000)	5,243,346	5,239,332	5,243,346	5,239,332
NAV and NTA per unit[1] (S$)	**1.75**	**1.76**	**1.80**	**1.80**

[1] NAV and NTA per unit are the same as there is no intangible asset as at 30 June 2023 and 31 March 2023.

5.9 Fair Value Measurement

(a) Derivative financial instruments

The following table presents derivative financial instruments measured at fair value and classified by level of the fair value measurement hierarchy:

	Group		MPACT	
	30 Jun 2023 (S$'000)	**31 Mar 2023 (S$'000)**	**30 Jun 2023 (S$'000)**	**31 Mar 2023 (S$'000)**
Level 2				
Assets				
Derivative financial instruments	142,475	145,949	45,740	43,176
Liabilities				
Derivative financial instruments	(4,542)	(10,261)	(20,693)	(22,720)

The fair value of the derivative financial instruments (namely IRS, CCIRS and forward currency contracts) not traded in an active market is determined by using valuation techniques based on market conditions existing at each of the balance sheet date. The fair value of IRS and CCIRS are calculated as the present value of the estimated future cash flows using assumptions based on market conditions existing at the quoted currency rates as at the balance sheet date. The fair values of forward currency contracts are determined using banks' quoted forward rates and foreign exchange spot rates at the balance sheet date.

(b) Other financial assets and liabilities

The carrying values of cash and bank balances, trade and other receivables, other current assets, trade and other payables, current borrowings and non-current borrowings, which are at variable market rates, approximate their fair values.

The carrying amount and fair value of the fixed rate non-current borrowings are as follow:

	Carrying amount		Fair value	
	30 Jun 2023 (S$'000)	**31 Mar 2023 (S$'000)**	**30 Jun 2023 (S$'000)**	**31 Mar 2023 (S$'000)**
Group				
MTNs (non-current)	812,803	813,131	791,412	781,329
MPACT				
Loans from a subsidiary (non-current)	793,462	793,832	773,221	763,078

5.10 Significant Related Party Transactions

The following significant related party transactions took place at terms agreed between the parties:

	Group	
	1Q FY23/24 (S$'000)	**1Q FY22/23 (S$'000)**
Manager's management fees paid/payable to the Manager	11,130	9,871
Japan asset management fee	1,078	-
Trustee's fees	454	262
Property management fees paid/payable to the property managers	7,572	5,504
Staff costs paid/payable to the property managers	6,268	3,085
Rental and other related income received/receivable from related parties	10,099	3,840
Finance income received/receivable from a related company of the Manager	268	-
Professional fees, other products and service fees paid/ payable to related parties	1,019	746
Interest expenses, financing fees and fees related to the issue of units paid/payable to a related party	19,950	4,211

5.11 Segment Reporting

The Manager considers the business from a business segment perspective; managing and monitoring the business based on geographies and group of properties within the Group's portfolio.

The Manager assesses the performance of the operating segments based on a measure of Net Property Income. Interest income and borrowing costs are not allocated to segments, as the treasury activities are centrally managed by the Manager. In addition, the Manager monitors the non-financial assets as well as financial assets directly attributable to each segment when assessing segment performance. Segment results include items directly attributable to a segment.

Segment results, assets and liabilities include items directly attributable to a segment.

5.11 Segment Reporting (continued)

The segment information by the reportable segments for the reporting period and comparative period are as follow:

(a) Segment Revenue and Results

For the financial period ended 30 June 2023

Geographical Market		**Singapore**		**Hong Kong**	**China**	**Japan**	**Korea**	
Property	**VivoCity**	**MBC**	**Other Singapore Properties**[1]	**Festival Walk**	**China Properties**[2]	**Japan Properties**	**TPG**	**Total**
	(S$'000)	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**
Gross revenue	56,259	57,972	26,254	50,205	22,601	23,827	-	237,118
Property operating expenses	(15,228)	(11,928)	(6,370)	(12,664)	(4,014)	(7,714)	-	(57,918)
Segment net property income	**41,031**	**46,044**	**19,884**	**37,541**	**18,587**	**16,113**	**-**	**179,200**
Finance income								607
Finance expenses								(54,708)
Manager's management fees								(12,208)
Trustee's fees								(454)
Other trust expenses								(840)
Foreign exchange loss								(277)
Net change in fair value of financial derivatives								2,438
Profit before tax and fair value change in investment properties and share of profit of a joint venture								**113,758**
Share of profit of a joint venture	-	-	-	-	-	-	1,499	1,499
Profit for the financial period before tax								**115,257**
Income tax expense								(7,547)
Profit for the financial period after tax before distribution								**107,710**

[1] Include mTower, Mapletree Anson and BOAHF.
[2] Include Gateway Plaza and Sandhill Plaza.

5.11 Segment Reporting (continued)

(a) Segment Revenue and Results (continued)

For the financial period ended 30 June 2022

Geographical Market	Singapore						
Property	**VivoCity**	**MBC**	**mTower**	**Mapletree Anson**	**BOAHF**	**Other Singapore Properties**	**Total**
	(S$'000)	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**
Gross revenue	55,180	55,701	10,763	8,305	5,048	24,116	134,997
Property operating expenses	(12,309)	(10,485)	(2,866)	(1,714)	(959)	(5,539)	(28,333)
Segment net property income	**42,871**	**45,216**	**7,897**	**6,591**	**4.089**	18,577	**106,664**
Finance income							140
Finance expenses							(19,214)
Manager's management fees							(9,871)
Trustee's fees							(262)
Other trust expenses							(482)
Foreign exchange gain							8,027
Net change in fair value of financial derivative							(7,677)
Profit for the financial period before tax							**77,325**
Income tax expense							(1)
Profit for the financial period after tax before distribution							**77,324**

(b) Segment Assets and Liabilities

As at 30 June 2023

Geographical Market	Singapore			Hong Kong	China	Japan	Korea	
Property	**VivoCity**	**MBC**	**Other Singapore Properties**	**Festival Walk**	**China Properties**	**Japan Properties**	**TPG**	**Total**
	(S$'000)	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**	**(S$'000)**
Segment assets								
- Investment properties	3,232,907	3,803,716	1,845,120	4,308,484	1,635,343	1,392,115	-	16,217,685
- Plant and equipment	29	17	17	1,869	6	-	-	1,938
- Investment in joint venture	-	-	-	-	-	-	122,089	122,089
- Trade and other receivables	3,252	838	559	961	3,442	8,017	-	17,069
- Inventories	-	-	-	406	17	-	-	423
	3,236,188	3,804,571	1,845,696	4,311,720	1,638,808	1,400,132	122,089	16,359,204
Unallocated assets								317,583
Total assets								16,676,787
Segment liabilities	52,563	22,198	22,225	82,005	30,617	58,671	730	269,009
Unallocated liabilities								6,970,065
Total liabilities								7,239,074

5.11 Segment Reporting (continued)

(b) Segment Assets and Liabilities (continued)

As at 31 March 2023

Geographical Market	Singapore			Hong Kong	China	Japan	Korea	
Property	VivoCity	MBC	Other Singapore Properties	Festival Walk	China Properties	Japan Properties	TPG	Total
	(S$'000)	(S$'000)	(S$'000)	(S$'000)	(S$'000)	(S$'000)	(S$'000)	(S$'000)
Segment assets								
- Investment properties	3,232,000	3,802,000	1,845,000	4,299,043	1,694,325	1,449,075	-	16,321,443
- Plant and equipment	34	21	19	2,115	6	-	-	2,195
- Investment in joint venture	-	-	-	-	-	-	119,943	119,943
- Trade and other receivables	2,385	509	173	947	196	6,392	2,735	13,337
- Inventories	-	-	-	392	18	-	-	410
	3,234,419	3,802,530	1,845,192	4,302,497	1,694,545	1,455,467	122,678	16,457,328
Unallocated assets								371,492
Total assets								16,828,820
Segment liabilities	58,386	22,219	20,082	85,739	33,522	63,863	1,670	285,481
Unallocated liabilities								7,060,959
Total liabilities								7,346,440

OTHER INFORMATION

6. Review of the Condensed Interim Financial Statements

The Statements of Financial Position of MPACT and the Group as at 30 June 2023 and the related Consolidated Statement of Profit or Loss, Distribution Statement, Consolidated Statement of Comprehensive Income, Statements of Movements in Unitholders' Funds of MPACT and the Group and the Consolidated Statement of Cash Flows for the first quarter ended 30 June 2023 and the explanatory notes have not been audited or reviewed by the Group's auditors.

7. Review of the Performance

1Q FY23/24 versus 1Q FY22/23

Gross revenue was 75.6% higher at S$237.1 million for 1Q FY23/24 compared to 1Q FY22/23. This was largely due to the contribution from the overseas properties acquired through the merger and higher contribution from the Singapore properties.

Excluding the effect of the merger, gross revenue was 4.1% higher year-on-year ("yoy"). As Singapore continued to recover from the COVID-19 pandemic, positive contributions across all major revenue categories including fixed rent, car park income and advertising and promotion income, were observed for the Singapore properties. The increase was partially offset by lower compensation sum received from the pre-termination of leases in 1Q FY23/24 compared to 1Q FY22/23.

Property operating expenses were 104.4% higher at S$57.9 million for 1Q FY23/24 compared to 1Q FY22/23. This was mainly due to the property operating expenses incurred by the overseas properties acquired through the merger. Property operating expenses for the Singapore properties were 18.3% higher yoy mainly due to higher utility expenses as a result of the higher contracted rates.

7. Review of the Performance (continued)

<u>1Q FY23/24 versus 1Q FY22/23</u> (continued)

NPI was S$179.2 million, 68.0% higher as compared to 1Q FY22/23. Excluding the contribution from the overseas properties acquired through the merger, NPI was S$107.0 million in 1Q FY23/24, 0.3% higher as compared to 1Q FY22/23. The higher gross revenue of the Singapore properties were offset by higher utility expenses.

Finance expenses were 184.7% higher at S$54.7 million for 1Q FY23/24 as compared to 1Q FY22/23 mainly due to the interest expenses incurred by the overseas properties, the interest expenses incurred on the acquisition debt, as well as higher interest rates on the existing Singapore dollar borrowings.

The foreign exchange loss in 1Q FY23/24 arose largely from the difference in foreign exchange rates for the translation of the remitted funds and the contract rates of the currency forwards. The foreign exchange gain in 1Q FY22/23 arose largely from the translation of the JPY denominated MTN.

The net change in fair value of financial derivatives in 1Q FY23/24 relates mainly to the mark-to-market movement of currency forward contracts to hedge currency exposures of future, HKD, RMB, JPY and KRW distributable income. The net change in fair value of financial derivatives in 1Q FY22/23 relates to the CCIRS entered into to hedge against any foreign exchange exposure on the principal and interest payments of a JPY denominated MTN.

The unrealised foreign exchange loss and unrealised fair value change of financial derivatives have no impact on the amount available for distribution to Unitholders.

The amount available for distribution was S$114.7 million for 1Q FY23/24, which was 37.8% higher compared to the S$83.3 million for 1Q FY22/23.

8. Variance between Actual and Forecast Results

MPACT has not disclosed any forecast to the market.

9. 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 and the next 12 months

Singapore Retail

Total retail sales improved in April and May 2023 with higher level of physical sales recorded in tandem with easing COVID restrictions, resumption of major physical events and tourists spending, and shopping and dining by domestic consumers. The increase in retail sales value was also partially due to higher prices resulting from inflationary pressures.

Approximately 1.27 million square feet of space is expected to be delivered for the rest of 2023 to 2025, translating into an average of 0.51 million square feet per year, lower than the past five-year annual average of 0.58 million square feet.

However, weaker economic outlook, inflationary pressures, GST rate hike, and manpower shortages remain as key challenges for retailers. The expected recovery in tourism could provide some support to demand for retail space. This, together with limited upcoming supply, could improve occupancy level and broad-based recovery of retail rents, albeit at a moderated pace.

9. 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 and the next 12 months (continued)

Singapore Office

Rents in 1Q 2023 continued to climb for Central Business District ("CBD") and City Fringe. Continued flight-to-quality have supported comparatively stronger rental growth in the Grade A segment, particularly in the CBD due to lack of new supply and withdrawal of existing stock for redevelopment.

Approximately 4.33 million square feet of space is expected to be delivered for the rest of 2023 to 2025, translating into an average of 1.73 million square feet per year, higher than the past five-year annual average of 1.10 million square feet.

Looking ahead, weaker economic outlook, inflationary pressures, rising borrowing costs are expected to result in a slowdown in demand for office space. As global technology firms continue to consolidate space and reduce headcounts, shadow space is expected to increase further and may become more difficult to backfill. However, occupiers from other sectors such as banking and finance, fast moving consumer goods, legal, family offices and asset managers, amongst others, are expected to lend some support to demand and backfill vacated space.

Vacancy rates are likely to edge up with significant new supply injection from 2023 onwards. Coupled with weaker market dynamics, rental growth is expected to further moderate in 2023.

Singapore Business Parks

1Q 2023 rents for City Fringe submarket dipped slightly but remained comparable to historical levels.

Approximately 3.85 million square feet of space is expected to be delivered for the rest of 2023 to 2025, translating into an average of 1.54 million square feet per year of new supply, higher than the past five-year annual average of 0.46 million square feet.

Global economic uncertainties have weakened the outlook of outward-oriented sectors including manufacturing industries, and the continued layoffs in the technology sector are expected to weigh on demand for business park space in 2023.

Weakened market dynamics, coupled with new supply to be injected, will likely lead to further increase in vacancy levels islandwide, and more significantly, in the Rest of Island submarket. Rents are expected to remain flat or stable with minimal growth in 2023 despite the expected rise in vacancy, as new and good quality business parks will command higher rental rates.

Hong Kong Retail

The lifting of border restrictions has benefited tourism and sales, supporting ongoing recovery in leasing demand and progress towards rent stabilisation. Rental levels are still below pre-social incidents and pre-COVID levels. Leasing demand and stabilisation of rents are expected to continue throughout 2023.

The total future supply of retail space for the rest of 2023 is forecast to be at around 1.8 million square feet, with Kai Tak (a subset of the Kowloon East submarket) being the focus of new retail supply in the near term. As a result, rents may come under short-term pressure due to the significant supply pipeline in Kai Tak in the coming quarters.

Positive market sentiment is expected to continue due to the launch of the "Hello Hong Kong" and "Happy Hong Kong" government campaigns that aim to draw more visitors to the city. The second instalment of consumption vouchers in July is also expected to drive domestic demand and retail sales.

9. 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 and the next 12 months (continued)

Beijing Office

The Beijing market continued to be soft through 1H 2023, with negative absorption recorded in the last two quarters. Due to soft demand and new supply, the vacancy level for the overall Beijing office market increased further by 1.0 percentage point ("p.p.") from the preceding quarter to 17.9% in 2Q 2023.

As market sentiments weakened in contrast to the optimism at the start of the year, more landlords have adjusted their leasing strategies by offering longer rent-free periods. This has resulted in a decrease in the net effective rent of the overall market by 3.6% from the preceding quarter. 2Q 2023 rents in the Lufthansa market have similarly declined 4.6% from the preceding quarter.

Due to healthy pre-leasing in some new projects, net absorption is expected to pick up or even turn positive in 2H 2023. However, this may not be sufficient to offset the higher upcoming supply. Occupancy levels and rents in the Lufthansa are expected to come under pressure due to a large supply in the CBD and internet companies adjusting their workspace requirements in the neighbouring Wangjing-Jiuxianqiao submarket.

Shanghai Business Parks

Driven by new supply and tenants taking a longer time to commit, the vacancy rate of the overall Shanghai Business Parks has risen by 1.2 p.p. in 2Q 2023. Rents in Zhangjiang, CaoHeJing, Linkong and Shibei edged down in 2Q 2023 due to soft demand and landlords moving to cut rents to improve occupancy.

Approximately 2.48 million square metres of future supply is planned to enter the market for the rest of 2023 to 2025, translating into an average of 1.0 million square metres per year, higher than the past five-year annual average of 0.7 million square metres. Vacancy levels for Shanghai business parks are expected to rise and rents are projected to bottom out by 2H 2024.

Looking ahead, government support and stimulus measures including lowering interest rates, bank reserve requirement ratios, corporate tax and fees are expected to support a rebound in leasing demand for the main demand drivers for business parks such as internet and related companies.

Japan Office

Rental and vacancy trends varied among submarkets in 2Q 2023. For the Tokyo 5 wards, rents and vacancy remained relatively unchanged, while there was an increase in vacancy level and slight decline in average rents for Tokyo 18 wards due to lower demand. Higher occupancy and lower rents were observed in Yokohama, suggesting the back-filling of vacancies linked to rental discounts. Rents increased slightly in Chiba due to a few leasing deals signed at higher-than-average rents but remained below the levels in 2022.

The completion of a number of sizable projects in the Tokyo 5 wards in the second half of 2023 is expected to drive up vacancies in the submarket. Weak demand-supply dynamics in the Tokyo 18 wards and Yokohama are also expected to put downward pressure on occupancy levels and rents. The Chiba submarket is expected to be soft in 2H 2023.

9. 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 and the next 12 months (continued)

Seoul Office

Seoul's average vacancy rate decreased by 0.2 p.p. from the preceding quarter to 2.1% due to a new Grade A office building in Gangnam Business District ("GBD") (Scale Tower (Tiger 318)) achieving full occupancy in 2Q 2023. The CBD recorded slightly higher vacancy due to tenant departures from buildings undergoing renovations.

The landlord-favoured GBD office market is expected to continue to be supported by low supply and solid fundamentals, with significant new supply in GBD expected only in 2027. Tech companies who have rapidly expanded throughout the low interest rate era are, however, expected to reduce their office spaces this year as they tighten their budgets.

Conclusion

The global economic outlook remains uncertain, with projected growth expected to be weaker than last year. Potential downside risks include the ongoing Russia-Ukraine conflict, high energy prices, interest rate hikes and volatility in the global financial markets. These factors could further weaken the broader economy and soften demand for space.

However, despite these challenges, the region has witnessed positive developments. Singapore has successfully returned to normalcy after the pandemic and China has lifted COVID-19 restrictions and reopened its border since early 2023. Although China is still in the process of recovering from the pandemic, supportive policies such as interest rate cuts and other stimulus measures can provide some support to leasing demand.

MPACT is reasonably positioned in the face of recent downturns in the tech and finance sectors. The Manager will continue to deploy targeted strategies to manage MPACT's assets. With a diverse tenant base and a proactive approach to asset management, MPACT is well-equipped to navigate market shifts. The primary focus is on maintaining a healthy portfolio occupancy and steady rental income while managing costs sustainably. Targeted strategies will be deployed to manage non-renewals and market changes.

In navigating the volatile interest rate environment, safeguarding MPACT's financial position is a top priority. The Manager is committed to ensuring sufficient certainty over finance expenses and achieving an optimal balance of risks and costs.

10. Distributions

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 45th distribution for the period from 1 April to 30 June 2023

Distribution type/rate:

Distribution type	Distribution rate per unit (cents)
Taxable Income	1.49
Tax-Exempt Income	0.46
Capital	0.23
Total	**2.18**

Par value of units: Not meaningful

Tax rate: Taxable Income Distribution

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns. Qualifying investors, unless they are exempt from tax because of their own circumstances, will have to pay income tax subsequently on such distributions at their own applicable tax rates.

Qualifying foreign non-individual investors and qualifying non-resident funds will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Tax-Exempt Income Distribution

Tax-Exempt Income Distribution is exempt from Singapore income tax in the hands of all Unitholders.

Capital Distribution

Capital Distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to Singapore income tax. For Unitholders who are liable to Singapore income tax on profits from sale of MPACT Units, the amount of Capital Distribution will be applied to reduce the cost base of their MPACT Units for Singapore income tax purposes.

10. Distributions (continued)

(b) Corresponding period of the preceding financial period

Any distributions declared for the corresponding period of the immediate preceding financial period? Yes

Name of distribution: 41st distribution for the period from 1 April 2022 to 20 July 2022

Distribution type/rate:

Distribution type	**Distribution rate per unit (cents)**
Taxable Income	3.02
Capital	0.02
Total	**3.04**

Par value of units: Not meaningful

Tax rate: Taxable Income Distribution

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns. Qualifying investors, unless they are exempt from tax because of their own circumstances, will have to pay income tax subsequently on such distributions at their own applicable tax rates.

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All other investors will receive their distributions after deduction of tax at the rate of 17%.

Capital Distribution

Capital Distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to Singapore income tax. For Unitholders who are liable to Singapore income tax on profits from sale of MPACT Units, the amount of Capital Distribution will be applied to reduce the cost base of their MPACT Units for Singapore income tax purposes.

(c) Record date: The Transfer Books and Register of Unitholders of MPACT will be closed at 5.00 p.m. on Tuesday, 8 August 2023 for the purposes of determining each Unitholder's entitlement to MPACT's distribution.

The ex-distribution date will be on Monday, 7 August 2023.

(d) Date Payable: Thursday, 14 September 2023

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

Not applicable.

12. General Mandate relating to Interested Person Transactions

MPACT has not obtained a general mandate from Unitholders for Interested Person Transactions.

13. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all its directors and executive officers, in the format set out in Appendix 7.7 under the Rule 720(1) of the Listing Manual.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these interim financial results to be false or misleading in any material aspect.

This release may contain forward-looking statements that involve assumptions, 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 risks, uncertainties and assumptions include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), 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 of future events.

By Order of the Board
Wan Kwong Weng
Joint Company Secretary
MPACT Management Ltd.
(Company Registration No.200708826C)
As Manager of Mapletree Pan Asia Commercial Trust

31 July 2023