Letter to Unitholders

DEAR UNITHOLDERS,

On behalf of the Board and management, we thank you for your continued support in FY17/18.

The year has been challenging for most given persisting macro-economic uncertainties and structural shifts. In the previous letters to our Unitholders, we have shared MCT's constant pursuit of strength and long-term resilience. In uncertain times like this, MCT has stood out – we continued to deliver solid performance in a changing landscape.

SOLID PERFORMANCE IN A CHANGING LANDSCAPE

We are pleased to report a total DPU of 9.04 Singapore cents for the full year, up 4.9% from the previous year. This was driven by a full year contribution from MBC I which was acquired on 25 August 2016, and higher revenue from VivoCity and MLHF.

MCT's gross portfolio revenue grew 14.8% year-on-year to S$433.5 million for FY17/18. NPI was S$338.8 million, surpassing last year's record high by 15.9%. Correspondingly, distributable income rose 14.6% year-on-year to S$260.4 million.

As at 31 March 2018, MCT's investment properties were valued at S$6.7 billion by independent valuers, an increase of 5.4% from a year ago. NAV per unit rose by 8.0% from S$1.38 (as at 31 March 2017) to S$1.49 (as at 31 March 2018).

Since MCT's public listing on 27 April 2011 at S$0.88 per unit, we have paid out a total distribution of 52.92 Singapore cents per unit. MCT's unit price closed at S$1.57 as at 31 March 2018. Therefore, Unitholders who have invested in MCT from the start would have received a total return exceeding 138%. These are commendable accomplishments.

VIVOCITY – A CONSTANT EVOLUTION

VivoCity continued to perform well in FY17/18. Despite a 1.4% decline in shopper traffic, FY17/18 tenant sales grew 0.7% to reach a new record of S$958.2 million. This is noteworthy against a strong FY16/17 and in spite of the downtime from the ongoing asset enhancement initiatives ("AEIs").

Notwithstanding these results, MCT is not resting on its laurels. Right from the start, VivoCity's physical attributes have always been conducive: it enjoys an exceptional location with sizeable shopper catchment from its immediate office and residential vicinity, linkages such as direct connection to the public train network via two main lines, proximity to the Sentosa Island, a main tourist destination, and features a 300-metre waterfront promenade. In addition, VivoCity has more than a million square feet of NLA which can house a complete trade mix.

VivoCity's continued success, however, is also about how we anticipate retail trends and developments in the landscape, and systematically implement value-adding changes.

In 2015, we completed our first AEI which created about 15,000 square feet of retail space on Basement 1 of the mall. Located astride the vertical link from the HarbourFront MRT Station to VivoCity's main atrium, this AEI allowed us to capitalise on the flow of commuter traffic and to deliver a seamless experience for our shoppers.

A year later, we embarked on a second AEI that improved the layout and ambience of Basement 2 to increase the number of food kiosks from 13 to 21, and to improve the line of sight of some restaurants. This AEI also included the change of trade for a portion of space on

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Level 3 and this allowed us to introduce a popular steamboat restaurant, thus strengthening VivoCity's F&B offering.

During FY17/18, we continued to execute our active asset management strategy. To make VivoCity more productive, about 9,200 square feet of anchor space on Level 1 and Level 2 was converted into specialty space for existing tenants who were expanding as well as new-to-mall brands. This S$3 million enhancement work was fully completed in July 2017 and would contribute approximately 29% in annual returns when stabilised. Additionally, on Basement 2, enhancement was made to improve the line of sight of some food kiosks.

We have started to see the benefits of these ongoing transformations. The last two completed AEIs, together with new and renewed leases and rental step-ups, drove VivoCity's FY17/18 NPI up by 4.1% to S$156.7 million.

An ongoing initiative is the addition of a 32,000 square feet public library on Level 3. This is a significant AEI on many counts. Given VivoCity's convenient location and accessibility, the library is a meaningful addition that helps to foster a culture of reading and learning. From MCT's perspective, the library is an added draw which complements VivoCity's positioning and will boost repeated visitorship from the targeted shopper segment of families with children.

This AEI entails several physical transformations: part of Level 3 will be converted to make space for the library and bonus GFA granted under the Community/Sports Facility Scheme ("CSFS") will be used to extend Basement 1 by adding about 24,000 square feet of new contiguous retail floor area. The Basement 1 extension has already been fully committed with new and exciting Lifestyle and Athleisure offerings, and will open in June 2018. In conjunction with this AEI, we are implementing a series of upgrading works. One highlight is the addition of a set of escalators connecting Basement 2 and Level 1 through the new Basement 1 space, which will considerably improve vertical connectivity and mobility within the mall.

The entire AEI is smoothly underway and is slated for completion in phases by the second half of FY18/19. On a stabilised basis, it is estimated to deliver approximately 10% of annual return on investment[1].

Across the industry, we have observed how retailers are consolidating their portfolios to focus on flagship stores in the best locations. VivoCity is ideal to meet this demand for new, larger format concept stores.

Timezone, a family-oriented video amusement arcade, is one example of this trend when it relocated from Level 3 to Level 2 and enlarged its footprint by about 80%. Spanning almost 12,000 square feet of floor area in VivoCity, Timezone's flagship arcade features dazzling new attractions like bumper cars and bowling alleys, and has been operational since January 2018.

Spanish fashion giant, Zara, is another tenant that has decided on VivoCity to establish its concept store in Singapore. Zara's expansion from 16,000 square feet to 33,000 square feet is a strong endorsement of VivoCity's appeal. The store, which was closed since February 2018 for expansion work, has reopened with much anticipation in May 2018 and carries Zara's complete collections for women, men and kids.

Following the successful revamp of the 20,000 square feet Play Court on Level 2 in FY16/17, we launched the VivoCity Kids Club in June 2017 to overwhelming response where more than 5,500 children signed up as members over the launch weekend. As at 31 March 2018, the club had more than 12,000 registered kid members. This brand new membership programme, which offers exclusive fun-filled activities and promotions to members, is targeted at families with young children, and will give shoppers even more reasons to visit VivoCity.

RESILIENT PERFORMANCE FROM OUR OFFICE AND BUSINESS PARK PROPERTIES

We have consistently adopted a proactive leasing strategy with an emphasis on preserving cashflow. Operationally, this translates into a focus on retaining quality tenants and engaging tenants early to secure renewals.

At MBC I, we secured a replacement tenant for approximately 104,000 square feet of pre-terminated space with more than 20% of upside[2]. With this, MBC I ended the financial year with 99.4% committed occupancy, and we can expect this 1.7 million square feet premium office and business park complex to continue to provide a substantial and steady stream of income.

1 Based on estimated capital expenditure of approximately S$16 million. This includes expenditure for related works such as the addition of escalator and carpark deck, installation of solar panels on the new carpark shelter and various M&E upgrading works.

2 Refer to the SP Variation Letter as disclosed in the Circular dated 5 July 2016 for details on the pre-terminated space. The upside is based on the average fixed rent of the replacement lease compared to the expiring fixed rent of the pre-terminated lease.

Notwithstanding some tenant turnover, Mapletree Anson achieved full committed occupancy as at 31 March 2018. Likewise, PSA Building demonstrated resilience and closed FY17/18 with 98.7% committed occupancy.

At MLHF, the lease with Bank of America Merrill Lynch ("BoAML") was renewed and restructured for Level 1 to Level 5 with effect from January 2017. Level 6 of MLHF had since been filled up by two new tenants during the year. With its full occupancy, MLHF will continue to deliver stable returns.

Altogether, our office and business park properties contributed S$226.9 million of gross revenue and S$182.2 million of NPI in FY17/18.

BUILDING A STRONG CAPITAL STRUCTURE

Building a strong capital structure while balancing financial costs is a key objective of our capital management. Since listing, MCT had benefitted from relatively low interest costs. In today's rising interest rate environment, the approach is to maintain a healthy fixed rate debt ratio and a well-distributed debt maturity profile without losing sight of the overall cost of debt.

In August 2017, we issued S$100.0 million of 10-year notes at 3.045% per annum coupon rate under the S$1.0 billion Multicurrency Medium Term Note ("MTN") Programme for refinancing. We further tapped the debt capital market in March 2018 by issuing S$120.0 million of 6.5-year notes at 3.28% per annum. Both issuances were rated Baa1 by Moody's and enabled us to maintain an even spread on MCT's loan maturity profile where no more than 20% of debt are due for refinancing in any financial year.

We closed the financial year with a robust balance sheet. With the upward revaluation of our portfolio, aggregate leverage was lowered to 34.5% (as at 31 March 2018) from 36.3% (as at 31 March 2017). This is comfortably below the 45% regulatory limit. As at 31 March 2018, approximately 78.9% of MCT's total debt of S$2,327.6 million was fixed by way of fixed rate debt or interest rate swaps. We maintained a healthy interest cover ratio of approximately 4.8 times for FY17/18, and the weighted all-in cost of debt stood at a prudent 2.75% per annum. Reflecting our assets' quality, operating strength and financial health, Moody's maintained MCT's Baa1 issuer rating with a stable outlook.

COMMITMENT TO SUSTAINABILITY

MCT is committed to upholding high corporate governance standards and to incorporating pragmatic sustainability practices into our day-to-day operations. This is because we believe that the well-being of our environment, employees and community has a positive impact on the longevity of our business. Underscoring this commitment, we are pleased to present our second Sustainability Report where we discuss MCT's material environmental, social and governance factors as well as our sustainability practices and performance. We will continue to integrate sustainability into various aspects of our business so as to enhance the long-term value to our stakeholders.

GAINING STRENGTH FOR TOMORROW

Singapore's economy improved by 3.6% in 2017 and has been forecast to grow at 1.5% to 3.5% in 2018[3]. Nonetheless, there could be downside risks arising from global political uncertainties and increasing protectionist trade sentiments.

We expect retail consolidations to continue as retailers rationalise their portfolios and cope with e-commerce trends. Although the retail market will benefit from stronger economic fundamentals, recovery will remain selective and will not be felt evenly across all malls.

MCT's winning strategy has been to stay focused on nurturing our fundamentals while keeping a keen eye on the long term. Stemming from our proactive management, VivoCity has successfully evolved over time to establish a clear value proposition for both retailers and shoppers. Similarly, MBC I is a best-in-class property and with its premium specifications and conducive spaces will continue to meet the highest demands of tenants.

Our experience and track record have given us the confidence and conviction that despite the challenges that exist today, we will continue to successfully navigate this ever-changing environment. As we have shared last year, and in our earlier letters to you, we are firmly committed to our Unitholders. We will continue our unwavering and disciplined approach to how we manage our assets and deploy our capital.

ACKNOWLEDGEMENTS

In closing, we would like to thank our Directors for their counsel and guidance, and our staff for their dedication and hard work. We would also like to express our sincerest appreciation to our Unitholders, tenants, shoppers, financiers and business partners for their continued confidence and strong support.

TSANG YAM PUI
Chairman and Non-Executive Director

SHARON LIM
Executive Director and Chief Executive Officer

3 Source: Ministry of Trade & Industry, Economic Survey of Singapore 2017 dated 14 February 2018.