Tsang Yam Pui
Chairman &
Non-Executive Director

Sharon Lim
Executive Director &
Chief Executive Officer

Dear Unitholders,

On behalf of the Board and management, we thank you for your enduring support in FY16/17.

The year was fraught with sustained economic weaknesses and heightened geopolitical uncertainties. Amidst overall sluggish demand, the operating environment was challenging. In the last annual report, we highlighted our focus to build strength and long-term resilience. Our relentless effort in pursuing this vision has guided us well. We continued to make progress in developing MCT into a quality REIT that is anchored by stability.

Consistent and All-Rounded Performance

We are pleased to report a total DPU of 8.62 Singapore cents in FY16/17, up 6.0% from the previous year. This solid performance was driven by both the accretive acquisition of MBC I and the positive contributions by VivoCity, Mapletree Anson and PSA Building.

MCT's gross portfolio revenue rose 31.3% to S$377.7 million for FY16/17. Net Property Income ("NPI") also rose 32.4% to a record high of S$292.3 million. Correspondingly, distributable income rose 31.7% to S$227.2 million.

With the addition of MBC I into our stable, and underpinned by VivoCity's robust performance, MCT's total investment properties grew 46.0% in valuation to S$6.3 billion as at 31 March 2017. NAV per unit grew 6.2% from S$1.30 per unit to S$1.38 per unit.

Our core strengths in asset and capital management, as well as execution discipline, are keys to MCT's all-rounded outperformance. These competencies are valued by our investors and reflected correspondingly in MCT's consistent unit price performance.

During FY16/17, MCT's unit price rose 8.5% from S$1.41 to S$1.53, outperforming the FTSE Straits Times REIT Index which added 4.6%[1]. With total cumulative distribution of 43.88 Singapore cents per unit since MCT's public listing on 27 April 2011, we have generated total returns exceeding 123% to our unitholders.

Accretive Acquisition of MBC I

On 25 August 2016, we completed the acquisition of MBC I. With a total NLA of over 1.7 million square feet from an office tower and three business park blocks, MBC I is one of the largest and highest quality integrated office and business park developments in Singapore. The total acquisition cost of about S$1.84 billion was funded by a mix of equity and bank borrowings.

Notably, the equity fund raising exercise received strong support from both existing and new investors. Priced at a tight 1.4% discount[2], the overnight private placement was over 3.8 times covered. Existing unitholders were also able to participate in the equity offering through a preferential offering that was priced at a 3.5% discount[3]. In aggregate, we raised a balanced mix of new capital totalling S$1.04 billion[4]. With a bank borrowing of S$800 million, the balance sheet remained sound after the acquisition. Compared to the Forecast disclosed in the Circular on 5 July 2016, DPU for 2H FY16/17[5] has outperformed by 6.3%.

We are extremely satisfied with the outcome of the acquisition. Financially, MBC I contributes positively to MCT's NPI and NPI yield performance without income support. For our unitholders, the acquisition was accretive to DPU and NAV. The increase in asset size and free float has propelled MCT into the top rung of REITs in Singapore, with improved trading liquidity, index representation and following by institutional investors.

MBC I and VivoCity have been deemed by many to be the best-in-class properties in Singapore. We believe that having both of them in our portfolio reinforces MCT's compelling position as a defensive and stable REIT.

VivoCity – A Decade of Success

VivoCity was opened officially on 1 December 2006. In its first year of operation, VivoCity received 38.6 million shoppers and S$570.5 million of tenant sales[6]. Ten years on, Singapore's largest multi-dimensional retail and lifestyle destination continues to dazzle and attract. In spite of a softer overall economy and retail climate, shopper traffic and tenant sales for FY16/17 grew 4.8% and 1.3% to reach new heights of 55.8 million and S$951.8 million respectively. On a full-year basis, VivoCity recorded S$150.4 million in NPI, 3.4% higher than FY15/16[7].

1. Source: Bloomberg.
2. Based on S$1.45 per new unit, and the adjusted volume weighted average price ("VWAP") of S$1.4712 per unit.
3. Based on S$1.42 per new unit and the adjusted VWAP of S$1.4712 per unit.
4. Based on overnight private placement of 364.9 million new units and preferential offering of 362.8 million new units.
5. Refers to the period from 1 October 2016 to 31 March 2017.
6. As disclosed in MCT's IPO Prospectus dated 18 April 2011. Shopper traffic was for 2007, the first full calendar year of operations; while tenant sales were based on the 12 months to November 2007.
7. Refers to the period from 1 April 2015 to 31 March 2016.

Right from the start, VivoCity was never just about shopping. With more than a million square feet of NLA, VivoCity was conceived to be a destination for all. While traditional shopping malls focus on merchandising indoors, VivoCity is fundamentally different in how we also incorporate vibrant leisure offerings and fun spaces where people can come together and connect.

Operationally, this vision translates into an active asset management strategy whereby we embark on suitable asset enhancements to drive yields, rejuvenate spaces, refresh tenant mix, and organise exciting advertising and promotional events to attract shoppers.

To this end, we are pleased that VivoCity's second asset enhancement initiative ("AEI") was fully completed on schedule in September 2016. The improved space utilisation on Basement 2 enhanced circulation and ambience, and further strengthened the mall's food and beverage ("F&B") offerings. We also changed the use of some space on Level 3 to introduce a popular steamboat outlet. On a stabilised basis, this AEI would contribute more than 20% in returns.

In conjunction with VivoCity's 10th anniversary, we organised a campaign of advertising and promotional activities to drive footfall and shopper spend. Major activities, such as the Playcourt Relaunch and Revival of Punch Buddies, were positively received by shoppers.

MCT's gross revenue rose 31.3% to S$377.7 million for FY16/17. NPI also rose 32.4% to a record high of S$292.3 million. Correspondingly, distributable income rose 31.7% to S$227.2 million.

VivoCity's sustained performance is the result of the collective well-being of our tenants. Active engagement is therefore a top priority for us. In addition to the Tenants' Engagement Party, we continued to hold dialogues, workshops and in-house programmes that share best practices on topics such as customer service delivery and building brand loyalty. Our active tenant engagement efforts have yielded positive results. Major leases totalling more than 260,000 square feet of NLA at VivoCity were renewed positively, and committed occupancy remained high at 99.8% as at 31 March 2017.

Office Assets Maintained Performance

We have taken a proactive leasing approach on retaining quality tenants and bringing in new ones. In spite of the tepid global economy and impending surge of new office supply, Mapletree Anson improved its occupancy to 100% from 91% (as at 31 March 2016). Particularly, PSA Building endured a slowdown in the shipping and energy sectors to maintain healthy occupancy.

Last year, we shared how we had secured the early lease renewal with Bank of America Merrill Lynch ("BoAML") at MLHF, almost two years ahead of its original lease expiry in November 2017. With the renewed and restructured lease, BoAML continues to be a key tenant for Level 2 to Level 5 of MLHF for six years from 1 January 2017. A new tenant has also been secured for part space of Level 6, and multi-tenancy conversion works for the building have been completed.

PSA Building, Mapletree Anson and MLHF contributed a total of S$102.1 million of gross revenue and S$80.6 million of NPI in FY16/17, up 5.7% and 7.0% respectively from the previous year. Including MBC I, gross revenue and NPI totalled S$176.9 million and S$141.9 million.

Proactive Capital Management

Part of our proactive capital management approach involves seizing suitable opportunities to refinance existing debts. In a rising interest rate environment, our focus was to secure favourable interest rates and manage MCT's overall fixed rate debt ratio and maturity profile. This was largely achieved through the issuance of two tranches of fixed rate notes under the S$1.0 billion Multicurrency Medium Term Note ("MTN") Programme when long-term interest rates were still relatively low. In August 2016, S$175.0 million of 10-year notes were issued at 3.11% per annum coupon rate. We further issued S$85.0 million of 7-year notes at 2.795% per annum coupon rate in November 2016. Both issuances were rated Baa1 by Moody's and effectively fulfilled MCT's refinancing needs for FY16/17 and FY17/18[8]. Our debt maturity profile is well-distributed with no more than 20% of debt due for refinancing in any financial year.

MCT closed the financial year with higher total gross debt of S$2.33 billion. However, aggregate leverage remained comfortable at 36.3%[9], well below the 45% regulatory limit. As at 31 March 2017, the total fixed debt ratio was 81.2% and the weighted average term to maturity of debt was 4.0 years. We continued to maintain a healthy interest cover ratio of 4.9 times for FY16/17.

Notwithstanding these achievements and the drawing of new capital to acquire MBC I, our weighted average all-in cost of debt stood at a prudent 2.66% per annum. Reflecting MCT's asset quality, operating strength and financial health, Moody's reaffirmed MCT's Baa1 issuer rating with a stable outlook.

Commitment to Sustainability

MCT recognises that our environment, employees and community support the well-being of our business and enhance the creation of long-term value to our investors. For these reasons, we constantly strive to implement sustainability initiatives in pragmatic ways that are aligned with our overall business strategies.

The sustainable features at our properties have been recognised by the Building and Construction Authority Singapore ("BCA") – MBC I and Mapletree Anson continue to be certified Green Mark Platinum, PSA Building & ARC continues to be certified Green Mark Gold[Plus], while both VivoCity and MLHF continue to be certified Green Mark Gold.

Underscoring our commitment to sustainability, we are pleased to present our inaugural sustainability report which was prepared ahead of the requirements set out by the Singapore Exchange ("SGX")'s Guide to Sustainability Reporting for Listed Companies. This report, which is included within this annual report, discusses how we aim to further integrate sustainability into various aspects of our business, from how we manage our properties, to how we conduct business with different stakeholders, cultivate a positive work environment for employees, and engage meaningfully with the local community.

Well-Positioned for the Challenges Ahead

Singapore's economy grew by 2.0% in the whole of 2016, and is forecast to grow at a modest pace of 1.0% to 3.0% in 2017[10]. While global growth is projected to pick up slightly, significant downside risks remain. Globally, political and economic uncertainties have heightened. There are also signs of rising anti-globalisation sentiments which are likely to affect global trade adversely. These will have knock-on effects on the financial market. In turn, the weaker business and consumer sentiments will dampen retail sales and demand for commercial spaces in Singapore. We can also expect consolidations in the retail market as retailers cope with manpower constraints, rising operating costs and trends arising from e-commerce. Against this backdrop, our focus is to preserve stability by retaining and attracting quality tenants, managing costs and improving our assets.

MCT's resilience is rooted in our quality portfolio and a strong management team. We believe our strengths in asset and capital management will continue to differentiate MCT, putting us in a good position to ride through economic cycles.

Our commitment to our unitholders remains firm – secured by a solid foundation, we will continue to forge a stable and resilient future.

Acknowledgements

In closing, we would like to thank our Board of 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

8. Refers to the period from 1 April 2017 to 31 March 2018.
9. Based on total gross borrowings divided by total assets.
10. Source: Ministry of Trade & Industry 2017 GDP Growth Forecast dated 17 February 2017.