Operations Review

PORTFOLIO PERFORMANCE

In FY17/18, MCT's portfolio gross revenue increased 14.8% year-on-year to S$433.5 million while portfolio NPI grew 15.9% to S$338.8 million. This was driven by a full year contribution from MBC I which was acquired on 25 August 2016, and improved performance of VivoCity and MLHF. For FY17/18's expiring leases, MCT achieved a high retention rate of 77.3% with a rental reversion of -2.1%. During the year, MCT secured a replacement tenant for approximately 104,000 square feet of pre-terminated space. The average fixed rent of the replacement lease was more than 20% higher than the expiring fixed rent of the pre-terminated lease. Including the effect with this replacement lease, MCT achieved a positive 0.6% rental uplift for the whole portfolio. 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.

ACTIVE ASSET MANAGEMENT AND LEASING

Our active asset management approach has continued to add strength and resilience to MCT's portfolio. We have also consistently adopted a proactive leasing strategy with an emphasis on preserving cashflow.

The year has been trying for retailers and retail landlords given the increasingly challenging operating environment. The growth of e-commerce continued to exert downward pressure on the retail market and retailers are increasingly looking to rationalise and optimise physical retail space to improve effectiveness and efficiency.

Due to its excellent location, strong domestic catchment and exposure to tourist traffic, and together with our relentless effort to improve and future-proof the mall, VivoCity has remained a choice destination for both shoppers and retailers. While shopper traffic for the year declined slightly by 1.4% to 55.0 million, tenant sales remained resilient, growing by 0.7% to S$958.2 million. This is noteworthy against a strong FY16/17 and in spite of the downtime from the ongoing AEIs.

Regardless of headwinds, VivoCity achieved a positive 2.6% rental uplift, with 16.9% of the mall's NLA renewed and re-let. Occupancy cost maintained at a sustainable level of 19.6%.

In anticipation of new trends and to meet shoppers' changing needs, new and exciting retail concepts were also introduced into VivoCity throughout the year. A notable example is Timezone which has relocated from Level 3 to Level 2 of the mall and expanded about 80% in size. This new flagship arcade offers almost 12,000 square feet of amusement and entertainment space featuring bowling alleys, bumper cars and a party room, and has started operating since January 2018.

Spanish fashion giant, Zara, is another existing tenant that has picked VivoCity to establish its concept store in Singapore. The store has reopened in May 2018 and carries Zara's complete collections for women, men and kids. As at 31 March 2018, VivoCity's committed occupancy remained high at 99.8%.

To further reinforce the family-centric, lifestyle focus of VivoCity, and following the successful revamp of the 20,000 square feet Play Court on Level 2, we launched our VivoCity Kids Club in June 2017. This membership programme offers exclusive fun-filled events and promotions to members. This year, for example, members were treated to a movie screening, a hands-on tote bag design workshop and the mall's first-ever Halloween party. The Kids Club has been very well-received with 5,500 children signing up as kids members over the launch weekend, growing to over 12,000 as at 31 March 2018.

VivoCity hosted the Republic of Singapore Navy's Navy@Vivo events for the fifth consecutive year in November 2017. Held as part of the RSN50 Golden Jubilee celebrations, highlights included the tour of a Formidable-class frigate, RSS Intrepid, which was docked at the Promenade, rides on the Fast Craft Utility through Keppel Harbour and an exhibition on Maritime Singapore featuring weapon displays, simulators and performances. The five-day event received more than 115,000 visitors.

In November 2017, VivoCity welcomed the world's only full-scale model of Batman's Knightcrawler to commemorate the launch of Justice League, the latest movie in the DC Super Hero Universe. Spanning 14 metres and towering to a height of 3.4 metres, this model was the highlight of the event.

A diverse mix of events was organised to give shoppers the most complete and immersive shopping experience. During the year, VivoCity's signature Chinese New Year and Mid-Autumn festive fairs were held, along with a variety of wedding shows, car shows, travel fairs, product launches and atrium sales.

The year marked yet another successful AEI involving the conversion of about 9,200 square feet of anchor space into specialty stores on Levels 1 and 2 of VivoCity. Fully operational by July 2017, the AEI, which cost approximately S$3 million, not only brought in new-to-mall brands like Massimo Dutti and Calvin Klein Jeans, but also gave existing tenants the opportunity to expand their footprints. On a stabilised basis, the AEI would deliver an annual return on investment of approximately 29%.

As part of our continual efforts to rejuvenate and refresh VivoCity, enhancement works commenced in September 2017 to convert about 32,000 square feet of retail space on Level 3 into a public library under the CSFS. The library, scheduled to open in the second half of FY18/19, will enhance the mall's family-centric positioning and improve our offering to shoppers. In addition, the current retail area on Basement 1 will be extended into a full-fledged retail floor, giving shoppers a more complete shopping experience. As part of the AEI, a new set of escalators connecting Basement 2 to Level 1 will be added, further enhancing vertical connectivity and mobility within the mall. Other works that will be carried out in conjunction with this AEI include the addition of solar panels to the mall, addition of toilets on Basement 1 and upgrading of the water feature at the outdoor Plaza.

Our office/business park assets have maintained healthy occupancies throughout FY17/18. MBC I, which was acquired on 25 August 2016, made its maiden full year contribution to MCT in FY17/18. Its occupancy for the later part of the year was slightly lower due to the fitting-out period of a replacement tenant for a pre-terminated space. With the commencement of the lease for the replacement tenant, MBC I returned to a high occupancy of 99.4% as at 31 March 2018.

For PSA Building, the occupancy rate remained healthy at 96.1%, with committed occupancy at 98.7% as at 31 March 2018. The upgrading of the common areas and toilets at the office floors is currently in progress and is expected to be completed by the end of FY18/19.

At Mapletree Anson, a long term lease was secured for one floor with a major international co-working operator. As at 31 March 2018, the committed occupancy stood at 100.0%.

FY17/18 was a year of transitional vacancy at MLHF. The lease with 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 major MNCs. MLHF, back to full occupancy, will continue to deliver stable returns.

	Number of Leases Commited	**Retention Rate (by NLA)**	**% Change in Fixed Rents[1]**
Retail	107	77.0%	1.5%[2]
Office/Business Park	18	77.4%	-8.7%[3]
• Including replacement tenant for pre-terminated lease[4]	–	–	-0.7%
MCT Portfolio	**125**	**77.3%**	**-2.1%**
• Including replacement tenant for pre-terminated lease[4]	**–**	**–**	**0.6%**

1 Based on the average of the fixed rents over the lease period of the new leases divided by the preceding fixed rents of the expiring leases. Replacement of pre-terminated tenants are typically not included in the calculation of rental reversions.

2 Includes the effect from trade mix changes and units subdivided and/or amalgamated.

3 Excluding MBC I, office portfolio rental reversion was -4.2%. MBC I's rent reversion was -11.4% and would be +0.7% if the effect of change in tenant for the pre-terminated space were included.

4 Includes the effect of the replacement lease for approximately 104,000 square feet of pre-terminated space at MBC I (refer to the SP Variation Letter as disclosed in the Circular dated 5 July 2016) which was committed in 2Q FY17/18. The average fixed rent of the replacement lease was more than 20% higher than the expiring fixed rent of the pre-terminated lease.

Operations Review

PORTFOLIO OCCUPANCY

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	
					Actual	Committed
VivoCity	98.7%	97.5%	99.6%	99.0%	93.1%[1]	99.8%[1]
MBC I	-	-	-	99.0%	99.4%	99.4%
PSA Building	99.4%	95.4%	92.8%	98.3%	96.1%	98.7%
Mapletree Anson	93.8%	87.5%	91.0%	100.0%	86.6%	100.0%
MLHF	100.0%	100.0%	100.0%	79.2%	100.0%	100.0%
MCT Portfolio	**98.2%**	**95.7%**	**96.6%**	**97.9%**	**96.1%**	**99.5%**

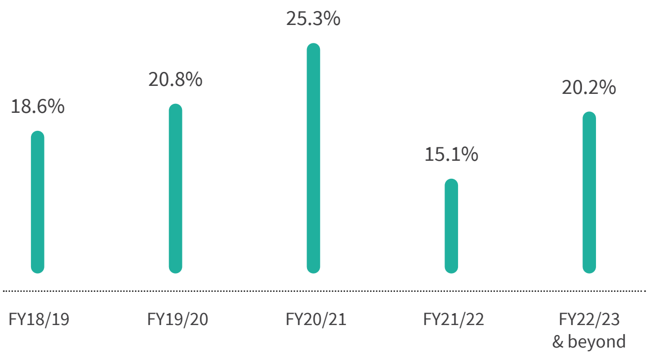
1 Based on VivoCity's enlarged NLA of 1,077,191 square feet resulting from the added public library on Level 3 and bonus GFA from the CSFS deployed to extend Basement 1. The additional NLA on Level 3 and Basement 1 has been fully committed but is currently undergoing fitting-out.

LEASE EXPIRY PROFILE

As at 31 March 2018, the lease expiry profile for MCT remained well balanced with a portfolio weighted average lease expiry ("WALE") of 2.7 years. With a typical retail lease term of 3 years, the WALE for the retail leases was 2.1 years. The office/business park WALE was healthy at 3.2 years largely contributed by the defensive lease profiles at MBC I and the long term leases secured at Mapletree Anson and MLHF.

MCT's overall portfolio had 516 committed leases, of which 18.6% of gross rental revenue would be expiring in FY18/19.

LEASE EXPIRY PROFILE BY GROSS RENTAL REVENUE (AS AT 31 MARCH 2018)



Number of Leases

FY18/19	FY19/20	FY20/21	FY21/22	FY22/23 & beyond
134	161	120	67	34

The leases entered into in FY17/18 contributed 16.8% of gross revenue as at 31 March 2018 and had a WALE of 4.0 years.

TENANT PROFILE

MCT's top 10 tenants contributed 24.8% of gross rental revenue as at 31 March 2018. With both retail and office/business park assets, MCT's tenants come from a wide variety of trade sectors providing good diversification. No single trade segment accounted for more than 16.0% of MCT's gross rental revenue.

BREAKDOWN OF TENANTS IN MCT'S PORTFOLIO (AS AT 31 MARCH 2018)

Property	No. of Tenants
VivoCity	305
MBC I	28
PSA Building	107
Mapletree Anson	17
MLHF	3
Total	**441**[2]

2 Total does not add up due to common tenants between the properties.

MCT TOP TEN TENANTS BY GROSS RENTAL REVENUE (AS AT 31 MARCH 2018)

	Tenant	% of Gross Rental Revenue
1	Merrill Lynch Global Services Pte. Ltd.	3.7%
2	The Hongkong and Shanghai Banking Corporation Limited	3.4%
3	Samsung Asia Pte. Ltd.	2.8%
4	Unilever Asia Pte Ltd / Unilever Singapore Pte. Limited	2.4%
5	SAP Asia Pte. Ltd.	2.4%
6	Cold Storage Singapore (1983) Pte Ltd	2.4%
7	Mapletree Investments Pte Ltd	2.0%
8	Info-communications Media Development Authority	2.0%
9	BW Maritime Pte Ltd / BW Offshore Singapore Pte. Ltd.	1.9%
10	PSA Corporation Limited	1.8%
	Total	**24.8%**

MCT TRADE MIX BY GROSS RENTAL REVENUE (AS AT 31 MARCH 2018)

	Trade Mix	% of Gross Rental Income[1]
1	Food & Beverage	16.0%
2	Banking & Financial Services	13.3%
3	Fashion	10.2%
4	Government Related	6.4%
5	Shipping Transport	5.6%
6	IT Services & Consultancy	5.1%
7	Fashion Related	5.0%
8	Departmental Store / Hypermart	4.6%
9	Electronics	4.3%
10	Consumer Goods	4.1%
11	Beauty	3.5%
12	Trading	3.3%
13	Lifestyle	2.5%
14	Real Estate	2.3%
15	Electronics – Retail	2.2%
16	Others[2]	11.9%

1 Total may not add up due to rounding differences.

2 Others includes Pharmaceutical, Sports, Energy, Entertainment, Retail Bank, Optical, Insurance, Education, Medical, Consumer Services, Services and Convenience.