Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Mapletree Commercial Trust Management Ltd.

Security: Mapletree Commercial Trust

Meeting details:
Date: 25 July 2018
Time: 2.30 p.m.
Venue: 10 Pasir Panjang Road, Mapletree Business City, Town Hall - Auditorium, Singapore 117438

Company Description

MCT is a Singapore-focused REIT that invests 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, whether wholly or partially, in Singapore, as well as real estate related assets. MCT's portfolio comprises VivoCity, Mapletree Business City ("MBC I"), PSA Building, Mapletree Anson, Bank of America Merrill Lynch HarbourFront ("MLHF"). These five assets have a total NLA of 3.8 million square feet with a total value of S$6,337 million as at 31 March 2017. For more information, please visit www.mapletreecommercialtrust.com.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=N2IU)

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1. With the first full year contribution from Mapletree Business City I ("MBC I"), the total distribution for the year increased to $260.4 million and the distribution per unit increased to 9.04 cents.

Unitholders would like to ask the manager for better clarity on the following operational/financial matters of the REIT. Specifically:

(i) **Vivocity**: The shopper traffic at Vivocity dropped by 0.8 million to 55.0 million, down 1.4% for the year. **Does the manager have any visibility on the reason(s) for the drop in shopper traffic? What are management's plans to increase shopper traffic? What were the reasons for the record tenant sales of $958.2 million despite the drop in shopper traffic?**

(ii) **MBC I:** As shown in the footnote on page 37, rental reversion at MBC I was (11.4)%, excluding the impact of the pre-terminated lease. **Can the REIT manager help unitholders understand the circumstances leading to such a large and negative rental reversion? How many leases were renewed? With a further 11.5% of leases (by gross rental income) set to expire in FY18/19 and FY19/20, does the REIT manager expect the trust to experience such large negative rental reversion from MBC I going forward?**

2. The "Valuation of investment properties" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 81). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the carrying value of the Group's investment properties of $6.68 billion accounted for 99.1% of the group's total assets as at 31 March 2018, an increase of 5.4% from a year ago. Of the $324.2 million increase, $271.5 million was attributed to Vivocity.

	Valuation as at 31 March 2018 S$ million	Capitalisation Rate (%)	Valuation as at 31 March 2017 S$ million	Capitalisation Rate (%)	Valuation as at 31 March 2016 S$ million	Capitalisation Rate (%)
VivoCity	3,028.0	4.75%	2,741.0	5.15%	2,597.0	5.15%
MBC I	1,892.0	Office: 4.10% Business Park: 5.35%	1,853.0	Office: 4.25% Business Park: 5.50%	-	-
PSA Building	740.0	Office: 4.20% Retail: 5.00%	735.0	Office: 4.35% Retail: 5.25%	740.8	Office: 4.35% Retail: 5.25%
Mapletree Anson	701.0	3.70%	690.0	3.85%	690.0	3.85%
MLHF	321.0	4.10%	318.0	4.25%	314.0	4.25%
MCT Portfolio	6,682.0	-	6,337.0	-	4,341.8	-

(i) **Would the audit and risk committee (ARC) help shareholders understand if the valuation of the portfolio is more aggressive given that the capitalisation rates used in the valuation has decreased by 15-40 basis points?**

(ii) In FY17/18, the valuation of the portfolio increased by 5.4% and the valuation of all its 5 properties increased. Net property income at PSA Buildling and Mapletree Anson fell from FY16/17 to FY17/18, from $38.5 million to $37.0 million and from $27.8 million to $27.0 million respectively. **Would the new valuation suggest that the valuations of the REIT's properties have run ahead of the properties' fundamentals?**

3. On 26 July 2016, the REIT manager announced an equity fund raising to raise gross proceeds of no less than $1,018 million by way of a private placement of 364,879,000 new units and a pro-rata and non-renounceable preferential offering of 362,822,648 new units on the basis of 17 New Units for every 100 existing units in MCT.

The final issue price for the private placement was S$1.45 per new unit while the preferential offering issue price was S$1.42 per new unit.

(i) **Would the board and the manager elaborate further on the deliberations they have had on the decision to carry out a non renounceable preferential offering (and together with the private placement)?**

(ii) **Was the option of a rights issue considered? Can the board help unitholders understand why a (renounceable) rights issue was not the preferred method to raise funds?**

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As disclosed on 19 October 2016, the level of valid acceptances for the non renounceable preferential offering was 93.2%. Almost 7% of unitholders were unwilling and/or unable to subscribe for the non renounceable preferential offering, and thus leading to a dilution of their unitholding even before considering the dilution due to the private placement.

(iii) Going forward, how does the board ensure that unitholders who have supported the REIT are not unduly diluted as the REIT raises capital from the capital market?

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=224

The company's response could be found here: -----