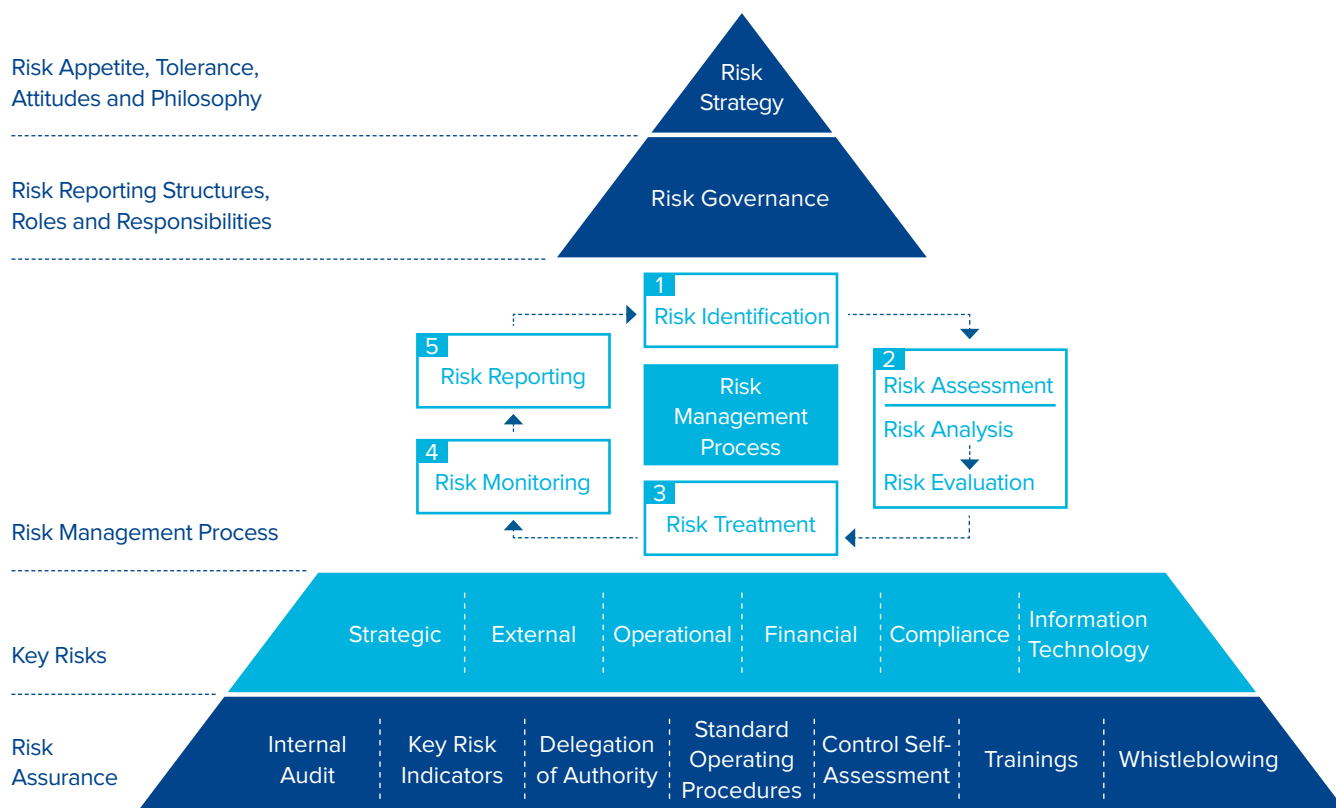


Risk Management

Risk management is an integral part of the Manager's business strategy in delivering sustainable and growing returns. In order to safeguard and create value for Unitholders, the Manager proactively manages risks and embeds the risk management process as part of

its planning and decision making process. The Risk Management function, outsourced to the Sponsor, oversees the Enterprise Risk Management ("ERM") framework which enables the Manager to assess, monitor and manage key risks.



Strong Oversight and Governance

The Board of Directors ("Board") is responsible for determining the overall risk strategy and risk governance, and ensuring that the Manager implements sound risk management and internal control practices. The Board also approves the risk appetite and tolerance statements, which set out the nature and extent of risks it is willing to take in achieving the Manager's business objectives. The Board is supported by the Audit and Risk Committee ("AC"), which comprises independent directors whose collective experience and knowledge serve to guide and challenge the management. The AC has direct access to the Sponsor's Risk Management ("RM") Department who updates the AC quarterly on MCT's portfolio risks.

At the Manager, the risk management culture involves top-down oversight and bottom-up involvement from all employees. This ensures a risk approach that is aligned with its business objectives and strategies for MCT, and integrated with operational processes for effectiveness and accountability.

The Manager's ERM framework is dynamic and evolves with the business. The Sponsor's RM Department works closely with the Manager to review and enhance the risk management system in accordance with market practices and regulatory requirements. A control self-assessment ("CSA") framework further reinforces risk awareness by fostering accountability, control and risk ownership.

Robust Measurement and Analysis

The Manager's risk measurement framework is based on Value-at-Risk ("VaR"), a methodology which measures the volatilities of market and property risk drivers such as rental rates, occupancy rates, capital values and interest rates. It takes into consideration changes in market environment and asset cash flows as they occur. To further complement the VaR methodology, other risks such as refinancing and tenant credit risks are also assessed, monitored and measured as part of the framework where feasible.

With the VaR methodology, risks are measured consistently across the portfolio, enabling the Manager to quantify the benefits that arise from diversification across the portfolio, and to assess risk by asset class or by risk type. In recognition of the limitations of any statistically-based system that relies on historical data, MCT's portfolio is further subject to stress testing and scenario analysis to ensure that businesses remain resilient in the event of unexpected market shocks.

Risk Identification and Assessment

The Manager also identifies key risks, assesses their likelihood and impact on business, and establishes corresponding mitigating controls. The information is maintained in a risk register that is reviewed and updated by the Manager regularly. The key risks identified include but are not limited to:

Strategic Risks

MCT's portfolio is subject to real estate market risks such as rental rate and occupancy volatilities in Singapore, and specific factors including competition, supply, demand and regulations. Such risks are quantified, aggregated and monitored for existing assets and prospective acquisitions, where appropriate. Significant risk profile changes or emerging trends are reported for assessment and/or action.

The risks arising from investment activities are managed through a rigorous and disciplined investment approach, particularly in the areas of asset evaluation and pricing. All acquisitions have to be yield accretive on a steady state basis and meet MCT's internal return requirement. Sensitivity analysis is also performed for each acquisition on all key project variables to test the robustness of the assumptions used. Significant acquisitions are further subject to independent review by the Sponsor's RM Department and the findings are included in the investment proposal submitted to the Manager's Board for approval. All investment proposals are subject to vigorous scrutiny by the Board (or delegated to the Management Committee).

On receiving the Board's or Management Committee's approval, the investment proposals are then submitted to the Trustee, who is the final approving authority for all investment proposals.

The Trustee also monitors the compliance of the Manager's executed investment transactions with the restrictions and requirements of the listing manual of the Singapore Exchange Securities Trading Limited, Property Funds Appendix of the Code of Collective Investment Scheme issued by the MAS and the provisions in the Trust Deed.

External Risks

To manage the impact of economic uncertainties in Singapore, the Manager conducts rigorous real estate market research and monitors economic development closely.

Operational Risks

Comprehensive operating, reporting and monitoring guidelines enable the Manager to manage day-to-day activities and mitigate operational risks. To ensure relevance, the Manager regularly reviews its Standard Operating Procedures ("SOPs") and benchmarks them against industry practices where appropriate. Compliance with SOPs is monitored by the CSA framework and reinforced through training of employees and regular reviews by the Sponsor's Internal Audit Department.

Loss of key management personnel and identified talents can cause disruptions to the Manager's business operations and hinder the achievement of its business objectives. The Manager has put in place succession planning, talent management and competitive compensation and benefits plans to reward and retain performing personnel.

The Manager has in place a Business Continuity Plan ("BCP") that should enable it to resume operations with minimal disruption and loss in the event of unforeseen catastrophic events such as terrorism and natural disasters. Annual test on the BCP is coordinated and organised by the Sponsor's Administrative Department on a Group-wide basis. MCT's properties are insured in accordance with industry norms in Singapore.

Credit risks are mitigated from the outset by conducting tenant credit assessment as part of the investment due diligence process prior to an acquisition. For new and sizeable leases, credit assessments of prospective tenants are undertaken prior to signing of lease agreements. On an ongoing basis, tenant credit is closely monitored by the Manager's asset management team and arrears are managed by the Manager's Credit Control Committee which meets fortnightly to review debtor balances. To further mitigate credit risks, security deposits in the form of cash or banker's guarantees are collected from prospective tenants prior to commencement of leases.

Risk Management

Financial Risks

Financial market risks are closely monitored and capital structure of MCT is actively managed by the Manager, and reported to the Board on a quarterly basis. At the portfolio level, the risk impact of interest rate volatility on value is quantified, monitored and reported quarterly using the VaR methodology. Refinancing risk is also quantified, taking into account the concentration of the loan maturity profile and credit spread volatility.

MCT hedges its portfolio exposure to interest rate volatility arising from its floating rate borrowings by way of interest rate swaps and/or caps.

The Manager also actively monitors MCT's cash flow position and requirements to ensure sufficient liquid reserves to fund operations and meet short-term obligations (see Capital Management section on pages 30 to 31 of this Annual Report). In addition, the Manager monitors and mitigates bank concentration risks by having a well-diversified funding base. The limit on gearing is observed and monitored to ensure compliance with the Property Funds Appendix of the Code on Collective Investment Schemes issued by the MAS.

Compliance Risks

MCT is subject to applicable laws and regulations in Singapore. Non-compliance may result in litigation, penalties, fines or revocation of business licenses. The Manager identifies applicable laws and regulatory obligations and embeds compliance in day-to-day business processes.

Information Technology ("IT") Risks

Any system downtime or breach in security may have an adverse impact on the integrity, accuracy and completeness of data and information. The Manager has in place policies and procedures governing information availability, control and governance, and data security. In addition, an IT disaster recovery plan is in place and tested to ensure business recovery objectives are met.

Rigorous Monitoring and Control

The Manager has developed internal key risk indicators that serve as an early-warning system to management by highlighting risks that have escalated beyond established tolerance levels. Management has also established required actions to be taken when risk thresholds are breached.

Every quarter, the Sponsor's RM Department presents to the Board and AC a comprehensive report highlighting key risk exposures, portfolio risk profile, results of stress testing scenarios and status of key risk indicators. The Board and AC are also kept abreast of any material changes to MCT's risk profiles and activities.