



**Securities Investors Association (Singapore)**

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**Issuer:** Sasseur Asset Management Pte. Ltd.

**Security:** Sasseur REIT

**Meeting details:**

Date: 17 April 2019

Time: 10.30 a.m.

Venue: Meeting Room 303 & 304, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

**Company Description**

Sasseur REIT is the first outlet mall REIT to be listed in Asia. Sasseur REIT offers investors with the unique opportunity to invest in the fast-growing retail outlet mall sector in the People's Republic of China (the "PRC") through its initial portfolio of four quality retail outlet mall assets strategically located in fast growing cities in China such as Chongqing, Kunming and Hefei, with a net lettable area of 304,573.1 sq m. Sasseur REIT is established with the investment strategy of investing principally, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail outlet mall purposes, as well as real estate related assets in relation to the foregoing, with an initial focus on Asia.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=CRPU](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=CRPU))

1. In the prospectus dated 21 March 2018, the REIT has stated the following with regard to the minimum rents under the EMA rental income agreement:

*The Minimum Rents for Forecast Period 2018 and Projection Year 2019 amount to RMB 472.9 million (S\$95.9 million equivalent) and RMB 611.4 million (S\$124.0 million equivalent), respectively, which is equivalent to the EMA Rental Income (without the accounting impact relating to the straight line effect of the EMA Rental Income). Pursuant to the terms of the Entrusted Management Agreements, in the event that the Properties' EMA Resultant Rent falls below the Minimum Rent, Sasseur REIT shall be entitled to receive the shortfall. The Minimum Rent condition will fall away if the Initial Portfolio achieves the Minimum Rent for two consecutive years commencing from Forecast Period 2018. The Minimum Rent from FY2020 onwards (if applicable) shall be equivalent to the Projection Year 2019 Minimum Rent.*

**(i) Would the board/REIT manager clarify if the minimum rent condition is based on the amounts in RMB or the SGD equivalent (as shown in the prospectus)?**

The REIT manager has disclosed that, in the absence of the Entrusted Management Agreement, the distribution per unit (DPU) would be 3.990 Singapore cents for Forecast Period 2018. The declared DPU for the period was 5.128 Singapore cents.

The REIT reported property income of \$42.1 million and EMA rental income of \$93.5 million.

**(ii) For the avoidance of doubt, can the REIT manager state if the REIT only received the minimum rent for the Forecast Period?**

**(iii) What is the gap between the minimum rent arrangement and the underlying performance achieved by the REIT? Can management clearly state the total amount of "income support" received by the REIT?**

**(iv) Based on the results achieved up to 31 December 2018, and management's projection going forward, what are the growth rates that need to be achieved if the REIT were to exceed the minimum rent of RMB 611.4 million (or \$124.0 million as stated in the prospectus)?**

2. The REIT has one onshore and one offshore syndicated term loan facilities as follows:

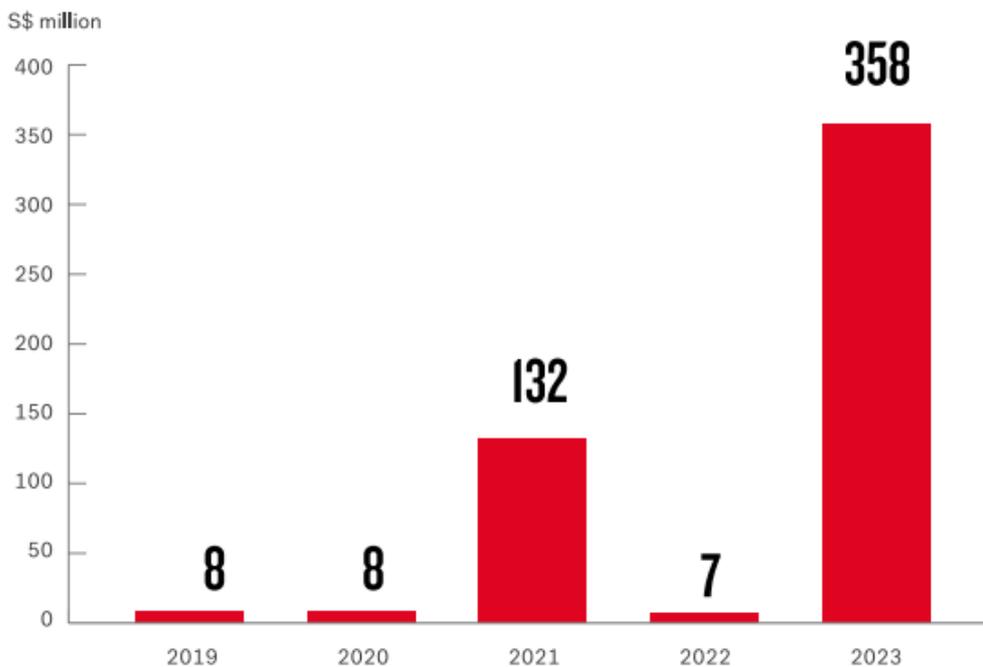
- Onshore: RMB 1.96 billion 5-year onshore term loans, with repayment of 1% of initial principal of RMB 1.96 billion every 6 months
- Offshore: S\$125.0 million 3-year offshore term loan

**(i) With the two syndicated term loan facilities, the group achieved a natural currency hedge of 75%. Has the board evaluated the optimal level of natural currency hedging?**

While the debt maturity is 3.75 years, the RMB 1.96 billion onshore loan matures in 2023 in a single tranche.

## DEBT MATURITY PROFILE

(As At 31 December 2018)



(Source: 2018 annual report)

- (ii) Does the manager see any significant refinancing risk of the large onshore term loan?
- (iii) Does the board see any benefits of spreading out the loan maturity to reduce its refinancing risks?

3. The valuation of the REIT's investment properties increased from RMB6,781 million to RMB7,707 million as at 31 December 2018. The most significant increase was due to Chongqing Outlets that saw its valuation increase by 18% from RMB2,452 million to RMB2,901 million.

## VALUATION OF INVESTMENT PROPERTIES

Investment Properties	As at 31 December 2018	As at 31 December 2018	As at 30 September 2017	As at 30 September 2017	Implied Acquisition Value <sup>1</sup>	
	(RMB' mil)	(S\$' mil)	(RMB' mil)	(S\$' mil)	(RMB' mil)	(S\$' mil)
Chongqing Outlets	2,901.0	579.5	2,654.0	542.5	2,452.4	501.3
Bishan Outlets	790.0	157.8	789.0	161.3	729.1	149.0
Hefei Outlets	2,521.0	503.6	2,434.5	497.6	2,249.6	459.8
Kunming Outlets	1,495.0	298.6	1,460.5	298.5	1,349.6	275.9
<b>Portfolio</b>	<b>7,707.0</b>	<b>1,539.5</b>	<b>7,338.0</b>	<b>1,499.9</b>	<b>6,780.7</b>	<b>1,386.0</b>

(Source: 2018 Annual report)

The valuation was based on independent valuations as at 31 December 2018 by Savills Real Estate Valuation (Beijing) Limited.

- (i) **Would the board consider including the valuation methodology and the key assumptions used in the annual report?** It would not be practical for all the unitholders to inspect the valuation reports at the manager's registered office.

As disclosed in the prospectus dated 21 March 2018, the properties were valued with the EMA in place. From the date of the valuation (30 September 2017) to 30 December 2018, the overall valuation increased by a further 5%. The Chongqing Outlets jumped by a further 9.3% from RMB2,654 million to RMB2,901 million.

- (ii) **Would the audit committee help unitholders understand if the underlying performance of the Chongqing Outlet matches the higher valuation?**
- (iii) **What is the experience of the audit committee in valuing retail properties in China that are embedded with complex revenue/profit sharing contracts?**