



**SASSEUR REAL ESTATE INVESTMENT TRUST**  
(a real estate investment trust constituted on 30 October 2017  
under the laws of the Republic of Singapore)

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**RESPONSE TO QUERIES BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

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Sasseur Asset Management Pte. Ltd. (the “**Manager**”), as manager of Sasseur Real Estate Investment Trust (“**Sasseur REIT**”), refers to Sasseur REIT’s Annual Report for the financial period from 30 October 2017 (date of constitution) to 31 December 2018. The Manager would like to respond to the following queries raised by Securities Investors Association (Singapore) (“SIAS”) on 9 April 2019 (each, a “SIAS Questions”) as follows:

**SIAS Question 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 (\$95.9 million equivalent) and RMB 611.4 million (\$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)?

<p>DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Sasseur REIT (the “Offering”). DBS Bank Ltd. and Bank of China Limited, Singapore Branch were the joint global coordinators to the Offering. DBS Bank Ltd., Bank of China Limited, Singapore Branch, China International Capital Corporation (Singapore) Pte. Limited, Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited, Haitong International Securities (Singapore) Pte. Ltd. and Maybank Kim Eng Securities Pte. Ltd. were the joint bookrunners and underwriters to the Offering.</p>
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## Manager's response to Question 1

- (i) The minimum rent condition is based on the amounts in RMB.
- (ii) Sasseur REIT is entitled to receive the higher of (1) EMA resultant rent and (2) minimum rent pursuant to Entrusted Management Agreement (EMA) as stated in the Prospectus. EMA will run for 10 years commencing from the listing date.
- (iii) For the period from listing date to 31 December 2018 ("FY2018"), EMA rental income achieved by the Sasseur REIT of RMB444.7 million exceeded the minimum rent of RMB 431.2 million (pro-rated based on Forecast Period 2018). Per the outperformance of the EMA Rental Income over the Minimum Rent amount, there is no income support. Based on the Prospectus, the EMA Rental Income is calculated as follows:

### EMA Resultant Rent

- *Fixed Component*

The Fixed Component is expected to contribute not more than 70% of the EMA Resultant Rent for Forecast Period 2018 with an annual step-up of 3% over the term of the Entrusted Management Agreements

- *Variable Component*

The Variable Component for each property will be pegged to a percentage of their respective total sales in accordance with the following percentages:

<u>Property</u>	<u>Variable Component</u>
Chongqing Outlets	4.0% of total sales
Bishan Outlets	4.5% of total sales
Hefei Outlets	5.5% of total sales
Kunming Outlets	5.0% of total sales

However, the entrusted manager may earn less than its full EM fees of 30% of Gross Revenue based on the method of EM fees calculation per the Prospectus, stated as follows:

EM Base Fee = Lower of:

- 30% of Gross Revenue per annum; and
- Gross Revenue per annum – EMA Resultant Rent

- (iv) Growth rate for EMA rental income for FY2019 needs to be at least 5% higher than the annualized FY2018's EMA rental income for the Sasseur REIT to exceed the minimum rent of RMB 611.4 million (or \$124.0 million as stated in the Prospectus).

## SIAS Question 2

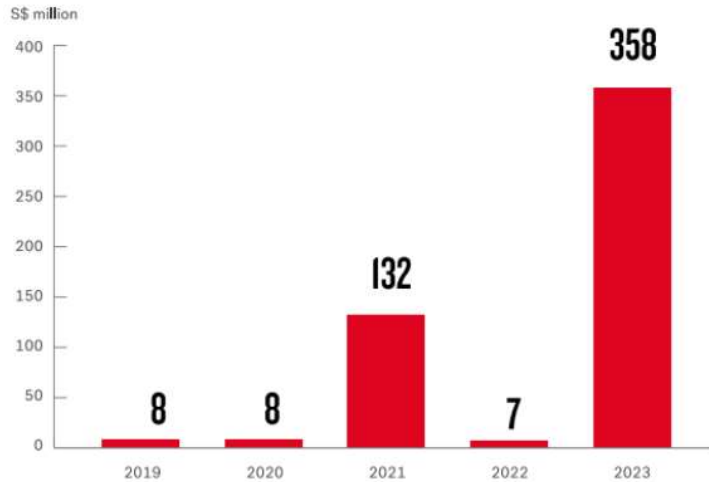
The REIT has one onshore and one offshore syndicated term loan facilities as follows:

- 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?

### Manager's response to Question 2

- (i) The syndicated loans were taken up at Initial Public Offering ("IPO"). The onshore loans were used to refinance onshore loans existing at IPO. The offshore loan was used to pay for IPO expenses and provide working capital and other cash flow needs of the Sasseur REIT. The Manager actively studies the need to hedge part or all of the offshore loan. As hedging costs are high, the Manager actively studies the balance of risk versus costs and the overall macroeconomic environment affecting the RMB and SGD currencies in assessing its currency management strategy.
- (ii) The Manager actively monitors the onshore and offshore refinancing environment. Currently, the Manager does not foresee significant risks in the onshore environment. The China economy has continued to be stable and has shown signs of increased productivity. Its stock market has significantly outperformed in the first quarter of 2019. Nonetheless, the Manager will consider all options in planning for refinancing and will provide significant lead time ahead of loans maturity in its preparations.
- (iii) There is always a balance between cash flows and frequency of debt maturities. We would also monitor the optimal quantity of debt to refinance. The current level of debt is not overly high at S\$512.6 million and aggregate leverage ratio for the Sasseur REIT at 29.0% is way below Code of Collective Investment ("CIS Code") of 45.0% of the Deposited Property Value. The debt maturing in 2021 is around S\$132 million and in 2023, S\$328 million. These amounts should not pose significant refinancing risks. However, further spreading the debt maturity profiles is also actively considered by the Manager in its study of refinancing.

### SIAS Question 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?

#### Manager's response to Question 3

- (i) The valuation methodology and key assumptions are stated in Page 133 to 134 of the Annual Report.
- (ii) Under the CIS Code, annual valuation shall be conducted via appointing a professional valuer by the Trustee. Since the Audit Committee ("AC") are not professional valuers, the engaged valuer will conduct the valuation at arm's length with concurrent review by the external auditors. As stated in the Independent Auditor's Report under Page 97 to 98 of the Annual Report, external auditors had assessed the selection process, evaluated the objectivity, independence and expertise of the external valuer as well as involved their internal real estate and valuation specialists to assess the reasonableness of the assumptions, taking into consideration comparability and market factors. As for the higher valuation achieved for the outlet in Chongqing, the key contributing factors are strong sales above forecast and well managed expenses.
- (iii) An internationally recognised valuer is being appointed by the Trustee to carry out the valuation with review by the external auditor. The AC would take reference from the professionals for the valuation.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

The value of units in Sasseur REIT ("Units") and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Sasseur REIT) or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units ("Unitholders") have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Sasseur REIT is not necessarily indicative of the future performance of Sasseur REIT.

By Order of the Board of Directors of  
**Sasseur Asset Management Pte. Ltd.**  
(Company registration no. 201707259N)  
(as Manager of Sasseur Real Estate Investment Trust)

Anthony Ang Meng Huat  
Chief Executive Officer  
17 April 2019