



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

**FY2022 ANNUAL GENERAL MEETING
RESPONSES TO QUESTIONS FROM UNITHOLDERS AND SIAS**

1. Sasseur Asset Management Pte. Ltd. in its capacity as manager (the “**Manager**”) of Sasseur Real Estate Investment Trust (“**Sasseur REIT**”), would like to thank Unitholders for their cooperation in submitting questions in advance of the Annual General Meeting to be held on 20 April 2023 (“**AGM**”). In addition, the Securities Investors Association (Singapore) (“**SIAS**”) has also submitted questions in advance of the AGM and where relevant, we have responded to them.
2. The Manager’s responses to the key questions from Unitholders and SIAS can be found in the Appendix to this announcement, and the responses are based on the best knowledge of the Manager as of the date of this announcement.
3. As there was some overlap between questions from the Unitholders and SIAS, the Manager has, for ease of reference and reading, summarised these questions and grouped related and similar questions and responses together in **Appendix 1**. They are classified as follows:
 - (i) Acquisitions
 - (ii) Operations and Asset Enhancement Initiatives
 - (iii) Financial and Capital Management
 - (iv) Others

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

Tan Hong Lye, Cecilia
Chief Executive Officer
13 April 2023

Important Notice

The value of the units of Sasseur REIT (“Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, DBS Trustee Limited, as trustee of Sasseur REIT, Sasseur Cayman Holding Limited, as the sponsor 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 (the “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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

APPENDIX 1

Acquisitions

- 1. Can the Manager please share Sasseur REIT's acquisition plans post-pandemic?**
- 2. Are there any plans to acquire assets from the Sponsor's Right of First Refusal ("ROFR") pipeline?**
- 3. For future acquisitions, where are the REIT's target cities in China and what are the REIT's investment criteria?**
- 4. Are there any plans to expand its presence to coastal regions, such as the Pearl River Delta, Yangtze River Delta, Bohai Economic Rim, or other strategic locations, to achieve better geographical diversification?**

- We adopt a multi-pronged approach for Sasseur REIT's growth strategy whereby we focus on proactive asset management to maximise the sales of the REIT's outlets and ultimately enhance the value of the REIT's properties, while at the same time actively exploring attractive acquisition opportunities.
- In December 2022, the Chinese government has outlined a plan aimed at further expanding domestic demand with the goal to raise the scale of consumption and investment in the country to a new level by 2035¹. The focus is to implement the strategy of expanding domestic demand, raise residents' consumption and effective investments, enhance the resilience of economic development, and promote sustainable and healthy economic development. We believe this bodes well for Sasseur REIT in relation to our plan to expand the REIT's portfolio of outlets in China where domestic consumption is expected to rise in the years ahead.
- The target locations for acquisition of new assets are cities in China with large population base and favourable demographic trends, and we seek to identify income-producing properties with attractive fundamentals and long-term growth potential in these target cities.
- For acquisition opportunities, we intend to leverage the Sponsor's ROFR assets, which consist of two large-scale outlets with good growth prospects, each located in Xi'an and Guiyang. In addition, the Sasseur Group is growing its network of third-party outlets across various cities in China which it is operating under the "Sasseur Outlet" branding. In December 2022, Sasseur Group further expanded its footprint in China with the opening of an outlet in Fuzhou, bringing its total outlets under management to 16, of which four belong to Sasseur REIT. Such third-party outlets could be made available for Sasseur REIT to acquire when an opportunity arises.
- We look to deliver a yield-accretive acquisition in the near future and the timing of the acquisition would be subject to a satisfactory assessment on the suitability of the new asset and a conducive market environment, amongst the many factors to be carefully evaluated.

Operations and Asset Enhancement Initiatives

- 5. What is the current post-pandemic market situation in China, particularly in Chongqing, Hefei and Kunming cities?**
 - 6. Since the Chinese government has eased COVID-related restrictions in early December 2022, are all the outlets fully operational and how have Sasseur REIT's outlets been performing, in terms of shopper traffic and outlet sales?**
 - 7. Has the Manager made any changes to the outlets' tenant mix and product/service offerings post-pandemic?**
- Since the easing of strict COVID-19 measures in early December 2022, all of Sasseur REIT's outlets have been fully operational in Chongqing, Hefei and Kunming. During the January to February 2023

¹ Business Times, "China plans to expand domestic demand to spur economy", 15 December 2022.

period, China's retail sales recorded a 3.5%² year-on-year growth for the two months, reaching approximately RMB7.7 trillion, up from RMB7.4 trillion over the corresponding period in 2022, according to the country's National Bureau of Statistics. Likewise, consumer spending improved by 3.4%³, 3.8%⁴ and 2.7%⁵ year-on-year in Chongqing, Hefei and Kunming cities respectively.

- In line with the China retail trends stated above, we also observed strong sales momentum and visibly higher shopper traffic across all four Sasseur REIT's outlets in the first quarter of 2023, boosted by the Lunar New Year festive shopping in January as well as other promotional activities during this period. More details on the operational performance of the outlets will be disclosed in Sasseur REIT's upcoming first quarter 2023 business and operational updates in May 2023.
- As at 31 December 2022, about 63% of the portfolio trade mix and product offerings by gross revenue were contributed by domestic fashion and sports, as compared to about 57% over the corresponding period in 2020 due to stronger consumer demand for these categories of products.
- Post-pandemic since December 2022, we believe consumer preferences will remain relatively unchanged in the near term and therefore, we do not see a need to make major changes to the portfolio trade mix and product offerings. That said, we will continue to refine the portfolio trade mix to reflect shifting preferences of consumers over time.

8. In many countries, after reopening of their borders, domestic spending has decreased as more residents travel overseas for vacations. Was such a phenomenon also seen when China reopened early this year?

- Although the Chinese outbound tourism market is steadily recovering, it still has not returned to pre-pandemic levels. According to first quarter 2023 data disclosed by Alipay platform, the overall consumption spending of outbound tourists of the Chinese has only recovered by up to 30% versus the same period in 2019⁶. In addition, according to data from the Civil Aviation Administration of China, as of mid-February 2023, the volume of international passenger flights has only recovered by up to 9% before the pandemic⁶. Currently, a number of countries around the world continue to impose restrictions on inbound travellers from China.
- If we look back at the pre-pandemic situation, the REIT's outlet sales were performing strongly in the financial year 2019 ("FY2019") when there were no overseas travel restrictions in China. Outlet sales had increased by 12.1% year-on-year in FY2019, demonstrating that the outlets' target markets are localised. As such, even if the Chinese outbound travel were to return to pre-pandemic levels, we believe such a phenomenon is unlikely to draw shoppers away from the Sasseur REIT's outlets as the outlets target mainly shoppers who look out for value-for-money quality products.

9. Was any rental relief or rental support given to the tenants of Sasseur REIT outlets in 2022?

- In 2022, the COVID-19 outbreaks in China had led to mandated temporary closures and shortened operating hours at Sasseur REIT's four outlets, with lockdowns and intercity travel restrictions dampening consumer sentiments.
- During the closures of the outlets mandated by the authorities, some tenants were granted rental and miscellaneous fees rebates. These rebates were borne by the Entrusted Manager (being a subsidiary of the Sponsor) under the Entrusted Management Agreement whereby all the operating expenses of the REIT's properties are borne by the Entrusted Manager.

² National Bureau of Statistics of China, "Total Retail Sales of Consumer Goods from January to February 2023", 16 March 2023.

³ Chongqing Municipal People's Government, "重庆经济发展呈现企稳回升势头—市统计局解读全市 1—2 月经济运行数据", 25 March 2023.

⁴ 大皖新闻, "合肥发布前两月消费市场情况 限上住宿、餐饮业零售额超 31 亿元", 24 March 2023.

⁵ 开屏新闻, "消费市场活力增强, 1-2 月昆明市社会消费品零售总额同比增长 2.7%", 20 March 2023.

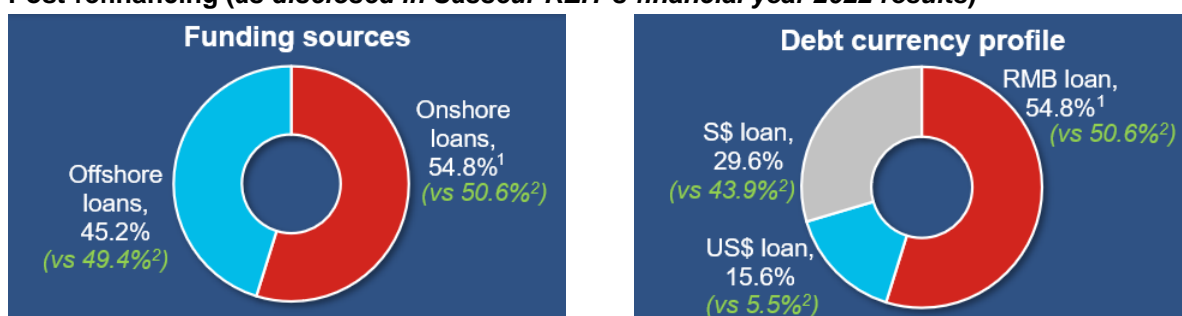
⁶ 劳动观察, "支付宝发布 2023 一季度出境旅游消费景气洞察: 消费力回暖, 人均消费额增一倍", 30 March 2023.

Financial and Capital Management

10. Sasseur REIT has completed refinancing of its loans which matured in March 2023. What is the new weighted average cost of debt and gearing ratio, post-refinancing?
11. Can the Manager advise on the rationale to (i) raise the proportion of onshore loans versus the offshore loans, post-refinancing? (ii) increase the proportions of RMB loans and US\$ loans while lowering the proportion of S\$ loans?
12. What measures has the Manager taken to enhance the level of natural hedging for the debts?

- The completion of Sasseur REIT's loan refinancing was a significant achievement, considering the difficult and challenging operating environment in China in 2022. Post-refinancing, the original outstanding loans of a single maturity date were separated into several loans with differing maturities. This is a major strategic step in our prudent and proactive capital management strategy to reduce debt concentration risks and will pave the way to further diversify and de-risk Sasseur REIT's debt profile over time.
- Upon the completion of refinancing, the REIT's estimated annual weighted average cost of debt would be between 5.5% to 6.0% and the gearing ratio would be lower than 27.6% (as at 31 December 2022) as a result of lower quantum of new loans drawn to refinance the original loans.
- There were also changes in the onshore/offshore loan mix as well as the currency mix of the new loans. During the course of the refinancing, China's onshore interest rates had become more favourable relative to offshore interest rates due to the decline in China's Loan Prime Rate. Therefore, it would be more cost effective to increase the proportion of onshore RMB debt which also enhances natural currency hedging for the REIT. As such, the proportion of onshore RMB loans increased from 50.6% to 54.8%. Accordingly, the proportion of S\$ loans had declined.
- Through the refinancing exercise, the Manager has also broadened and forged new banking relationships with a larger base of regional lenders with presence in Singapore, Hong Kong and China. This allows the REIT to have better and wider access to various funding options and is also one of the reasons for the different currency mix for the new loans. We had also taken on more US\$ loans from new Hong Kong lenders.
- We have formulated the currency mix for the new loans in the most appropriate manner to achieve an optimal blended cost in a rising interest rate environment.

Post-refinancing (as disclosed in Sasseur REIT's financial year 2022 results)



Notes:

1. Includes S\$60 million Sponsor loan.
2. Percentage breakdown as at 31 December 2022.

- Natural hedging for the REIT's loans is achieved by securing an appropriate level of RMB borrowings. In this regard, the Manager will seek to strike a balance between RMB loans and non-RMB loans taking into consideration the interest rate costs, flexibility as well as diversified sources of funding.

13. Why did Sasseur REIT choose to take up the Sponsor loan to refinance debts which matured in March 2023?

14. How does the REIT plan to repay this loan?

15. What is the interest rate for this Sponsor loan and how does it compare to the interest rates for the new offshore and onshore loans the REIT has taken up?

- The Sponsor loan is an unsecured one-year interest-bearing term loan of RMB308 million. This loan may be extended for up to another year till 2025, subject to mutual agreement.
- The Sponsor of Sasseur REIT has demonstrated its utmost support for and alignment of interests in the continued success of Sasseur REIT through the Sponsor loan, by mobilising its internal financial capacity to extend the loan on an unsecured basis and on more favourable terms compared to the lenders in the recently completed loan refinancing. Hence, we consider it beneficial for Sasseur REIT to take up the Sponsor loan.
- The interest rate on the Sponsor loan is generally in line with market rates in an arm's length transaction. Post-refinancing, three out of the REIT's four outlets are mortgaged as security for the bank loans while Kunming Outlet has become unencumbered. This is favourable for Sasseur REIT as it increases the REIT's operating flexibility as well as provides greater scope and flexibility in its capital management.
- We intend to pursue further refinancing plans to fully repay the Sponsor loan in due course, and will explore the feasibility of accessing funds from new sources to enhance Sasseur REIT's access to a broader capital pool.

16. Has the Board conducted a review of the REIT's current capital structure and funding practices to determine if they are adequate for the REIT to achieve long-term sustainable growth in net asset value per Unit?

- The Board and the management of the Manager ("**Management**") review the REIT's capital structure on an ongoing basis and are constantly exploring different financing tools and avenues to optimise the capital structure, while maintaining a robust balance sheet for Sasseur REIT.
- As part of the Board's ongoing assessment, the Board also reviews the REIT's risk oversight structure to ensure appropriate accountability by risk owners, and that material risks are properly monitored in a regular and timely manner to detect deviations and ensure compliance.
- As part of the REIT's prudent capital management and risk management strategy, the Manager endeavours to employ an appropriate mix of debt and equity in financing acquisitions and asset enhancements, and utilise hedging strategies where appropriate from time to time to manage interest rate volatilities and foreign exchange exposure for Sasseur REIT.
- The Board has been guiding the Management in setting and executing the capital management and risk management strategies.

17. Has a specific limit been set internally for the REIT's gearing ratio? If so, what is this limit?

- Sasseur REIT has always maintained a prudent policy of low gearing since public listing, and it still has the lowest gearing ratio of 27.6% (with interest coverage ratio of 4.4 times as at end-December 2022) amongst S-REITs as at end-February 2023, according to SGX Research⁷.
- The Manager will continue to monitor Sasseur REIT's gearing ratio closely and will take the necessary steps to keep the gearing ratio well under the regulatory limit of 50% as imposed by the Monetary Authority of Singapore.

⁷ SGX Research, "10 S-REITs with lowest gearing ratios", 20 March 2023.

Others

18. What is the macroeconomic and political outlook for China in 2023?

19. Does the Manager foresee any impact on Sasseur REIT?

- For 2023, China's government has set targets of approximately 5.0% for real GDP growth and a 5.5% unemployment rate for people in cities⁸. The government has also been stressing that a key priority is the recovery and expansion of domestic consumption as well as enhancement of the incomes of urban and rural residents through multiple channels. This bodes well for the country's consumption outlook.
- Already, we are seeing some visible signs of recovery in China's retail industry since early 2023, fueled by pent-up consumer demand. With the improvement in consumer sentiments, many Chinese cities have raised their growth targets in 2023. In particular, Chongqing and Hefei cities expect growth to hit at least 6.0% and 6.5% respectively this year⁹. Chongqing, where two of Sasseur REIT's outlets are located, has also leapfrogged Guangzhou to become one of China's top four mega-cities in 2022.
- The political situation in China is also currently stable, with President Xi Jinping handed a third term in office in March 2023. China's newly appointed premier, Li Qiang, has been tasked to shore up the country's post-pandemic economic recovery. Mr Li has announced a slew of policy "combinations" which would be introduced for the macro economy, to stimulate demand and investment, as well as on reforms and innovation, and to prevent risks.
- These developments augur well for Sasseur REIT given it is a proxy to China's domestic market and it has a unique retail business model whereby the conventional fixed rent structure is replaced by a sales commission model which is directly linked to tenant's sales.
- With the outlet sector's attractive value propositions as well as China's growing middle-class population segment, we believe Sasseur REIT's outlets are well-positioned to benefit from the government's focus to promote a consumption recovery as a major driver of China's economic growth in 2023.

20. I notice that in the past 18 months, there was significant and notable turnover of key management. What is the reason for the high turnover of the key management staff, especially staff who were with the company since public listing?

- The CEO of the Manager, Ms Cecilia Tan, has been in her current role for more than 20 months since August 2021. Since Ms Tan took up this role, she has quickly revitalised the senior management team with new hires and enhanced the stability of the core working team.
- During these transition periods, there were no disruptions to the Manager's or the REIT's business operations.

21. Will Ms Cecilia Tan, the CEO of the Manager, be purchasing more Units of the REIT to demonstrate alignment of interests with Unitholders?

- Ms Tan has been accumulating Units of Sasseur REIT from time to time within permissible trading window periods. She had held 18,000 Units of Sasseur REIT when she first joined the Manager as CEO, as disclosed in a SGXNet announcement on 3 August 2021.
- She currently owns 60,000 Units of Sasseur REIT and this was disclosed via a SGXNet announcement on 29 September 2022. Where market conditions are appropriate and personal circumstances allow, Ms Tan would consider purchasing more Units.
- More information on insider trades can be located on Sasseur REIT's corporate website under the "Insider Trades" section (https://investor.sasseurreit.com/stock_insider.html).

⁸ CNBC, "China sets GDP target of 'around 5%' for 2023", 4 March 2023.

⁹ 新京报, "数读 | 18座万亿GDP城市公布2023年GDP增速目标", 17 January 2023.

22. Why did the Manager choose to conduct the upcoming AGM through electronic means instead of holding a physical AGM?

- Certain Board directors would be going on urgent business trips during that period and would not be able to participate in the AGM in person on 20 April 2023.
- According to SGX's announcement on 15 December 2022 ("[SGX-listed issuers to return to physical general meetings when govt's \(Temporary Measures\) Orders cease from 1 July 2023](#)"), the Ministry of Law plans to revoke the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings) Orders from 1 July 2023 onwards. This means general meetings of all listed issuers will have to return to the physical mode from 1 July 2023 onwards.
- We are of the view that for a physical AGM to be effective and meaningful, the physical attendance of all the Board directors is necessary. Hence, given the conflicting schedules of certain Board directors who are unable to avail themselves to attend in person and in view that a virtual AGM is still permissible prior to 1 July 2023, we have therefore opted to hold a virtual AGM instead. It should be noted that for this upcoming virtual AGM, there will be opportunities for attending Unitholders to pose questions and to vote for the proposed resolutions during the session. These alternative arrangements were not available to Unitholders in the last few virtual AGMs. This is our way of engaging the Unitholders even in a virtual AGM.
- In line with the Ministry of Law's directive, this upcoming AGM will be Sasseur REIT's last virtual AGM and we will hold a physical AGM in 2024.