



SASSEUR REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements and Distribution Announcement
For the Second Quarter and Half Year Ended 30 June 2020

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SASSEUR REAL ESTATE INVESTMENT TRUST

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Introduction

Sasseur Real Estate Investment Trust (the “Sasseur REIT”) is a Singapore real estate investment trust constituted as a private trust (“Sasseur Trust”) by a trust deed dated 30 October 2017 which was supplemented by a first supplemental deed dated 19 March 2018, entered into by Sasseur Asset Management Pte. Ltd. as Manager of Sasseur REIT (the “Manager”) and DBS Trustee Limited as Trustee of Sasseur REIT (the “Trustee”). Sasseur Real Estate Investment Trust and its subsidiaries are collectively known as the “REIT Group”.

Sasseur REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 28 March 2018 (the “Listing Date”). Sasseur REIT’s investment strategy is investing principally, directly or indirectly, in a diversified portfolio of income-producing real estate, which primarily comprises retail outlet malls, as well as real estate-related assets in relation to the foregoing, with an initial focus on Asia.

Sasseur REIT’s initial portfolio comprises the following four retail outlet malls (the “Properties”) strategically located in cities of economic potential in the People’s Republic of China (“PRC”):

- **Chongqing Outlets**

Chongqing Outlets is a retail outlet mall that targets middle and upper-class consumers with higher disposable incomes. Chongqing Outlets was designed and built to reflect an Italian architectural style, distinguishing itself through an experiential shopping concept. Chongqing Outlets houses a cinema, children recreational facilities as well as an array of restaurants. The Chongqing Outlets is located in the northeast region of the city and is approximately 10 km away from the Chongqing Jiangbei International Airport.

- **Bishan Outlets**

Bishan Outlets was designed to be a one-stop shopping destination in the Bishan and West Chongqing areas, combining retail shopping with entertainment, food, education and leisure. Bishan Outlets features (i) a “Super Children’s Centre” (which features retail stores offering a selection of infant and children’s clothing labels, an early childhood education centre, an enrichment centre, a children’s playground, a children’s photography centre and a children’s theatre); and (ii) a “Super Sports Hall” (which houses the outlet stores of sports brands such as Nike, Adidas and Le Coq Sportif and also features a fitness centre). In addition to the foregoing, there are several pubs and bars found in Bishan Outlets and Bishan Outlets is poised to be a trendy meeting point for the young. Bishan Outlets is located in the west of Chongqing. As the closest district to the downtown area of Chongqing, Bishan Outlets can be accessed within a one-hour drive (approximately 37 km) from the downtown area of Chongqing.

- **Hefei Outlets**

Hefei Outlets caters to middle class consumers by offering a wide range of entertainment choices as well as luxury brand stores. Hefei Outlets also features one of the largest cinemas in east China and the first five-star cinema in Hefei under the UME cinema chain, with 17 cinemas equipped with state-of-the-art audio and visual systems and more than 2,500 seats. Hefei Outlets is located in the High-Tech Industrial Development Zone, which is one of the PRC’s national high-tech industrial development zones.

- **Kunming Outlets**

Kunming Outlets offers a wide array of retail options including outlet mall shopping, healthcare services, entertainment and cultural facilities, thereby providing its customers with a comprehensive lifestyle and entertainment experience intended to promote retail spending and enhance customer loyalty. Kunming Outlets is targeted at middle class consumers, catering to their growing preference for luxury brands such as Burberry. Kunming Outlets also carries popular domestic brands to cater to a wide customer base. Kunming Outlets is located in Taiping New City, a new development platform for urban expansion by the government of Anning City.

Sasseur REIT is presenting its financial results for the second quarter ended 30 June 2020 (“**2Q 2020**”) and for the financial period from 1 January 2020 to 30 June 2020 (“**1H 2020**”).

Distribution Policy

Sasseur REIT makes distribution to the Unitholders on quarterly basis. Sasseur REIT’s distribution policy is to distribute at least 90.0% of its annual distributable income for each financial year. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

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Summary of Sasseur REIT Group Results

	2Q 2020⁽¹⁾	2Q 2019⁽¹⁾	Change	1H 2020⁽¹⁾	1H 2019⁽¹⁾	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
EMA rental income	30,328	29,899	1.4	57,952	60,614	(4.4)
EMA rental income (exclude straight-line adjustments)	27,969	29,129	(4.0)	53,233	60,003	(11.3)
Income available for distribution to Unitholders	18,162	19,168	(5.2)	34,156	38,852	(12.1)
Distribution per unit ("DPU") (cents) ⁽²⁾	1.512	1.608	(6.0)	2.846	3.264	(12.8)
Distribution yield (%) ⁽³⁾	8.2%	8.2%	-	7.7%	8.3%	(0.6)

n.m. – Not meaningful

Notes:

- (1) The results of the REIT Group's foreign subsidiaries were translated using the average SGD:RMB rates as follows:

2Q 2020	2Q 2019	Change	1H 2020	1H 2019	Change
		%			%
5.0381	5.0094	0.6	5.0360	4.9880	1.0

- (2) The distribution per unit of 1.512 Singapore cents is equivalent to 7.618 Renminbi cents for 2Q 2020 and 2.846 Singapore cents is equivalent to 14.333 Renminbi cents for 1H 2020.
- (3) Based on annualised DPU and the market closing price per Unit of S\$0.74 and S\$0.79 as at 30 June 2020 and 28 June 2019 respectively.

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1(a) Consolidated Statement of Total Return and Distribution Statement

	Note	REIT Group					
		2Q 2020 ⁽¹⁾ S\$'000	2Q 2019 ⁽¹⁾ S\$'000	Change %	1H 2020 ⁽¹⁾ S\$'000	1H 2019 ⁽¹⁾ S\$'000	Change %
Consolidated Statement of Total Return							
EMA rental income	1	30,328	29,899	1.4	57,952	60,614	(4.4)
Manager's base fees ⁽²⁾	2	(1,817)	(1,917)	5.2	(3,416)	(3,885)	12.1
Trust expenses	3	(613)	(84)	n.m.	(1,130)	(888)	(27.3)
Finance income	5	5	132	(96.2)	58	206	(71.8)
Finance costs	4	(6,631)	(7,168)	7.5	(13,558)	(14,171)	4.3
Net foreign exchange (loss)/gain	5	(538)	(564)	4.6	173	(184)	n.m.
Net change in fair value of financial derivative	6	(27)	(53)	49.1	(59)	37	n.m.
Total return before fair value adjustments to investment properties and tax		20,707	20,245	2.3	40,020	41,729	(4.1)
Fair value adjustments to investment properties	7	(2,359)	(770)	n.m.	(4,719)	(611)	n.m.
Total return for the period before tax		18,348	19,475	(5.8)	35,301	41,118	(14.1)
Tax expense	8	(3,921)	(5,204)	24.7	(6,891)	(10,286)	33.0
Total return for the period after tax		14,427	14,271	1.1	28,410	30,832	(7.9)
Total return after tax attributable to: Unitholders		14,427	14,271	1.1	28,410	30,832	(7.9)
Distribution Statement							
Total return attributable to Unitholders		14,427	14,271	1.1	28,410	30,832	(7.9)
Distribution adjustments	9	3,735	4,897	(23.7)	5,746	8,020	(28.4)
Amount available for distribution to Unitholders		18,162	19,168	(5.2)	34,156	38,852	(12.1)

n.m. – Not meaningful

Footnotes:

(1) The results of the REIT Group's foreign subsidiaries were translated using the average SGD:RMB rates as follows:

2Q 2020	2Q 2019	Change %	1H 2020	1H 2019	Change %
5.0381	5.0094	0.6	5.0360	4.9880	1.0

(2) The Manager has elected to receive 100% of its management fees in the form of units for the period from 1 January 2019 to 30 June 2020.

Notes:

1 EMA rental income is accounted for on a straight-line basis over the lease term. Excluding straight-line adjustments, EMA rental income is as follows:

	2Q 2020 S\$'000	2Q 2019 S\$'000	Change %	1H 2020 S\$'000	1H 2019 S\$'000	Change %
EMA rental income	30,328	29,899	1.4	57,952	60,614	(4.4)
Straight-line adjustments (Note 7)	(2,359)	(770)	n.m.	(4,719)	(611)	n.m.
EMA rental income (exclude straight-line adjustments)	27,969	29,129	(4.0)	53,233	60,003	(11.3)

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Straight-line adjustments for 2Q 2020 and 1H 2020 relate to straight-lining of the 3% annual escalation of the fixed component of EMA rental income over the EMA tenure. Straight-line adjustments for 2Q 2019 and 1H 2019 relate to straight-lining of the two-year minimum rent guaranteed over the period from Listing Date to 31 December 2019. Both adjustments are in accordance with the principles of FRS 116 *Leases*.

- 2 Manager's base fees are calculated at 10.0% per annum of the Distributable Income of the REIT Group. Manager's base fees of S\$1.8 million and S\$3.4 million for 2Q 2020 and 2H 2020 are lower than 2Q 2019 and 2H 2019 respectively, in line with the lower distributable income.
- 3 Trust expenses consist of recurring operating expenses such as trustee's fees, audit fees, tax advisory fees, valuation fees, legal and other professional fees, annual listing fees, investor communication costs and other miscellaneous expenses.
- 4 Finance costs comprise the following:

	2Q 2020 S\$'000	2Q 2019 S\$'000	Change %	1H 2020 S\$'000	1H 2019 S\$'000	Change %
Interest expense on borrowings	(5,260)	(5,822)	9.7	(10,829)	(11,476)	5.6
Amortisation of upfront debt-related transaction costs	(1,371)	(1,346)	(1.9)	(2,729)	(2,695)	(1.3)
	(6,631)	(7,168)	7.5	(13,558)	(14,171)	4.3

- 5 This relates mainly to the foreign exchange differences on translation of foreign currency denominated transactions and monetary items for the Group.
- 6 This relates to net change in fair value of interest rate swap which was entered to hedge interest rate risk. This has no impact on the amount available for distribution to Unitholders.
- 7 Fair value adjustments to investment properties relate to straight-line adjustments (see Note 1) and have no impact on the amount available for distribution to Unitholders.
- 8 Tax expense comprises income tax and deferred tax largely relating to the REIT Group's foreign subsidiaries.

	2Q 2020 S\$'000	2Q 2019 S\$'000	Change %	1H 2020 S\$'000	1H 2019 S\$'000	Change %
Current period:						
- Income tax	(3,236)	(4,187)	22.7	(6,038)	(8,993)	32.9
- Deferred tax	(685)	(1,017)	32.6	(853)	(1,293)	34.0
	(3,921)	(5,204)	24.7	(6,891)	(10,286)	33.0

Lower tax expense in 2Q 2020 and 1H 2020 is mainly attributable to lower taxable property profits due to a slowdown of retail sales and temporary closure of the outlet malls amid the COVID-19 pandemic.

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9 Included in distribution adjustments are the following:

	2Q 2020	2Q 2019	Change	1H 2020	1H 2019	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Distribution adjustments</u>						
Manager's management fees payable in Units	1,817	1,917	(5.2)	3,416	3,885	(12.1)
Amortisation of upfront debt-related transaction costs	1,310	1,346	(2.7)	2,605	2,695	(3.3)
Straight-line adjustments	(2,359)	(770)	n.m.	(4,719)	(611)	n.m.
Fair value adjustments to investment properties	2,359	770	n.m.	4,719	611	n.m.
Deferred tax expense	341	1,017	(66.5)	509	1,293	(60.6)
Unrealised exchange loss/(gain)	240	564	(57.4)	(843)	184	n.m.
Net change in fair value of financial derivative	27	53	(49.1)	59	(37)	n.m.
Total distribution adjustments	3,735	4,897	(23.7)	5,746	8,020	(28.4)

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1(b)(i) Statements of Financial Position

	Note	REIT Group		REIT	
		30 Jun 2020 ⁽¹⁾ S\$'000	31 Dec 2019 ⁽¹⁾ S\$'000	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000
Assets					
Non-current assets					
Investment properties	1	1,617,281	1,587,197	-	-
Investment in subsidiaries		-	-	951,941	951,941
		1,617,281	1,587,197	951,941	951,941
Current assets					
Prepayments, deposits and other receivables	2	27,389	28,536	26,584	27,407
Cash and short-term deposits	3	119,679	154,693	36,037	8,392
		147,068	183,229	62,621	35,799
Total assets		1,764,349	1,770,426	1,014,562	987,740
Liabilities					
Non-current liabilities					
Loans and borrowings	4	355,777	474,521	-	123,141
Deferred tax liabilities		81,147	78,074	-	-
		436,924	552,595	-	123,141
Current liabilities					
Other payables and accruals	5	92,012	124,447	5,531	1,018
Loans and borrowings	6	127,982	4,079	123,891	-
Derivative financial instruments		110	108	110	108
Tax payables		20,331	20,034	10	9
	7	240,435	148,668	129,542	1,135
Total liabilities		677,359	701,263	129,542	124,276
Net assets		1,086,990	1,069,163	885,020	863,464
Represented by:					
Unitholders' funds		1,086,990	1,069,163	885,020	863,464
Net Asset Value per unit (S\$)		0.90	0.89	0.74	0.72

Footnote:

(1) The results of the REIT Group's foreign subsidiaries were translated using the closing SGD: RMB rates of 1: 5.0813 and 1: 5.1739 as at 30 June 2020 and 31 December 2019 respectively.

Notes:

1 Investment properties are stated at fair value based on the valuations performed by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory as at 31 December 2019. The increase is mainly due to higher translated value arising from appreciation of Renminbi against Singapore Dollar as compared to 31 December 2019.

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2 Prepayments, deposits and other receivables comprise the following:

	REIT Group		REIT	
	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000
Refundable deposits	306	300	-	-
VAT/GST recoverables	5,513	8,523	447	1,970
Trade and other receivables ⁽ⁱ⁾	14,251	11,395	-	1
Amounts due from subsidiary (non-trade)	-	-	25,989	25,300
Amounts due from related parties (trade)	7,170	8,098	-	-
	27,240	28,316	26,436	27,271
Prepayments	149	220	148	136
	27,389	28,536	26,584	27,407

(i) As at 30 June 2020, included in trade and other receivables of the REIT Group is an amount of S\$3.5 million (31 December 2019: S\$3.4 million) relating to sale proceeds of goods sold by the tenants which are yet to be received from merchant banks due to cashless mode of payment made by customers and an amount of S\$9.8 million (31 December 2019: S\$6.8 million) fixed deposits placed with financial institutions with maturity periods more than three months.

3 Decrease in cash and short-term deposits is mainly due to lower sales collection from tenants due to due to a slowdown of retail sales amid the COVID-19 pandemic.

4 The decrease in loans and borrowings under non-current liabilities is due to the reclassification of S\$125 million offshore term loan as current liabilities as the loan is maturing within one year from 30 June 2020, the repayment of 1% of initial principal on RMB 1,960 million onshore term loans in March 2020 of S\$3.9 million, partially offset by the higher translated RMB borrowings arising from appreciation of Renminbi against Singapore Dollar as compared to 31 December 2019.

5 Other payables and accruals comprise the following:

	REIT Group		REIT	
	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000
Refundable security deposits	6,763	7,167	-	-
Interest payables	132	194	6	1
VAT and other tax payables	226	922	-	-
Construction payables ⁽ⁱⁱ⁾	5,341	6,397	-	-
Amounts due to subsidiaries (non-trade)	-	-	4,226	55
Amounts due to related parties (non-trade)	463	500	87	133
Accrued expenses	1,308	892	1,167	706
Property tax payables	774	886	-	-
Other payables ⁽ⁱⁱⁱ⁾	77,005	107,489	45	123
	92,012	124,447	5,531	1,018

(ii) Construction payables consist mainly of retention sum of completed construction works arising from acquisition of investment properties and related assets and liabilities.

(iii) Included in other payables is an amount of S\$71.5 million (31 December 2019: S\$102.5 million) relating to revenue collected from customers on behalf of the tenants. The decrease is mainly due to lower sales collection from tenants as mentioned in Note 3 above.

6 This mainly relates to S\$125 million offshore term loan maturing in March 2021.

7 As at 30 June 2020, the REIT Group's current liabilities exceed its current assets by S\$93.4 million due to the reclassification of S\$125 million offshore term loan as current liability as mentioned in Note 4 above. The Manager has been working closely with a group of financial institutions and is confident that barring any unforeseen circumstances, the loan will be refinanced before it falls due.

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1(b)(ii) Aggregate Amount of Borrowings and Debt Securities

	REIT Group		REIT	
	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000	30 Jun 2020 S\$'000	31 Dec 2019 S\$'000
Secured loans and borrowings				
- Amount repayable within one year	132,715	7,576	125,000	-
- Amount repayable after one year	362,584	484,883	-	125,000
	495,299	492,459	125,000	125,000
Less: Unamortised upfront debt-related transaction costs	(11,540)	(13,859)	(1,109)	(1,859)
Total loans and borrowings, net of transaction costs	483,759	478,600	123,891	123,141

The REIT Group, through its PRC property subsidiaries, has put in place an aggregate amount of RMB 1,960 million 5-year onshore term loans with repayment of 1% of initial loan principal semi-annually. The REIT has also put in place a S\$125 million 3-year offshore term loan which is maturing in March 2021 and classified under current liabilities.

The REIT Group's secured bank borrowings are generally secured by: (i) mortgages on the borrowing subsidiaries' investment properties and (ii) assignment of all rights, titles and benefits with respect to the mortgaged properties.

As at 30 June 2020, these term loans were fully drawn down. 50% of the offshore term loan was hedged using floating-for-fixed interest rate swap. The weighted average cost of borrowings (excluding upfront debt-related transaction costs) is 4.2% while interest coverage ratio is 5.0 times. The aggregate leverage for the REIT Group, as defined in the Property Funds Appendix, is 28.1%.

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1(c) Consolidated Statement of Cash Flows

Note	REIT Group			
	2Q 2020 S\$'000	2Q 2019 S\$'000	1H 2020 S\$'000	1H 2019 S\$'000
Cash flows from operating activities				
Total return for the period before tax	18,348	19,475	35,301	41,118
<u>Adjustments for:</u>				
Straight-line adjustments	(2,359)	(770)	(4,719)	(611)
Manager's management fees payable in units	1,817	1,917	3,416	3,885
Change in fair value of investment properties	2,359	770	4,719	611
Net change in fair value of financial derivative	27	53	59	(37)
Finance costs	6,631	7,168	13,558	14,171
Finance income	(5)	(132)	(58)	(206)
Cash flows before changes in working capital	26,818	28,481	52,276	58,931
Changes in working capital:				
Prepayments, deposits and other receivables	9,340	5,355	1,629	(2,651)
Other payables and accruals	36,034	(15,203)	(35,867)	(25,592)
Cash generated from operations	72,192	18,633	18,038	30,688
Tax paid	(1,371)	(2,510)	(4,549)	(4,464)
Interest received	6	132	58	209
Net cash generated from operating activities	70,827	16,255	13,547	26,433
Cash flows from investing activities				
Acquisition of investment property	-	(20,058)	-	(20,058)
Capital expenditure on investment properties	(135)	(670)	(1,160)	(1,519)
Net cash used in investing activities	(135)	(20,728)	(1,160)	(21,577)
Cash flows from financing activities				
Repayments of bank borrowings	-	-	(3,942)	(3,947)
Distribution to Unitholders	(15,990)	(19,689)	(35,481)	(61,483)
Interest paid	(5,318)	(5,822)	(10,864)	(11,395)
Increase in restricted cash	(1,172)	(13)	(1,192)	(40)
Net cash used in financing activities	(22,480)	(25,524)	(51,479)	(76,865)
Net increase/(decrease) in cash and cash equivalents	48,212	(29,997)	(39,092)	(72,009)
Cash and cash equivalents at beginning of the period	64,791	154,502	146,147	195,126
Effect on exchange rate changes on cash and cash equivalents	(3,186)	(3,792)	2,762	(2,404)
Cash and cash equivalents at end of the period	109,817	120,713	109,817	120,713

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Note:

- 1 For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

	REIT Group	
	30 Jun 2020 S\$'000	30 Jun 2019 S\$'000
Cash and short-term deposits	119,679	129,271
Less: Restricted cash ⁽¹⁾	(9,862)	(8,558)
Cash and cash equivalents	109,817	120,713

Footnote:

- (1) Restricted cash relates to cash balances which are used to secure bank facilities.

1(d)(i) Statements of Changes in Unitholders' Funds

	REIT Group			
	2Q 2020 S\$'000	2Q 2019 S\$'000	1H 2020 S\$'000	1H 2019 S\$'000
At beginning of the period	1,112,232	1,060,169	1,069,163	1,073,966
Operations				
Change in Unitholders' funds resulting from operations before distribution	14,427	14,271	28,410	30,832
Net increase in net assets resulting from operations	14,427	14,271	28,410	30,832
Unitholders' transactions				
Manager's management fees payable in units	1,817	1,917	3,416	3,885
Distribution to Unitholders	(15,990)	(19,689)	(35,481)	(61,483)
Net decrease in net assets resulting from Unitholders' transactions	(14,173)	(17,772)	(32,065)	(57,598)
Movement in foreign currency translation reserve	(25,496)	(26,203)	21,425	(16,735)
Movement in hedging reserve	-	-	57	-
Total Unitholders' funds as at end of the period	1,086,990	1,030,465	1,086,990	1,030,465

	REIT			
	2Q 2020 S\$'000	2Q 2019 S\$'000	1H 2020 S\$'000	1H 2019 S\$'000
At beginning of the period	863,234	860,234	863,464	904,057
Operations				
Change in Unitholders' funds resulting from operations before distribution	35,959	19,547	53,564	15,550
Net increase in net assets resulting from operations	35,959	19,547	53,564	15,550
Unitholders' transactions				
Manager's management fees payable in units	1,817	1,917	3,416	3,885
Distribution to Unitholders	(15,990)	(19,689)	(35,481)	(61,483)
Net decrease in net assets resulting from Unitholders' transactions	(14,173)	(17,772)	(32,065)	(57,598)
Movement in hedging reserve	-	-	57	-
Total Unitholders' funds as at end of the period	885,020	862,009	885,020	862,009

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1(d)(ii) Details of Any Changes in Units

	REIT			
	2Q 2020 Units	2Q 2019 Units	1H 2020 Units	1H 2019 Units
Units in issue:				
At beginning of the period	1,198,678,588	1,188,953,352	1,196,494,243	1,180,280,000
Manager's management fees paid in Units	2,698,964	2,670,792	4,883,309	11,344,144
Total Units issued as at end of the period	1,201,377,552	1,191,624,144	1,201,377,552	1,191,624,144
Units to be issued:				
Manager's management fees payable in Units ⁽¹⁾	2,411,658	2,412,985	2,411,658	2,412,985
Total Units to be issued as at end of the period	2,411,658	2,412,985	2,411,658	2,412,985
Total Units issued and to be issued as at end of the period	1,203,789,210	1,194,037,129	1,203,789,210	1,194,037,129

Footnote:

- (1) There are 2,411,658 units to be issued in satisfaction of the Manager's management fees for 2Q 2020 based on the volume-weighted average price for the last 10 Business Days immediately preceding 30 June 2020 of S\$0.7531.

1(d)(iii) To show the total number of issued units excluding treasury units at the end of the current financial period, and as at the end of the immediately preceding year.

There were no treasury units as at 30 June 2020 and 31 December 2019. The total number of issued units in Sasseur REIT was 1,201,377,552 as at 30 June 2020 (31 December 2019: 1,196,494,243).

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recent audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the REIT Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the financial year ended 31 December 2019.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what had changed, as well as the reasons for, and the effect of, the change.

The REIT Group has adopted the new and amended Financial Reporting Standards and interpretations which are effective for application for the financial period beginning on 1 January 2020. The adoption of these new and amended standards and interpretations has no significant impact on the financial statements of the REIT Group.

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6 Consolidated Earnings Per Unit (“EPU”) and Distribution Per Unit (“DPU”)

	REIT Group			
	2Q 2020	2Q 2019	1H 2020	1H 2019
EPU				
Weighted average number of Units issued and to be issued	1,199,476,222	1,189,713,602	1,198,261,276	1,186,316,676
Total return for the period after tax (S\$'000)	14,427	14,271	28,410	30,832
Basic and diluted EPU ⁽¹⁾⁽²⁾ (cents)	1.203	1.200	2.371	2.599
DPU				
Number of Units issued as at end of the period	1,201,377,552	1,191,624,144	1,201,377,552	1,191,624,144
Amount available for distribution to Unitholders (S\$'000)	18,162	19,168	34,156	38,852
DPU ⁽³⁾ (cents)	1.512	1.608	2.846	3.264

Footnotes:

- (1) The computation of basic EPU is based on the weighted average number of units for the respective reporting periods. This comprises of:
 - (i) The weighted average number of units in issue for the respective reporting periods; and
 - (ii) The estimated weighted average number of units to be issued as payment of Manager's management fees for the respective reporting periods.
- (2) The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue as at the end of each reporting period.
- (3) The DPU was computed and rounded based on the number of units in issue as at the end of each reporting period which does not include units to be issued as payment of Manager's management fees.

7 Net Asset Value (“NAV”) and Net Tangible Asset (“NTA”) Per Unit

	REIT Group		REIT	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Number of Units issued and to be issued	1,203,789,210	1,198,678,588	1,203,789,210	1,198,678,588
Net asset (S\$'000)	1,086,990	1,069,163	885,020	863,464
NAV and NTA per unit ⁽¹⁾ (cents)	90.30	89.20	73.52	72.03

Footnote:

- (1) The computation of NAV and NTA is based on the number of units in issue and to be issued as at the end of each reporting period. NAV and NTA are the same as there are no intangible assets as at the end of each reporting period.

8 Review of the Performance

Total outlet sales for 2Q 2020 was lower by RMB 191.0 million or 18.6% as compared to 2Q 2019 due to a slowdown of retail sales amid the COVID-19 pandemic. However, impact on 2Q 2020 EMA rental income (excluding straight-line adjustments) was cushioned by the fixed component of EMA rental income, as structured in the Entrusted Management Agreement (EMA), resulting in a softer drop of RMB 5.1 million or 3.5% in EMA rental income (excluding straight-line adjustments) as compared to 2Q 2019. In SGD terms, EMA rental income (excluding straight-line adjustments) for 2Q 2020 was lower by S\$1.2 million or 4.1%, partly due to the weakening of Renminbi against Singapore Dollar by 0.6% in 2Q 2020 as compared to 2Q 2019.

The amount available for distribution to Unitholders for 2Q 2020 was S\$18.2 million, 5.2% lower compared to S\$19.2 million for 2Q 2019. The decrease was mainly attributable to lower sales, one-off reversal of trust expenses in 2Q 2019, partially offset by lower finance costs and lower tax expense.

Finance costs for 2Q 2020 was lower by S\$0.5 million or 7.5% as compared to 2Q 2019 largely due to two repayments of 1% of initial principal on RMB 1,960 million onshore term loans in September 2019 and March 2020 of S\$3.9 million each.

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Tax expense for 2Q 2020 was lower by S\$1.3 million or 24.7% as compared to 2Q 2019 mainly attributable to lower taxable property profits due to a slowdown of retail sales amid the COVID-19 pandemic.

9 Variance from Forecast or Prospect Statement.

Not applicable.

10 Commentary on the significant trends and competitive conditions of the industry in which the REIT Group operates and any known factors or events that may affect the REIT Group in the next reporting period and the next 12 months.

China is the first major economy to recover from the coronavirus pandemic. Its Gross Domestic Product (“GDP”) grew 3.2% in the second quarter of 2020 (“2Q 2020”) on a Year-on-Year (“YoY”) basis, and stood at RMB 25,011 billion¹ in absolute terms for 2Q 2020. Total retail sales of consumer goods for the second quarter were RMB 3,352.6 billion, a decrease of 1.8%² YoY compared to a severe drop of 20.7% YoY in the first quarter. These figures demonstrated a quick rebound of retail consumption that has continued from the last quarter, after the lifting of the lock down.

The data suggest that China will probably be the first economy to recover and achieve positive economic growth, with the United States, the European Union, as well as Japan still struggling to reopen their economies. Fitch Ratings has also affirmed China’s long-term foreign-currency issue default rating at ‘A+’ with a stable outlook, supported by China’s robust external finances and track record of robust macro-economic performance.

In response to the more volatile international environment, China is working to reduce its dependence on exports and promote demand domestically to drive economic growth. A new strategy, officially called “dual circulation”, will pivot away from export-led growth in favour of developing its domestic market. This is positive for Sasseur outlets as our main customers are resident Chinese middle-class that form the bulk of the important consumers in China.

Chongqing Market Update

There were no new retail projects or outlets in Chongqing in 2Q 2020, leaving the total retail supply at around 5.9 million sqm. The competition among the many Chongqing’s retail businesses will intensify, with increased pressure for differentiation in a crowded market.

For the rest of 2020, the retail sector will continue to be impacted by the fallout of COVID-19 pandemic. The retail sector is expected to accelerate store and product differentiation to meet fiercer market competition. The ongoing asset enhancement initiatives (“AEI”) undertaken at Sasseur’s Chongqing Outlet is timely as we seek to re-position and differentiate the Chongqing Outlets with major aesthetic enhancement and re-configuration works to the retail layout.

Hefei & Kunming Market Update

For 2Q 2020, no new outlet malls were opened in Hefei and Kunming. Sales had been improving with a myriad of promotional activities to attract shoppers.

The global luxury goods business is pinning its hope on a swift recovery of the Chinese market, which is the largest luxury goods market in the world, and a key driver of growth. As full resumption of international flights is unlikely in the foreseeable future and Chinese overseas travel growth had already started to slowdown in the second half of 2019. This has affected spending on luxury goods outside China, accounting for 70% of total luxury consumption by Chinese middle-class consumers³. The price gap for luxury goods between domestic and overseas markets has continued to shrink as luxury brands normalise their pricing structures. The central government has also recently released a series of policies to encourage such consumption within China, such as through the promotion of duty-free stores. These factors have provided an impetus to the re-shoring of overseas luxury spending and contributed to the strong rebound in China’s luxury sales. This has also attracted more luxury brands to extend their presence in China.

Sasseur REIT’s outlets are well-positioned to benefit from all these positive trends notwithstanding the disruption of business by COVID-19.

¹ National Bureau of Statistics (China) / 国家统计局 (中国)

² National Bureau of Statistics (China) / 国家统计局 (中国)

³ Bain & Co.

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Impact of COVID-19 on Business

At the height of the virus outbreak, Sasseur REIT temporarily closed its malls for a period of up to seven weeks. As a result, the performance of 1Q 2020 was significantly affected. However, since reopening in March 2020, the improving economic and consumer sentiment in China, as well as Sasseur REIT's continued efforts to engage with both tenants and customers, have led to a marked improvement in sales for 2Q 2020. As China and the rest of the world continue to fight against the pandemic, there remains some uncertainties and health concerns which have slowed down the recovery of consumption in the country. While sales figures have not yet returned to pre-pandemic levels, Sasseur REIT is optimistic that as the situation improves, its malls will continue to return stronger performances with each quarter.

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? Yes

Name of distribution: Distribution for the financial period from 1 April 2020 to 30 June 2020

Distribution type: Tax-Exempt Income Distribution

Distribution rate: 1.512 cents per unit

Par value of units: Not applicable

Tax rate: Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.

(b) Corresponding period of the preceding financial period

Any distribution declared for the corresponding period of the immediate preceding financial period? Yes

Name of distribution: Distribution for the financial period from 1 April 2019 to 30 June 2019

Distribution type: Tax-Exempt Income Distribution

Distribution rate: 1.608 cents per unit

Par value of units: Not applicable

Tax rate: Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.

(c) Book closure date

The Transfer Books and Register of Unitholders of Sasseur REIT will be closed at 5.00 p.m. on 31 August 2020 for the purpose of determining unitholders' entitlements to Sasseur REIT distribution. The ex-dividend date will be on 28 August 2020.

(d) Date payable

The date of distribution is on 25 September 2020.

12 If no distribution has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Not applicable. A distribution has been declared for the period from 1 April 2020 to 30 June 2020.

13 If the Group has obtained a general mandate from Unitholders for interested person transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The REIT Group has not obtained a general mandate from Unitholders for interested person transactions.

14 Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

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15 Confirmation Pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited interim financial statements of Sasseur REIT Group and the REIT for the financial period ended 30 June 2020 to be false or misleading, in any material aspect.

For and on behalf of the Board of Directors of
Sasseur Asset Management Pte. Ltd.

Mr Cheng Heng Tan
Director

Dr Gu Qingyang
Director

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. 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 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 ("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
Chief Executive Officer

14 August 2020