

Sasseur Real Estate Investment Trust and its subsidiaries

(Constituted in the Republic of Singapore pursuant to a trust deed dated
30 October 2017)

Unaudited Condensed Interim Financial Statements
for the six months ended 30 June 2021

Sasseur Real Estate Investment Trust and its subsidiaries

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Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Condensed Interim Statements of Financial Position
As at 30 June 2021**

	Note	Group		Trust	
		30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Assets					
Non-current assets					
Investment properties	3	1,697,940	1,651,052	–	–
Interests in subsidiaries		–	–	1,098,747	951,941
		1,697,940	1,651,052	1,098,747	951,941
Current assets					
Prepayments, deposits and other receivables		27,117	51,212	2,252	144,455
Cash and short-term deposits		132,435	155,944	19,631	37,101
		159,552	207,156	21,883	181,556
Total assets		1,857,492	1,858,208	1,120,630	1,133,497
Liabilities					
Non-current liabilities					
Loans and borrowings	4	502,765	501,895	235,475	240,484
Deferred tax liabilities		89,092	85,232	–	–
		591,857	587,127	235,475	240,484
Current liabilities					
Other payables and accruals		99,409	137,047	711	889
Loans and borrowings	4	2,362	2,359	–	–
Derivative financial instruments		64	276	64	276
Tax payables		27,015	25,985	9	11
		128,850	165,667	784	1,176
Total liabilities		720,707	752,794	236,259	241,660
Net assets		1,136,785	1,105,414	884,371	891,837
Represented by:					
Unitholders' funds		1,136,785	1,105,414	884,371	891,837
Units in issue and to be issued ('000)	5	1,214,435	1,209,412	1,214,435	1,209,412
Net asset value per unit (\$)		0.94	0.91	0.73	0.74

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Condensed Interim Consolidated Statement of Total Return
For the six months ended 30 June 2021**

		Group	
	Note	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
EMA rental income ¹	6	66,123	57,952
Manager's management fees		(4,537)	(3,416)
Trustee's fees		(167)	(161)
Other trust expenses		(956)	(969)
Finance income		52	58
Finance costs	6	(11,938)	(13,558)
Exchange differences		3,217	173
Change in fair value of financial derivatives		212	(59)
Total return before fair value adjustments to investment properties and tax		52,006	40,020
Fair value adjustments to investment properties	3	(3,632)	(4,719)
Total return for the period before tax		48,374	35,301
Tax expense	8	(8,315)	(6,891)
Total return for the period attributable to Unitholders		40,059	28,410

¹ The Group receives EMA rental income under the Entrusted Management Agreement (EMA), and all the operating expenses of the properties are borne by the Entrusted Manager.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Condensed Interim Consolidated Distribution Statement
For the six months ended 30 June 2021**

	Group	
	2021	2020
	\$'000	\$'000
Income available for distribution to Unitholders at 1 January	7	9
Total return for the period attributable to Unitholders	40,059	28,410
Distribution adjustments (Note A)	5,314	5,746
Amount available for distribution to Unitholders	45,373	34,156
Distribution to Unitholders:		
Distribution of 1.759 cents per Unit for the period from 1/1/2021 to 31/3/2021	(21,274)	-
Distribution of 1.614 cents per Unit for the period from 1/4/2021 to 30/6/2021	(19,564) ¹	-
Distribution of 1.334 cents per Unit for the period from 1/1/2020 to 31/3/2020	-	(15,990)
Distribution of 1.512 cents per Unit for the period from 1/4/2020 to 30/6/2020	-	(18,165) ²
Total distribution to Unitholders	(40,838)	(34,155)
Income available for distribution to Unitholders at 30 June	4,542	10
Distribution per Unit (DPU) (cents)³:	3.373	2.846
Note A – Distribution adjustments comprise:		
- Manager's management fees payable in Units	4,537	3,416
- Amortisation of borrowing-related transaction costs	3,151	2,605
- Straight-line adjustments	(3,632)	(4,719)
- Fair value adjustments to investment properties	3,632	4,719
- Deferred tax expense	1,311	509
- Exchange differences	(3,473)	(843)
- Change in fair value of financial derivatives	(212)	59
Distribution adjustments	5,314	5,746

¹ Distribution relating to the period from 1 April 2021 to 30 June 2021 will be made subsequent to the reporting date (Note 12).

² Distribution relating to the period from 1 April 2020 to 30 June 2020 was made in September 2020.

³ The DPU relates to the distributions in respect of the relevant financial period.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Condensed Interim Statements of Changes in Unitholders' Funds
For the six months ended 30 June 2021**

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	1,105,414	1,069,163	891,837	863,464
Operations				
Total return for the period attributable to Unitholders	40,059	28,410	32,618	53,564
Net increase in net assets resulting from operations	40,059	28,410	32,618	53,564
Unitholders' transactions				
Units in issue				
- Manager's management fees paid in Units	2,364	1,599	2,364	1,599
- Distribution to Unitholders	(44,621)	(35,481)	(44,621)	(35,481)
	(42,257)	(33,882)	(42,257)	(33,882)
Units to be issued				
Manager's management fees payable in Units	2,173	1,817	2,173	1,817
Net decrease in net assets resulting from Unitholders' transactions	(40,084)	(32,065)	(40,084)	(32,065)
Foreign currency translation reserve				
Movement in foreign currency translation reserve	31,396	21,425	-	-
Hedging reserve				
Movement in hedging reserve	-	57	-	57
At 30 June	1,136,785	1,086,990	884,371	885,020

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Condensed Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2021**

		Group	
	Note	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Cash flows from operating activities			
Total return for the period before tax		48,374	35,301
<u>Adjustments for:</u>			
Manager's management fees payable in units		4,537	3,416
Straight-line adjustments	3	(3,632)	(4,719)
Change in fair value of investment properties	3	3,632	4,719
Change in fair value of financial derivatives		(212)	59
Finance costs	7	11,938	13,558
Finance income		(52)	(58)
		64,585	52,276
Cash flows before changes in working capital			
<u>Changes in working capital:</u>			
Prepayments, deposits and other receivables (exclude mid-term deposits)		4,389	4,704
Mid-term deposits		25,492	(3,075)
Other payables and accruals		(42,544)	(35,867)
		51,922	18,038
Cash generated from operations			
Tax paid		(5,982)	(4,549)
Interest received		52	58
		45,992	13,547
Net cash generated from operating activities			
Cash flows from investing activities			
Capital expenditure on investment properties	3	(2,644)	(1,160)
		(2,644)	(1,160)
Net cash used in investing activities			
Cash flows from financing activities			
Repayments of bank loans		(9,769)	(3,942)
Distribution to Unitholders		(44,621)	(35,481)
Interest paid		(8,595)	(10,864)
Increase in restricted cash		(53)	(1,192)
		(63,038)	(51,479)
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		146,550	146,147
Effect on exchange rate changes on cash and cash equivalents		(4,057)	2,762
		122,803	109,817
Cash and cash equivalents at end of the period			

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Statement of Portfolio
As at 30 June 2021**

Description of Property	Location	Tenure of Land	Remaining Term of Lease (Year)	Lease Expiry	Carrying Value as at 30 June 2021 RMB'000	Carrying Value as at 30 June 2021 \$'000	Percentage of Total Net Assets attributable to Unitholders as at 30 June 2021 %
Chongqing Liangjiang Outlets ¹	No. 1 Aotelaisi Road, Beibuxin District, Chongqing	Leasehold	25.9	2047	2,990,764	622,726	54.8
Chongqing Bishan Outlets ²	No. 9 Baiyang Road, Bishan District, Chongqing	Leasehold	30.3	2051	809,173	168,483	14.8
Hefei Outlets	No. 1888 Changning Avenue, Gaoxin District, Hefei, Anhui Province	Leasehold	32.1	2053	2,761,502	574,989	50.6
Kunming Outlets	No. 181 Aotelaisi Avenue, Anning City, Kunming, Yunnan Province	Leasehold	32.8	2054	1,593,257	331,742	29.2
Investment properties, at valuation					8,154,696	1,697,940	149.4
Other assets and liabilities (net)						(561,155)	(49.4)
Net assets attributable to Unitholders						1,136,785	100.0

¹ Formerly known as Chongqing Outlets

² Formerly known as Bishan Outlets

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Statement of Portfolio
As at 30 June 2021**

Description of Property	Location	Tenure of Land	Remaining Term of Lease (Year)	Lease Expiry	Carrying Value as at 31 December 2020 RMB'000	Carrying Value as at 31 December 2020 \$'000	Percentage of Total Net Assets attributable to Unitholders as at 31 December 2020 %
Chongqing Liangjiang Outlets ¹	No. 1 Aotelaisi Road, Beibuxin District, Chongqing	Leasehold	26.4	2047	2,982,000	604,696	54.7
Chongqing Bishan Outlets ²	No. 9 Baiyang Road, Bishan District, Chongqing	Leasehold	30.8	2051	809,000	164,051	14.8
Hefei Outlets	No. 1888 Changning Avenue, Gaoxin District, Hefei, Anhui Province	Leasehold	32.6	2053	2,758,000	559,273	50.6
Kunming Outlets	No. 181 Aotelaisi Avenue, Anning City, Kunming, Yunnan Province	Leasehold	33.3	2054	1,593,000	323,032	29.2
Investment properties, at valuation					8,142,000	1,651,052	149.3
Other assets and liabilities (net)						(545,638)	(49.3)
Net assets attributable to Unitholders						1,105,414	100.0

¹ Formerly known as Chongqing Outlets

² Formerly known as Bishan Outlets

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sasseur Real Estate Investment Trust and its subsidiaries

Unaudited Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2021

1. Corporate Information

Sasseur Real Estate Investment Trust (the “Trust”) is a Singapore real estate investment trust constituted pursuant to a trust deed dated 30 October 2017, as supplemented and amended by the First Supplemental Deed dated 19 March 2018 (the “Trust Deed”) made between Sasseur Asset Management Pte. Ltd. (the “Manager”) and DBS Trustee Limited (the “Trustee”). The trust deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust.

The Trust was constituted as a private trust on 30 October 2017 (“date of constitution”) and admitted to the Official List of Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 28 March 2018 (the “Listing Date”). The Trust was established to acquire an initial portfolio of four retail outlet malls located in People’s Republic of China (“PRC”) comprising Chongqing Outlets, Bishan Outlets, Hefei Outlets and Kunming Outlets (collectively, the “Initial Portfolio” or “Properties”). The Properties were acquired through the following steps.

On 16 November 2017, Sasseur Cayman Holding II Ltd. (the “Cayman Holdco”) and Sasseur Cayman Holding Limited (the “Sponsor”) entered into a sales and purchase agreement where the Cayman Holdco purchased the BVI Holding Companies (set out in Note 5) and in return, the Cayman Holdco issued its shares to the Sponsor as consideration for the BVI Holding Companies. On the same day, the Cayman Holdco then transferred the shares of the BVI Holding Companies to the Trust by entering into sales and purchase agreement where the Trust issued Consideration Units to the Cayman Holdco as purchase consideration for the BVI Holding Companies. The Trust then incorporated a wholly-owned subsidiary, Sasseur Singapore Holdings Pte. Ltd. (“Singapore Holdco”) and Singapore Holdco issued its shares as consideration for the transfer of shares of the BVI Holding Companies. As a result, the Trust owns 100% interest in the Singapore Holdco, which in turns owns 100% of the interest in the BVI Holding Companies, which indirectly owns the Properties.

The registered office of the Manager is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The principal place of business is located at 7 Temasek Boulevard, #06-05, Suntec Tower One, Singapore 038987.

The principal activity of the Trust is to invest principally, directly or indirectly, in a diversified portfolio of income-producing real estate, primarily comprised retail outlet malls, as well as real estate related assets, with an initial focus in Asia.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with FRS 34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore, the recommendations of Statement of Recommended Accounting Practice (“RAP”) 7 *Reporting Framework for Investment Funds* applicable to interim financial statements issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards (“FRS”).

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

Sasseur Real Estate Investment Trust and its subsidiaries

Unaudited Notes to the Financial Statements For the six months ended 30 June 2021

2. Basis of preparation (continued)

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with FRSs, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Trust's functional currency.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

The Group and the Trust have adopted the following amendments to FRS, that is effective for the financial periods beginning on 1 January 2021:-

Description	Effective for annual periods beginning on or after
Amendments to FRS 16 Covid-19 Related Rent Concessions	1 June 2020
Amendments to FRS9, FRS1-39, FRS7, FRS4, FRS16: Interest Rate Benchmark Reform – Phase 2	1 January 2021

The adoption of the amendments to FRS did not have any material financial impact on the financial statements of the Group and the Trust for the financial period ended 30 June 2021.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period is included in Note 10.

2.3 Seasonal operations

The Group's businesses are not disrupted significantly by seasonal or cyclical factors during the financial period.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021**

3. Investment properties

	Group	
	30 June 2021	31 December 2020
	\$'000	\$'000
<u>Consolidated Statement of Financial Position</u>		
At 1 January	1,651,052	1,587,197
Adjustments to pre-IPO accrued costs capitalised ¹	–	(2,841)
Capital expenditure incurred	2,644	4,691
Change in fair value of investment properties	–	(15,798)
Exchange differences	44,244	77,803
	1,697,940	1,651,052
<u>Consolidated Statement of Total Return</u>		
Change in fair value of investment properties	–	(15,798)
Net effect of straight-line adjustments ²	(3,632)	(9,490)
Fair value adjustments to investment properties recognised in the Consolidated Statement of Total Return	(3,632)	(25,288)

¹ Adjustments to pre-IPO accrued costs capitalised in 2020 comprised mainly the adjustment for over-accrued liabilities for Hefei's initial portfolio at IPO whereby the amount of RMB 13.9 million was waived off by a creditor in July 2020.

² Arising from accounting for EMA rental income on a straight-line basis, the difference between revenue recognised and the contractual cash flows is included in the carrying value of the investment properties and subsequently adjusted to the fair value adjustments to investment properties recognised in the Consolidated Statement of Total Return.

Investment properties comprise retail properties which are leased to external tenants.

Carrying values of investment properties

Investment properties are stated at fair value based on valuations performed as at 31 December 2020, adjusted for capital expenditure incurred subsequent to the valuation date and translation differences. The valuations were performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer with a recognised and relevant professional qualification and with a recent experience in the location and category of the properties being valued.

Management is of the view that there was no indication of material changes to the carrying values of the investment properties as at 30 June 2021.

Properties pledged as security

As at 30 June 2021 and 31 December 2020, all investment properties are pledged as security to secure bank loans (see Note 4).

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021**

4. Loans and borrowings

	Group		Trust	
	30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Secured bank loans	516,402	518,510	240,902	247,462
Less: Unamortised transaction costs	(11,275)	(14,256)	(5,427)	(6,978)
	505,127	504,254	235,475	240,484
Non-current	502,765	501,895	235,475	240,484
Current	2,362	2,359	-	-
	505,127	504,254	235,475	240,484

The Group through its subsidiaries, Chongqing Sasseur Suge Apparel Joint Stock Co., Ltd., Sasseur (Chongqing) Business Co., Ltd., Hefei Sasseur Commercial Management Co., Ltd. and Kunming Sasseur Commercial Management Co., Ltd. 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 onshore term loans have been partially repaid in September 2020 and pared down to RMB 1,337 million. Accordingly, the semi-annual repayments have been reduced to 1% of pared down loan principal.

The Trust has also put in place offshore loans, which after refinancing in September 2020, comprise of term loans of \$214 million and US\$20 million and revolving loan of \$8 million (collectively the "offshore loans").

As at 30 June 2021, the Group has drawn down all these term loans and had unutilised revolving loan of \$8 million (31 December 2020: \$1 million) available to meet its future obligations. The offshore loans were hedged using floating-for-fixed interest rate swaps and cross currency swap.

The weighted average cost of borrowings is 4.4% (31 December 2020: 4.9%) per annum.

The Group's secured bank borrowings are generally secured by:

- (a) mortgages on the borrowing subsidiaries' investment properties (see Note 3) and
- (b) assignment of all rights, titles and benefits with respect to the properties mortgaged.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021**

5. Units in issue and to be issued

	30 June 2021		31 December 2020	
	Group and Trust		Group and Trust	
	Number of Units '000	\$'000	Number of Units '000	\$'000
At beginning of the period	1,206,539	762,307	1,196,495	829,699
Issue of Units:				
- Manager's management fees paid in Units	5,576	4,735	10,044	7,489
- Distribution to Unitholders	-	(44,621)	-	(74,881)
Total issued Units at end of the period	1,212,115	722,421	1,206,539	762,307
Units to be issued:				
- Manager's management fees payable in Units	2,320	2,173	2,873	2,371
Total Units issued and to be issued at end of the period	1,214,435	724,594	1,209,412	764,678

6. EMA rental income

	6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000
EMA rental income	66,123	57,952

EMA rental income is accounted for on a straight-line basis over the lease term. Excluding net effect of straight-line adjustments, EMA rental income is \$62,491,000 (6 months ended 30 June 2020: \$53,233,000) (Note 11).

7. Finance costs

Included in the effective interest expenses on borrowings are the following:

	6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000
Interest expenses on loans and borrowings	8,660	10,829
Amortisation of borrowing-related transaction costs	3,151	2,605
Other borrowing costs	127	124
	11,938	13,558

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021**

8. Tax expense

The major components of tax expense are:

	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Current tax expense		
Current period	7,168	5,819
(Over)/under provision in prior years	(164)	219
	<hr/> 7,004	<hr/> 6,038
Deferred tax expense		
Movement in temporary differences	1,311	853
	<hr/> 8,315	<hr/> 6,891

9. Earnings per unit

	Group	
	6 months ended 30 June 2021 cents	6 months ended 30 June 2020 cents
Basic and diluted earnings per Unit	3.315	2.317

Basic earnings per Unit is calculated by dividing the total return for the period after tax against the weighted average number of Units for the period:

	Group	
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
Total return after tax	40,059	28,410

	Group	
	6 months ended 30 June 2021 Number of Units '000	6 months ended 30 June 2020 Number of Units '000
Weighted average number of Units	1,208,384	1,198,261

Sasseur Real Estate Investment Trust and its subsidiaries

Unaudited Notes to the Financial Statements For the six months ended 30 June 2021

9. Earnings per unit (continued)

The computation of basic and diluted earnings per Unit is based on the weighted average number of units in issue for the respective reporting periods.

The diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the year.

10. Fair values of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Sasseur Real Estate Investment Trust and its subsidiaries

Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021

10. Fair values of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value

The following table shows the classification of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group 30 June 2021	Fair value		
	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value			
Non-financial assets			
Investment properties			
- <i>Retail outlet malls</i>	–	1,697,940	1,697,940
Total non-financial assets	–	1,697,940	1,697,940
Liabilities measured at fair value			
Financial liabilities			
Derivative financial instruments			
- <i>Interest rate swaps</i>	44	–	44
- <i>Cross currency swap</i>	20	–	20
Total financial liabilities	64	–	64
Group 31 December 2020			
Assets measured at fair value			
Non-financial assets			
Investment properties			
- <i>Retail outlet malls</i>	–	1,651,052	1,651,052
Total non-financial assets	–	1,651,052	1,651,052
Liabilities measured at fair value			
Financial liabilities			
Derivative financial instruments			
- <i>Interest rate swaps</i>	25	–	245
- <i>Cross currency swap</i>	31	–	31
Total financial liabilities	276	–	276

10. Fair values of assets and liabilities (continued)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurements for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivative financial instruments

The fair values of interest rate swaps and cross currency swap are based on valuations provided by the financial institutions that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates or exchange rates, where applicable, for a similar financial instrument at the measurement date.

(d) Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 fair value measurements

Investment properties

Investment properties are stated at fair value based on independent valuations performed by Jones Lang Lasalle Corporate Appraisal and Advisory Limited as at 31 December 2020, adjusted for capital expenditure incurred subsequent to the valuation date and translation differences. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The valuation reports for 31 December 2020 have highlighted estimation uncertainty arising from the COVID-19 pandemic and a higher degree of caution is to be exercised when relying on the valuations. The valuations were based on information available and market conditions as at 31 December 2020. Values may change subsequently as the impact of COVID-19 is fluid and continues to evolve. The Manager will continue to monitor the situation and seek professional advice on the property values as and when necessary.

The fair values were generally calculated using the Discounted Cash Flow ("DCF") approach. The DCF approach calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. The DCF approach converts the earnings of a property into an estimate of value. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation techniques used in determining the fair value involve certain estimates including those relating to discount rates and rental rates per square foot, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation techniques and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised under Level 3 of the fair value hierarchy based on the inputs to the valuation technique used.

Sasseur Real Estate Investment Trust and its subsidiaries

Unaudited Notes to the Financial Statements For the six months ended 30 June 2021

11. Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group, if the Sponsor has the direct and indirect ability to control the parties, jointly control or exercise significant influence over the parties in making financial and operating decisions. Related parties may be individuals or other entities.

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the period, in addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	\$'000	\$'000
EMA rental income received/receivable from Entrusted Manager (Note 6)	62,491	53,233
Manager's management fees paid/payable	6,908	5,366
Trustee's fees paid/payable	167	161

12. Financial ratios

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	%	%
Ratio of expenses to weighted average net assets ¹		
- Including performance component of the Manager's management fees	1.01	0.83
- Excluding performance component of the Manager's management fees	1.01	0.83
Portfolio turnover rate ²	–	–

¹ The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses of the Group, excluding finance costs, exchange differences and tax expense.

² The annualised ratio is computed based on the lower of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

Sasseur Real Estate Investment Trust and its subsidiaries

Unaudited Notes to the Financial Statements For the six months ended 30 June 2021

13. Operating segments

For the purpose of making resource allocation decisions and the assessment of segment performance, the Manager reviews internal management reports of the Group's investment properties. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

The Group's reportable segments are investment properties located in PRC used primarily for retail purposes. The Group has four reportable segments as follows:

- (a) Chongqing Sasseur Suge Apparel Joint Stock Co., Ltd. ("Chongqing Outlets")
- (b) Sasseur (Chongqing) Business Co., Ltd. ("Bishan Outlets")
- (c) Hefei Sasseur Commercial Management Co., Ltd. ("Hefei Outlets")
- (d) Kunming Sasseur Commercial Management Co., Ltd. ("Kunming Outlets")

Segment revenue comprises mainly income generated under the Entrusted Management Agreement ("EMA") and is reported to the Manager for the purpose of assessment of segment performance. In addition, the Manager monitors the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the Manager's management fee, trustee's fees, trust expenses, finance income, finance costs, tax expense, exchange differences and related assets and liabilities.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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**Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021**

13. Operating segments (continued)

Information regarding the Group's reportable segments is presented in the tables below:

Segment results

6 months ended 30 June 2021 Group	Chongqing Outlets \$'000	Bishan Outlets \$'000	Hefei Outlets \$'000	Kunming Outlets \$'000	Unallocated \$'000	Total \$'000
EMA rental income	29,430	6,025	18,385	12,283	–	66,123
Manager's management fees	–	–	–	–	(4,357)	(4,537)
Trustee's fees	–	–	–	–	(167)	(167)
Other trust expenses						
- Other income	18	15	34	21	–	88
- Other expenses	(94)	(2)	(12)	(18)	(918)	(1,044)
Finance income	–	–	–	–	52	52
Finance costs	(4,591)	(890)	(1,765)	(1,057)	(3,635)	(11,938)
Exchange differences	–	*	38	*	3,179	3,217
Change in fair value of financial derivatives	–	–	–	–	212	212
Total return before fair value adjustments to investment properties and tax	24,763	5,148	16,680	11,229	(5,814)	52,006
Fair value adjustments to investment properties	(1,613)	(329)	(1,031)	(659)	–	(3,632)
Total return for the period before tax	23,150	4,819	15,649	10,570	(5,814)	48,374
Tax expense					(8,315)	(8,315)
Total return for the period					(14,129)	40,059
Segment assets	679,198	179,469	610,257	348,305	40,262	1,857,491
Segment liabilities	233,169	43,031	137,542	69,319	237,646	720,707
Other segment information:						
Capital expenditure	1,825	36	729	54	–	2,644

* Denote amounts less than \$1,000.

Sasseur Real Estate Investment Trust and its subsidiaries

**Unaudited Notes to the Financial Statements
For the six months ended 30 June 2021**

13. Operating segments (continued)

Segment results (continued)

6 months ended 30 June 2020 Group	Chongqing Outlets \$'000	Bishan Outlets \$'000	Hefei Outlets \$'000	Kunming Outlets \$'000	Unallocated \$'000	Total \$'000
EMA rental income	25,151	5,282	16,652	10,867	–	57,952
Manager's management fees	–	–	–	–	(3,416)	(3,416)
Trustee's fees	–	–	–	–	(161)	(161)
Other trust expenses						
- Other income	41	12	6	59	–	118
- Other expenses	*	(3)	(1)	(70)	(1,013)	(1,087)
Finance income	–	–	–	–	58	58
Finance costs	(6,224)	(1,335)	(2,063)	(1,305)	(2,631)	(13,558)
Exchange differences	–	*	243	*	(70)	173
Change in fair value of financial derivatives	–	–	–	–	(59)	(59)
Total return before fair value adjustments to investment properties and tax	18,968	3,956	14,837	9,551	(7,292)	40,020
Fair value adjustments to investment properties	(2,096)	(428)	(1,339)	(856)	–	(4,719)
Total return for the period before tax	16,872	3,528	13,498	8,695	(7,292)	35,301
Tax expense					(6,891)	(6,891)
Total return for the period					(14,183)	28,410
Segment assets	641,942	168,956	580,901	335,907	36,643	1,764,349
Segment liabilities	281,206	57,883	138,483	74,479	125,308	677,359
Other segment information:						
Capital expenditure	763	38	280	79	–	1,160

* Denote amounts less than \$1,000.

14. Subsequent event

On 13 August 2021, the Manager declared a distribution of 1.614 cents per Unit for the period from 1 April 2021 to 30 June 2021.