



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

**FY2020 ANNUAL GENERAL MEETING
RESPONSES TO KEY QUESTIONS FROM UNITHOLDERS**

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 held on 22 April 2021. The Manager’s responses to the key questions from Unitholders can be found in the Appendix to this announcement.
2. As there was some overlap between questions from the Unitholders, 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, Investments and Asset Enhancement Initiatives
 - (iii) Financial and Capital Management
 - (iv) Others
3. For transparency, the key questions received from Unitholders are listed in **Appendix 2** below. The Manager will address the key questions during the AGM presentation.

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

Anthony Ang Meng Huat
Chief Executive Officer
22 April 2021

*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. Any acquisition from Sponsor for this financial year? Are there any M&A plans for Sasseur REIT? What is Sasseur REIT's vision in the next 3 to 5 years?

- Due to the high growth nature of Sasseur Outlet malls' sales in China, yearly distributable income for the REIT has continued to grow since IPO even without any acquisition.
- Nonetheless, we are always on the lookout for good, accretive acquisitions to achieve our vision of becoming a world-class premier outlet mall REIT in Asia over the next three to five years.
- Since the REIT's listing in March 2018, our Sponsor's pipeline assets have expanded across multiple cities in China, providing the REIT a pipeline of 12 assets to date. The Manager has been actively reviewing this pipeline of assets which are at different stages of growth in terms of their suitability as acquisition targets. While we may look beyond China for opportunities to diversify the REIT's portfolio should there be good opportunities, acquisition of new assets in China remains a priority for Sasseur REIT. We hope to expand the REIT's portfolio in China, to continue building upon Sasseur REIT's strong presence in China's outlets market, where domestic consumption is expected to remain fairly robust in the years ahead.
- We are committed to continue adding value to our unitholders through proactive asset management and seeks to grow the REIT through accretive acquisitions of good quality assets when the opportunity arises.

Operations, Investments and Asset Enhancement Initiatives

2. What are the steps taken to enhance the company's portfolio resilience amid elevated volatility across economies and industries movements?

We have taken several steps to increase our market share in China's outlet industry, which is still at a nascent stage of growth as shown from the sector's robust expansion of sales and quick recovery after the recent disruption.

- a) Digital Marketing - The COVID-19 pandemic ("pandemic") which broke out in early 2020 had accelerated our digital marketing strategies and provided us with the opportunity to focus our efforts on building our omni-channel platforms which enabled us to actively engage our customer base even during the period when the REIT's outlet malls had to close temporarily due to the pandemic.
- b) Tenant Mix - We monitor the fast-changing consumer trends closely, and have been actively optimising the mix of tenants in the four outlet malls to best cater to our consumers' preferences.
- c) Asset Enhancement Initiatives ("AEI") - We have also been constantly refreshing our experiential and retailing concepts through AEI and space optimisation, with Sasseur's "1+N" Super Outlets model at the core of our shopping concepts. For example, Our Hefei Outlet recently undergone an asset enhancement initiative and we have designed Block B as a

sports-themed section to cater to the growing demand for sports fashion, equipment and accessories.

- d) Value for money / experiential shopping - Combined with our ability to offer value for money deals, we have continued to attract shoppers to our malls, demonstrating resilience through the various economic and pandemic cycles (as evidenced by our malls' robust recoveries in 2008 and 2020). Sasseur Outlets' unique destination-shopping positioning offers families experiential lifestyle and recreational activities on top of value for money outlet shopping has continued to draw shoppers making repeat visits to our outlets.

3. Why does Bishan Outlets have lower occupancy as compared to other outlets? What steps are being taken to improve its occupancy?

- Bishan Outlet has always had a lower occupancy compared to the other outlets since IPO. The key factors affecting the occupancy were negative impact of the pandemic and a major reconfiguration exercise of lettable space carried out by the Entrusted Manager. This exercise had resulted in down-time due to fit-out period for new tenants. The objective of this exercise is to reposition the outlet mall by improving the tenants' mix and offerings to suit the changing preference of our consumers. Though occupancy was lower compared to other outlet malls, this has not impacted Bishan Outlets' sales, which had consistently outperformed its budget since IPO.
- The operational teams of Chongqing Outlets ("CQ") and Bishan Outlets ("BS") have merged since the beginning of 2021 in an effort to streamline the workflow and benefit from economies of scale of an enlarged team. This will allow BS to attract popular brands in CQ to set-up an additional shop and offer a more diverse range of products at BS. We believed this will boost the occupancy and sales performance of BS over time.

4. Is there still rental relief in place for tenants? If so, how many are there and when will the rental relief cease?

Retail relief in the form of property management fees and some other fees were granted during the period of the closure of our outlets, from January to March 2020, and has since stopped as sales in the outlets rebounded strongly when the outlets re-opened.

5. With regard to EMA Resultant Rent, could the Manager explain the methodology in applying a different variable component percentage to each property (i.e., 4% Chongqing, 4.5% Bishan, 5.5% Hefei, 5% Kunming) instead of applying the same rate throughout all the properties?

The variable component percentage of each outlet was decided in agreement with the Sponsor during IPO. As Chongqing Outlets was the most mature outlet with a larger revenue base, the variable component percentage was lower at 4%, while the younger outlets were accorded higher percentage as their revenue bases were smaller but have potential for more rapid growth. In this way, it will benefit the REIT as the newer outlets slowly mature over the years.

Financial and Capital Management

6. What are the steps taken to enhance the company's portfolio resilience amid elevated volatility in currencies movements?

Several steps have been taken to mitigate the Group's foreign currency risk exposure. These include entering into forward currency contracts to hedge at least 50% of the RMB-denominated cash flows from operations against payment of distribution in SGD and through natural hedges using RMB financing to fund its RMB denominated assets where possible.

7. It is stated that 52% of the borrowings are RMB denominated. Please also provide the percentage of borrowings that are SGD denominated and USD denominated respectively etc. Why does Sasseur REIT have loans in USD? Does it pose additional forex risks?

As at 31 December 2020, RMB and SGD loans constituted about 52% and 43% of the total borrowings of the REIT group respectively, with the remaining 5% denominated in USD which was at the request by one of the offshore loan's lenders. To manage its exposure to interest rate and foreign currency risks, 100% of the USD denominated loan has been hedged using a cross-currency swap contract.

8. Are there plans to lever up Sasseur REIT to a higher but still comfortable gearing level, e.g., 35%, as some may argue that being at 27.9% is an easy way to manage a balance sheet?

As discussed in Question 1, we are constantly on the lookout for and are committed to seek for acquisitions that are accretive. The current gearing level provides debt headroom of up to S\$823 million based on regulatory gearing limit of 50%. As a matter of long-term financial prudence, Sasseur REIT aims to maintain a gearing ratio of below 45%.

Others

9. Could you provide an update on the development of the four outlet malls in terms of:

a) Any major infrastructure projects and when are these going to be completed? (for example, new expressways, train or mass rapid transit stations nearby)

- Chinese government has approved the construction of the Chongqing-Chengdu railway¹, which forms part of the Shanghai-Chengdu highspeed railway which will reduce the travelling time from Chengdu to Chongqing to about 40 minutes.
- The new railway will provide Chengdu residents greater accessibility to Chongqing, and we expect more people to visit Chongqing. With Sasseur Chongqing Outlets located just 35 minutes' drive from the train station, we expect that some of these visitors will visit our Chongqing Outlets and contribute to the increased sales.
- Chongqing is also a transit hub for another high-speed railway from Xi'an to Kunming. Sasseur Outlets in these two cities are well positioned to capture more sales from the greater human traffic flow between the cities.

¹ Reuters article dated 12 Nov 2020

b) Competitive landscape (any new shopping or outlet malls nearby or any shopping malls closing)?

There are two new outlet malls which opened recently in Chongqing and Kunming.

- In Chongqing, a new outlet named Florentia Village began its phase 1 opening in February 2021. It is about 27 km and 35 minutes' drive from Sasseur Chongqing Outlets.
- In Kunming, Capital Outlets opened in December 2020, and is about 24 km and 35 minutes' drive from Sasseur Kunming Outlets.
- The Sasseur REIT team and the Entrusted Manager have been monitoring these developments, and have been pro-actively managing our tenants and trade mix to ensure that the REIT's assets remain competitive against the new players.

c) Government initiatives (policies that attract new investment into the region where the outlet malls are located, new tax incentives for outlet malls etc.)?

There have been several government initiatives which have benefitted Sasseur REIT.

- Firstly, e-shopping vouchers issued by the provincial governments have spurred consumer spending at our outlets.
- Secondly, tax reductions for businesses have also helped to lower our tax expenditure this year. We do not expect the tax reduction to continue as China's economy has since recovered from the pandemic.
- Lastly, the overall policy from the Chinese government has been to encourage domestic consumption; we have been monitoring its impact on consumer demand and preferences, and are confident that our outlets are well-placed to benefit from such increased demands.

10. Please elaborate how these changes in China consumer behaviour affect Sasseur REIT:

a) Increase in popularity of China brands as compared to overseas products.

- Given that Sasseur Outlets' main clientele are local residents, and approximately 70% of the brands in our outlets by gross revenue are domestic brands, the increase in popularity of China brands have been beneficial to the performance of Sasseur REIT's outlets.
- The rise in popularity could be due to the deeper market knowledge by domestic brands, which are more able to adjust their products to better suit the preference of the Chinese consumers and offer more attractive value for money purchases.
- As Sasseur Group is a leading outlet mall operator in China, it is at the fore-front of detecting and responding to meet changing consumer trends, reconfiguring our trade mix constantly to offer the most desirable domestic brands to our customers.
- China's luxury goods domestic sales have seen strong growth, thanks to a rebound in domestic consumption, and in line with the growing demand of the Chinese consumers for luxury goods. The Millennials and Gen Z Chinese consumers are also contributing to an expansion of our customer base. Travel restrictions during the pandemic had also prompted

Chinese consumers to make their luxury purchases locally. According to a report by Bain and Co², China's luxury market is set to make up half of global luxury spending by 2025, and will be three times larger than that of the American outlets market.

- As such, many luxury brands are keen to continue to expand into the Chinese market, and our outlets stand to benefit as we are able to provide direct access to and offer value for money merchandise of these brands.

b) Any change in perception of outlet malls which sell out of season premium products as China consumers become increasing affluent?

- Consumers are always on the lookout for value for money deals, and that is a key value proposition offered by Sasseur outlets. China's dual circulation policy has spurred domestic consumption; and consumers will naturally look for good deals to stretch their money during this period, and our outlets are well-placed to benefit from this development. Sasseur is also setting up an enhanced online platform, so as to attract more online users to patronise our outlets.
- We have also observed that younger, tech-savvy consumers are shopping differently; many Gen Z and millennial shoppers look for luxury goods via e-commerce or social media platforms. Of these shoppers, nearly three-quarters of them have indicated they would increase or maintain their luxury spending in 2021³.
- In response, Sasseur REIT has increased our efforts on digital marketing, including the use of live-streaming events via social platforms such as WeChat and TikTok to reach out to these customers and publicise events at our outlets.

c) Increased interest in sporting events (does Sasseur intend to sell more sporting goods and portable equipment)?

- Our sports segment has consistently seen good growth in sales and is one of our focus areas. Our Hefei Outlet recently undertook an asset enhancement initiative and we had designated Block B as a sports-themed section to cater to the growing demand for sports fashion, equipment and accessories. On a portfolio basis, the proportion of net lettable area for the sports' segment has increased from 8% in 1Q 2019 to 10.9% in 4Q 2020.

11. Would the Manager revert back to in-person AGMs should the safe distancing measures be lifted by SGX? If not, how would shareholder engagement improve for virtual AGMs?

The Manager intends to revert back to in-person AGM once the restrictions are lifted by relevant regulators and authorities, and when it is deemed safe for the public to attend large scale meetings. The Manager would be guided by SGX and other relevant authorities in this aspect. In the event virtual AGM still remains as the default format next year, the Manager will explore options to enhance the communication with our unitholders.

² Dated for Year 2020

³ Bain & Co.report dated 16 Dec 2020

APPENDIX 2

List of key questions received from Unitholders for FY2020 AGM

1	Any acquisition from Sponsor for this financial year? Are there any M&A plans for Sasseur REIT? What is Sasseur REIT's vision in the next 3 to 5 years?
2	What are the steps taken to enhance company's portfolio resilience amid elevated volatility across economies and industries movements?
3	Why does Bishan Outlets have lower occupancy as compared to other outlets? What steps are being taken to improve its occupancy?
4	Is there still rental relief in place for tenants? If so, how many are there and when will the rental relief cease?
5	With regard to EMA Resultant Rent, could the Manager explain the methodology in applying a different variable component percentage to each property (i.e., 4% Chongqing, 4.5% Bishan, 5.5% Hefei, 5% Kunming) instead of applying the same rate throughout all the properties?
6	What are the steps taken to enhance the company's portfolio resilience amid elevated volatility in currencies movements?
7	It is stated that 52% of the borrowings are RMB denominated. Please also provide the percentage of borrowings that are SGD denominated and USD denominated respectively etc. Why does Sasseur REIT have loans in USD? Does it pose as additional forex risks?
8	Are there plans to lever up Sasseur REIT to a higher but still comfortable gearing level, e.g., 35%, as some may argue that being at 27.9% is an easy way to manage a balance sheet?
9	Could you provide an update on the development of the four outlet malls in terms of: <ul style="list-style-type: none"> a) Any major infrastructure projects and when are these going to be completed? (for example, new expressways, train or mass rapid transit stations nearby) b) Competitive landscape (any new shopping or outlet malls nearby or any shopping malls closing)? c) Government initiatives (policies that attract new investment into the region where the outlet malls are located, new tax incentives for outlet malls etc.)?
10	Please elaborate how these changes in China consumer behaviour affect Sasseur REIT: <ul style="list-style-type: none"> a) Increase in popularity of China brands as compared to overseas products. b) Any change in perception of outlet malls which sell out of season premium products as China consumers become increasing affluent? c) Increased interest in sporting events (does Sasseur intend to sell more sporting goods and portable equipment)?
11	Would the Manager revert back to in-person AGMs should the safe distancing measures be lifted by SGX? If not, how would shareholder engagement improve for virtual AGMs?