



SASSEUR REAL ESTATE INVESTMENT TRUST
Unaudited Financial Statements Announcement
For the Half Year Ended 30 June 2022

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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 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 REIT 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 to invest 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 strategically located in the People’s Republic of China (“**PRC**”):

- **Chongqing Liangjiang Outlets (formerly known as Chongqing Outlets)**

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

- **Chongqing Bishan Outlets (formerly known as Bishan Outlets)**

Chongqing 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. Chongqing 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 PUMA). In addition to the foregoing, there are several family friendly food and beverage outlets in Chongqing Bishan Outlets. Chongqing Bishan Outlets is a trendy and exciting meeting point for the family and young. This property is located in the west of Chongqing. As the closest district to the downtown area of Chongqing, 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 the 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 the shopper experiential experience. 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 unaudited financial results for the financial period from 1 January 2022 to 30 June 2022 (“**1H 2022**”).

Distribution Policy

Sasseur REIT makes distribution to the Unitholders on a 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

	1H 2022 ⁽¹⁾ S\$'000	1H 2021 ⁽¹⁾ S\$'000	Change %
EMA rental income	65,873	66,123	(0.4)
EMA rental income (exclude straight-line adjustments)	63,497	62,491	1.6
Income available for distribution to Unitholders	45,069	45,373	(0.7)
Distribution per Unit ("DPU") (cents) ⁽²⁾⁽³⁾	3.410	3.373	1.1

Notes:

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

1H 2022	1H 2021	Change %
4.7535	4.8516	(2.0)

- (2) The DPU of 3.410 Singapore cents is equivalent to 16.209 Renminbi cents for 1H 2022.
- (3) For 1H 2022, approximately S\$3.3 million (1H 2021: S\$4.5 million) of the income available for distribution has been retained for working capital purposes.

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

	Note	REIT Group		
		1H 2022 S\$'000	1H 2021 S\$'000	Change %
<u>Consolidated Statement of Total Return</u>				
EMA rental income	1	65,873	66,123	(0.4)
Manager's management fees ⁽¹⁾	2	(4,507)	(4,537)	0.7
Trust expenses	3	(758)	(1,123)	32.5
Finance income		58	52	11.5
Finance costs	4	(12,338)	(11,938)	(3.4)
Exchange differences	5	(959)	3,217	n.m.
Change in fair value of financial derivatives	6	364	212	71.7
Total return before fair value adjustments to investment properties and tax		47,733	52,006	(8.2)
Fair value adjustments to investment properties	7	(2,376)	(3,632)	34.6
Total return before tax		45,357	48,374	(6.2)
Tax expense	8	(9,616)	(8,315)	(15.6)
Total return after tax		35,741	40,059	(10.8)
Total return after tax attributable to:				
Unitholders		35,741	40,059	(10.8)
<u>Distribution Statement</u>				
Total return attributable to Unitholders		35,741	40,059	(10.8)
Distribution adjustments	9	9,328	5,314	75.5
Income available for distribution to Unitholders		45,069	45,373	(0.7)
Less: Amount retained ⁽²⁾		(3,344)	(4,537)	26.3
Amount available for distribution to Unitholders		41,725	40,836	2.2

n.m. – Not meaningful

Footnotes:

(1) The Manager has elected to receive 100% of its management fees in the form of Units for 1H 2022 and 1H 2021.

(2) For 1H 2022, approximately S\$3.3 million (1H 2021: S\$4.5 million) of the income available for distribution has been retained for working capital purposes.

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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:

	1H 2022 S\$'000	1H 2021 S\$'000	Change %
EMA rental income	65,873	66,123	(0.4)
Straight-line adjustments (Note 7)	(2,376)	(3,632)	(34.6)
EMA rental income (exclude straight-line adjustments)	63,497	62,491	1.6

Straight-line adjustments relate to straight-lining of the 3% annual escalation of the fixed component of EMA rental income over the EMA tenure in accordance with the principles of Financial Reporting Standard 116 *Leases*.

- 2 This consists of manager's base fees calculated at 10.0% per annum of the income available for distribution to Unitholders.
- 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. Trust expenses for 1H 2022 were lower than 1H 2021 by S\$0.4 million or 32.5%, mainly due to over provision of professional fees in 1H 2021.
- 4 Finance costs comprise the following:

	1H 2022 S\$'000	1H 2021 S\$'000	Change %
Interest expenses on borrowings	8,942	8,660	3.3
Other borrowing costs	149	127	17.3
Amortisation of borrowing-related transaction costs	3,247	3,151	3.0
	12,338	11,938	3.4

Finance costs for 1H 2022 were higher than 1H 2021 by S\$0.4 million or 3.4%. This was mainly due to the higher interest rates on unhedged portion of offshore loans for 1H 2022 as compared to 1H 2021.

- 5 This relates 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 and cross currency swap contracts which were entered into to hedge interest rate and foreign currency risks exposures. This has no impact on the income 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 income available for distribution to Unitholders.
- 8 Tax expense comprises income tax and deferred tax largely relating to the REIT Group's foreign subsidiaries.

	1H 2022 S\$'000	1H 2021 S\$'000	Change %
Income tax	8,284	7,004	18.3
Deferred tax	1,332	1,311	1.6
	9,616	8,315	15.6

Tax expense for 1H 2022 was higher than 1H 2021 by S\$1.3 million or 15.6%, mainly due to the absence of the reversal of over provision of income tax in the previous periods which was incurred in 1H 2021.

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9 Included in distribution adjustments are the following:

Distribution adjustments

Manager's management fees paid/payable in Units
Amortisation of borrowing-related transaction costs
Straight-line adjustments
Fair value adjustments to investment properties
Deferred tax expense
Unrealised exchange differences
Change in fair value of financial derivatives
Total distribution adjustments

1H 2022 S\$'000	1H 2021 S\$'000	Change %
4,507	4,537	(0.7)
3,247	3,151	3.0
(2,376)	(3,632)	34.6
2,376	3,632	(34.6)
1,332	1,311	1.6
606	(3,473)	n.m.
(364)	(212)	(71.7)
9,328	5,314	75.5

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1(b)(i) Statements of Financial Position

	Note	REIT Group		REIT	
		30 Jun 2022 ⁽¹⁾	31 Dec 2021 ⁽¹⁾	30 Jun 2022	31 Dec 2021
		S\$'000	S\$'000	S\$'000	S\$'000
Assets					
Non-current assets					
Investment properties	1	1,766,491	1,801,013	-	-
Interests in subsidiaries	2	-	-	1,089,551	1,101,028
		1,766,491	1,801,013	1,089,551	1,101,028
Current assets					
Prepayments, deposits and other receivables	3	23,117	29,065	834	877
Cash and short-term deposits	4	136,685	159,761	34,432	47,852
Derivative financial instruments		271	-	271	-
	7	160,073	188,826	35,537	48,729
Total assets		1,926,564	1,989,839	1,125,088	1,149,757
Liabilities					
Non-current liabilities					
Loans and borrowings	5	-	508,115	-	237,151
Deferred tax liabilities		114,254	115,805	-	-
		114,254	623,920	-	237,151
Current liabilities					
Other payables and accruals	6	98,325	123,177	936	791
Loans and borrowings	5	505,506	2,457	239,540	-
Derivative financial instruments		-	93	-	93
Tax payables		33,178	30,984	10	28
	7	637,009	156,711	240,486	912
Total liabilities		751,263	780,631	240,486	238,063
Net assets		1,175,301	1,209,208	884,602	911,694
Represented by:					
Unitholders' funds		1,175,301	1,209,208	884,602	911,694
Net asset value per Unit (S\$)		0.96	0.99	0.72	0.75

Footnote:

- (1) The results of the REIT Group's foreign subsidiaries were translated using the closing SGD:RMB rates of 1: 4.8170 and 1: 4.7179 as at 30 June 2022 and 31 December 2021 respectively.

Notes:

- 1 The carrying values of the investment properties as at 30 June 2022 were based on independent valuations performed by Savills Real Estate Valuation (Beijing) Limited as at 31 December 2021, adjusted for capital expenditure incurred subsequent to the valuation date and translation differences. 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 2022. The decrease is mainly due to lower translated value arising from depreciation of Renminbi against Singapore Dollar as compared to 31 December 2021.

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- 2 Interests in subsidiaries comprise the following:

	REIT	
	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000
Investments in subsidiaries	951,558	951,558
Amounts due from subsidiaries	137,993	149,470
	1,089,551	1,101,028

As at 30 June 2022, the non-trade amounts due from subsidiaries are unsecured, non-interest bearing and settlement is neither planned nor likely to occur in the foreseeable future. As the non-trade amounts due from subsidiaries are, in substance, a part of the REIT's net investment in the subsidiaries, it is stated at cost less accumulated impairment.

- 3 Prepayments, deposits and other receivables comprise the following:

	REIT Group		REIT	
	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000
Mid-term deposits ⁽ⁱ⁾	-	6,405	-	-
Refundable deposits	32	32	-	-
VAT/GST recoverables	7,079	7,701	749	843
Other receivables ⁽ⁱⁱ⁾	5,559	6,414	-	1
Amounts due from related parties (trade)	10,361	8,478	-	-
	23,031	29,030	749	844
Prepayments	86	35	85	33
	23,117	29,065	834	877

(i) This relates to deposits placed with financial institutions with maturity periods more than three months.

(ii) As at 30 June 2022, included in other receivables of the REIT Group is an amount of S\$3.2 million (31 December 2021: S\$3.5 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.

- 4 Included in cash and short-term deposits of the REIT Group is an amount of S\$77.0 million (31 December 2021: S\$102.0 million) relating to sale proceeds collected from customers on behalf of the tenants.
- 5 As at 30 June 2022, all the loans and borrowings were reclassified from non-current liabilities to current liabilities as these borrowings are due for repayment within the next 12 months from the reporting date (see Note 7 for further details).
- 6 Other payables and accruals comprise the following:

	REIT Group		REIT	
	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000
Refundable security deposits	8,070	8,415	-	-
Interest payables	566	440	427	267
VAT and other tax payables	207	1,432	-	-
Construction payables ⁽ⁱⁱⁱ⁾	4,259	4,229	-	-
Amounts due to subsidiaries (non-trade)	-	-	12	13
Amounts due to related parties (non-trade)	1,018	1,044	8	-
Accrued expenses	659	800	(2)	448
Property tax payables	735	659	-	-
Other payables ^(iv)	82,811	106,158	491	63
	98,325	123,177	936	791

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

(iv) Included in other payables is an amount of S\$77.0 million (31 December 2021: S\$102.0 million) relating to sale proceeds collected from customers on behalf of the tenants.

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- 7 As at 30 June 2022, the current liabilities of the Group and the REIT exceeded the current assets by S\$476.9 million and S\$204.9 million respectively. The Manager has been working closely with a group of financial institutions and is confident that, barring any unforeseen circumstances, the refinancing of the loans will be completed before their maturities.

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

	REIT Group		REIT	
	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000	30 Jun 2022 S\$'000	31 Dec 2021 S\$'000
Secured loans and borrowings				
- Amount repayable within one year	510,943	5,724	241,866	-
- Amount repayable after one year	-	512,895	-	241,028
	510,943	518,619	241,866	241,028
Less: Unamortised borrowing-related transaction costs	(5,437)	(8,047)	(2,326)	(3,877)
Total loans and borrowings, net of transaction costs	505,506	510,572	239,540	237,151

The REIT Group, through its PRC property subsidiaries, has put in place an aggregate amount of RMB 1,960 million 5-year onshore loans with repayment of 1% of initial loan principal semi-annually (the “**Onshore Loans**”). The Onshore Loans have been partially repaid in September 2020 and pared down to RMB 1,350 million as at 30 September 2020. Accordingly, the semi-annual repayments have been reduced to 1% of pared down loan principal.

The REIT also has existing offshore loans which comprise term loans of S\$214 million, US\$20 million and revolving credit facility of S\$8 million (collectively the “**Offshore Loans**”). Both the Onshore and Offshore loans will mature in March 2023.

As at 30 June 2022, the REIT has unutilised revolving credit facility of S\$8 million (31 December 2021: S\$8 million) available to meet its future obligations.

	REIT Group	
	30 Jun 2022	31 Dec 2021
Weighted average cost of borrowings	4.5%	4.4%
Interest coverage ratio ⁽ⁱ⁾ (times)	5.0	5.1
Aggregate leverage ratio	26.5%	26.1%

- ⁽ⁱ⁾ The interest coverage ratio is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding the effects of any fair value changes in financial instruments and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees (including amortisation of borrowing-related transaction costs).

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.

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1(c) Consolidated Statement of Cash Flows

	Note	REIT Group	
		1H 2022 S\$'000	1H 2021 S\$'000
Cash flows from operating activities			
Total return for the period before tax		45,357	48,374
<u>Adjustments for:</u>			
Manager's management fees paid/payable in Units		4,507	4,537
Straight-line adjustments		(2,376)	(3,632)
Change in fair value of investment properties		2,376	3,632
Change in fair value of financial derivatives		(364)	(212)
Finance costs		12,338	11,938
Finance income		(58)	(52)
Cash flows before changes in working capital		61,780	64,585
<u>Changes in working capital:</u>			
Prepayments, deposits and other receivables (exclude mid-term deposits)		(1,187)	4,389
Mid-term deposits	1	6,405	25,492
Other payables and accruals		(23,168)	(42,544)
Cash generated from operations		43,830	51,922
Tax paid		(5,236)	(5,982)
Interest received		58	52
Net cash generated from operating activities		38,652	45,992
Cash flows from investing activity			
Capital expenditure on investment properties		(2,530)	(2,644)
Net cash used in investing activity		(2,530)	(2,644)
Cash flows from financing activities			
Repayments of bank loans		(2,877)	(9,769)
Distribution to Unitholders		(45,394)	(44,621)
Interest paid		(8,701)	(8,595)
Increase in restricted cash		(855)	(53)
Net cash used in financing activities		(57,827)	(63,038)
Net decrease in cash and cash equivalents		(21,705)	(19,690)
Cash and cash equivalents at beginning of the period		152,421	146,550
Effect of exchange rate changes on cash and cash equivalents		(2,127)	(4,057)
Cash and cash equivalents at end of the period	2	128,589	122,803

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- 1 This relates to deposits placed with financial institutions with maturity periods of more than three months.
- 2 For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following:

Cash and short-term deposits
Less: Restricted cash ⁽ⁱ⁾
Cash and cash equivalents

REIT Group	
30 Jun 2022	30 Jun 2021
S\$'000	S\$'000
136,685	132,435
(8,096)	(9,632)
128,589	122,803

(i) This relates to cash balances which are used to secure bank facilities.

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

At beginning of the period

Operations

Change in Unitholders' funds resulting from operations before distribution

Net increase in net assets resulting from operations

Unitholders' transactions

Manager's management fees paid/payable in Units

Distribution to Unitholders

Net decrease in net assets resulting from Unitholders' transactions

Movement in foreign currency translation reserve

Total Unitholders' funds as at end of the period

REIT Group	
1H 2022	1H 2021
S\$'000	S\$'000
1,209,208	1,105,414
35,741	40,059
35,741	40,059
4,507	4,537
(45,394)	(44,621)
(40,887)	(40,084)
(28,761)	31,396
1,175,301	1,136,785

At beginning of the period

Operations

Change in Unitholders' funds resulting from operations before distribution

Net increase in net assets resulting from operations

Unitholders' transactions

Manager's management fees paid/payable in Units

Distribution to Unitholders

Net decrease in net assets resulting from Unitholders' transactions

Total Unitholders' funds as at end of the period

REIT	
1H 2022	1H 2021
S\$'000	S\$'000
911,694	891,837
13,795	32,618
13,795	32,618
4,507	4,537
(45,394)	(44,621)
(40,887)	(40,084)
884,602	884,371

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

Units in issue:

At beginning of the period

Manager's management fees paid in Units

Total Units in issue as at end of the period

Units to be issued:

Manager's management fees payable in Units ⁽¹⁾

Total Units to be issued as at end of the period

Total Units in issue and to be issued as at end of the period

REIT	
1H 2022 Units	1H 2021 Units
1,217,119,076	1,206,538,293
8,054,700	5,576,343
1,225,173,776	1,212,114,636
2,673,664	2,320,410
2,673,664	2,320,410
1,227,847,440	1,214,435,046

Footnote:

- (1) There are 2,673,664 Units to be issued in satisfaction of the Manager's management fees for the financial period from 1 April 2022 to 30 June 2022 based on the volume-weighted average price for the last 10 Business Days immediately preceding 30 June 2022 of S\$0.7603.

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 2022 and 31 December 2021. The total number of issued Units in Sasseur REIT was 1,225,173,776 as at 30 June 2022 (31 December 2021: 1,217,119,076).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury units 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 year as those of the audited financial statements for the financial year ended 31 December 2021.

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 year beginning on 1 January 2022. 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	
	1H 2022	1H 2021
EPU		
Weighted average number of Units in issue	1,220,163,326	1,208,383,596
Total return after tax (S\$'000)	35,741	40,059
Basic and diluted EPU ⁽¹⁾⁽²⁾ (cents)	2.929	3.315
DPU		
Number of Units in issue as at end of the period	1,225,173,776	1,212,114,636
Amount available for distribution to Unitholders (S\$'000)	41,725	40,836
DPU ⁽³⁾ (cents)	3.410	3.373

Footnotes:

- (1) The computation of basic and diluted EPU is based on the weighted average number of units in issue for the respective reporting period.
- (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 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Number of Units issued and to be issued	1,227,847,440	1,222,205,028	1,227,847,440	1,222,205,028
Net asset (S\$'000)	1,175,301	1,209,208	884,602	911,694
NAV and NTA per Unit ⁽¹⁾ (S\$)	0.96	0.99	0.72	0.75

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

1H 2022 vs 1H 2021

In RMB terms, total outlet sales for 1H 2022 were lower than that of 1H 2021 by RMB 155.1 million or 7.7%. Buying momentum continued in the first two months of 2022 with Chinese New Year promotions, but sales weakened starting from mid-March to end of May due to outbreaks of COVID-19 across certain cities in China, most notably Shanghai. The Chinese central government in its effort to stamp out COVID-19 outbreaks, imposed full-city lockdowns in Xian (Shaanxi Province), Yuzhou (Henan Province), Shenzhen (Guangdong Province) and Shanghai¹. It was estimated that 46 cities were in either full or partial lockdowns or had other district-wide curbs, such as strict mobility restrictions on residents which affected the lives of more than 343 million people². These restrictions had disrupted businesses and daily lives. The chain effect of lockdowns on the REIT's outlets sales was three-fold, namely, lower shopper traffic, weaker buying sentiments and insufficient inventory for popular retail brands.

¹ Dates obtained from Xian (22/12/2021 to 16/1/2022), Anyang (10/1 to 3/2/2022), Shenzhen (14/3 to 21/3/2022), Shanghai (1/4 to 1/6/2022) from "Reuters: China's Xian locks down its 13 mln residents as COVID-19 cases mount, published on 23 Dec 21", "BBC News: Yuzhou: Second Chinese city forced into Covid lockdown, published on 4 Jan 22", "people.cn: 河南禹州: 全域解封 转入常态化疫情防控, published on 1 Jan 22", "7NEWS: Shenzhen shutdown in China COVID surge, published on 14 Mar 22", "The Straits Times: Shenzhen lift citywide lockdown as Covid-19 situation seen controllable, published on 21 Mar 21", "The Guardian: Covid lockdown extended in Shanghai as outbreaks put economy on the skids, published on 1 Apr 22" and "NPR: Shanghai eases into gradually reopening from its COVID-19 lockdown, published on 31 May 22".

² Reuters "Factbox on China's zero-COVID policy in numbers"

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Impact on 1H 2022 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 marginal decline of RMB 1.4 million or 0.4% in EMA rental income (excluding straight-line adjustments) as compared to 1H 2021. In SGD terms, EMA rental income (excluding straight-line adjustments) for 1H 2022 was higher than 1H 2021 by S\$1.0 million or 1.6%, mainly due to the appreciation of Renminbi against Singapore Dollar as compared to 1H 2021.

Manager’s management fees for 1H 2022 were lower than 1H 2021 by 0.7%, mainly due to lower base fee which is in line with lower distributable income in 1H 2022.

Trust expenses for 1H 2022 were lower than 1H 2021 by S\$0.4 million or 32.5%, mainly due to over provision of professional fees in 1H 2021.

Finance costs for 1H 2022 were higher than 1H 2021 by S\$0.4 million or 3.4%. This was mainly due to the higher interest rates on unhedged portion of offshore loans for 1H 2022 as compared to 1H 2021.

Net fair value gain on financial derivatives of S\$0.4 million for 1H 2022 were attributable to the mark-to-market valuation of interest rate swap contracts which were entered into to hedge interest rate risk exposures.

Tax expense for 1H 2022 was higher than 1H 2021 by S\$1.3 million or 15.6%, mainly due to the absence of the reversal of over provision of income tax in the previous periods which was incurred in 1H 2021.

Income available for distribution to Unitholders before retention for 1H 2022 was S\$45.1 million, 0.7% lower compared to S\$45.4 million for 1H 2021.

For 1H 2022, approximately S\$3.3 million (1H 2021: S\$4.5 million) of the income available for distribution has been retained for working capital purposes. After cash retention, the amount to be distributed to Unitholders for 1H 2022 was S\$41.7 million, 2.2% higher compared to S\$40.8 million distributed to Unitholders for 1H 2021.

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’s COVID-19 Update

According to official data³, China has administered over 3.4 billion vaccine doses, fully inoculating more than 1.2 billion people or approximately 90% of its population. China is amongst the top 10 countries in the world, in terms of vaccination rates.

On 29 June 2022, the government announced that they will no longer require the indication in digital travel passes whether a person has recently visited cities with high risk of COVID-19 exposure, lifting a major hurdle for domestic travel and facilitating inter-city movements.

China is expected to continue to adopt a dynamic zero-COVID policy to implement swift and targeted measures, in order to prevent sporadic outbreaks from developing into a large-scale resurgence. In July 2022, several large Chinese cities including Shanghai, rolled out new mass testing or extended lockdowns on millions of residents to counter new clusters of COVID-19 infections. The Chinese government is likely to stick with its zero-COVID stance throughout 2022.

Market updates and outlook

China’s Gross Domestic Product (“GDP”) grew 0.4%⁴ in the second quarter of 2022 (“2Q 2022”) on a Year-on-Year (“Y-o-Y”) basis, as compared to +4.0% and +4.8% for the fourth quarter of 2021 and first quarter of 2022 respectively.

The muted growth came after a strong start in early 2022 and the 2Q 2022 GDP was the weakest in two years after dozens of cities including Shanghai, imposed lockdowns since early March 2022, to fight COVID-19 outbreaks. The World Bank has projected China’s real GDP growth to slow to 4.3%⁵ in 2022, 0.8 percentage

³ Our World in Data, 26 Jul 2022

⁴ National Bureau of Statistics of China, Press Release dated 15 Jul 2022

⁵ The World Bank, “China Economic Update, Jun 2022

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points lower than their last forecast and lower than the Chinese government's official growth target of 5.5%⁶. The World Bank expects China's economic growth momentum to rebound in the second half of 2022 given the government's aggressive policy stimulus to mitigate the economic downturn. China's government's economic priorities for the second half of 2022 would be to boost demand and enhance credit support to businesses in a bid to attain the best possible outcomes for economic growth this year⁶.

In June 2022, China's retail sales of consumer goods registered RMB 3.87 trillion, up 3.1% Y-o-Y, reversing declines seen in April and May⁷, amidst easing pandemic restrictions and macroeconomic policy support. For the period of January to June 2022, the retail sales of consumer goods registered RMB 21.04 trillion, a Y-o-Y dip of 0.7%.

According to a recent survey conducted by the China General Chamber of Commerce, the country's retail sector continued its recovery in July 2022, with an index tracking the retail sector's operation climbing 0.8 percentage points over June 2022 to 49.8 percent in July 2022⁸.

Chongqing Market Update

Chongqing achieved GDP of RMB 1,351.2 billion in the first half of 2022 (1H 2022) with a 4% Y-o-Y increase⁹. Total retail sales of consumer goods grew by 1.1% Y-o-Y for 1H 2022. No new outlets opened in Chongqing during 2Q 2022.

A retail mall known as T-CITY opened for business in May 2022, adding around 183,000 square metres (sqm) of new retail space to the existing stock of 7.6 million sqm¹⁰. In recent years, the uncertainty of the economic environment has prompted consumers to become more rational in consumption and accelerated the preference for branded discounted goods. This has resulted in more of such discounted brands opening their shop fronts in retail malls in 1H 2022¹¹. This change in consumer preference bodes well for our outlets too.

Despite China's zero-COVID policy, Chongqing remains relatively unscathed from the lockdowns in other major cities. The city has not seen a major lockdown since early 2020. Tourists from other parts of China continue to flock to Chongqing after the Chinese government begun to ease its lockdowns in Shanghai. Barring any unforeseen circumstances, we expect the retail trade in Chongqing to do well in 2H 2022.

Hefei Market Update

For 2Q 2022, no new outlets opened in Hefei. The impact of Shanghai's lockdown from April to early June had caused disruptions to businesses and residents' daily lives due to mass testing ordered by the municipal government. This is because Hefei is only 1.5-hour train ride from Shanghai, the epicentre of a major COVID-19 outbreak in China recently. Shipments of goods and travel between the two cities were badly affected.

Despite going through these major disruptions, Hefei achieved a 1H 2022 GDP of RMB 543.0 billion, a 4.4% Y-o-Y increase¹². Consumer demand should return as COVID-related rules are relaxed. It is expected that retail sales will turn from negative year-on-year growth in 1H 2022 to positive year-on-year growth in 2H 2022.

Kunming Market Update

Though no new outlets opened in Kunming in 2Q 2022, sporadic outbreaks in Kunming and inter-city travel restrictions imposed by municipal governments across many cities across China affected retail sales generally.

Given Kunming's strong 1H 2022 GDP growth of 4.1%¹³ Y-o-Y which is higher than China's 1H 2022 GDP growth of 2.5%, coupled with the government adopting a more flexible COVID-19 measures for inter-city travels, we expect to see a strong recovery of domestic tourism in China. The recovery of tourism will boost retail consumption in Kunming which ranked as one of top ten tourist destination¹⁴ in China.

Outlook

Sasseur REIT's outlets are well-positioned to benefit from any improvement in China's inter-city travel. Inter-city travelling will help boost the shopper traffic in the REIT's outlets especially during holiday and festive seasons. We continue to closely monitor the risk factors which may affect the outlets' businesses and adjust our strategies accordingly.

⁶ China Daily, "[China sets out economic priorities for 2nd half](#)", 28 Jul 2022

⁷ National Bureau of Statistics of China, Press Release dated 18 Jul 2022

⁸ Xinhua, "[China's retail sector maintains recovery steam](#)", 10 Aug 2022

⁹ I-chongqing news "The GDP Growth Rate of SW China's Chongqing Runs 1.5% Higher than the National Level" dated 21 Jul 2022

¹⁰ Savills Research – Chongqing 2Q 2022 dated July 2022

¹¹ Stand-alone discounted brands which opened store front units in conventional retail malls

¹² 商媒体 article dated 26 Jul 2022 (from Hefei Bureau of Statistics)

¹³ 商媒体 article dated 3 Aug 2022 (from Kunming Bureau of Statistics)

¹⁴ China Highlights dated 1 April 2022

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Barring any unforeseen circumstances, while there may be short-term impact from the COVID-19 situation in China, the long-term growth potential of the economy remains intact and Sasseur REIT's outlets are well-positioned to benefit from the growing domestic consumption.

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 2022 to 30 June 2022

Distribution type: Tax-Exempt Income Distribution

Distribution rate: 1.588 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.

Record date 12 September 2022

Date payable 27 September 2022

(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 2021 to 30 June 2021

Distribution type: Tax-Exempt Income Distribution

Distribution rate: 1.614 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.

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 2022 to 30 June 2022.

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 2022 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

Tan Hong Lye, Cecilia
Chief Executive Officer

12 August 2022