



SASSEUR REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 30 October 2017
under the laws of the Republic of Singapore)

FY2019 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 17 June 2020. The Manager’s responses to the key questions from Unitholders can be found in the Appendix to this announcement.

2. As there was substantial 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) Impact of COVID-19
 - (ii) Operations, Investments and Asset Enhancement Initiatives
 - (iii) Financial and Capital Management
 - (iv) Others

3. For transparency, the questions received from Unitholders are listed in **Appendix 2** below. Relevant questions will be addressed during the AGM presentation and through a Q&A session with Management post the 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

17 June 2020

*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

Impact of COVID-19

1. What is the impact of the COVID-19 pandemic on Sasseur REIT's DPU? Have shopper traffic and sales volume returned to pre-pandemic levels?

- In 1Q 2020, the temporary closure of the four outlets under our portfolio for up to 7 weeks inevitably impacted sales. DPU for the quarter was down 19.4% as a result. However, subsequent to the reopening of the outlets in March, we have seen encouraging sales numbers.
- As reported previously, the reopening day sales in mid-March were very encouraging at 129% higher than the same period last year. Our Spring sales event also saw a record first day sales of RMB 47.2 million which was more than 4X higher than the reopening day sales. There was clearly some pent-up demand.
- Shopper traffic and sales have both been rising steadily, but as at the end of 1Q FY2020, they have not returned to pre-pandemic levels. Nevertheless, with our continuous engagement with customers and active sales promotions, we believe that these numbers will return to normal sooner rather than later.
- We are seeing very good recovery in our sales in the past months. Hence, going forward, we expect the DPU to improve.

2. What is the 12-18 months outlook for the REIT and the outlet mall asset class? How is management preparing for it? What is management's view on the 'new normal'? How will Sasseur REIT's business strategies be influenced by it?

- The COVID-19 pandemic was a one-off disruption, albeit a significant one that has changed the retail landscape. Shopping malls and other brick and mortar retail establishments have no doubt taken a hit. However, Chinese consumer demand for outlet shopping has been recovering, and we expect the outlet mall asset class to do well.
- On the 12-18 months outlook, with possible successful vaccine deployment and better treatment, and the early reopening of China's economy, Chinese consumer demand is expected to improve. If there is a 'new normal', it will be that preventive measures to ensure the safety of our customers, tenants and staff will continue to be a primary focus as shopping activities pick up. We believe that the demand for value-for-money and lifestyle experiential shopping will continue to grow.
- Sasseur's Art Commerce business model of offering lifestyle experiential shopping remains the core business. However, we are also building up our online engagement with our customers, including online shopping. We have 1.66 million VIP members whom we actively engage with via our social media platforms.

- Our unique business model of sharing risks with our tenants through commission-based leases aligns our interest with our tenants, and this will continue to be a core part of our business strategy.

3. Do you see a drop in demand for retail space in the forthcoming future? If yes, what is the forecasted drop?

- COVID-19 will affect the use of space in future, especially office space as working from home and remote working slowly become part of the 'new normal'. The demand for traditional retail spaces may change along with changes in retail strategies. However, for Sasseur outlets, our Art Commerce business model of offering lifestyle experiential shopping remains the core business. We may enhance the lifestyle experience spaces, but we do not expect a drop in demand for outlet shopping spaces.
- We have been able to maintain good occupancy rates during and after our outlets closure period, as our business model of using commission-based leases aligns our interests with our tenants. As mentioned, sales have recovered very well as customers are keen to resume their normal lifestyles and shopping activities since we reopened our outlets.

4. Please provide an overview of the Entrusted Management Agreement (“EMA”) in comparison with the standard fixed rental agreement, and how EMA would perform in this COVID-19 environment?

- The EMA rental income model comprises two parts:
 - Fixed income component (approx. 70% of the EMA income in the first year) provides a base and downside protection for our investors. Contractually, the fixed income component grows at 3% annually.
 - Variable income component (approx. 30% of the EMA income in the first year) is pegged to the sales of the outlets, providing investors with potential upside exposure through sales growth of our outlets.
- For 1Q2020, despite 55% lower sales YOY, EMA income declined by just 18.2% and DPU decreased by only 19.4%.
- The EMA income model differentiates Sasseur REIT from all other S-REITs as our interest as landlords or properties owners, and our tenants are 100% aligned. This takes away one major pain point for REITs, most of which have more of an adversarial relationship with their tenants, as they try to increase rents based on traditional lease contracts of generally fixed rentals, to improve their financial performance. Sasseur REIT business model, whereby we collect commission on sales instead of a fixed rent, is a unique business model among all retail REITs.

- The Sasseur EMA income model's fixed component provides a downside income protection for investors. During this unprecedented Covid-19 crisis, the EMA income model has proven to be particularly resilient and beneficial for our investors.

5. How is the management implementing its Environmental, Social and Governance (“ESG”) policies amidst this COVID-19 environment?

- While COVID-19 remains one of the important considerations in our business decisions presently, we continue to keep in mind other aspects which will secure the continuity of our business.
- We have released our inaugural Sustainability Report which details our ESG policies, achievements and targets in relation to regulatory compliance, energy consumption, water management, talent retention and training, and community service. In all our outlets, we have implemented energy-saving initiatives and have set targets to reduce our energy consumption and water consumption per net operating area. Our Chongqing Outlets was also chosen by the local government to participate in a new waste-sorting programme etc.
- The Manager will continue to uphold Sasseur REIT's commitment towards sustainability practices while focusing on creating value for our stakeholders.

Operations, Investments and Asset Enhancement Initiatives

6. There are a number of tenancies expiring in 2020. What has been done so far to renew these tenancies, i.e. how many percent has already been renewed and at what terms? How many tenancies will not be renewed?

- About 65% (by revenue) of our leases expire this year. Most of these are being renewed, with a renewal rate above 80% even during the closure of the outlets from late January to middle of March, and we are confident of having most of our leases renewed or re-tenanted.
- Sasseur's outlets business in China is unique, – typically we have more brands wanting to lease space than wanting to leave. Secondly, we do not collect rent but a commission on sales from our brand tenants which occupy close to 90% of the entire leased space. Our lease periods are deliberately short, and our Weighted Average Lease Expiry (“WALE”) period is 2.9 years by Net Leasable Area (“NLA”) and only 1.0 year by property income.
- Deliberately short leases allow us to review tenant sales performances more frequently, and stop leasing to tenants that are not doing well, as well as adjust commission rates we collect from tenants that are doing well, thus increasing our commission based rental income collection. Our deliberately short WALE period also allows us to constantly reshuffle and optimize tenant mix for the best sales performance.

- Whilst the REIT aims to optimize sales, it will also seek to maintain a stable level of occupancy rate. As of 1Q 2020, we continue to enjoy a good occupancy rate of 95% as we maintained close relationship with tenants and worked together with them during this period of Covid-19 outbreak.

7. Are there any acquisition or asset enhancement plans this year?

- We continue to actively review opportunities for yield accretive acquisitions from the Sponsor's pipeline, and have also expanded our scope beyond China as we recognise diversification may be useful given the lessons learnt during the COVID-19 crisis. We will provide timely updates as and when there are any material developments.
- We have planned for Asset Enhancement Initiatives (AEIs) at our outlets to continually improve the shopping experience for our customers by offering more choices and varieties. For example, Chongqing Outlets will be repositioned as a lifestyle and shopping destination for both local and foreign customers over the next 6 months. We constantly track consumer trends and bring in new brands to refresh the offerings as part of our retail strategy.

8. Does management have any plans to boost VIP membership particularly for the Kunming Outlets? Kunming Outlets is the second most popular in terms of shopper traffic but the ratio of VIP members to shopper traffic is among the lowest.

- We are constantly launching new campaigns and developing new strategies to drive up VIP membership which forms a critical base of our customers, accounting for 50% of the outlet sales. Our efforts have allowed us to increase our membership in all four outlets consistently to reach 1.66 million in 1Q2020.
- For Kunming Outlets, its VIP membership actually more than doubled in 2019 and hit our targets for growth.
- While the COVID-19 situation has affected VIP membership growth in 1Q2020, we have intensified our customer engagement efforts both online and offline and expect the growth numbers to improve in the coming quarters for Kunming Outlets. Some strategies to increase the membership include:
 - ✓ Setting target to recruit new members during the monthly promotional activities, when only members are entitled to special discounts
 - ✓ Intensifying online media platform customer promotions to sign up new members
 - ✓ Providing special gifts for new members such as carpark and discount vouchers
 - ✓ Rewarding customers, tenants and employees for new membership referrals

Financial and Capital Management

9. Are there any plans to cut dividend?

- Sasseur REIT has been distributing 100% of its distributable income since listing in March 2018. The Manager will continue to evaluate the payout ratio at each quarter and expects to distribute at least 90% of its distributable income to its Unitholders for FY2020.

10. Are there any plans for Sasseur REIT to establish a revolving credit facility (RCF) to diversify funding facilities where foreign currency risk can be mitigated by simultaneously entering into currency swaps?

- RCF is generally a short-term credit facility and some REITs use it to meet their cash flow requirements such as for distribution or to fund operating expenses. Given Sasseur REIT's business model, whereby we collect the sales proceeds from tenants upfront before deducting the commission-based rental subsequently, our short-term credit requirements are different from other REITs.
- Sasseur REIT manages our foreign currency risks by entering into currency swaps to hedge our dividends.
- The Manager is in the advanced stage of working with a group of banks to restructure and refinance the offshore loan which is maturing in March 2021 to reduce our financing costs and will be making an announcement in this regard in due course.

Others

11. In relation to the Special Business resolution on issue units and convertible securities, kindly compare the maximum issue units of up to 50% and 20% on a pro rata and non-pro rata basis vs other SG-listed REITs. Where they differ substantially (especially where Sasseur REIT is more aggressive), kindly explain why.

- The percentage of total number of issued units in relation to the special business resolutions on new share issuance adhere to the guideline of SGX listing rules. The details for this can be found in the SGX Rulebook (Mainboard) Chapter 8 - Changes in Capital (<http://rulebook.sgx.com/rulebook/806>).
- Sasseur REIT's maximum issue units on a pro rata and non-pro rata basis of up to 50% and 20% respectively are consistent with most S-REIT.

APPENDIX 2

Full list of questions received from Unitholders for FY2020 AGM

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| 1 | What is the impact of the Covid-19 pandemic on Sasseur's DPU? |
| 2 | Has shoppers' traffic and sales volume return to pre-COVID level? |
| 3 | There are a number of tenancies expiring in 2020. What has been done so far to renew these tenancies, i.e. how many percent has already been renewed and at what terms? How many tenancies will not be renewed? |
| 4 | What is the 12-18 month outlook for the REIT and the outlet mall asset class? How is the management preparing for it? |
| 5 | How is the management implementing its ESG policies amidst this COVID-19 environment? |
| 6 | Please provide an overview of Entrusted Management Agreement ("EMA") vis-à-vis standard fixed rental agreement, and how EMA would outperform/underperform amidst this COVID-19 environment? |
| 7 | Could you update how much impact is COVID-19 on the revenue? |
| 8 | How long do you think the business will be back to normal? |
| 9 | Any plans to cut dividend? |
| 10 | Any acquisition plans this year? |
| 11 | Any asset enhancement plans this year? |
| 12 | In relation to the Special Business resolution, kindly compare the levels requested (20%, 50% etc) vs other SG-listed REITs. Where they differ substantially (especially where Sasseur REIT is more aggressive), kindly explain why. |
| 13 | Any plans by Sasseur REIT to establish revolving credit facility to diversify funding facilities where foreign currency risk can be mitigated by simultaneously entering into currency swaps? |
| 15 | Does Sasseur management has any plans to boost the VIP membership particularly for Kunming outlet? Kunming outlet is the second most popular outlet in terms of shopper traffic but the ratio of VIP members to shopper traffic is among the lowest? |
| 16 | Any plan to inject more outlet properties into the REITS? |
| 17 | Does Sasseur REIT see a drop in demand for retail space in the forthcoming future? If yes what is the % of forecast drop? |