Singapore Company Focus

Sasseur REIT

Bloomberg: SASSR SP | Reuters: SASS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Sep 2018

BUY

(Initiating Coverage)

Last Traded Price (17 Sep 2018): S$0.71 **(STI :** 3,141.40)

Price Target 12-mth: S$0.91 (28% upside)

Potential Catalyst: Delivery or exceeding IPO forecast, and acquisitions

Analyst

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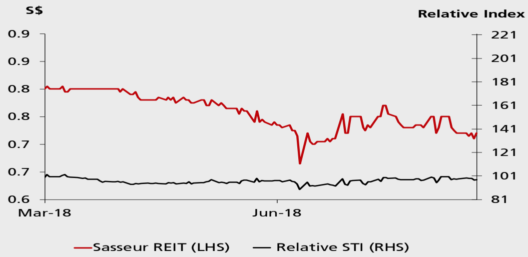
Price Relative



Forecasts and Valuation

FY Dec (S$m)	2017P	2018F*	2019F	2020F
Gross Revenue	91.2	87.7	124	128
Net Property Inc	91.2	87.7	124	128
Total Return	47.0	30.5	65.9	67.5
Distribution Inc	49.1	55.1	75.2	77.5
EPU (S cts)	3.98	2.56	5.50	5.58
EPU Gth (%)	(99)	(36)	114	1
DPU (S cts)	n/a	4.64	6.27	6.40
DPU Gth (%)	nm	nm	35	2
NAV per shr (S cts)	78.1	77.9	77.2	76.5
PE (X)	17.8	27.7	12.9	12.7
Distribution Yield (%)	n/a	6.5	8.8	9.0
P/NAV (x)	0.9	0.9	0.9	0.9
Aggregate Leverage (%)	34.4	34.5	34.3	34.5
ROAE (%)	5.1	3.3	7.1	7.3
Consensus DPU (S cts):			6.8	7.5
Other Broker Recs:		B: 2	S: 0	H: 0

ICB Industry : Financials

ICB Sector: Real Estate Investment Trust

Principal Business: Sassuer REIT is a Singapore REIT established with an initial portfolio of four retail outlet malls located in China offering investors the opportunity to invest the country's fast-growing retail outlet mall sector.

** For period 28 March to 31 December 2018*

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Up up and away

- First S-REIT with exposure to China's fast growing outlet mall industry
- Downside protection via entrusted management agreement with minimum revenue guarantee by Sponsor
- Further upside from tapping visible acquisition pipeline
- Initiate with BUY call and TP of S$0.91

Rapidly growing China outlet mall portfolio. Sasseur REIT (SASSR) is the first S-REIT with exposure to the fast growing Chinese outlet mall industry which is projected to grow at a CAGR of 24% between 2016-2021. Its initial portfolio consists of four outlet malls located in Chongqing, Bishan, Hefei and Kunming. Thus far, tenant sales for the malls have exceeded IPO forecasts, growing at 13-136% y-o-y in RMB terms and we project overall portfolio tenant sales to increase by 16-24% p.a. over the next two years.

Unique model provides upside but also downside protection. SASSR has a unique model via the Entrusted Management Agreement (EMA) with its Sponsor. Under the EMA, 70% of the group's revenues are fixed, growing at 3% per annum providing the REIT with downside protection. The remaining 30% of revenues is pegged to 4-5% of a property's tenant sales which provides leverage to the success of the mall. Furthermore, all operating costs for the mall are borne by the Sponsor, with the Sponsor guaranteeing a minimum revenue for at least two years should the REIT not hit its IPO forecasts.

Upside from acquisitions. SASSR's Sponsor has extended the right of first refusal (ROFR) over two properties and three pipeline properties which would triple the REIT's gross floor area (GFA). With gearing at 33-34%, the SASSR is well positioned to execute its inorganic strategy, providing upside risk to our estimates.

Valuation:

Our DCF based-TP of S$0.91 is based on a WACC of 8.9% and terminal growth 2%.

Key Risks to Our View:

The key risk to our view is slower than expected growth in tenant sales which would raise questions about sustainability of DPU despite the revenue guarantee provided by the Sponsor.

At A Glance

Issued Capital (m shrs)	1,180
Mkt. Cap (Sm/USm)	838 / 610
Major Shareholders (%)	
Sasseur Cayman Holding II Ltd	57.5
Cornestone Investors	19.4
Free Float (%)	23.1
3m Avg. Daily Val (US$m)	0.06

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Investment Summary

First REIT in Asia focusing on outlet malls in China. Sasseur REIT is the first outlet mall REIT to be listed in Asia. Its initial portfolio comprises outlet malls located in China, and consists of four outlet malls located in selected cities of Chongqing, Bishan, Hefei and Kunming valued at c.RMB 7.3bn (S$1.5bn). These cities have enjoyed a track record of sustainable growth in GDP per capita, per capita disposable income, and retail sales, which bodes well for performance of the outlet malls.

Exposure to fast growing retail outlet sector. Sasseur REIT offers investors the opportunity to gain exposure to the fast-growing retail outlet mall sector in China. According to China Insights Consultancy, the retail outlet mall sector is expected to grow from RMB49.1bn (US$7.1bn) in 2016 to RMB144.9bn (US$21bn) by 2021 or CAGR of 24.2% per annum. In the medium term, the retail outlet industry in China is set to be the largest globally to surpass the US by 2030, reaching annual sales revenue of c.RMB640.2bn (US$92.9bn). This strong growth outlook is underpinned by growing consumption levels in China as well as the emerging middle-class.

Based on China Insights Consultancy, the per capita disposable income is expected to increase to RMB34,700 (US$5,036) by 2021 at a CAGR of 7.8% from 2016 to 2021. Furthermore, outlet mall penetration in China remains low at 0.4 sqm of GFA per 100 residents compared to the US, EU and Japan at 2.4 sqm, 1.0 sqm and 0.5 sqm respectively. This represents an opportunity for expansion through higher operating performance or acquisitions for Sasseur REIT.

Sponsor is the leading privately owned outlet mall operator. The REIT's Sponsor, Sasseur Cayman Holding Limited, is the leading privately-owned outlet operator in China, with six outlet malls and two additional outlet malls planned for. Due to the Sponsor's proven track record and brand reputation, Sasseur REIT should benefit from its Sponsor's expertise to secure the right tenants and drive income going forward.

First mover advantage in Tier 2 Chinese cities. The initial portfolio is strategically located across three fast growing Tier-2 Chinese cities of Chongqing, Kunming, and Hefei. With the Sponsor's early entry into these high growth markets, the REIT is well positioned to capture the rapid growth in consumption. Consumption growth in these Tier-2 cities are projected to increase at CAGR of 8.2% per annum between 2016 and 2012, faster than that in Tier-1 and even Tier 3 & 4 cities at 6.7% and 6.8% respectively.

Rental formula empowers the REIT to enjoy a balance of growth and stability. Sasseur REIT derives rental income from a lease arrangement (called the Entrusted Management Agreement) with the Entrusted Manager. The Entrusted Manager oversees the day-to-day operations, marketing and cash collection. Rentals paid to the REIT under the Entrusted Management Agreement (EMA) is based on a mix of fixed component rent (c.70% of FY18F-19F gross revenues) and a variable rent that is tied the performance of underlying tenant sales.

This rental income structure enables Sasseur REIT to deliver a balance of stability (through fixed rental structure) and growth through variable income tied to underlying tenant sales. We project FY18F-19F (annualised basis) revenues to grow by 8% p.a.

Visible acquisition pipeline that could approximately triple the GFA of the initial portfolio. The Sponsor has given Sasseur REIT a voluntary right of first refusal (ROFR) over 2 properties and 3 pipeline properties, where most are in Tier 2 cities. Assuming the REIT acquires all of the Sponsor's ROFR and pipeline properties, Sasseur REIT could potentially triple its GFA with the addition of 0.7m sqm of GFA. The REIT's current gearing is 33-34%, implying ample financial capacity and flexibility to execute on acquisitions.

Sasseur REIT is helmed by an experienced and dedicated team comprising Mr. Anthony Ang as CEO, Mr. Richard Tan as CFO and Mr. Ken Chew as CIO. They have over 10-20 years of experience in the REIT industry, international real estate, retail management, investments, and accounting and finance. We believe that Sasseur REIT will benefit from their expertise and vast experience in this field.

Initiate with BUY call and TP of S$0.91. We initiate coverage with a BUY recommendation and TP of S$0.91. We like Sasseur REIT for its leverage to the growing Chinese outlet industry and attractive forward 8.7% FY19F yield.

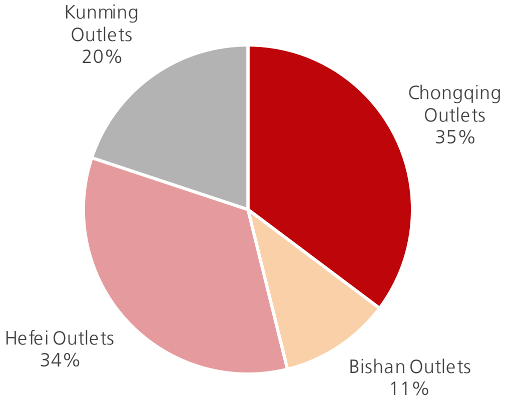
Key risks we have identified include: (1) concentration risk due to a small property portfolio, (2) reliance on the Entrusted Manager to deliver tenant sales and traffic growth, (3) rising capital values in China which may make it difficult for the REIT to pursue DPU accretive acquisitions, and (4) potential decline in DPU if the underlying sales growth rate falters in an economic downturn.

Summary of the Initial Portfolio

Four outlet malls diversified across key Tier-2 and Tier-3 cities. Sasseur REIT's initial portfolio consists of four outlet malls located in Chongqing, Hefei, Bishan, and Kunming with an appraised value of RMB7.3bn. The Chongqing outlet mall is the largest contributor to valuation at 35% of value, followed by the malls in Hefei (34%), Kunming (20%), and Bishan (11%). We also note that Chongqing outlet mall has been operating for close to nine years (since commencement of operations in Sep-08) and is now fairly stabilized. The other outlet malls, Bishan (commenced operations in stages from 2014), Hefei (May-16) and Kunming (Dec-16) are ramping up operationally and will likely have a longer runway for growth.

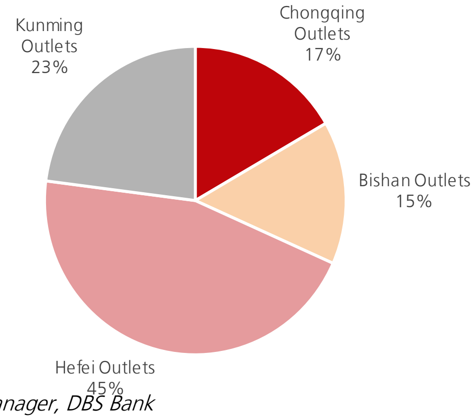
In terms of net lettable area (NLA), the outlet mall at Hefei is the largest in the initial portfolio at 45% of total NLA, followed by Kunming (23%), Chongqing (17%) and Bishan (15%).

Breakdown of initial portfolio by property (% of portfolio value of RMB 7.3bn)



Source: Manager, DBS Bank

Breakdown of initial portfolio by property (% of NLA sqm)



Source: Manager, DBS Bank

Property	Chongqing Outlets	Bishan Outlets	Hefei Outlets	Kunming Outlets	Total / Average
Commencement of Operations	Sep-08	From Jan 2014, in stages	May-16	Dec-16	-
Expiry Date of Land Use Rights	11-May-47	21-Sep-51	20-Jun-53	16-Apr-54	-
GFA (sqm)	73,373.4	68,791.4	141,181.7	88,256.8	371,603.3
NLA (sqm)	50,885.0	45,171.5	138,449.4	70,067.2	304,573.1
Car Park Lots	500	400	1,566	2,000	4,466
Number of Tenants as at 30 Sep 2017	414	213	283	209	1,119
Occupancy Rate as at 30 Sep 2017 (%)	96.0	85.6	93.3	90.7	91.8
Occupancy Rate as at 30 Jun 2018 (%)	98.6	88.3	95.2	95.4	94.5
Average Independent Valuation as at 30 Sep 2017 (with the Entrusted Management Agreements) (RMB'm)	2,654.0	789.0	2,434.5	1,460.5	7,338.0
Average Independent Valuation as at 30 Sep 2017 (without the Entrusted Management Agreements) (RMB'm)	2,616.5	783.0	2,418.0	1,432.5	7,250.0
Acquisition Price (RMB'm)	2,452.4	729.1	2,249.6	1,349.6	6,780.7
WALE by Committed NLA as at 30 Sep 2017 (years)	2.8	3.5	3.6	2.7	3.2
WALE by Property Income for the month of Sep 2017 (years)	0.9	1.6	2.1	2.5	1.2

Source: Manager, DBS Bank

Retail Outlet Malls – A fast growing sector in China

First REIT in Asia focusing on Chinese outlet malls. Sasseur REIT is the first outlet mall REIT to be listed in Asia with its initial portfolio comprising of outlet malls located in the PRC. The table below illustrates the major differences between outlet malls against other retail formats in China.

Outlets are the fastest growing retail format in China. According to China Insights Consultancy ("the Consultant" thereafter), China's outlet market industry has enjoyed strong growth since 2012. Sales revenue jumped from RMB16.8bn (US$2.4bn) in 2012 to RMB49.1bn (US$7.1bn) in 2016, representing a compound annual growth rate (CAGR) of 30.8%. The outlet all market is expected to grow to RMB144.9bn (US$21.0bn) between 2016 and 2021, representing a CAGR of 24.2%, outperforming the online retail sector's expected CAGR of 19.8% during the same period. Furthermore, the Consultant expects China to surpass the US to become the largest outlet market in the world by 2030, achieving sales revenue of c.RMB640.2bn (US$92.9bn) p.a. compared to that of the US market's c.US$91.5bn in 2030.

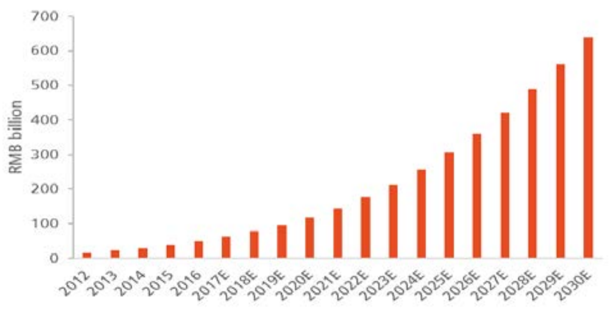
The fast-paced growth is backed by China's growing consumption levels, expanding middle-class population, as well as an unfulfilled supply gap in the outlet segment.

Major difference between the four retail formats in China

	Outlet malls	Department stores	Shopping malls	Online retail platforms
Main product mix	Luxury and high-end brands	Middle to high-end brands	Middle to high-end brands	Low-end brands
Target segment	Middle class	Mass market	Mass market	Mass market
Location	Suburbs	City centre	City centre	N.A.
Pricing strategy	Large discounted prices	Normal prices	Normal prices	Low prices
Shopping experience	Physical shopping experience; Wide range of retail and entertainment options	Small area with compact layout	Physical shopping experience; Wide range of retail and entertainment options	Convenient; Limited methods for presentation of goods; No fitting services
Discount	Controlled by retailers; Offered all year round	Seasonal	Controlled by retailers	Controlled by retailers

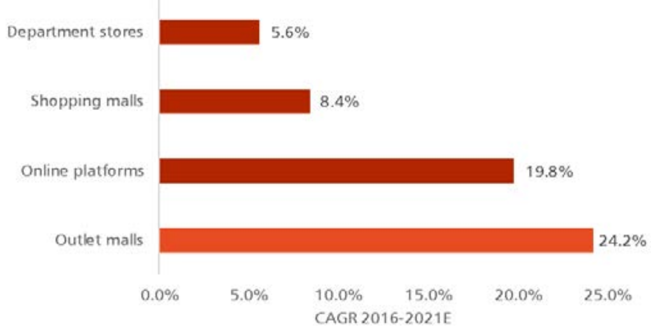
Source: Manager, China Insights Consultancy, DBS Bank

Sales Revenue of China's outlet industry, 2012-2030E



CAGR (2012-2016): 30.8%
CAGR (2016-2021E): 24.2%
CAGR (2021E-2030E): 17.9%
Source: China Insights Consultancy, Manager, DBS Bank

Outlet Malls projected to grow at the highest rate among other retail segments



Source: China Insights Consultancy, Manager, DBS Bank

Retail Outlet Malls – A fast growing sector in China (cont'd)

Growing consumption levels. China's real GDP is expected to grow by 5.8-6.6% over the next five years, according to the Consultant. Final consumption expenditure in China, which contributed around 64.6% of GDP growth in 2016, was the number one driver of economic growth. In comparison, however, the final consumption expenditure was around 98.2% in the US in the same year.

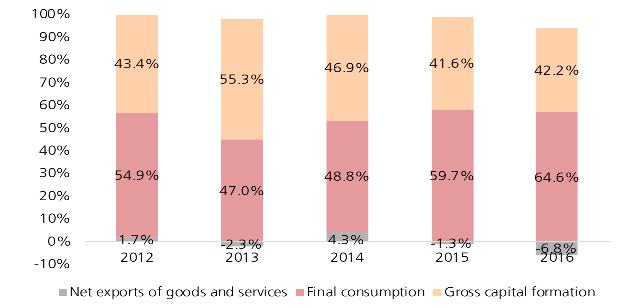
As the consumption trend in China has shifted from daily necessities to more discretionary spending, we expect the proportion of GDP on goods and services will continue to increase. Furthermore, one of the objectives detailed in the 13th Five-Year Development Plan ("十三五"规划) released by the Chinese government in 2015 was to improve living standards and quality of life for China's middle-class. In this vein, the Chinese government has proposed to put in place strategic initiatives to promote the country's consumer and fashion industries and expand its services industry. As such, China has now entered a new era in terms of consumption patterns and is poised to tap on the growing consumption demand.

Expanding middle-class population are more discerning consumers. The growing middle-class population in China has led to greater spending power which provides a sweet spot for the outlet mall industry. According to the Consultant, the population of China's middle class was around 109m in 2015, and the Consultant expects that to increase to 216m by 2021, accounting for 15% of the total Chinese population. Middle-class consumers are more sophisticated and discerning when it comes to product branding, quality and value. This trend is driving demand for luxury goods, potentially providing a growing customer base for outlet malls. *(NB: 'middle-class' is defined as adults with net worth of between US$50,000 and US$500,000 based on the average/year-end exchange rate for RMB/USD.)*

Luxury brands investing in China to cultivate awareness. China has become one of the main consumers of luxury goods in the world. Many renowned luxury brands are building their brand reputation in China by investing heavily in marketing their brand, thereby forming a loyal customer base. As a result, the outlet mall industry will continue to benefit from the growth in demand for luxury goods.

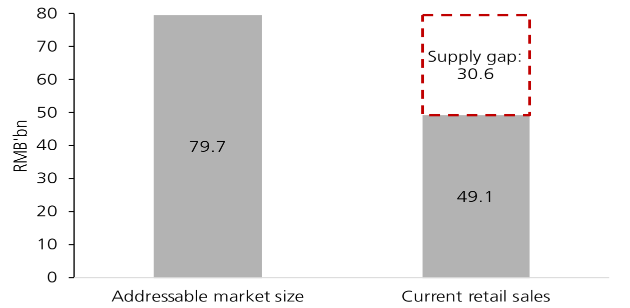
Outlets an unfulfilled segment. The Consultant believes China's outlet industry has an addressable market size of RMB79.7bn in terms of potential sales revenue, whereas actual sales was a mere RMB49.1bn, indicating a supply gap of RMB 30.6bn. The addressable market size is defined as sales revenue opportunities available in the outlet industry after considering information such as economic development, population size, residents' disposable income, and outlet penetration.

Consumption the largest contribution to GDP growth



Source: National Bureau of Statistics of China China Insights Consultancy, Manager, DBS Bank

Sales from China's outlet industry in 2016

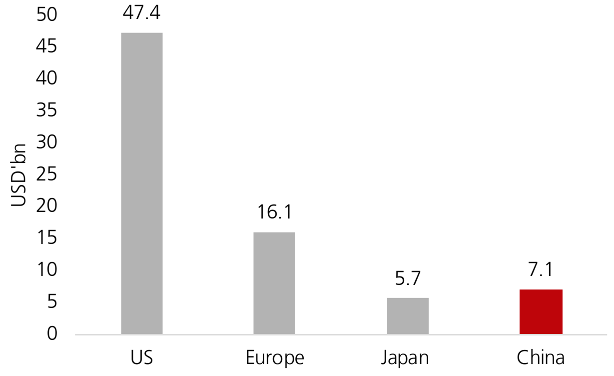


Source: China Insights Consultancy, Manager, DBS Bank

Retail Outlet Malls – A fast growing sector in China (cont'd)

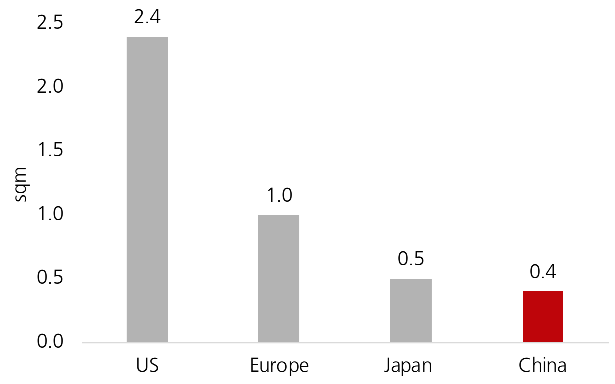
China outlet mall sector still has a long growth runway. The Chinese outlet mall market in general has lagged behind major developed markets. The annual sales of China's outlet mall market grew to US$7.1bn in 2016, surpassing Japan, but is still smaller than Europe (US$16.1bn) and the US (US$47.4bn). The per capita spending in outlet malls in China is also relatively low. In 2016, US residents spent on average more than US$140 per capita shopping at outlet malls. By contrast, Chinese residents spent less than US$6 per capita. In terms of outlet mall coverage, in 2016, GFA of outlet mall per 100 residents in the US, Europe, and Japan stood at 2.4 sqm, 1.0 sqm and 0.5 sqm, compared to 0.4 sqm in China. While we acknowledge that China is a developing market, these numbers indicate that China's outlet mall market is still in its infancy. As living standards in China improve and the middle class population expands, demand for outlets shopping should increase.

Outlet market size in terms of sales revenue in 2016



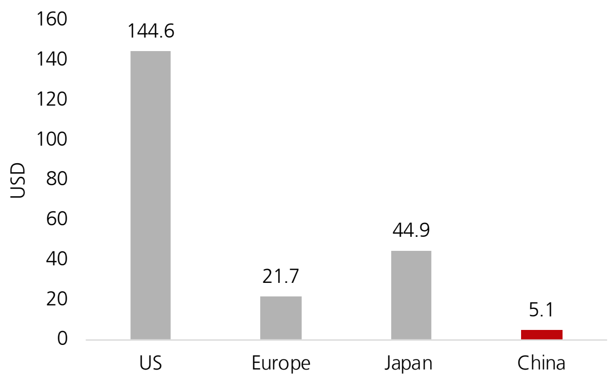
Source: China Insights Consultancy, Manager, DBS Bank

Outlet mall GFA per 100 residents in 2016



Source: China Insights Consultancy, Manager, DBS Bank

Per capita spending at outlets in 2016



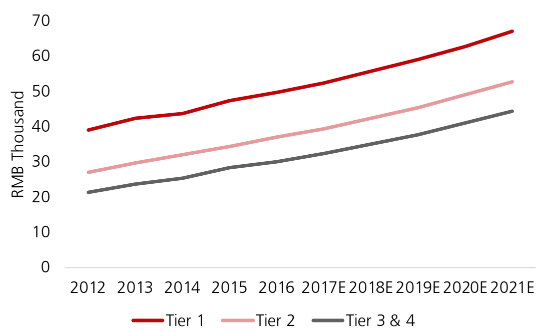
Source: China Insights Consultancy, Manager, DBS Bank

Sasseur REIT's properties are strategically located in prosperous Tier-2 cities

Tier 2 cities have higher per capita income and expenditure. The properties in the initial portfolio are located across three fast-growing Tier-2 cities in China, namely Chongqing, Kunming and Hefei. The Sponsor has selected such cities for their high potential growth and low entry costs. According to the Consultant, between 2016 and 2021, Tier-2 cities in China are expected to have higher disposable income growth than Tier-1 cities and higher consumption expenditure growth than both Tier-1 and Tier-3&4 cities, implying that potential sales growth of outlet malls in these cities are likely to be fastest.

Cities where initial portfolio properties are located face less competition than those in Tier-1 cities. According to the Consultant, the addressable market size of the outlet industry in the cities where properties in Sasseur REIT's initial portfolio are located, namely Chongqing, Kunming and Hefei, will respectively increase from RMB 3.4bn (US$0.5bn), RMB 1.5bn (US$0.2bn), and RMB 1.4bn (US$0.2bn) in 2016 to RMB 7.4bn (US$1.1bn), RMB 3.6bn (US$0.5bn), and RMB 3.5bn (US$0.5bn) by 2021, which represents CAGRs of c.17%, c.19%, and c.20%. The table on the next page depicts that these cities face less competition compared to Shanghai and Beijing, as a relatively smaller portion of potential market has been addressed.

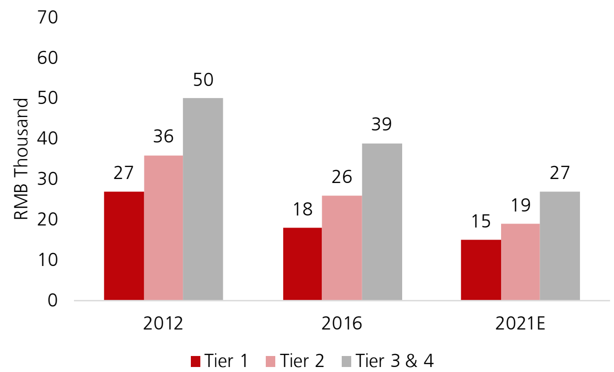
Per capita disposable income of urban households in China, 2012-2021E



	CAGR 2012-2016	CAGR 2016-2021E
TIER 1	6.4%	6.2%
TIER 2	8.1%	7.4%
TIER 3 & 4	8.7%	8.0%

Source: National Bureau of Statistics of China, China Insights Consultancy, Manager, DBS Bank

Per capita consumption expenditure of urban households in China, 2012-2021E



	CAGR 2012-2016	CAGR 2016-2021E
TIER 1	7.2%	6.7%
TIER 2	9.1%	8.2%
TIER 3 & 4	7.1%	6.8%

Source: China Insights Consultancy, Manager, DBS Bank

Sasseur REIT's properties are strategically located in prosperous Tier 2 cities (cont'd)

Chongqing is one of four directly-controlled municipalities in China (along with Beijing, Shanghai, and Tianjin). Its political status enables Chongqing to receive preferential government support. During 2016-2021, Chongqing's GDP is expected to grow at a CAGR of 9.1% to reach to a record high of RMB2,651.3bn (US$384.8bn) by 2021, making Chongqing one of the fastest developing cities in China. Sasseur REIT's Chongqing outlet mall is located northeast of the city, approximately 20km away from the Jiefangbei retail hub. Public transportation near the outlet mall includes Jinyu Station on the Chongqing Rail Transit Line 3, the busiest metro line in the city, as well as Chongqing Rail Transit Line 10 that commenced operations in December 2017.

Bishan outlet mall is located within the Bishan District of Chongqing city, west of Chongqing's nine main districts. Commuters traveling from the east and north of Sichuan province and west of Chongqing pass through Bishan to enter Chongqing city. Due to its abundant natural landscape, Bishan attracts large numbers of visitors each year. According to the Consultant, the Planning Bureau of Bishan District promulgated the Revised Plan on Bishan District Jinjian Mountain Tourism and Leisure Area in September 2016, which aims to strategically position Bishan as a district with leisure, vacation, retirement and ecological residence elements. Sasseur REIT's Bishan mall is accessible through several main roads and a free shuttle bus service that operates between Bishan Outlets and the college town which is located at the terminus of the Chongqing Rail Transit Line 1.

Hefei is the capital of Anhui province, and is situated in the hinterland of the Yangtze River Delta. Hefei's GDP is expected to grow at a CAGR of 8.9% from 2016 to 2021, according to the Consultant. Sasseur REIT's Hefei outlet is located beside Wangzui Lake which has become the centre of western Hefei due to the rapid development of the High-Tech Industrial Development Zone, which is one of only two in China. The outlet is located c.24km from Hefei railway station and is served by public buses. In addition, the nearby Metro Line 2 recently commence operations in December 2017.

Kunming is the capital of Yunnan province and is a key hub connecting China with Southeast Asia. The GDP of Kunming is expected to growth at a CAGR of c.8.1% in the next five years. Sasseur REIT's Kunming outlet is located in between Kunming City and Anning City, a new tourist hub in-the-making called Taiping New City with the aim to attract more tourists.

Comparison of addressable market for outlet malls in selected cities in China, 2016

City	Outlet malls	Addressable market (RMB'bn)	Sales revenue (RMB'bn)	Supply gap (RMB'bn)	Competition
Chongqing	Chongqing Outlets Bishan Outlets	3.4	2.1	1.3	Low
Hefei	Hefei Outlets	1.4	0.25	1.15	Low
Kunming	Kunming Outlets Gingko Outlets	1.5	0.45	1.05	Mild
Shanghai	Bailian Outlets Plaza (Qingpu) Shanghai Florentia Village Shanghai Village (Value Retail) Shanghai Mega Mills Outlets Shanghai Parkson Newcore	8.2	7.5	0.7	High
Beijing	Yansha Outlets Shopping Centre Beijing Scitech Outlets Beijing Capital Outlets Surprise Outlets Badaling Outlets	8.3	8.25	0.05	Very high

Source: Manager, China Insights Consultancy

An industry leader with rich experience in managing retail outlet malls

Sponsor an industry leader. The competitive landscape of China's retail outlet industry is relatively concentrated, with the top five outlet malls comprising approximately 30% of the outlet market share in terms of total sales revenue, according to the Consultant. Sponsor Sasseur Group is one of the leading outlet mall owners/operators and is the only one that specialises in outlet malls among the top players. Unlike property developers, the Sponsor has approximately 28 years of retail industry experience and it possesses extensive knowledge in outlet operation and management, and deep insights to the consumption demands and purchasing behaviour of Chinese consumers. The Sponsor has won multiple industry awards including "2015 Top 10 Outlets" (2015 年度奥特莱斯十ロ), "2015 Emerging Outlets" (2015 年度新锐奥特莱斯) and "Most Promising Outlet in 2016" (2016 年最具期待奥特莱斯).

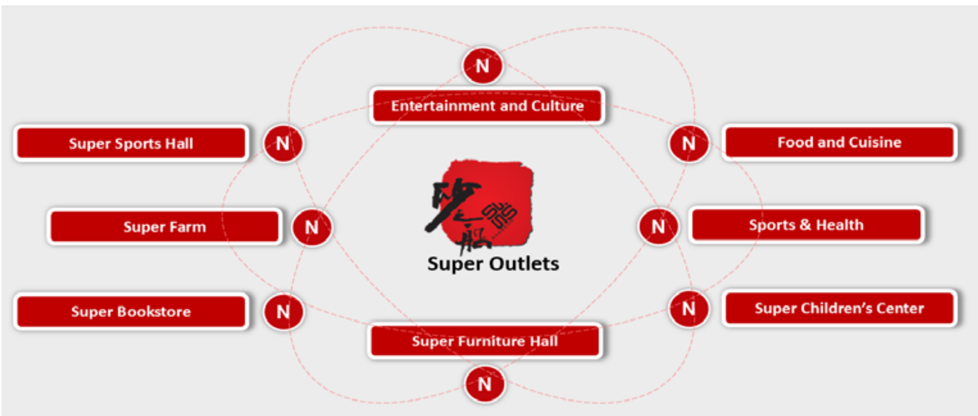
Integrated lifestyle destination. To differentiate itself from traditional shopping malls and to combat competition from online platforms, the Sponsor offers customers a holistic lifestyle experience at its outlets through a 'Super Outlet' business model using '1+N' offerings - '1' represents the outlet mall business platform whereas 'N' reflects the various lifestyle options operated by the Sponsor in the outlet mall, such as Super Sports Hall (sports and health), Super Children's Centre (childcare and centres), and Super Farm (ecological activities). The full integration of this model can be seen at the Bishan property. In addition, 'The Yard' at the Chongqing Outlets reflects an agro-culture themed farmhouse featuring local products which customers can purchase and consume on the spot. The '1+N' offerings aim to extend the length of stay in an outlet mall by customers, typically a family, thereby increasing sales as they undertake various activities, which cannot be replicated through online retail platforms.

China's major outlet mall operators as at 31 December 2016

Outlet operators	Operator category	First outlet mall project	Outlet malls in operation	Approximate NLA (sqm)	Planned projects in 2017
Sponsor Group (砂之船)	Private outlet specialist	2008	6	408,544	2
Bailian (百联)	SOE retail group	2006	6	420,000	1
SCITECH (赛特)	Real estate developer	2009	5	250,000	1
Beijing Capital Land (北京首创)	Real estate developer	2013	3	200,000	3
RDM (佛罗伦萨小镇)	International outlet specialist	2011	3	170,000	2

Source: China Insights Consultancy, Manager, DBS Bank

Super Outlets: Sassuer's '1+N' business model



Source: Manager, DBS Bank

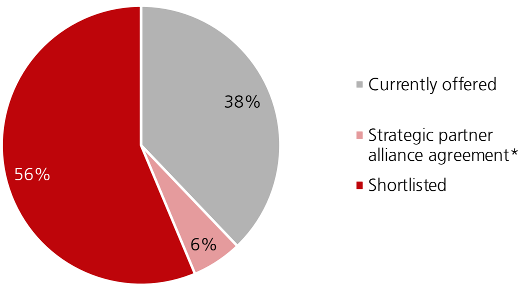
An industry leader with rich experience in managing retail outlet malls (cont'd)

Abundant brand database. The Sponsor strives to constantly stay ahead of ever-changing trends and consumer preferences. It has carefully curated a database of around 1,770 domestic and international fashion brands. Out of this, 670 brands (or 38%) are currently offered within the Sponsor's existing malls; 103 brands (or 6%) have a strategic partner alliance agreement with the Sponsor to open their next stores; and another 997 brands (or 56%) have been shortlisted to introduce their brands at malls operated by the Sponsor. The abundant database and relationship enables the Sponsor to adjust its offerings or swiftly fill up vacancies at its malls.

Symbiotic relationships with tenants. Over 70% of the leases, typically from trade sectors other than F&B or entertainment, pay an agreed percentage of their sales revenue as turnover rent to the Sponsor. Such an agreement cultivates a good symbiotic relationship between the landlord and the tenant. The Sponsor actively consults tenants on organising promotional or marketing events to attract the desired customer profile, and would make recommendations to tenants to increase sales of slow-moving inventories. This benign dynamic ensures that the Sponsor has the backing of its tenants, and core brands continue to renew their leases in the outlet malls. The REIT Manager works closely with the Entrusted Manager under the Entrusted Management Agreement to continue the collaboration with its tenants on marketing strategies and inventory management in a similar manner.

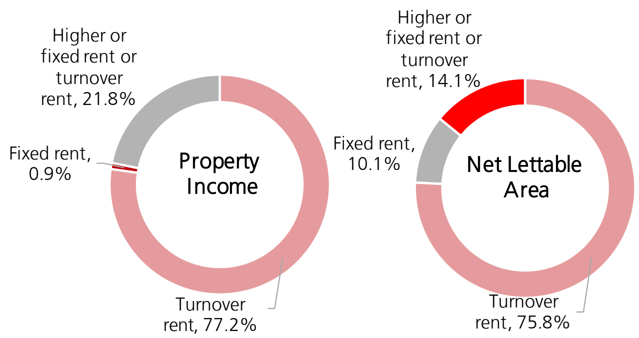
VIP membership programme promotes customer loyalty. Spending more than RMB 600 (US$90) at one of Sasseur's outlet malls will entitle the customer to a VIP membership that provides further discounts as well as points accumulation. The membership programme helps to retain customer loyalty as well as aids in the research of customers' purchasing behaviour so that the Sponsor can develop strategic plans to further promote consumer spending at its outlet malls. According to the Sponsor, the sign-up rate of its VIP membership is relatively high in the context of retail malls. Approximately 50% to 65% of sales in its outlet malls are contributed by members of its VIP membership program.

The Sponsor Group has 1,770 brands in its database



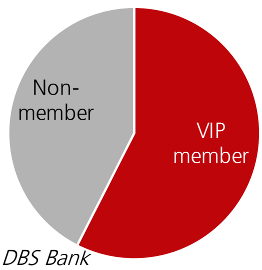
**the brand will open its next store at outlet malls operated by the Sponsor if the particular mall fits its requirements.*
Source: Manager, DBS Bank

Lease structure (as at 30 September 2017)



Source: Manager, DBS Bank

High sign-up rate for membership: 50-65% of sales are from VIP members



Source: Manager, DBS Bank

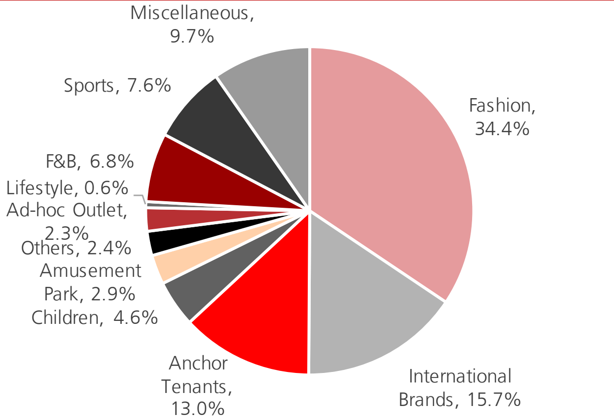
Growth bundled with stability

Modest tenant concentration risk. The initial portfolio has a diversified tenant base. The largest trade sector by NLA is Women's Fashion at 34.4%, followed by International Brands at 15.7% and Anchor Tenants at 13.0%. As at September 2017, no client tenant accounts for more than 1.9% of total property income, and the top 10 tenants account for no more than 13% of property income. Such a diversified tenant base mitigates concentration risk on any single tenant or trade sector, hence providing stability of future income streams.

Short-term leases provide organic growth opportunities. The initial portfolio has a high percentage of short-term leases. As at June 2018, 74.9% of leases by property income will be expiring by the end of 2019, representing a relatively short weighted average lease expiry (WALE) of 1.3 years. The lease term of sales-based tenants at Sasseur REIT's properties typically ranges from one to two years for China's domestic brands, and from three to five years for international brands. A small proportion of tenants, typically F&B or entertainment, usually have more conventional leases, i.e. either fixed or the higher of turnover rent and fixed rent, and the term of such leases generally ranges from 3 to as long as 15 years. While we acknowledge more effort is required in managing short-term leases, we believe the more dynamic lease terms offer management the opportunity to raise rentals or alter the brand or trade category mix in view of fast-changing shopping behaviour in China and the strong sales growth at Sasseur REIT's outlet malls.

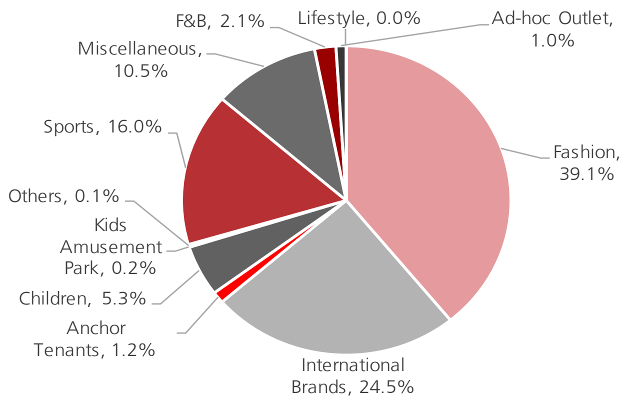
Strong growth prospects from the initial portfolio. We project sales generated by its tenants to grow by 10% p.a. between FY18F to FY20F. Apart from Chongqing Outlets which is more established and expected to grow only at 3-8%, sales at the other three outlet malls are expected to expand by 20-60%.

Diversified tenant mix by NLA (as at 30 June 2018)



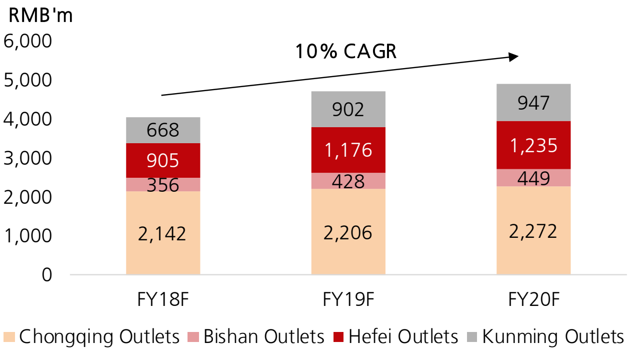
Source: Manager, DBS Bank

Diversified tenant mix by Gross Revenue (as at 30 June 2018)



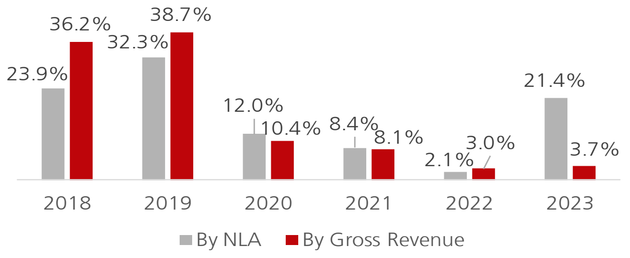
Source: Manager, DBS Bank

10% CAGR projected tenant sales



Source: Manager, DBS Bank

Lease expiry profile (as at 30 June 2018)



	WALE
By Committed NLA	3.2 years
By Property Income	1.3 years

Source: Manager, DBS Bank

Growth bundled with stability (cont'd)

The following table sets out selected information on the top 10 tenants for the Initial Portfolio by property income for the month of September 2017.

Top 10 tenants

No.	Tenant	Trade Sector(s)	Lease Expiry Date	Percentage of Property Income (%)
1	Tenant A	International Brands	June 2021	1.9
2	Tenant B	International Brands	July 2019	1.6
3	Tenant C	Sportswear	July 2019	1.6
4	Tenant D	Sportswear	July 2019	1.4
5	Tenant E	Men's Fashion	July 2018	1.4
6	Tenant F	Sportswear	July 2018	1.3
7	Tenant G	International Brands	September 2020	1.2
8	Tenant H	International Brands	December 2019	1.1
9	Tenant I	Women's Fashion	July 2019	1.0
10	Tenant J	Women's Fashion	March 2019	1.0
Top 10 Tenants				13.4
Other Tenants				86.6
Total				100.0

Source: Manager, DBS Bank

Growth bundled with stability (cont'd)

ROFR and pipeline properties are twice the size of initial portfolio. Sasseur REIT has acquisition growth potential from the Sponsor's extensive outlet mall presence in China. The REIT has been granted a right of first refusal (ROFR) from the Sponsor for two properties. The Sponsor owns two ROFR properties, located in Xi'An and Guiyang, which can be injected into the REIT portfolio. The property in Xi'an and Guiyang commenced operations in September and December 2017 respectively. In addition, the Sponsor manages and operates three pipeline properties in Hangzhou, Nanjing and Changchun. Despite these properties not being owned by the Sponsor, the Sponsor has been granted a right of first refusal (ROFR) from each of the owners of the pipeline properties to acquire the respective properties. Therefore, should the Sponsor acquire the title to any of the pipeline properties and subsequently propose to divest any of its interest, the Sponsor will have to first offer these pipeline properties to Sasseur REIT under the terms and conditions of the Sponsor ROFR. The two ROFR properties and three pipeline properties have an aggregate GFA of 0.7m sqm, twice as large as the total GFA of the initial portfolio. The following chart illustrates the map of Sasseur REIT's initial portfolio and potential acquisition pipeline.

Adequate debt headroom to facilitate growth. Sassuer REIT is expected to have an initial gearing of around 33-34% which will provide adequate borrowing headroom to fund future growth opportunities.

Sasseur REIT's initial portfolio, ROFR and pipeline properties

Source: Manager, DBS Bank

High Commitment from Sponsor and Strategic Partners

Sponsor highly committed with 57% stake post listing. The Sponsor is highly committed to supporting and growing Sasseur REIT over the long term. The Sponsor holds c.57% of the REIT, effectively the largest unitholder. This commitment demonstrates a strong alignment of interest to ensure the future success of Sasseur REIT from the Sponsor.

Management fee based on distribution. Alignment of interest with unitholders is further enhanced through the management fee structure which is based on distribution. Base fee is set at 10% p.a. of the distributable income, and performance fee is calculated at 25% p.a. of the incremental change of year-on-year (y-o-y) DPU. We believe such a fee structure incentivises the Manager to grow Sasseur REIT's DPU, which aligns its interests with unitholders.

Strong endorsement from strategic partners. Sasseur REIT is expected to receive strong endorsement and support from the Sponsor's strategic shareholders, namely L Catterton Asia and Ping An Real Estate. L Catterton Asia provides a solid basis for the Sponsor to grow its brand portfolio. Ping An Real Estate, on the other hand, offers the Sponsor an extensive real estate network for the continuous development of new sites as well as potential third-party acquisition opportunities.

Vast talent pool in the management team. Sasseur REIT is supported by a dedicated and experienced management team. The board of directors and management team comprise of individuals with a broad range of commercial experience, including expertise in the fund management and real estate industry. All the key personnel possess considerable experience and expertise in real estate investment and management. Each member of the management team has at least 15 to 20 years of relevant industry experience in the regional real estate or Singapore REIT industry. As such, we believe the management team will be able to leverage on its track record, experience and expertise when making decisions and providing strategic direction as to the overall management of Sasseur REIT.

Background of Sasseur REIT's strategic partners

L Catterton Asia	Largest pan-Asia consumer focused private equity firm that operates within a global platform Manages over US$1.6bn AUM (or US$2.6bn with co-investments)
Ping An Real Estate	Affiliate of the Fortune 500 company Ping An Insurance, and is the professional real estate investment, development and management platform of Ping An Insurance. Current AUM is c. RMB300bn (US$61bn)

Source: Manager, DBS Bank

Sasseur Group: history and development

Source: Manager, DBS Bank

SWOT Analysis

Our SWOT analysis of Sasseur REIT is as follows:

<table>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>

- **Exposure to fast growing retail outlet sector.** Sasseur REIT offers investors the opportunity to gain exposure to the fast growing retail outlet mall sector in China. According to China Insights Consultancy, the sector is poised to deliver sales CAGR of 24.2% by 2021. In the medium term, the retail outlet industry in China will be the largest in the world, surpassing the US by 2030, reaching annual sales revenue of c.RMB640.2bn (US$92.9bn). This strong growth outlook is underpinned by growing consumption levels in China as well as the emerging middle-class. Based on China Insights Consultancy, the per capita disposable income is expected to increase to RMB34,700 (US$5,036) by 2021 representing a CAGR of 7.8% from 2016 to 2021. Furthermore, outlet mall penetration in China remains low at 0.4 sqm of GFA per 100 residents compared to the US, EU and Japan with 2.4, 1.0 and 0.5 respectively, indicating opportunity for growth.
- **Sponsor is the leading privately-owned outlet mall operator.** The REIT's Sponsor, Sasseur Cayman Holding Limited, is the leading privately-owned outlet operator in China, with six outlet malls and two additional outlet malls in the planning stages. Due to the Sponsor's first-mover advantage, proven track record and brand reputation, Sasseur REIT should benefit from its Sponsor's expertise to secure the right tenants and drive income going forward.
- **First-mover advantage in Tier 2 Chinese cities.** The initial portfolio is strategically located across three fast growing Tier-2 Chinese cities of Chongqing, Kunming and Hefei. With the Sponsor's early entry into these high growth markets the REIT is well positioned to capture the rapid growth in consumption. Consumption growth in these Tier 2 cities are projected to increase at CAGR of 8.2% per annum between 2016 and 2012, faster than that in Tier-1 and even Tier 3 & 4 cities of 6.7% and 6.8% respectively.

</td><td>

- **Small property portfolio with concentration risk.** While Sasseur REIT's portfolio is diversified across several markets, the REIT's performance is still dependent on the performance of only four properties. of which the Chongqing outlet is a major revenue driver. Any adverse events impacting these properties is expected to have a significant impact on the distributions of Sasseur REIT.
- **Short WALE.** The REIT's WALE by property income is short at 1.3 years. Nevertheless, we understand most leases that are due to expire have been renewed.
- **Short term income support by Sponsor.** Based on Sasseur REIT's prospectus, the property income generated by the initial portfolio is below what is paid to the REIT via the entrusted management agreement in FY18, with the shortfall made up by the Sponsor. Approximately 81% of the IPO forecast of 5 Scts for FY18 is contributed by the underlying income generated by Sasseur REIT's income. We understand this is due to the underlying revenues generated as a percentage of tenant sales not being at an optimal level. However, based on the prospectus projections for FY19, the income generated by the properties will be equivalent to the amount paid to the REIT via the entrusted management agreement.

</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>

- **Visible acquisition pipeline.** The Sponsor has given Sasseur REIT a voluntary right of first refusal (ROFR) over two properties. In addition, the REIT has access to three pipeline properties which the REIT's Sponsor has the right of first refusal to acquire. Assuming that the REIT acquires all of the ROFR and pipeline properties, equivalent to 0.7m sqm, the REIT's total GFA will increase by around 81%. This implies there is a significant inorganic growth opportunity to be tapped.

</td><td>

- **Rise in capital values could result in unfavourable acquisition prices for the Sasseur REIT.** The China real estate market has seen an increase in investment activity, pushing up prices and lowering returns. As demand for high quality assets increases, Sasseur REIT could face stiffening competition for its targeted assets, resulting in higher capital values and non-DPU accretive yields.
- **Currency risk as the REIT pays out distributions in SGD.** As Sasseur REIT's operating revenues are based in RMB but pays out its distributions in SGD, any changes in the RMB-SGD exchange rate will have an impact on distributions. The Manager is actively monitoring the currency outlook for RMB and may enter into hedges, when appropriate, but may incur costs in doing so.

</td></tr>
</table>

Source: Manager, DBS Bank

Key Risks

Country related risks. While Sasseur REIT's initial portfolio comprise of assets in cities with strong economic potential in China, the performance of the portfolio is also subject to economic changes, political changes or policy changes in China. In our opinion, a weakening of the economic growth prospects in China could potentially impact consumer consumption and retail sales, which might negatively affect tenant demand for space at Sasseur REIT's properties. This in turn could negatively impact rental income and distributions to unitholders.

In addition, Sasseur REIT will be impacted by changes in the real estate market conditions in cities that the properties operate in. Any changes in supply or reduced demand for real estate assets will have an impact on tenant demand and the attractiveness of their properties to investors.

Furthermore, as outlet malls are a relatively new concept in China, over the medium term there is a risk that this retail format may fall out of favour, resulting in slower than expected tenant sales/rents.

Interest rates risks. In the event benchmark interest rates increase, Sasseur REIT might face higher borrowing costs which will have a negative impact on distributions. However, we understand that the Manager may fix a substantial portion of their interest obligations into fixed rates to manage its interest rate exposure.

Risk of non-renewal and non-replacement of leases. Sasseur REIT's financial position and capital growth may be adversely affected by bankruptcy, insolvency or downturn in the businesses of one or more of the tenants, as well as the decision by one or more of these tenants not to renew its lease at the end of a lease cycle, or terminate its lease before it expires.

Collectively, the top 10 tenants of the Properties by Gross Rental Income accounted for approximately 16% of property income in the month of April 2017. As such, if key tenants or a significant number of tenants do not renew their leases upon expiry and replacement tenants cannot be found, this could adversely affect Sasseur REIT's business outlook, financial position, and results of operations.

Foreign currency risks. All of the REIT's assets are located in China with RMB as its operating currency and generate revenues in RMB. Thus, investors who are receiving distributions in SGD have exposure to volatility in the RMB/SGD FX rate.

Short WALE. As at 30 June 2018, Sasseur REIT has a short WALE by property income of 1.3 years and approximately 74.9% of leases by property income will expire by end 2019.

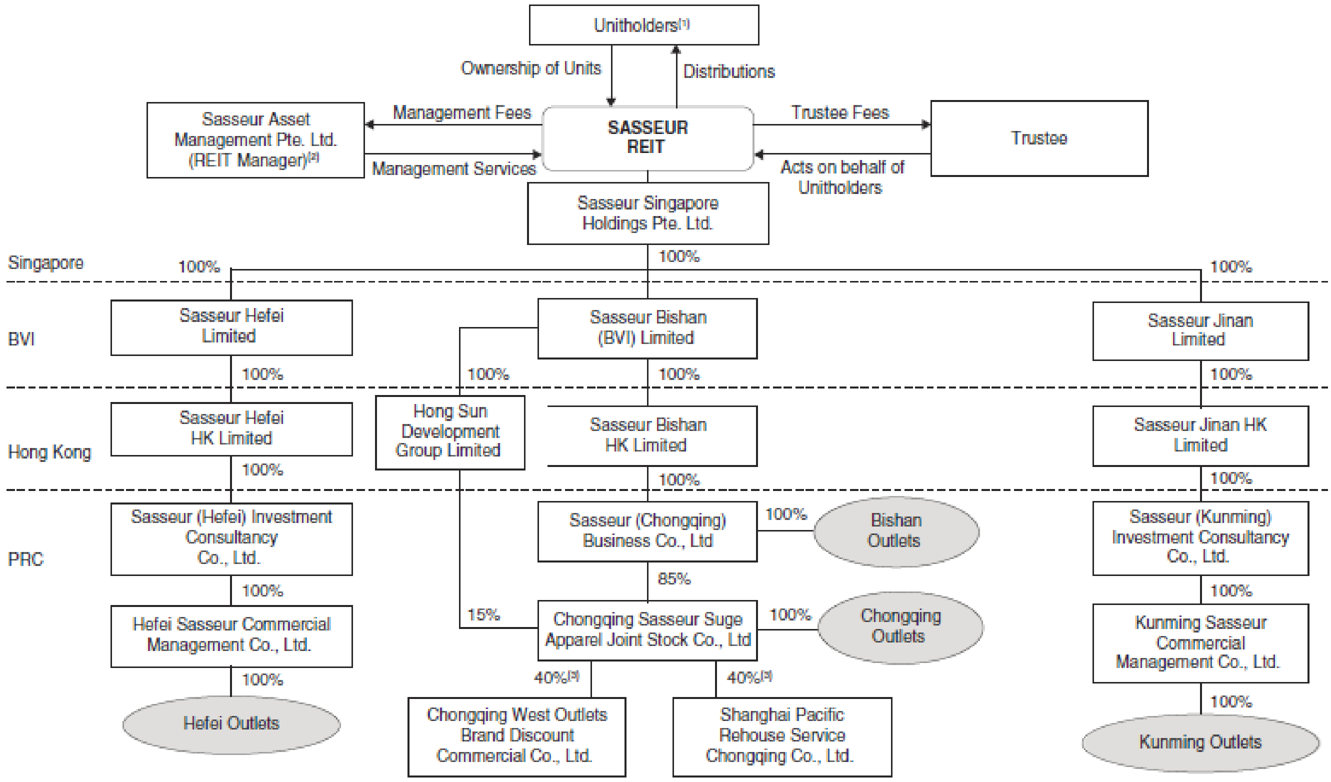
Volatility in rents. The underlying rents of Sasseur REIT's properties are pegged to a percentage of the respective tenant sales which may result in volatility in income for the REIT. However, this volatility is reduced by having a fixed rent component which contributes c.70% of FY18F revenue. In addition, fixed rental grows at 3% per annum. Furthermore, the Sponsor will pay a minimum rent of RMB472.9m and RMB611.4m in FY18F and FY19F should the sum of fixed rent and variable rents not exceed the minimum rent. Beyond FY20, the sponsor will pay the FY19 minimum rent, if the aggregate EMA Resultant Rent in any two consecutive years does not exceed RMB611.4m.

Income support by Sponsor. Based on Sasseur REIT's prospectus, approximately 81% of the IPO forecast of 5 Scts for FY18 is contributed by the underlying income generated by Sasseur REIT's properties, with the shortfall made up by the Sponsor. We understand this is due to the underlying revenues generated as a percentage of tenant sales not being at an optimal level. Based on the prospectus projections by FY19, the income generated by the properties will be equivalent to the amount paid to the REIT via the EMA, with no income support required. However, if by FY19 there remains a difference between the underlying property income and amount paid to the REIT via the EMA, and the Sponsor is required provide income support, there is a risk that investors will question the sustainability of Sassuer REIT's DPU and price the REIT based on the underlying DPU rather than its headline yield.

REIT Structure

Sasseur REIT is a Singapore REIT established with the principal investment strategy of investing principally, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail outlet mall purposes, as well as real estate related assets in relation to the foregoing, with an initial focus on Asia.

Holding Structure of Sasseur REIT



(1) The Sponsor is a controlling Unitholder of Sasseur REIT through its 100.0% interest in the Cayman Holdco, which in turn owns approximately 57% of the Units.
(2) The Manager is wholly-owned by Cayman Holdco, which is an indirect wholly-owned subsidiary of the Sponsor.
(3) 60.0% of the interests in each of Chongqing West Outlets Brand Discount Commercial Co., Ltd. and Shanghai Pacific Rehouse Service Chongqing Co., Ltd. (collectively, the "Associated Companies") is held by Shanghai Pacific Rehouse Service Co., Ltd., an independent third party unrelated to the Sponsor Group.

Source: Manager, DBS Bank

Key Management Team

Executive Officers

Name (Age)	Position	Description
Mr. Anthony Ang Meng Huat (62)	Chief Executive Officer	Mr. Ang has been Singapore’s Ambassador Extraordinary and Plenipotentiary to the Republic of Tunisia since September 2016. Mr. Ang worked at the Singapore Economic Development Board from January 1979 to October 1992 and rose up the ranks to become Regional Director of North America, where he managed investment promotion for North America, securing annual investments averaging approximately S$2 billion per annum. From March 1993 to December 1999, he was Executive Director and Group General Manager of Armstrong Industrial Corporation Limited, where he was overall in charge of the sales and manufacturing operations in six Asian countries, including Singapore, Malaysia, Thailand, Indonesia and China. Subsequently, he joined Vertex Management Pte. Ltd. from January 2000 to August 2001 as Senior Vice President of Investment, where he was responsible for investments in Singapore, India and Japan with estimated assets under management of approximately S$50 million. From August 2001 to January 2003, Mr. Ang joined GIC Real Estate Pte. Ltd. as Executive Vice President of Administration and Corporate Affairs, where he was responsible for the administration of the corporate affairs of its global investment operations. From February 2003 to December 2005, Anthony served as Executive Director of Majulah Connection Limited, a non-governmental organisation supported by the Singapore government for consulting and networking. From February 2006 to December 2016, Mr. Ang joined ARA Group and served in various roles. He was the Chief Executive Officer of ARA's flagship USD 1.13 bn ARA Asia Dragon Fund from March 2007 to March 2010, where he was in charge of fundraising and responsible for investing in a diversified portfolio of real estate investments with a pan Asian mandate. He was subsequently the Chief Executive Officer and Executive Director of ARA Asset Management (Fortune) Pte. Ltd., the manager of Fortune Real Estate Investment Trust ("Fortune REIT"), from March 2010 to January 2015 and continued to be Executive Director till December 2016. Fortune REIT owns 17 retail properties in Hong Kong with estimated assets under management of over HK$36 billion as at 31 December 2016. Mr. Ang has also been an Independent Director of Singapore-listed IPS Securex Holdings Limited since January 2015, Singapore-listed Europtronic Group Ltd. since May 2015 and Singapore-listed Heatec Jietong Holdings Ltd. since April 2017, and Independent Director of Malaysia-listed Yong Tai Berhad since January 2016. Mr. Ang graduated with a Bachelor of Science (Mechanical Engineering) with First Class Honors from the Imperial College of Science and Technology, University of London in August 1978. He also obtained an MBA Degree from the European Institute of Business Administration (INSEAD) in June 1982 and a Certificate of Completion of the Marketing Management Program from the Graduate School of Business of Stanford University in October 1992.

Source: Manager, DBS Bank

Executive Officers

Name (Age)	Position	Description
Mr. Fred Chee Kin Yuen (52)	Chief Financial Officer (CFO)	Mr. Chee joined Sasseur Asset Management Pte Ltd as Deputy Chief Financial Officer in March 2018. Mr. Chee has 29 years of financial management experience in banking, real estate and property fund management. Mr. Chee started his career at PriceWaterhouse in 1989 where he was involved in the audit of major Singapore GLCs. Subsequently he was in banking till 1999, the last in Global Financial Markets financial control in BNP. Mr. Chee then joined Ascendas Pte Ltd, which is Asia's leading provider of business space solutions and is Asia's premier developer and manager of business space. He was the Head of Corporate Finance and Taxation, responsible for Group financing and reporting. He was also involved in structuring and setting up the private funds and property trusts in Ascendas. From 2006 to 2009, Mr. Chee was Chief Financial Officer South East Asia at Limitless LLC, an Integrated International Real Estate Development company and a business unit of Dubai World, a wholly owned entity of the Dubai government. Mr. Chee helped lead the establishment of Limitless LLC's office in Singapore and was involved in the acquisition of its key investments in Malaysia, Indonesia and Vietnam. He was overall in charge of financial management, treasury, human resource and information technology in the Singapore regional head office. In 2009, Mr. Chee became Finance Director of ARA Managers (Asia Dragon) Pte Ltd, the manager of ARA Asia Dragon Fund, ARA Group's flagship private real estate fund. The Fund had total assets of US$3.0 billion under its management in a diversified portfolio of real estate investments in various growth economies of Asia, primarily in the main cities of China, Singapore, Hong Kong and Malaysia. His responsibilities included overseeing financial and management reporting, and treasury functions. Mr. Chee then joined Sunway Group as Chief Financial Officer - China in 2013. He was in charge of finance, administrative and reporting functions and operations of the international and China Group businesses, comprising of property development, heavy equipment and building materials manufacturing. His responsibilities involved statutory reporting, corporate finance and continual improvement of finance operations and administrative processes and procedures. He also led financial feasibility studies, deal due diligence, M&A structuring and finance. Mr Chee was also in charge of sourcing for acquisition financing and ongoing debt management. Mr. Chee holds a Bachelor of Accountancy and a Master of Applied Economics from the National University of Singapore and is a Chartered Accountant of Singapore.

Source: Manager, DBS Bank

Executive Officers

Name (Age)	Position	Description
Mr. Chew Hian Chin ("Ken Chew Hian Chin") (41)	Chief Investment Officer	Mr. Chew was the Assistant Head of Biomedical Sciences at Singapore Economic Development Board from April 2003 to April 2007, where he was primarily responsible for industry promotion and development in various industry sectors and client coverage in biomedical sciences in Japan and India. From May 2007 to January 2012, Mr. Chew was employed by the Mapletree Group. He was seconded to Itochu Corporation from May 2007 to April 2010 where he was primarily responsible for Itochu Corporation's investments and asset management in the Asia Pacific region. After his secondment, he took on the positions of Deputy General Manager of Mapletree Group in Japan from April 2010 to October 2010, and Representative of Mapletree Group in South Korea from November 2010 to January 2012, where he assisted with setting up Mapletree's office in South Korea, investment and asset management work, private equity fund setup and seed asset investments. He then joined CapitaMalls Asia Limited from February 2012 to May 2015, where he took on the positions of Deputy General Manager from February 2014 to May 2015 and Vice President from October 2013 to January 2014. As the Deputy General Manager of CapitaMalls Asia Limited, he was primarily responsible for investment and asset management in East China and as Vice President of CapitaMalls Asia Limited, he was primarily responsible for regional investment and asset management, including assisting in the opening of Westgate Mall in Singapore. Mr. Chew then joined the Fosun Group, an investment group with its headquarters located in the PRC, in June 2015. As the Managing Director of Fosun Property Holdings from June 2015 to May 2017, he was in charge of all property-related investments and asset management in Southeast Asia. He had also been Chief Representative of Fosun International Limited from April 2016 to May 2017, where he was in charge of group-related matters and investments in Southeast Asia. Mr. Chew graduated with a Bachelor of Science Degree from the University of Tokyo in March 2001. He also obtained a Master of Information Science and Technology (Computer Science) from the University of Tokyo in March 2003.

Source: Manager, DBS Bank

Sasseur REIT Board of Directors of the Manager

The Board of Directors of the Manager is entrusted with the responsibility for the overall management of the Managers.

Name (Age)	Position	Description
Mr. Xu Rongcan (51)	Chairman and Non-Executive Director	Mr. Xu founded the Sasseur Group in 1989, and is currently an Executive Director of the Sponsor, as well as several entities within the Sponsor Group, where he is responsible for overall management of the Sponsor Group, including determination of the Sponsor Group's development plans, operating principles and investment programs. Under the guidance of Mr. Xu, the Sponsor Group had developed since 1989 to become a leading premium outlet group in the PRC. Prior to setting up the Sponsor Group, Mr. Xu was employed in the Southwest Normal University from July 1985 to December 1989, where he was responsible for office management and advertising. Mr. Xu is also the recipient of numerous awards, including the "2009 Chongqing Top 10 Fashion Icon" awarded by the Chongqing Morning News and New Female Newspaper in 2009 and the "Chongqing Top 10 Retailer" awarded by the Chongqing Morning News and Chongqing City Chamber of Commerce in 2013. Mr. Xu graduated with a Specialisation in Agronomy from Chongqing Yongchuan Agricultural School, the PRC in July 1985. Mr. Xu Rongcan is the spouse of Ms. Yang Xue.
Ms. Yang Xue (34)	Non-Executive Director	Ms. Yang co-founded Sasseur (Shanghai) Holding Company Limited, a property development and construction company which provides enterprise management to nine malls in eight municipalities and provincial capitals in the PRC, in December 2005. She has also been the Executive Director of Sasseur (Shanghai) Holding Company Limited, where she presides over the day-to-day business activities of the company. She is also currently an Executive Director of the Sponsor as well as several entities within the Sponsor Group, where she is responsible for the external affairs of the Sponsor Group, as well as its growth and development. Prior to her position in the Sponsor Group, Ms. Yang was a sales executive for Emporio Armani from July 2003 to December 2005, where she was primarily responsible for shop operations and sales. Ms. Yang graduated with a Specialisation in Garment Marketing from Chongqing Material Technical School in March 2000. Ms. Yang is the spouse of Mr. Xu Rongcan.

Source: Manager, DBS Bank

Sasseur REIT Board of Directors of the Manager (Continued)

Name (Age)	Position	Description
Dr. Wang Jun (40)	Non-Executive Director	From March 2003 to June 2006, Dr Wang was Manager of the Global Strategic Alliance Department at Procter & Gamble, United Kingdom, where he led the marketing, research & development and patent departments to form multi-company alliance marketing strategies. From October 2008 to April 2010, he was a Senior Associate with McKinsey & Company, Shanghai, where he was primarily responsible for providing support to his private equity clients, including in their takeover of other companies. From June 2010 to the present, Dr Wang is the Managing Director of L Catterton Singapore Pte. Ltd., where he is responsible for deal sourcing, term sheet negotiations, deal executions and post deal portfolio management. Dr Wang graduated with a Bachelor of Science Degree from Peking University in 1998, and obtained a Doctor of Philosophy (in Chemistry) from Oxford University in 2002 and a Master in Business Administration from Harvard Business School in 2008.
Dr. Zhou Yimin (58)	Non-Executive Director	Dr Zhou has been the Chairman and Chief Executive Officer of Ping An Real Estate Co., Ltd., a real estate investment company, since April 2010, where he is responsible for the overall management of the business. Prior to that, Dr Zhou was the Director and General Manager of Sun Hung Kai Development (China) Co., Ltd., a real estate development company in China, where he was responsible for the overall management of the business. Dr Zhou is also currently a Non-Executive Director of Landsea Green Properties Co. Ltd., a company listed on the Stock Exchange of Hong Kong Limited. Dr Zhou has a PhD Degree in Economics from Fudan University, the PRC.

Source: Manager, DBS Bank

Sasseur REIT Board of Directors of the Manager (Continued)

Name (Age)	Position	Description
Dr. Gu Qingyang (55)	Lead Independent Director	Dr Gu has been an Associate Professor of the Lee Kuan Yew School of Public Policy of the National University of Singapore since August 2009, where he conducts lectures on the Chinese economy, economics of the public sector and urban development. Since April 2017, Dr Gu has also been an economic adviser to the Fuzhou New Zone in the PRC, where he provides advice to the Chinese government for economic development of the new zone, which is an experimental zone on China's new type of urban cluster. Prior to that, he was an Assistant Professor at the Nanyang Technological University of Singapore from July 2001 to July 2009, where he conducted lectures on mathematical economics, microeconomics and macroeconomics and cost-benefit analysis and undertook research work relating to the Chinese economy, econometric modelling, reform of state-owned enterprises and international trade and finance. He had also carried out research on the Chinese economy, Singapore public policy and urban development from June 1997 to July 2001 as a research officer in the East Asian Institute of the National University of Singapore. He has also been an Independent Director of Anbang Insurance Group Co. Ltd., China, since September 2014 and an Independent Director of China Life Insurance (Singapore) Pte. Ltd. since June 2015. Dr Gu graduated with a Master of Social Sciences from the National University of Singapore in January 1998. He also obtained a Degree of Doctor of Philosophy from the Nanyang Technological University of Singapore in May 2003.
Mr. Mario Boselli (76)	Independent Director	From August 1959 to April 2005, Mr. Boselli was employed by Carlo Boselli of Garbagnate Monastero (currently known as Marioboselli Holding Spa), with his last position being President of the company. During his time at Carlo Boselli of Garbagnate Monastero, a silk mill with a long-standing tradition, he developed the business both in Italy and abroad, where he set up a textile supply chain. From October 1999 to April 2015, Mr. Boselli was the President of the Camera Nazionale della Moda Italiana (National Chamber of Italian Fashion), a non-profit organisation with the purpose of promoting the Italian fashion industry. From December 2005 to April 2011, he took on the role of President and Chairman of the Board of Directors of Centrobanca Banca di Credito Finanziario and Mobiliare, a corporate and investment bank in Italy. As a renowned fashion icon, Mr. Boselli had won numerous awards. Some of his awards include the Cavaliere di Gran Croce dell'ordine al Merito della Repubblica Italiana received in June 2007 from the President of the Italian Republic for his merit to the nation, the Gran Cruz de l'Orden Nacional al Mérito received in February 2004 from the President of the Columbian Republic, which rewards distinguished merits in military and civil achievements, and the Commandeur de l'Ordre National de la Légion d'Honneur received in April 2002 from the President of the French Republic, which is the highest French order for military as well as civil merits.

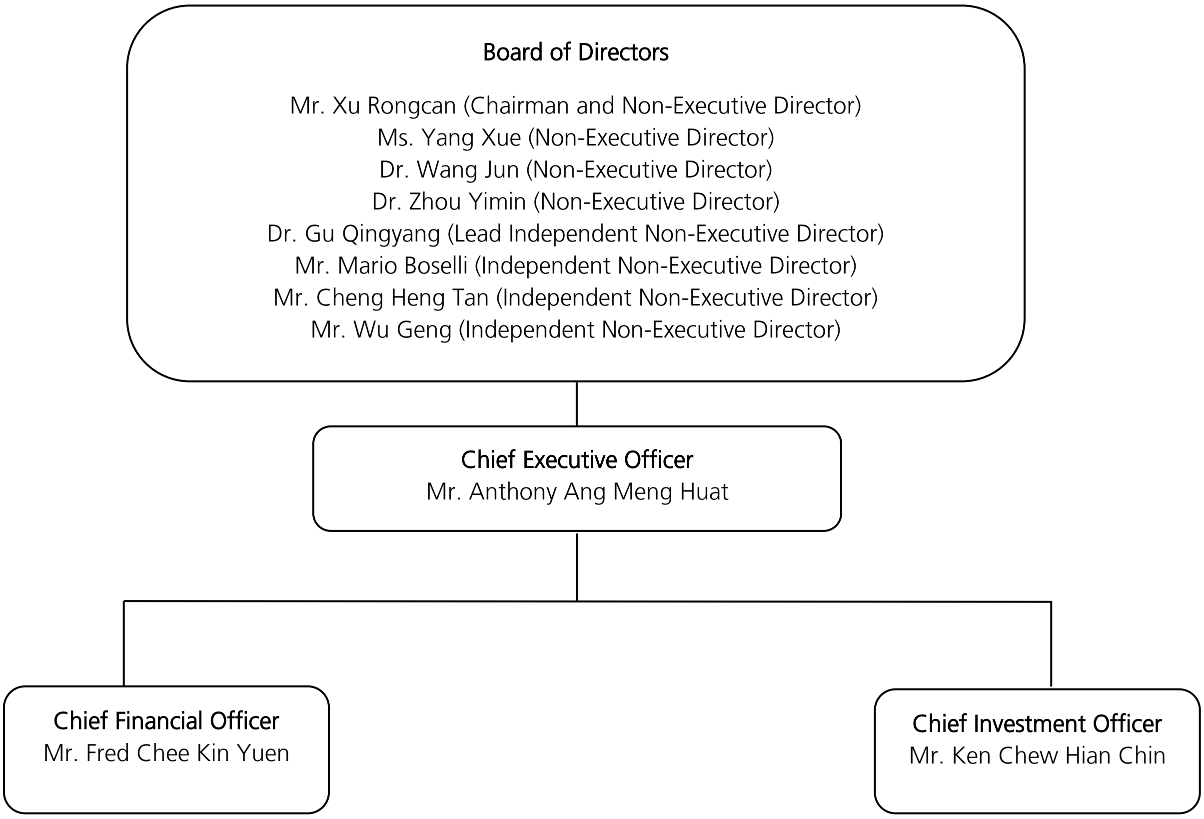
Source: Manager, DBS Bank

Sasseur REIT Board of Directors of the Manager (Continued)

Name (Age)	Position	Description
Mr. Cheng Heng Tan (65)	Independent Director	From December 1970 to July 1975, Mr. Cheng was a journalist with two Chinese language daily newspapers in Singapore. Subsequently, Mr. Cheng joined Ernst & Young LLP (then known as Turquand, Youngs & Co) from April 1977 to June 2010. During his 33 years with Ernst & Young LLP, Mr. Cheng had amassed experience in financial audit, bank audit and training and administration. He had taken on the role of audit partner of Ernst & Young LLP from July 1990 to June 2010, where he was responsible for financial audit, group administration as well as audit work in relation to initial public offerings. From July 2010 to the present, he had stepped down from his role in Ernst & Young LLP and is currently a self-employed restaurant operator. In addition, Mr. Cheng has been appointed as an Independent Director by Singapore-listed company Chip Eng Seng Corporation Ltd. since July 2011, where he chairs the Nominating Committee and is a member of the Audit and Remuneration Committees. Mr. Cheng graduated with a Bachelor of Accountancy from the University of Singapore (now known as National University of Singapore) in May 1977. He had also completed the Stanford-National University of Singapore Executive Program, jointly organised by the Graduate School of Business in Stanford University and the Faculty of Business Administration of the National University of Singapore, in 2000. Mr. Cheng is a member of the Institute of Singapore Chartered Accountants (Singapore) the American Institute of Certified Public Accountants (United States) and the Association of Chartered Certified Accountants (United Kingdom).
Mr. Wu Geng (46)	46	Mr. Wu practiced with Drew & Napier LLC since April 2008, and has been a Director at Drew & Napier LLC since May 2016, where his areas of practice include corporate finance, capital markets, and general corporate legal advisory work. Prior to his current role, Mr. Wu was a Judicial Clerk with the Supreme People's Court of the PRC from July 1995 to June 1998, where he was mainly responsible for reviewing legal cases, conducting legal research and drafting legal documents. Subsequently, he joined Pan-Commercial Pte. Ltd. as a legal adviser and foreign trade assistant from July 1999 to December 1999, where he assisted with the company's trading business and investments in the PRC. He then joined Hoh & Partners as a Chinese law adviser from January 2002 to June 2003, Colin Ng & Partners as a foreign counsel from June 2003 to October 2003, and Hoh Law Corporation (formerly known as Hoh & Partners) as a legal executive from November 2003 to April 2008. Mr. Wu has also been appointed as an Independent Director by Singapore-listed company Foreland Fabrictech Holdings Limited since September 2014, where he chairs the Nominating Committee and Remuneration Committee and is a member of the Audit Committee.

Source: Manager, DBS Bank

Organization Structure of the REIT Manager



Source: Manager, DBS Bank

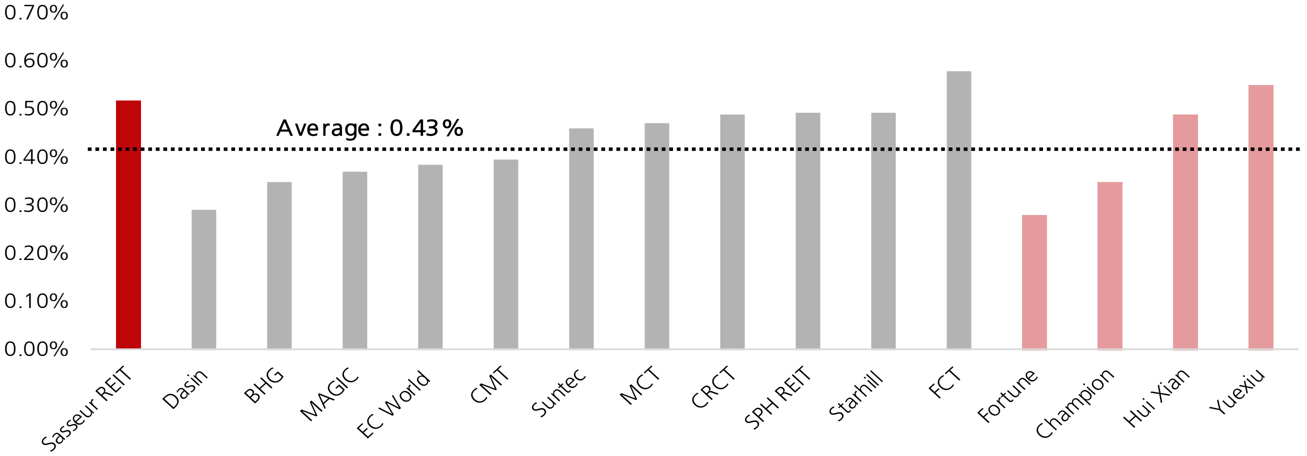
Fee Structure

Sasseur REIT's fee structure within the SREIT industry peer range. We believe that Sasseur REIT's fee structure is highly aligned to unitholders' interests and is in line with peers in the S-REIT space. The Manager will take 10.0% of distributable income as base management fees and 25% of the growth in DPU vs the previous financial year, as performance fees. Other fees include trustee fees, acquisition and divestment fees as well as property management fees.

100% fee in units. The Manager has elected to receive 100% of the base management fee and performance fee in units for FY18-FY19F.

Based on our estimates, Sasseur REIT's fees payable as a percentage of total property value is approximately 0.52%, which is in line with its peer range.

Comparables - REIT Manager Fees as % of Total Assets



Source: Various S-REITs, DBS Bank estimates

Retail / Greater China S-REIT Manager Fees comparison

REIT	Base Fee (% of deposited property)	Performance Fee
Sasseur REIT	10% distributable income	25% of change in DPU
BHG Retail REIT	10% distributable income	25% of change in DPU
Dasin Retail Trust	0.25% of the value of the trust property if the property value is less or equal to S$10bn. If the property value exceeds S$10bn, 0.20% of value of property exceeding S$10bn and 0.25% of the property value up to S$10bn	25% of change in DPU
CapitaLand Mall Trust	0.25% of deposited property	4.25% of net property income
CapitaLand Retail China Trust	0.25% of deposited property	4.0% of net property income
EC World	10% distributable income	25% of change in DPU
Frasers Centerpoint Trust	0.3% of deposited property	5.0% of net property income
Mapletree Commercial Trust	0.25% of deposited property	4.0% of net property income
Mapletree Greater China Trust	10% distributable income	25% of change in DPU
SPH REIT	0.25% of deposited property	5.0% of net property income
Suntec REIT	0.3% of deposited property	4.5% of net property income
Starhill Global REIT	0.5% of deposited property	Tier 1 - 5.0% of amount Starhill share price outperforms the benchmark index Tier 2 – 15% of outperformance of benchmark index plus 2%

Source: Manager, Various S-REITs, DBS Bank

Asian REITs with China and Greater China mandate

REIT	Base Fee (% of deposited property)	Performance Fee
Fortune REIT	0.3% of deposited property	3.0% of net property income
Champion REIT	12% of net property income	-
Hui Xian REIT	0.3% of deposited property	3.0% of net property income
Yuexiu REIT	0.3% of deposited property	3.0% of net property income
The Link REIT	Nil, internally managed REIT	Nil, internally managed REIT

Source: Manager, Various S-REITs, DBS Bank

Fees and charges in relation to Sasseur REIT

Fee Type	Payable To	Payment Mode	Description
Management Fee	Manager	Cash and/or Units	**Base Fee:** 10.0% per annum of the REIT's Distributable Income. **Performance Fee**: 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. No Performance Fee is payable for the period to the end of 31 December 2017 and FY18. For FY19, the calculation of the Performance Fee is determined using the difference between the actual DPU in FY19 and the actual DPU in FY18. For 2017, 2018 and 2019, the Manager has elected to receive 100% of the Management Fee in Units.
Trustee's fee	Trustee	Cash	The Trustee's fees shall not exceed 0.1% per annum of the value of the Deposited Property, subject to a minimum of S$15,000 per month, excluding out-of-pocket expenses and GST in accordance with the Trust Deed. The Trustee's fee is accrued daily and paid monthly in arrears in accordance with the Trust Deed. The actual fee payable within the permitted limit will be determined between the Manager and the Trustee from time to time. The Trustee will also be paid a one-time inception fee as may be agreed between the Trustee and the Manager, subject to a maximum of S$60,000.
Acquisition Fee	Manager	Cash and/or Units	0.75% for acquisitions from Related Parties and 1.0% for all other cases (or such lower percentage as may be determined by the Manager in its absolute discretion) of each of the following as is applicable (subject to there being no double-counting): • the acquisition price of any real estate purchased by Sasseur REIT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the acquisition price made by Sasseur REIT or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of Sasseur REIT's interest); • the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by Sasseur REIT, whether directly or indirectly through one or more SPVs, plus any additional payments made by Sasseur REIT or its SPVs to the vendor in connection with the purchase of such equity interests) (pro-rated if applicable to the proportion of Sasseur REIT's interest); or • the acquisition price of any investment by Sasseur REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate. No acquisition fee is payable for the acquisition of the Properties.

Source: Manager, DBS Bank

Fees and charges in relation to Sasseur REIT

Fee Type	Payable To	Payment Mode	Description
Divestment Fee	Manager	Cash and/or Units	0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of each of the following as is applicable (subject to there being no double-counting): • the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by Sasseur REIT (plus any other payments in addition to the sale price received by Sasseur REIT or its SPVs from the purchaser in connection with the sale or divestment of the real estate) (pro-rated if applicable to the proportion of Sasseur REIT's interest); • the underlying value of any real estate which is taken into account when computing the sale price for the equity interests in any vehicle holding directly or indirectly the real estate, sold or divested, whether directly or indirectly through one or more SVPs, by Sasseur REIT (plus any additional payments received by Sasseur REIT or the SPVs from the purchaser in connection with the sale or divestment of such equity interests) (pro-rated if applicable to the proportion of Sasseur REIT's interest); or • the sale price of any investment sold or divested by Sasseur REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPVs owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate, For the avoidance of doubt, the sale price, or as the case may be, the sale value, shall take into account any price or value adjustment to be made post-completion (and the divestment fee payable to the Manager will be adjusted upwards or downwards, as applicable). The disclosed rate for the Divestment Fee applies to all divestments, regardless of whether such divestment is to a Related Party. The Divestment Fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) in such proportions as may be determined by the Manager. Under the Property Funds Appendix, in respect of any sale or divestment of real estate assets to Related Parties, such a fee should be in the form of Units issued by Sasseur REIT at prevailing market price(s) instead of cash. Such Units should not be sold within one year from date of their issuance.

Source: Manager, DBS Bank

Fees and charges in relation to Sasseur REIT

Fee Type	Payable To	Payment Mode	Description
Development Fees	Manager	Cash	The Manager is entitled to receive a development management fee equivalent to 3.0% of the Total Project Costs incurred in Development Projects undertaken and managed by the Manager on behalf of Sasseur REIT (the "Development Management Fee"). Sasseur REIT will only undertake development activities within the limits of the Property Funds Appendix. "Total Project Costs" is defined in the Trust Deed to mean the sum of the following: (i) construction cost based on the project final account prepared by the project quantity surveyor or issued by the appointed contractor; (ii) principal consultants' fees, including payments to the project's architect, civil and structural engineer, M&E engineer, quantity surveyor and project manager; (iii) the cost of obtaining all approvals for the project; (iv) site staff costs; (v) interest costs on borrowings used to finance project cash flows that are capitalised to the project in line with generally accepted accounting practices in PRC; and (vi) any other costs including contingency expenses which meet the definition of total project costs and can be capitalised to the project in accordance with generally accepted accounting practices in PRC. "Development Project" in relation to Sasseur REIT, means a project involving the development or redevelopment of land, or buildings, or part(s) thereof on land which is acquired, held or leased by Sasseur REIT, either directly or indirectly, by one or more SPVs, provided that the Property Funds Appendix shall be complied with for the purposes of such development, but does not include refurbishment, retrofitting and renovations, save for works that result in additional GFA. When the estimated total project costs are greater than S$100.0m, the Trustee and the Independent Directors of the Manager will first review and approve the quantum of the development management fee, whereupon the Manager may be directed by its independent directors to reduce the development management fee. Further, in cases where the market pricing for comparable services is, in the view of the Independent Directors of the Manager, materially lower, the independent directors of the Manager shall have the right to direct a reduction of the development management fee to less than 3.0% of the total project costs. In respect of the same Development Project, the Manager will not be entitled to concurrently receive both the Development Management Fee as well as the Acquisition Fee. For the avoidance of doubt, as land costs will not be included in the computation of Total Project Costs, the Manager shall be entitled to receive an Acquisition Fee on the land costs. For the avoidance of doubt, where project management fees are payable to the Property Manager(s), there will not be any Development Management Fees

			payable to the Manager in respect of the same project and vice versa. The Development Management Fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) in such proportions as may be determined by the Manager. For the avoidance of doubt, no Development Management Fee will be payable to the Manager (or the Sponsor) in respect of the Phase 2 Developments.
Entrusted management fee	Entrusted Manager	Cash	The Entrusted Manager is entitled to a management fee per annum (the "Entrusted Management Fee") on each Property comprising the following: (i) a base fee (the "EM Base Fee"); and (ii) a variable performance fee (the "EM Performance Fee"). The EM Base Fee shall be derived in the following manner and shall be payable monthly: EM Base Fee = Lower of:)% of Gross Revenue; and ross Revenue – EMA Resultant Rent (as defined herein). The EM Performance Fee shall be based on the differential between the Gross Revenue and EMA Resultant Rent and after deducting the EM Base Fee and shall be payable annually and derived in the following manner: EM Performance Fee = 60% X ((Gross Revenue – EMA Resultant Rent) – EM Base Fee) For the avoidance of doubt, where the EM Base Fee and/or EM Performance Fee is equal to or less than zero, the Entrusted Manager shall not be entitled to receive any EM Base Fee and/or EM Performance Fee, as the case may be.

Source: Manager, DBS Bank

Stable and growing cash flows from Entrusted Management Agreement (EMA)

A structure offering a balance of stability and growth. Sasseur REIT derives revenues (“EMA Resultant Rent”) based on a formula comprising a fixed and variable rent component. We believe that this structure will enable the REIT to deliver a balance between income resilience and organic growth which is tied to the underlying performance of the initial portfolio. According to our estimates, Sasseur REIT derives close to 70% of its revenues from the fixed component of the EMA Resultant Rent over FY18F-19F. The fixed rent component for each property is expected to increase by 3.0% annually from FY18. The EMA agreement runs for 10 years and is renewable thereafter for another 10 years.

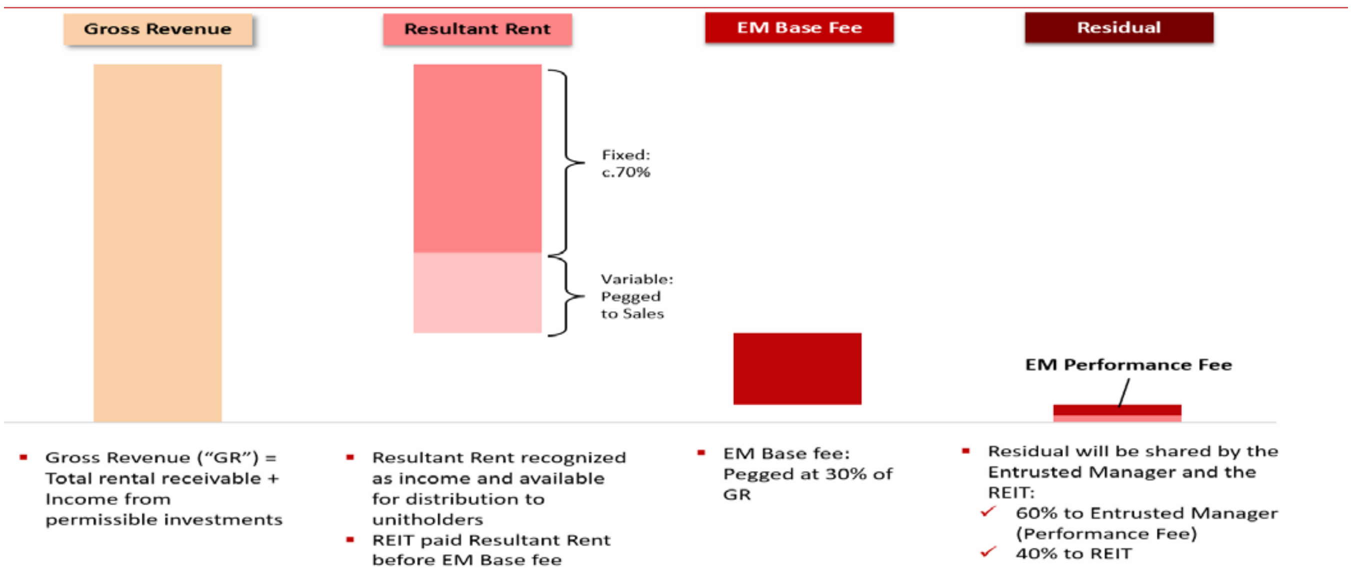
The outlet mall business model is unique as most tenants enter into short term sales-based leases and most rental structures are largely based on turnover instead of a fixed rent. According to the Manager, more than 90.0% of the rental income from the Properties is pegged to tenants' sales. This implies that underlying rental received is likely to be volatile and seasonal, in our view. In addition, given the nature of the business, we believe that active marketing, management and close cooperation with tenants is key to drive tenant sales. Therefore, through the EMA structure, the EMA Resultant Rent will enable the REIT to enjoy the benefit of income stability as well as participate in the underlying growth in tenants’ sales through the variable rent component.

We see the EMA as somewhat like a master-lease structure where the Entrusted Manager is in charge of end-to-end operations of the properties, maintaining tenant relationships and facilitating rental negotiations as well as monitoring sales performance and record of the tenants.

The Entrusted Manager will also manage and administer, the sales collections of the tenants and other receipts, cash management with strict oversight from the Manager. Furthermore, the Entrusted Manager will perform periodic checks on the products sold by tenants in the properties to ensure authenticity and prevent any trademark infringements.

Under the Entrusted Management Agreement, the Entrusted Manager is entitled to the Entrusted Management Fee per annum, payable on a monthly basis, in respect of its management of the Properties and which comprises of the EM Base Fee and the EM Performance Fee.

Illustration of EM Base Fee, EM Performance Fee and the EMA Resultant Rent



Source: Manager, DBS Bank

Financials – Income Statement

A structure positively correlated to underlying tenant sales momentum. We project overall tenant sales CAGR of 14% per annum FY17P-FY20F in RMB terms (annualised basis). We have projected growth of 3-8% p.a. for Chongqing Outlets as the property has reached a more mature operating level. The remaining 3 outlets – Bishan, Hefei and Kunming - are projected to deliver stronger growth rates of between 5-60% as the properties are either ramping up or have just begun operations. For FY18, our tenant sales are higher than prospectus projections given the strong tenant sales Sassuer REIT delivered in its maiden results for the period 28 March to 30 June 2018 of between 13-136% in RMB terms.

This in turn sees the variable component of the EMA resultant rent/cash revenue to grow at CAGR of c.16% over FY17P-FY20F. The variable component of EMA resultant rent is based on 4.0-5.5% of the underlying total sales.

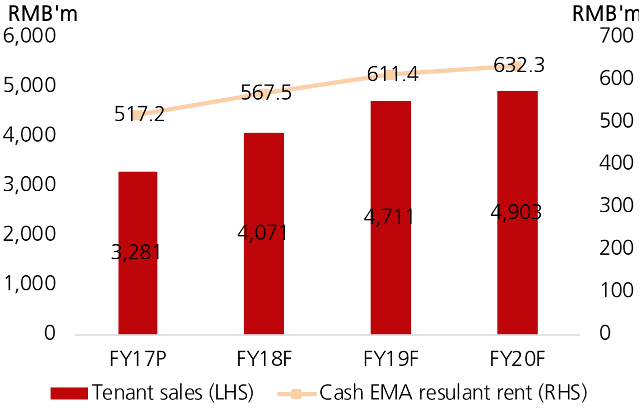
Meanwhile, the fixed component of EMA resultant rent has a 3% annual escalation. The fixed component is approximately 70% of total EMA resultant rent/cash revenue for FY18. Thus, based on our estimates, the total EMA resultant rent/cash revenue is projected to increase by CAGR of 6% between FY18-20F. We have assumed a fixed SGD/CNY exchange rate of 4.93 from FY18-20F. Thus, both EMA resultant rent/cash revenue growth in RMB and SGD terms are the same.

Assumed tenant sales y-o-y growth in RMB terms

	DBS estimates			IPO projections		28 March to 30 June 2018
Property	FY18F	FY19F	FY20F	FY18F	FY19F	
Chongqing Outlets	8.0%	3.0%	3.0%	7.1%	3.0%	13.4%
Bishan Outlets	20.0%	20.0%	5.0%	16.0%	20.0%	33.3%
Hefei Outlets	55.0%	30.0%	5.0%	50.0%	30.0%	65.4%
Kunming Outlets	60.0%	35.0%	5.0%	55.5%	35.0%	135.8%
Initial Portfolio	**24.1%**	**15.7%**	**4.1%**	**21.9%**	**15.7%**	**36.8%**

Source: Manager, DBS Bank estimates

Projected Growth in tenant sales and gross revenue



** FY18F annualised*
Source: Manager, DBS Bank estimates

Calculation of the variable component

Property	% of tenant sales
Chongqing Outlets	4.0%
Bishan Outlets	4.5%
Hefei Outlets	5.5%
Kunming Outlets	5.0%

Source: DBS Bank estimates

Fixed component for FY18

Property	1 March to 31 December 2018 RMB'm	Annualised FY18 RMB'm
Chongqing Outlets	142.9	171.5
Bishan Outlets	29.2	35.0
Hefei Outlets	88.4	106.1
Kunming Outlets	58.4	70.1

Source: Manager, DBS Bank estimates

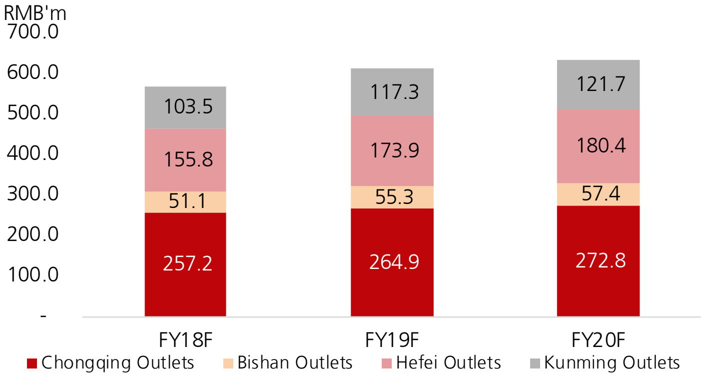
2% growth in distributable income. On the back of the growth in cash revenue and fixed cost leverage, we project Sasseur REIT's distributable income to grow at CAGR of 2% from FY18F-20F. The Manager intends to distribute 100% of its annual distributable income until end of FY19F. Thereafter, the REIT will have a distribution pay-out of at least 90% of its distributable income. Distributions will be made on a half-yearly basis.

Management fees – pegged to distributable income. The base fees and performance fees of Sasseur REIT are structured to motivate the Manager to grow revenues and keep costs in check, ensuring that interests of the Manager are well aligned with that of unitholders. Annual base fees are paid based on 10% of distributable income. In addition, the Manager will only be paid annual performance fees that is based on 25% of the growth in DPU in a financial year compared to the preceding year. For FY18F, no performance fee is payable. For FY19, the performance fee is calculated on the difference between FY18 and FY19 DPU. The Manager has elected to receive the base and performance fees for FY18-19F in units.

5.4% interest cost. Sasseur REIT is in the process of securing debt facilities and we have assumed a weighted average overall all-in interest cost is c. 5.4%.

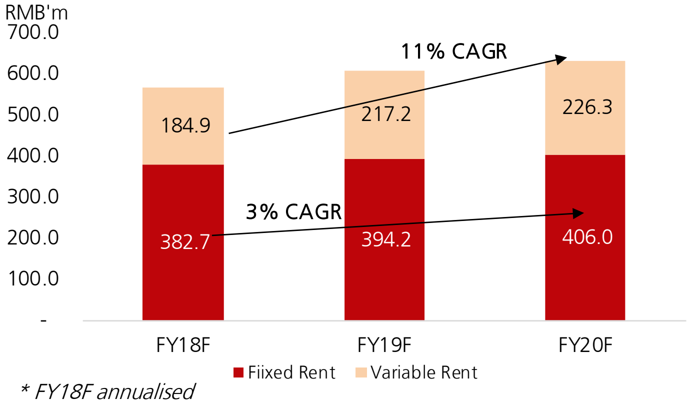
Non-tax deductible expenses. Largely consists of management fees payable to the Manager (100% of fees paid in units), amortisation of debt issuance costs, adjustments due to non-controlling interests and statutory reserves.

Contribution to Cash Revenues by property (FY18-20F)



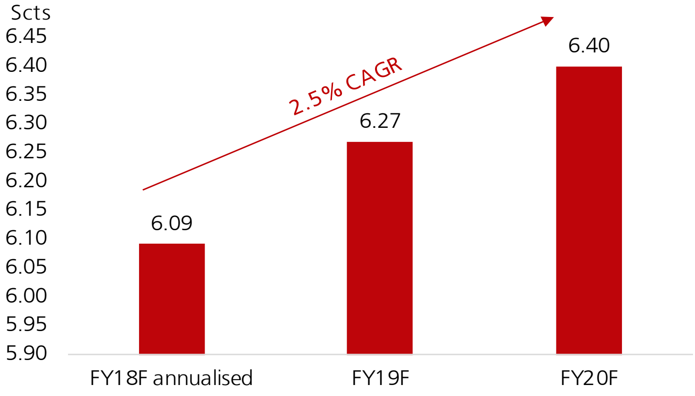
** FY18F annualised*
Source: DBS Bank estimates

Contribution to Cash Revenues by rental formula (FY18-20F)



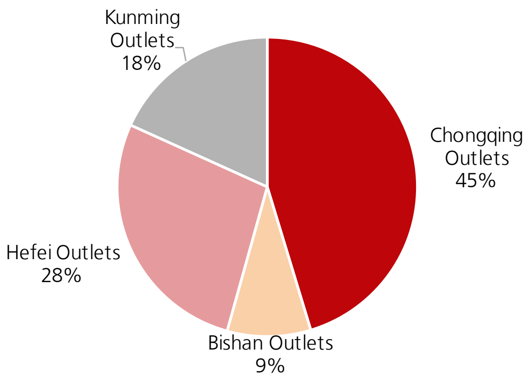
** FY18F annualised*
Source: DBS Bank estimates

Growth in DPU



Source: DBS Bank estimates

Breakdown of FY18F Cash Revenues by property (%)



Source: DBS Bank estimates

Segmental Breakdown*

	FY17P	FY18F	FY19F	FY20F
Tenant sales (RMB'm)				
Chongqing Outlets	1,983	2,142	2,206	2,272
Bishan Outlets	297	356	428	449
Hefei Outlets	584	905	1,176	1,235
Kunming Outlets	417	668	902	947
Total	3,281	4,071	4,711	4,903
Occupancy rate				
Chongqing Outlets	96.0%**	99.0%	99.0%	99.0%
Bishan Outlets	85.6%**	88.0%	95.0%	95.0%
Hefei Outlets	93.3%**	95.0%	97.0%	97.0%
Kunming Outlets	90.7%**	95.0%	95.0%	95.0%
Tenant sales growth assumption				
Chongqing Outlets	n/a	8.0%	3.0%	3.0%
Bishan Outlets	n/a	20.0%	20.0%	5.0%
Hefei Outlets	n/a	55.0%	30.0%	5.0%
Kunming Outlets	n/a	60.0%	35.0%	5.0%
Fixed rent component (RMB'm)				
Chongqing Outlets	n/a	171.5#	176.6	181.9
Bishan Outlets	n/a	35.0#	36.1	37.2
Hefei Outlets	n/a	106.1#	109.3	112.5
Kunming Outlets	n/a	70.1#	72.2	74.3
Total	n/a	382.7#	394.2	406.0
Variable rent component (RMB'm)				
Chongqing Outlets	n/a	85.7	88.3	90.9
Bishan Outlets	n/a	16.0	19.2	20.2
Hefei Outlets	n/a	49.7	64.7	67.9
Kunming Outlets	n/a	33.4	45.1	47.3
Total	n/a	184.9	217.2	226.3
EMA Resultant Rent / Cash Revenue (RMB'm)				
Chongqing Outlets	n/a	257.2	264.9	272.8
Bishan Outlets	n/a	51.1	55.3	57.4
Hefei Outlets	n/a	155.8	173.9	180.4
Kunming Outlets	n/a	103.5	117.3	121.7
Total	n/a	567.5	611.4	632.3
Average SGD/RMB	n/a	4.93	4.93	4.93

** All numbers are rounded up to the nearest decimal. For FY17-20F, the projections are DBS Bank estimates.*
*** Occupancy for FY17 based on occupancy as at end 30 September 2017.*
 # FY18F is based on an annualised numbers. Fixed rent for period 1 March to 31 December for Chongqing Outlets, Bishan Outlets, Hefei Outlets and Kunming Outlets stand RMB142.9m, RMB29.2m, RMB88.4m and RMB58.4m respectively.
Source: Manager, DBS Bank estimates

Income Statement*

FY Dec (S$'m)	FY16P	9M17P	FY18F**	FY19F	FY20F
EMA Rental Income	89.4	91.2	87.7	124.0	128.3
Property expenses	-	-	-	-	
Net Property Income	89.4	91.2	87.7	124.0	128.3
Other Operating Income	-	-	-	-	
Other Operating expenses	(18.6)	(6.9)	(18.6)	(9.8)	(10.2)
REIT Management Fees	(4.8)	(5.5)	(5.5)	(8.1)	(8.2)
Other expenses	(13.8)	(1.4)	(13.1)	(1.7)	(2.0)
EBIT	70.8	84.3	69.1	114.2	118.1
Interest Inc	0.6	1.4	0.3	1.4	1.3
Interest Exp	(24.8)	(23.0)	(21.8)	(28.8)	(29.4)
Share of associate/JV Income	-	-	-	-	
Net Income	46.6	62.7	47.5	86.7	90.0
Tax	(16.8)	(19.1)	(13.0)	(20.8)	(22.5)
Minority Interest	-	-	-	-	
Fair value gain/(loss)	(2.5)	3.4	(4.0)	-	-
Net Income After Tax	27.3	47.0	30.4	65.9	67.5
Total Return	27.3	47.0	30.4	65.9	67.5
Non-tax deductible Items	n/a	n/a	24.7	9.3	10.0
Net Inc available for Dist.	n/a	n/a	55.1	75.2	77.5
Revenue Gth (%)			nm	nm	3%
N Property Inc Gth (%)			nm	nm	3%
Distributable Inc Gth (%)			nm	nm	3%
Dist. Payout Ratio (%)			100%	100%	100%

** All numbers are rounded up to the nearest decimal. For FY18-20F, the projections are DBS Bank estimates. FY16P and 9M17P EMA resultant rent includes straight lining effects while FY18-20F are on a cash basis excluding any straight lining effects*
*** FY18F is for period between 28 March to 31 December 2018*
Source: Manager, DBS Bank estimates

Financials – Balance Sheet

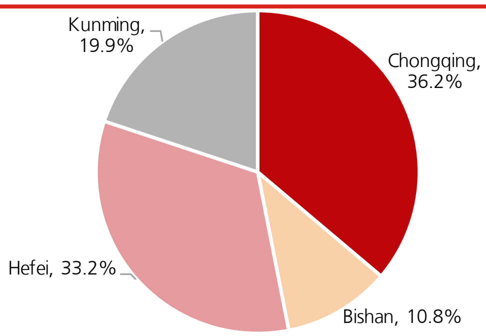
Property value of S$1.5bn. Based on the average of two independent valuers, Savills and JLL, the properties are valued at RMB7.3bn (equivalent to c.S$1.5bn). The largest property is Chongqing Outlet (36.2% of total value), followed by Hefei Outlet (33.2%), Kunming Outlet (19.9%) and Bishan Outlet (10.8%).

Both onshore and offshore loans. Sasseur REIT secured both onshore and offshore loan facilities to finance the purchase of its initial portfolio. The RMB onshore facility stands at RMB1.96bn (c.S$405m) with a S$125m (c.RMB0.6b) SGD offshore facility. The debt tenure for the onshore facility is 5 years while the offshore facility matures in 3 years.

Interest costs. Interest expense is calculated based on a blended average all-in interest cost of 5.4%. The average offshore SGD debt is 4.3% with the onshore RMB debt at 5.7%.

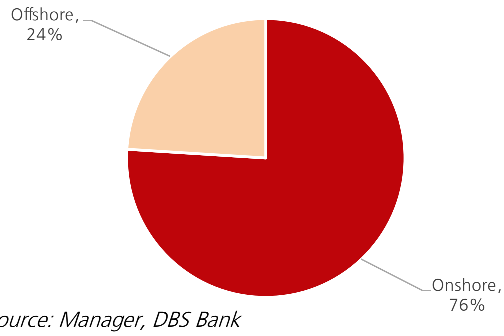
Gearing level of 33-34%. Based on our estimates, Sasseur REIT will have an initial gearing (total debt/total assets) of around 33% and is projected to remain fairly stable. We believe that the REIT has ample capacity to take on opportunistic acquisitions to grow the portfolio over time.

Asset Breakdown (%) as at 30 September 2017



Source: Manager, DBS Bank

Debt breakdown as at 30June 2018



Source: Manager, DBS Bank

Balance Sheet*

FY Dec (S$'m)	FY16P	9M17P	FY18F	FY19F	FY20F
Investment Properties	1,386.1	1,386.1	1,387.1	1,388.1	1,391.9
Cash & ST Invts	68.5	109.4	107.2	115.4	116.3
Other Current Assets	48.1	49.8	49.8	49.8	49.8
Receivables	1.7	1.0	2.2	3.1	3.2
Other Long Term Assets	2.5	5.8	5.8	5.8	5.8
Total Assets	**1,506.9**	**1,552.0**	**1,552.0**	**1,562.1**	**1,567.0**
ST Debt	25.6	32.6	32.6	32.6	32.6
Other Current Liabilities	15.9	26.9	21.9	31.0	32.1
LT Debt	501.6	501.6	502.6	503.6	507.4
Other LT Liabilities	41.9	69.0	69.0	69.0	69.0
Unit holders' funds	921.8	921.8	925.9	925.9	925.9
Minority Interests	-	-	-	-	-
Total Funds & Liabilities	**1,506.9**	**1,552.0**	**1,552.0**	**1,562.1**	**1,567.0**
Net Cash/(Debt)	(458.7)	(424.8)	(428.0)	(420.8)	(391.1)
Leverage Analysis					
Gearing**	35.0%	34.4%	34.5%	34.3%	34.5%

** All numbers are rounded up to the nearest decimal. For FY18-19F, the projections are DBS Bank estimates. ** Gearing calculated as total debt divided by total assets. Source: Manager, DBS Bank estimates*

Financials – Cashflow Statement

Capex requirements. We have projected minimal capex over FY18-19F as Sasseur REIT's properties are either relatively new. In the long term we have pegged annual capex at 3% of gross revenues. We have assumed capex will be funded from the REIT's onshore cash.

Cashflow Statement*

FY Dec (S$'m)	FY16P	9M17P	FY18F	FY19F	FY20F
Pre-Tax Income	46.6	62.7	47.5	86.7	90.0
Dep. & Amort.	-	-	-	-	-
Tax Paid	(11.3)	(12.6)	(13.0)	(20.8)	(22.5)
Associates &JV Inc/(Loss)	-	-	-	-	-
Other Non-Cash adjustment	21.4	42.5	24.7	9.3	10.0
Chg in Wkg.Cap.	2.5	(6.1)	(6.2)	8.2	1.0
Net Operating CF	**59.2**	**86.6**	**52.9**	**83.4**	**78.4**
Net Invt in Properties / Capex	-	-	(1.0)	(1.0)	(3.8)
Other Invts (net)	-	-	-	-	-
Invts in Assoc. & JV	-	-	-	-	-
Div from Assoc. & JVs	-	-	-	-	-
Other Investing CF	-	-	-	-	-
Net Investing CF	**-**	**-**	**(1.0)**	**(1.0)**	**(3.8)**
Distribution Paid	(18.9)	(65.1)	(55.1)	(75.2)	(77.5)
Chg in Gross Debt	96.9	(4.0)	1.0	1.0	3.8
New units issued	390.5	-	-	-	-
Other Financing CF	(440.2)	(18.0)	-	-	-
Net Financing CF	**28.3**	**(87.1)**	**(54.1)**	**(74.2)**	**(73.6)**
Net Cashflow	87.4	(0.5)	(0.3)	6.3	1.0
Starting Cash on Balance Sheet	5.6	93.0	109.4	109.1	115.4
Ending Cash on Balance Sheet	93.0	89.6	109.1	115.4	116.3

** All numbers are rounded up to the nearest decimal. For FY18-19F, the projections are DBS Bank estimates.*
Note 9M17P end cash balance in the cashflow statement is different from the 9M17P end cash balance in the balance sheet. This is because the cashflow statement is prepared on the basis of the acquisition occurring on 1 January 2017 whereas the balance sheet is prepared on the basis that the acquisition occurs on 30 September 2017. There are also some timing differences of when the distributions are paid.
Source: Manager, DBS Bank estimates

Valuation

Discounted Cash Flow Method (DCF)

As Sasseur REIT's investor base is sourced from Singapore, our DCF analysis has factored in a normalised Singapore risk free rate of 3%, Singapore market return of 9.4%, beta of 1.2x (a premium to CapitaLand Retail China Trust (CRCT)'s beta of 1.0x due to Sasseur REIT's smaller size and limited track record), cost of debt of 5.7% and cost of equity of 10.7%. This translates to a WACC of 8.9%. Coupled with a terminal growth rate of 2.0%, we derive a DCF valuation of **S$0.91** per unit. This implies a FY19F yield of **6.9%**.

In terms of sensitivity, Sasseur REIT's valuation is more sensitive to changes in WACC than terminal growth. For every 0.5ppt movement in WACC, our DCF valuation would move by 8-9% while a 0.5ppt change in terminal growth would move the DCF valuation by 4%

Sensitivity of DCF Valuation to Changes in Terminal Growth and WACC

		Terminal Growth Rate		
		1.5%	2.0%	2.5%
			Equity Value (S$)	
WACC	7.9%	1.02	1.09	1.16
	8.4%	0.94	0.99	1.05
	8.9%	0.87	0.91	0.96
	9.4%	0.81	0.84	0.88
	9.9%	0.76	0.79	0.82

Source: DBS Bank estimates

DCF Analysis

FY Dec (S$'m)	FY19F	FY20F
EBIT	124.0	128.3
Non Cash Adjustment	9.3	10.0
Tax	(20.8)	(22.5)
Capex	(1.0)	(3.8)
Chgs to Wkg Cap	8.2	1.0
FCF to the Firm	119.6	112.8
PV of FCF	793.8	
PV of Terminal Value	775.4	
Net Cash /(Debt)	(428.0)	
Equity Value (S$'m)	1,144.2	
Equity Value per unit (S$)	0.91	
Risk Free Rate (Rf)	3.0%	
Equity risk premium	9.4%	
Beta	1.2	
Cost of Equity (Ke)	10.7%	
% debt financing	35.0%	
Cost of debt	5.7%	
WACC	8.9%	
Terminal growth	2.00%	

Source: DBS Bank estimates

Yield Comparison

In our opinion, the closest comparable REIT is CRCT which as at 14 September 2018 was offering FY19F yield of 7.9%. While BHG Retail REIT and Dasin Retail Trust are two other China based retail REITs listed in Singapore, we believe these REITs are not the best comparison given their yields are boosted by distribution waivers. Meanwhile, EC World is an industrial/logistics REIT, in a different real estate subsector.

While CRCT currently trades above our target yield for Sasseur REIT of 7.0%, we believe CRCT remains undervalued and based on our TP for CRCT, it should trade closer to a FY19F yield of 6.3%. Thus, we believe the c.50-70bps difference is fair considering CRCT's longer track record, larger asset size and greater exposure to Tier 1 cities in China.

Yield of Singapore Retail REITs (14 September 2018)

REIT	Yield @ Current Price			DPU CAGR FY19/20-FY20/21
	FY18/19F	FY19/20F	FY20/21F	
CMT	5.3%	5.5%	5.7%	3.8%
FCT	5.5%	5.6%	5.8%	4.1%
SPH REIT	5.6%	5.9%	6.1%	2.9%
Average	**5.4%**	**5.7%**	**5.9%**	**3.6%**

Source: Bloomberg Finance L.P., DBS Bank estimates

Yield of Greater China REITs (14 September 2018)

REIT	Yield @ Current Price			DPU CAGR FY19/20-FY20/21
	FY18/ 19F	FY19/ 20F	FY20/ 21F	
Sasseur REIT	6.4%	8.7%	8.9%	2.1%
Singapore listed				
BHG*	7.7%	n/a	n/a	n/a
BHG (without distribution waiver)*	5.8%	n/a	n/a	n/a
CRCT	7.6%	7.6%	7.9%	2.8%
Dasin Retail Trust*	8.4%	n/a	n/a	n/a
Dasin Retail Trust (without distribution waiver)*	4.4%	n/a	n/a	n/a
EC World*	9.0%	9.6%	9.9%	3.1%
MAGIC	6.6%	6.7%	6.8%	1.2%
HK listed**				
Champion REIT	4.7%	4.9%	5.0%	2.6%
Fortune REIT	5.6%	5.7%	6.0%	5.6%
Yuexiu REIT	6.6%	6.8%	6.9%	1.0%
Hui Xian REIT	8.4%	8.6%	8.7%	1.9%
Link REIT	3.5%	3.9%	4.3%	9.9%
Prosperity REIT	5.9%	6.2%	6.5%	5.3%
Sunlight REIT	5.0%	5.2%	5.9%	6.3%
Average	**4.4%**	**4.7%**	**5.0%**	**12.3%**

** Based on annualised latest results/prospectus forecasts and assuming distribution waiver reduces over time*
*** Based on consensus estimates, other REITs DBS Bank estimates*
Source: Bloomberg Finance L.P., DBS Bank estimates

S-REIT and Great China REIT Peer Comparison Table (14 September 2018)

REIT	FYE	Price	Rec	Target	Mkt Cap	Yield @ Current Price			DPU CAGR	P/Bk		
				Price	S$'m	FY18/ 19F	FY19/ 20F	FY20/ 21F	FY19/20- 20/21F	FY18/ 19F	FY19/ 20F	FY20/ 21F
SG Office		(S$)		(S$)								
CCT	Dec	1.77	BUY	2.12	6,626	4.9%	5.0%	5.2%	4.6%	1.00	1.00	1.00
FCOT	Sep	1.41	BUY	1.65	1,253	6.8%	6.8%	6.9%	0.5%	0.91	0.93	0.94
KREIT	Dec	1.18	BUY	1.41	4,021	4.7%	4.7%	4.9%	4.2%	0.85	0.86	0.87
OUECT	Dec	0.61	HOLD	0.67	937	7.2%	7.2%	7.3%	1.8%	0.67	0.68	0.68
Suntec	Dec	1.86	BUY	2.30	4,962	5.4%	5.4%	5.4%	0.0%	0.89	0.90	0.90
						5.2%	5.3%	5.4%	2.8%	0.91	0.92	0.92
SG Retail		(S$)		(S$)								
CMT	Dec	2.13	BUY	2.45	7,559	5.3%	5.5%	5.7%	3.8%	1.09	1.08	1.08
FCT	Sep	2.27	BUY	2.45	2,103	5.5%	5.6%	5.8%	4.1%	1.12	1.12	1.12
SPH REIT	Aug	1.00	BUY	1.07	2,559	5.6%	5.9%	6.1%	2.9%	1.06	1.06	1.07
						5.4%	5.7%	5.9%	3.6%	1.09	1.09	1.09
SG Commercial		(S$)		(S$)								
MCT	Mar	1.64	BUY	1.80	4,735	5.6%	5.8%	5.9%	1.9%	1.11	1.11	1.11
MAGIC	Mar	1.15	BUY	1.45	3,633	6.6%	6.7%	6.8%	1.2%	0.87	0.87	0.88
SGREIT	Dec	0.72	BUY	0.75	1,560	6.4%	6.4%	6.6%	3.1%	0.78	0.78	0.78
						6.1%	6.2%	6.3%	1.8%	1.21	1.22	1.23
SG Industrial		(S$)		(S$)								
AIMS	Mar	1.41	BUY	1.55	967	7.3%	7.3%	7.5%	2.6%	1.03	1.03	1.03
a-itrust	Mar	1.12	BUY	1.25	1,162	6.1%	6.7%	7.9%	17.7%	1.24	1.23	1.38
A-REIT	Mar	2.58	BUY	3.00	7,561	6.2%	6.3%	6.4%	1.1%	1.22	1.23	1.23
Cache	Dec	0.74	HOLD	0.88	794	8.1%	8.5%	8.6%	1.2%	1.04	1.04	1.05
EREIT	Dec	0.50	BUY	0.59	792	7.9%	8.1%	8.1%	0.7%	1.02	1.03	1.04
FLT	Sep	1.09	BUY	1.20	2,188	6.1%	6.2%	6.3%	1.4%	1.20	1.21	1.22
MINT	Mar	1.99	BUY	2.22	3,755	6.0%	6.1%	6.2%	1.0%	1.35	1.35	1.35
MLT	Mar	1.25	BUY	1.53	4,067	6.3%	6.5%	6.6%	0.8%	1.06	1.12	1.13
SBREIT	Dec	0.59	HOLD	0.62	618	8.6%	8.7%	8.9%	2.4%	0.92	0.92	0.92
						6.7%	6.9%	7.0%	2.0%	1.24	1.25	1.27
SG Hospitality		(S$)		(S$)								
ASCHT	Mar	0.80	BUY	0.98	906	7.3%	7.5%	7.6%	0.8%	0.79	0.79	0.80
ART	Dec	1.07	BUY	1.25	2,313	6.3%	6.4%	6.6%	2.5%	0.87	0.88	0.88
CDREIT	Dec	1.56	BUY	1.95	1,879	6.3%	6.5%	6.8%	4.2%	1.02	1.02	1.02
FEHT	Dec	0.64	BUY	0.74	1,187	6.7%	6.8%	7.1%	3.6%	0.73	0.75	0.76
FHT	Sep	0.69	BUY	0.80	1,290	6.8%	7.2%	7.6%	6.2%	0.85	0.86	0.86
OUEHT	Dec	0.72	BUY	0.90	1,302	6.8%	7.2%	7.5%	4.1%	0.95	0.95	0.96
						6.6%	6.8%	7.1%	3.6%	0.88	0.89	0.90
SG Healthcare		(S$)		(S$)								
P-Life	Dec	2.74	BUY	1,658	1,627	4.6%	4.8%	4.8%	1.4%	1.55	1.55	1.54
China exposure		(S$)		(S$)								
BHG*	Dec	0.71	NR	N/A	357	7.7%	n/a	n/a	n/a	0.86	n/a	n/a
CRCT	Dec	1.41	BUY	1.70	1,368	7.6%	7.6%	7.9%	2.8%	0.90	0.90	0.91
Dasin*	Dec	0.85	NR	N/A	473	8.4%	n/a	n/a	n/a	1.05	n/a	n/a
ECWorld*	Dec	0.68	NR	N/A	537	9.0%	9.6%	9.9%	3.1%	0.75	0.76	0.76
Sasseur	Dec	0.72	BUY	0.91	850	6.4%	8.7%	8.9%	2.1%	0.92	0.93	0.94
US office		(US$)		(US$)								
KORE	Dec	0.83	BUY	0.95	716	7.2%	7.6%	7.9%	3.5%	0.99	1.00	1.01
MUST	Dec	0.80	BUY	0.97	1,400	6.9%	7.8%	7.8%	-0.2%	0.98	0.98	0.99
						7.0%	7.7%	7.8%	1.0%	0.98	0.99	0.99
Others		(S$)		(S$)								
CERT	Dec	0.58	BUY	0.66	1,462	7.5%	7.7%	7.7%	-0.6%	1.05	1.06	1.07
IREIT	Dec	0.76	HOLD	0.75	476	7.6%	7.7%	7.6%	-0.6%	1.09	1.09	1.09
KDCREIT	Dec	1.34	BUY	1.52	1,811	5.5%	5.6%	5.8%	1.9%	1.30	1.29	1.29
Singapore Average						6.0%	6.1%	6.3%	2.5%	1.04	1.05	1.06

** Based on Bloomberg consensus estimates and/or IPO forecasts Source: Bloomberg Finance L.P., DBS Bank estimates*

S-REIT and Great China REIT Peer Comparison Table (14 September 2018)*

REIT	FYE	Price	Mkt Cap	Yield @ Current Price			DPU CAGR	P/Bk		
			S$'m	FY18/ 19F	FY19/ 20F	FY20/ 21F	FY19/20- 20/21F	FY18/ 19F	FY19/ 20F	FY20/ 21F
Hong Kong		(HK$)								
Champion	Dec	5.54	5,674	4.7%	4.9%	5.0%	2.6%	0.52	0.52	0.52
Fortune	Dec	9.32	3,130	5.6%	5.7%	6.0%	5.6%	0.64	0.62	0.63
Yuexiu	Dec	5.17	2,752	6.6%	6.8%	6.9%	1.0%	0.98	1.00	1.04
Hui Xian	Dec	3.15	3,147	8.4%	8.6%	8.7%	1.9%	0.68	0.69	0.71
Link REIT	Mar	76.90	28,447	3.5%	3.9%	4.3%	9.9%	0.94	0.92	0.90
Prosperity	Dec	3.07	796	5.9%	6.2%	6.5%	5.3%	0.56	0.56	0.57
Sunlight	Dec	5.45	1,570	5.0%	5.2%	5.9%	12.3%	0.59	0.58	0.60
Average				4.4%	4.7%	5.0%	7.6%	0.83	0.82	0.81

** Based on Bloomberg consensus estimates.*
Source: Bloomberg Finance L.P., DBS Bank estimates

Industry Outlook

Macroeconomic Factors

Strong economic growth on the back of increased domestic consumption. China's GDP is expected to continue on its strong historical growth trajectory, from a CAGR of 8.5% between 2012 and 2016 to CAGR of 7.7% for the period between 2016 and 2021. Furthermore, the economy is undergoing a shift towards being consumer-led, with 2016 consumer spending by households and institutions forming to 64.6% of GDP.

Regional growth that benefits retail segment. Similarly, GDP of China's regional cities continue to grow strongly. Tier-2 cities such as Chongqing, Kunming and Hefei have real GDP growth of 7.9%, 7.3% and 9.7% respectively. These are all higher than the national average of 6.6% as a result of a growing middle class in these cities and the slowing down of growth in Tier-1 cities. More importantly, in addition to the strong economic growth, the macro trends of increasing population (CAGR 0.4%), rising urbanisation (890.9 million in 2021 from 800 million in 2016) and increase in urban household disposable income (CAGR 7.4%) are fuelling the strong growth in the domestic consumer and fashion industries, which are already being supported by the government in its 2015 5-Year Plan.

Chinese Retail Industry

Retail trends - riding on burgeoning consumer sales. Historically, retail sales have been a key driver of GDP growth, accounting for 32.6% of GDP in 2016. As China shifts its economic model to be more consumption driven, retail sales as a proportion of GDP is expected to increase, reaching 45.6% of 2021 GDP (RMB49.6 trillion, CAGR of 8.7%).

Online platforms have received the most traction in recent years with the rise of players such as Alibaba and JD.com, allowing retailers to operate at a lower cost. However, price competition is intense due to the ease with which consumers can compare prices, resulting in a high volume-low margin business model. Additionally, although there is a growing trend of luxury goods being sold online, continuing concerns over the quality of goods and piracy have led to only 10% of all luxury goods sold being purchased over official online channels. Ultimately, consumers still prefer to shop at physical malls and other retailing platforms to purchase luxury goods. This is not expected to reverse drastically with approximately 24.3% of total luxury sales being transacted online in 2021.

Retail Platform Operators

Key success factors

For the retail platform operators, having an experienced management team and a good brand image are critical for success in the industry. An experienced management team plays an instrumental role in establishing strong market position, operational excellence and exceptional customer service, while a good brand image helps to secure mindshare to attract and retain customers. Additionally, the ability to integrate and build complementary experiential offerings through targeted recreational or catering options alongside retailing stores to enhance the customer experience is becoming increasingly prominent.

Barriers to entry

To compete successfully, new players would have to overcome the following barriers to entry:

(1) High capital requirements;
(2) Favourable location to ensure footfall;
(3) Establishing consumer loyalty to existing brands and
(4) Having the experience and network needed to operate in an efficient manner.

Retail sales market challenges

The challenges faced by the retail industry in China include the following:

(1) High costs of retail estate, because of intensifying competition for choice locations.

(2) High inventory turnover days or days of inventory on hand (DOH) due to slower sales because of the economic downturn. This phenomenon can be seen in the apparel industry, as slower sales have affected profitability of A-share listed companies in the apparel industry. Average inventory DOH rose significantly from 120 to 180 days in 2011 to 240 to 260 days in 2016.

(3) Increasing labour turnover rate within the retail sector. Labour turnover rate rose from 31.0% in 2013 to 32.9% in 2016 at the industry level, which is 1.6 times the national level.

China Outlet Industry

Although the retail sector in China is encountering headwinds in its growth outlook, China's outlet mall industry's growth prospects remains strong. The table below shows that sales at outlet malls is projected expand by 24.2% CAGR between 2016 and 2021, much higher compared to other retailing formats.

Key market drivers

One of the key market drivers for the strong growth expectations in the China outlet mall industry is the rapidly expanding middle class in China and the concomitant increase in their demand for luxury goods, fuelled by rising spending power.

The middle class population is expected to increase from about 109 million in 2015 (7.8% of total population) to about 216 million by 2021 (15% of total population). Moreover, their spending power is increasing. China's per capita disposable income is projected to increase by 7.8% CAGR between 2016 and 2021.

Underpinned by the above trends, and accompanied by the increased aspirations of Chinese consumers for branded and quality goods that is reflective of their rising economic status, the demand for luxury goods in China will increase, which forms the bedrock for a strong customer base for outlets.

Additionally, as Chinese consumers conventionally buy luxury goods overseas as they are deemed to offer better value because of lower prices, outlets offering the same product at discounted prices would attract the same consumers away from overseas options. Hence, the strong growth in the sales revenue of such products is expected to increase, which would drive the growth of the China's outlet mall sector.

The other key driver for China's outlet mall sector is from brand owners or merchants of branded products. Owners of brands or merchants of such branded products regard outlets as attractive sale channels to help ease pressure from increasing number of inventory days on hand. Outlets allow brands owners to pare down their inventory without jeopardising the brand image. Furthermore, brand owners may not need to incur additional marketing cost as the outlets carry out their own marketing strategy.

Compared to outlet industry from developed countries, namely the US, Japan and EU, the Chinese outlet industry has significant room to grow.

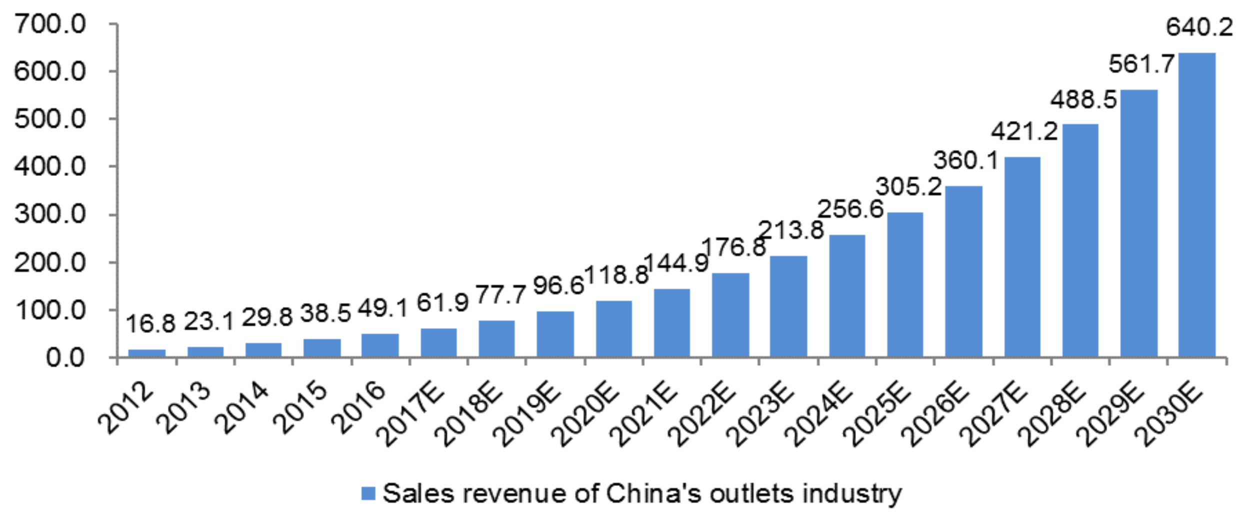
Growth of China's outlet mall industry outstrips all retail platforms (in terms of sales)

RMB'bn	2015	2016	2017E	2018E	2019E	2020E	2021E	CAGR (2012-2016)	CAGR (2016-2021E)
Total	5,361.9	6,531.6	7,783.2	9,235.0	10,816.7	12,538.2	14,337.0	26.8%	17.0%
Department stores	1,188.3	1,263.1	1,314.0	1,383.6	1,462.0	1,559.0	1,654.8	7.4%	5.6%
Shopping malls	313.2	335.0	361.5	392.6	425.3	467.6	502.4	8.6%	8.4%
Online platforms	3,821.8	4,884.4	6,045.7	7,381.0	8,832.8	10,392.8	12,034.9	38.7%	19.8%
Outlet malls	38.5	49.1	61.9	77.7	96.6	118.8	144.9	30.8%	24.2%

Source: China Insights Consultancy (March, 2017)

Sales revenue growth trend of the Chinese outlet mall industry

RMB Billion



Source: China Insights Consultancy (March, 2017)

Comparison of China outlet industry with those in developed countries

	China	Japan	USA	EU
Outlet market size in terms of revenue (USD billion)	7.1	5.7	47.4	16.1
Consumer structure	Caters to local middle class	Heavily reliant on tourism		
Business model	Concessionary, direct sales or leasing model	Direct-sales or leasing model		
Product and service offerings	Low levels of luxury product offered with a wide variety of experiential facilities	High proportion of international luxury brands with limited supplementary facilities such as restaurants		
Characteristics	High growth rates but limited management talent resources, operating under a singular information system	Moderate growth with sufficient talent resources, operating with an individualized information system		

Source: China Insights Consultancy (March, 2017)

Counter-cyclical trend

With the growing appetite for luxury goods within China, leading international brands have opened stores in outlets to take advantage of the burgeoning consumer market and the bargain hunting habits of these consumers. As brand awareness among the consumers increase, the demand for luxury goods has strengthened indicating strong growth prospects. As a result, the outlet sector continues to perform well despite slow economic growth, exhibiting a counter-cyclical trend compared to the broader retail industry which is adversely affected by slower macroeconomic growth.

This trend can be illustrated through the examples of Tanger Factory Outlet Inc. and Macy's department store, both located in the US. During the financial crisis of 2008, Macy's sales revenue decreased by 5.4% between 2007 and 2008 from USD26,313 million to USD24,892 million. It also had to close 6 stores. Tanger on the other hand experienced revenue growth from USD229 million to USD245 million over the same period, along with the opening of a new store. This trend continued into the years after 2008, with Macy's closing over 70 stores as revenue fluctuated between 2011 and 2016, while Tanger experienced store growth and a steady increase in year-on-year revenue.

Bailian Case Study

Recognised as a leading market player within the Chinese retail industry, Bailian's revenue growth rate at its non-outlet businesses has been declining since 2012 (3.3% to -4.3% in 2016) due to the rise of e-commerce.

Conversely, its outlet business has experienced strong growth momentum in the same time period, with revenue increasing from RMB3.05bn to RMB9.43bn at a CAGR of 32.6%. This indicates a strong case for outlet retail formats as a countercyclical source of growth.

Comparison of outlet with online retail

While recording similar high growth rates as online retail for now, outlets are expected to outperform online retail due to a different product offering as detailed below:

Comparison of Outlet with Online Retail

Retail platform	Outlet Retail	Online Retail
Target customer	• Middle-class and upper-class families • Tourists	• Internet users, young people aged between 20 years to 39 years
Product mix	• International and luxury brands	• Lower price brands • Limited high-end varieties, since many high-end brands strictly control their distribution channels to protect their reputation
Supply channel and quality	• The supply of goods is directly managed by brands themselves • Guarantee of authenticity and quality	• Combination of brand supply and online platform self-procurement • Some platforms may encounter issues with product quality or even counterfeit goods
Pricing	• Normally enjoys as much as a 60.0% discount off full-priced retail stores throughout the year	• Fewer discounts • Limited-time offers • Where offered, similar discount levels for luxury and high-end products as in outlets
Shopping experience	• Diverse forms of experiences including dining, and entertainment such as movie screenings and other children activities. • Provides fitting services	• Convenient to use • No physical shopping experience • Limited methods for the presentation of products • No fitting services

Source: China Insights Consultancy, DBS Bank

Competitive landscape in the outlet mall industry

China outlet industry is dominated by 5 operators which make up half of the total market share (by revenue), as shown in the table overleaf. It is expected that as consumer appetite grows, these operators will reap the most benefits as a result of their market leading positions. The table overleaf details the profile of different outlet mall operators.

Future trends in China's outlet market

In order to have a competitive edge, retail mall outlets have turned to creating a lifestyle propositions instead of focusing solely on a pricing strategy. Cooperation with tourist agencies is another trend, aimed at customers who are visiting outlets for good bargains. Partnerships with agencies that organise outlet tours will allow access to the vehicular assets needed to ease the customer's journey and incentivise them to visit outlet malls more frequently. Furthermore, with local governments controlling much of the process needed to operate outlets, such as land acquisition or tax exemptions, it is necessary for operators to maintain good relations with them. Technology will also play a part in enhancing the consumer experience, with the creation of apps that complement the brick and mortar infrastructure of outlet malls.

Key Success Factors

One of the key attractions of outlet retailing for the customers is the brands and their respective product offerings. Operators of outlet malls therefore would need to have access to a wide array of premium branded goods to capture such demand.

To manage the diverse brands and to ensure that sales are maximized, it is essential for the outlet to have a strong and experienced management team.

Thirdly, the ability to acquire prime real estate with good location that can satisfy a mall's large land requirement is important and would be a key distinguishing factor that would determine footfall and ultimately profitability.

Finally, a good brand image is essential to attracting premium and quality product brands. It also plays an important role in fostering a strong relationship with suppliers and customers, which is key to the long-term development of the outlet.

Major challenges

Since the products sold at outlets are mostly out of season, and may be limited in style and size, customer expectations may not be met which could lead to dissatisfaction and defection. Establishing a reliable supply chain would be necessary to address this problem.

Another challenge would be that outlets are situated in locations which may not be easily accessible. To mitigate this factor, it is important for the operator to increase the attractiveness of the outlet not only by its product pricing strategy and by also enhancing and incorporating varied experiential elements to increase its appeal as a destination not just for shopping but also for leisure.

Conclusion

Outlets are popular shopping destinations for middle class families all over the world. Compared with the outlet industry in developed countries, China's outlet industry is still at a nascent stage in its development and therefore has enormous growth potential. China's outlet industry has experienced strong growth in terms of sales revenue between 2012 and 2016, rising at a CAGR of 30.8%. The market is expected to continue growing at a CAGR of 24.2% during the next five years, reaching RMB144.9bn by 2021. By 2030, China could surpass the US to become the largest outlet market in the world as a result of China's fast-growing middle-class population. During this period, it is expected that the top outlet mall operators will outperform the industry average in China's outlet industry with more successful outlets malls under their management given their first-mover advantages and brand reputations. Being a leading private outlet mall operator in China, Sasseur REIT is expected to enjoy an increase in business and footprint, with an expansion of its network of outlet malls in China.

Comparison of Outlet with Online Retail

	Outlet Operators	Operator category	Outlets (Operation and Planned)	NLA (sqm)
1	Sasseur	Private Outlet Specialist	9	c.408,544
2	Bailian	SOE Retail Group	7	c.420,000
3	SCITECH	Real Estate Developer	6	c.250,000
4	Beijing Capital Land	Real Estate Developer	6	c.200,000
5	RDM	Foreign Operator	5	c.170,000

Source: China Insights Consultancy, DBS Bank

SWOT analysis of operators

Outlet mall operators	Strengths	Weaknesses	Opportunities	Threats
Sasseur 砂之船	China's largest outlet mall operator managing 6 outlet malls. It is China's fourth largest outlet mall operator with the fifth largest outlet mall in operation in terms of sales revenue in 2016; leads in new business development plans in 2017, with the opening of two new outlets and lifestyle shopping concepts that integrate retail sales with various entertainment activities. Efficient management structure with strong business development ambition and vision.	Compared to SOE competitors and real estate developers, Sasseur has less access to capital to support business expansion (mitigated by Sasseur's relationship with reputable strategic investors).	Cooperation with other business groups such as real estate developers to operate outlet under asset-light model. Strategically focused China's major tier two cities to maintain strong growth trajectory. Benefits from successful promotion of lifestyle shopping experience and new super outlet concepts.	Less supportive government policies granted to a non-state owned business.

Source: China Insights Consultancy, DBS Bank

SWOT analysis of operators

Outlet mall operators	Strengths	Weaknesses	Opportunities	Threats
Bailian 百联	One of the largest retail groups in China with long experience in the retail industry. Enjoys a good reputation across China with many public awards, such as "Top 500 Enterprises" in China. Access to big brand names and benefits from diversified brand portfolios given its strong market position and business channels.	State-owned enterprise with a rigid management system. Less flexibility in its business development as a result of its complex management structure. Relative modest growth prospects in its outlets business.	Business development focused on China's fast-growing cities in the Yangtze River Delta Zone near Shanghai. Strategic cooperation with other business groups to expand outlets business. Leverage on its retail group to increase outlets brand variety and scale.	Lost its leading market position in China's outlet market due to strong competition from other outlet mall operators. Aging outlet facilities could mean losing customers to newer outlets.
RDM 佛罗伦萨小镇	Good experience and deep insights in the global outlet business. Strong business relationships with international brands to achieve business cooperation. Sound management system leading to efficient business operations and high customer satisfaction.	Weak understanding of local market conditions in China. Relatively weak connection with local Chinese brands. Lack of strong government links in China. Slow project acquisition process due to limited decision making authority of RDM's management team in China.	Has long term business relationships with top international brands. Active in seeking business cooperation opportunities with local partners in China.	Business competition from other international outlet specialists that have strong business relationships with top international brands, such as Value Retail. Chinese outlet mall operators establishing cooperation with top international brands.

Source: China Insights Consultancy, DBS Bank

SWOT analysis of operators

Outlet mall operators	Strengths	Weaknesses	Opportunities	Threats
Yansha 燕莎	First mover in China's outlet industry and opened the country's first outlet in Beijing in 2002. Good retail industry operating experience since 1992. State-owned company with strong government support to better manage state owned assets.	Rigid system adopted by state-owned enterprise. Lack of business development incentives. Very conservative risk appetite resulting in limited business expansion plans.	Focusing on outlet business development at a group level.	Less focus from management as outlets only form a small part of the group's businesses.
Beijing Capital Land 北京首创	Good capital support in outlet business development. Extensive experience in commercial real-estate development and marketing since 2003. Strong relationship management with local governments.	Lacks exposure to retail business. Not incentivised to operate outlets on a long-term basis.	Accumulated retail business experience and outlet operation knowledge. Possible business cooperation with specialized outlet mall operators. Ability to take advantage of the synergy between real-estate sales and outlet development.	Aggressive business development plan leading to low success rate of new projects. Land acquisition pressure caused by unfavourable real estate market conditions. Competition from other real estate developers in outlet business.

Source: China Insights Consultancy, DBS Bank

Property Descriptions

Chongqing Outlets

Chongqing Outlets comprises five zones (namely Zones A, B, C, D and E) and 500 car park lots. Zones A to D consist of six floors above ground and one underground while Zone E consists of two floors above ground. Chongqing Outlets was designed and built to reflect an Italian architectural style, with carefully selected decorations such as fountains and floral designs, reflecting the Sponsor's core value of "art inspired commerce". It also houses an agro-farming culture themed farmhouse featuring local products and designed to infuse nostalgia with modern design.

Chongqing Outlets commenced operations in September 2008 and has since distinguished itself through an experiential shopping concept targeting the middle-class consumers with higher disposable incomes. In addition to retail tenants whose products include apparel, shoes, bags, and suitcases, Chongqing Outlets houses a cinema, children recreational facilities as well as an array of restaurants.

Chongqing Outlets is one of the malls in Chongqing with the strongest offering of international brands. As at 30 September 2017, Chongqing Outlets features 414 stores, carrying approximately 600 brands, including a number of popular international and luxury brands, such as Gucci, Ermenegildo Zegna, Salvatore Ferragamo, Hugo Boss, Max Mara, Bally, Armani, Coach and Michael Kors.

Competition

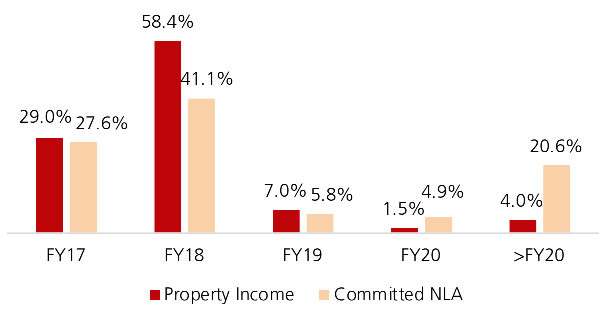
According to the Independent Market Research Consultant, the only potential competing mall outlet is New Century Department Store Outlets, which opened for business in 2016 in Guanyinqiao retail hub. After failing to reach its performance target, New Century Department Store was converted into an outlet business format to cope with excess inventory. There is a very limited overlap in brands between Chongqing Outlets and New Century Department Store Outlets as the latter only targets lower to middle-income families by offering mass brands. Hence, Chongqing Outlets does not face direct competition from New Century Department Store Outlets.

Due to Chongqing Outlets' strong potential in terms of its outlet business, Beijing Capital Land has launched plans to open a new outlet with an estimated GFA of 96,700 square meters on the west side of Tongjiang Avenue, Oulu Garden, Lujiao New Town, Banan District, Chongqing（重庆巴南区鹿角
新城欧麓花园城通江大道西侧. Construction began on March 9th, 2017, with the mall outlet expected to open for business in October 2018.

Picture of Chongqing Outlets

Source: Manager, DBS Bank

Weighted Average Lease Expiry



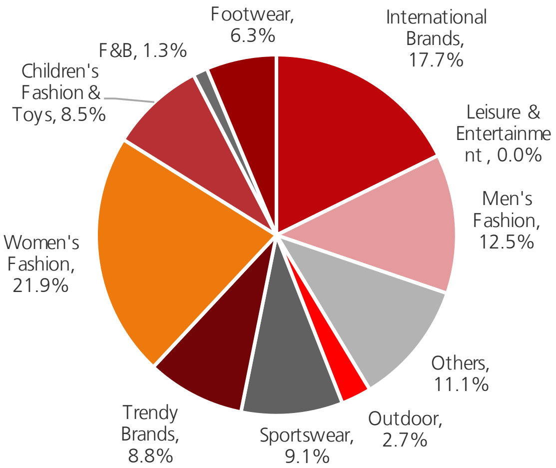
Source: Manager, DBS Bank

Salient Property details

Address	No. 1 Aotelaisi Road, Beibuxin District, Chongqing, PRC (重庆市北部新区奥特莱斯路 1 号)
Commencement of Operations	September 2008
Expiry Date of Land Use Rights	11 May 2047
Number of Floors	Zones A to D have six floors above ground and one floor underground while Zone E has two floors above ground.
GFA (sqm)	73,373.4
NLA (sqm)	50,885.0
Car Park Lots	500
Number of Tenants as at 30 September 2017	414
Occupancy Rate as at 30 September 2017 (%)	96.0
Average Independent Valuation as at 30 September 2017 (with the Entrusted Management Agreements) (RMB'm)	2,654.0
WALE by Committed NLA as at 30 September 2017 (years)	2.8
WALE by Property Income for the month of September 2017 (years)	0.9

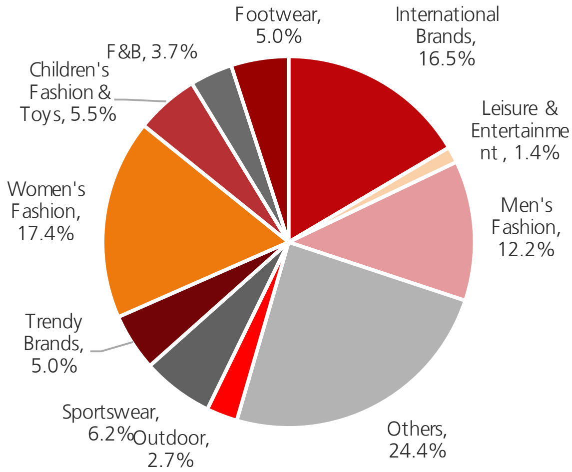
Source: Manager, DBS Bank

Breakdown by trade sector (% of Property Income)



Source: Manager, DBS Bank

Breakdown by trade sector (% of NLA)



Source: Manager, DBS Bank

Bishan Outlets

Bishan Outlets comprises three zones (namely Zones A, B and C) with four floors above ground and two floors underground in both Zones A and B, and three floors above ground and one floor underground in Zone C. It commenced operations in October 2014 and has 400 car park lots. The architectural style of Bishan Outlets was inspired by ancient Roman architecture and Italian towns, exuding an artistic influence. 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. As part of the "Super Outlet" business model, Bishan Outlets features (i) a "Super Children's Centre" (which includes a selection of infant and children's clothing labels, an early education centre, an enrichment centre, a children's playground, a children's photography centre and a children's theatre); and (ii) a "Super Sports Hall" (which houses the outlet stores of sports brands such as Nike, Adidas and Le Coq Sportif and also features a fitness centre). In addition to the foregoing, there are several pubs and bars found in Bishan Outlets, and Bishan Outlets is poised to be a trendy meeting point for the young.

Bishan Outlets targets consumers aged 18 to 60 through a wide selection of popular domestic brands, which are intended to attract young professionals and students, as well as luxury brands such as Burberry and Coach, to satisfy the retail needs of the middle-class households. As at 30 September 2017, Bishan Outlets features 213 stores, carrying approximately 350 brands.

Competition

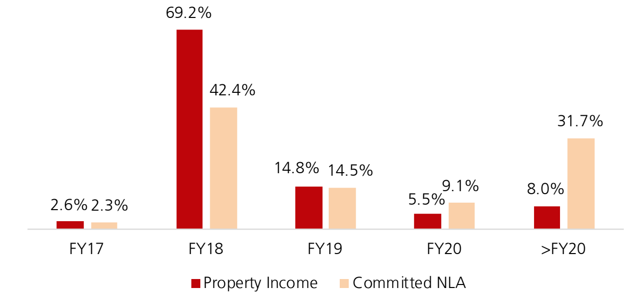
According to the Independent Market Research Consultant, there is no other outlet mall in the Bishan District. The closest competing shopping mall is a department store named Bishan Shopping Centre (重百 – 璧山购物中心), which commenced operations in 2012. It has an NLA of approximately 15,048 sqm and its address is No.30 Yanhe West Road North Section, Bishan County, Chongqing. Located in the downtown area of the Bishan District, Bishan Shopping Centre targets lower-middle to middle class families in Bishan by offering domestic brands.

Furthermore, according to Independent Market Research Report, there will not be any new entrants to the outlet mall industry in the Bishan District in the near future. Bishan Outlets will remain the only premium shopping mall in the Bishan District for the next few years.

Picture of Bishan Outlets

Source: Manager, DBS Bank

Weighted Average Lease Expiry



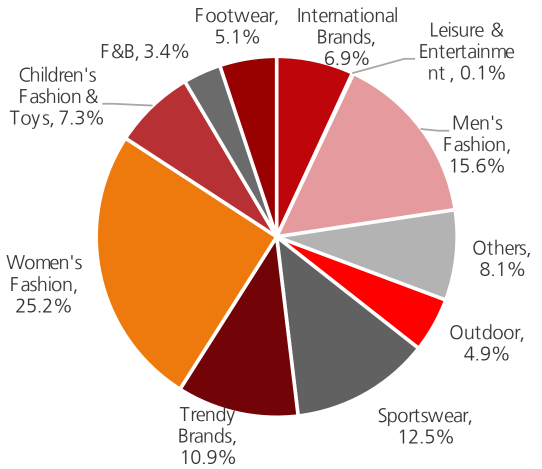
Source: Manager, DBS Bank

Salient Property details

Address	No. 9 Baiyang Road, Bishan District, Chongqing, PRC (重庆市璧山区白羊路 9 号)
Commencement of Operations	January 2014
Expiry Date of Land Use Rights	21 September 2051
Number of Floors	Zones A, B and C with four floors above ground and two floors underground in both Zones A and B, and three floors above ground and one floor underground in Zone C.
GFA (sqm)	68,791.4
NLA (sqm)	45,171.5
Car Park Lots	400
Number of Tenants as at 30 September 2017	213
Occupancy Rate as at 30 September 2017 (%)	85.6
Average Independent Valuation as at 30 September 2017 (with the Entrusted Management Agreements) (RMB'm)	789.0
WALE by Committed NLA as at 30 September 2017 (years)	3.5
WALE by Property Income for the month of September 2017 (years)	1.6

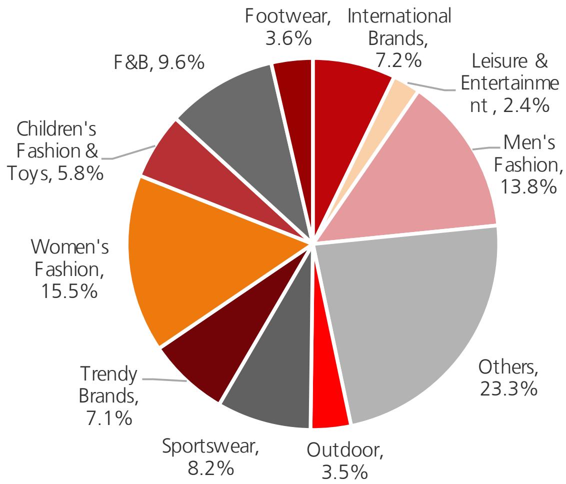
Source: Manager, DBS Bank

Breakdown by trade sector (% of Property Income)



Source: Manager, DBS Bank

Breakdown by trade sector (% of NLA)



Source: Manager, DBS Bank

Hefei Outlets

Hefei Outlets consists of four floors above ground and one floor underground in Zone A, five floors above ground and one floor underground in Zone B, and 1,566 car park lots. It commenced operations in May 2016 and is located in the High-Tech Industrial Development Zone, which is one of China's national high-tech industrial development zones. Hefei Outlets caters to middle class consumers by offering a wide range of entertainment choices as well as luxury brand stores. According to the Independent Market Research Consultant, 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, which is equipped with 17 cinemas with more than 2,500 seats and state-of-the-art audio and visual systems. As at 30 September 2017, it features 283 stores, carrying approximately 450 brands.

The Land Use Right Certificate issued to the Hefei PRC Property Company comprises a plot of land on which Hefei Outlets is located on as well as the Hefei Phase 2 Development, which is approximately 51,447 sqm of undeveloped land which can support the development of new assets. The Sponsor Group intends to develop the Hefei Phase 2 Development based on its "Super Outlet" business model, to feature a "Super Children's Centre", "Super Farm", "Super Amusement Park" as well as a hotel.

Competition

According to Independent Market Research Consultant, Huasheng Outlets, which is built by the Huasheng Group, can be considered a competitor of Hefei Outlets. Huasheng Outlets is located at 3rd Exchange Square, South China City, Feixi County, Hefei, with a GFA of approximately 130,000 sq m. Huasheng Outlets commenced operations in April 2017 with brand coverage focused on sports brands and domestic brands, and has an occupancy rate of approximately 30.0% as at 30 April 2017.

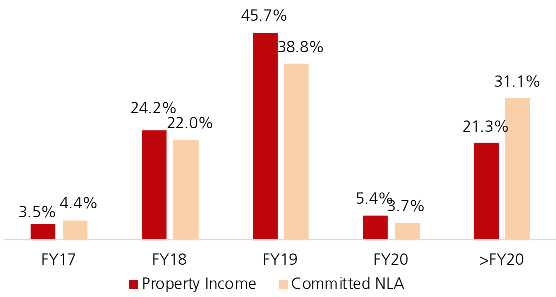
In addition, Hefei Outlets may face competition from Hefei Yintai Centre, which is a department store located at No. 98 Changjiang Middle Road, Luyang Dist., Hefei, with an NLA of approximately 67,500 sqm.

Furthermore, Capital Outlets, which is currently under construction and expected to commence operations in 2018, can also be considered a future competitor of Hefei Outlets. It is expected that Capital Outlets will have an estimated GFA of approximately 100,000 sqm when it is completed.

Picture of Hefei Outlets

Source: Manager, DBS Bank

Weighted Average Lease Expiry



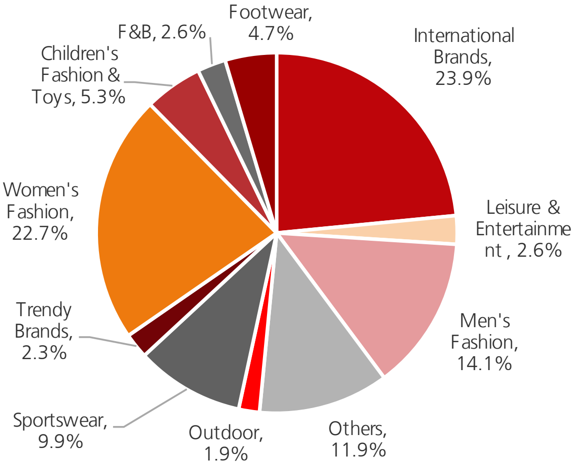
Source: Manager, DBS Bank

Salient Property details

Address	No. 1888 Changning Avenue, Gaoxin District, Hefei, Anhui Province, PRC （安徽省合肥高新区长宁大道 1888 号）
Commencement of Operations	May 2016
Expiry Date of Land Use Rights	20 June 2053
Number of Floors	Four floors above ground and one floor underground in Zone A, five floors above ground and one floor underground in Zone B, and 1,566 car park lots.
GFA (sqm)	141,181.7
NLA (sqm)	138,449.4
Car Park Lots	1,566
Number of Tenants as at 30 September 2017	283
Occupancy Rate as at 30 September 2017 (%)	93.3
Average Independent Valuation as at 30 September 2017 (with the Entrusted Management Agreements) (RMB'm)	2,434.5
WALE by Committed NLA as at 30 September 2017 (years)	3.6
WALE by Property Income for the month of September 2017 (years)	2.1

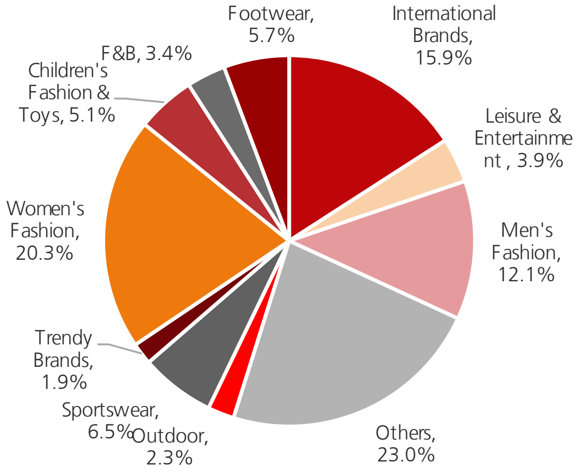
Source: Manager, DBS Bank

Breakdown by trade sector (% of Property Income)



Source: Manager, DBS Bank

Breakdown by trade sector (% of NLA)



Source: Manager, DBS Bank

Kunming Outlets

Kunming Outlets comprises two buildings, namely Building 1 and Building 2A, and has 2,000 car park lots. Building 1 has four floors above ground and three floors underground, and Building 2A has five floors above ground and two floors underground. Kunming Outlets offers a wide array of retail options including outlet mall shopping, healthcare services, entertainment and recreational facilities, thereby providing its customers with a comprehensive lifestyle and entertainment experience intended to promote retail spending and enhance customer loyalty. It commenced operations in December 2016 and according to the Independent Market Research Consultant, it is the largest outlet mall (in terms of GFA and number of brands) in the Yunnan province.

Kunming Outlets is targeted at middle class consumers, catering to their growing preference for luxury brands such as Burberry. Kunming Outlets also carry popular domestic brands to cater to a wide customer base. As at 30 September 2017, it features 209 stores, carrying approximately 350 brands.

The land use right certificate issued to the Kunming PRC Property Holding Company comprises a plot of land on which Kunming Outlets is located on as well as approximately 116,432 sqm of undeveloped land which can support the development of new assets. Future development plans for Kunming Outlets includes the addition of entertainment facilities for children, a cinema and additional restaurants.

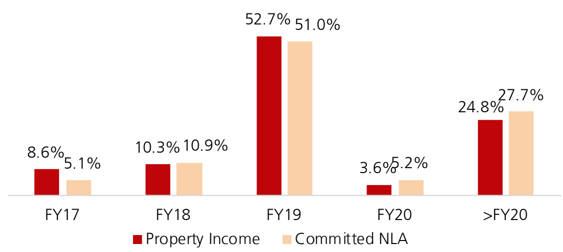
Competition

According to Independent Market Research Report, there is no other outlet mall in Taiping New City and Anning City. As at the Latest Practicable Date, the nearest outlet mall is located in Kunming at No. 1903, Qiangwei West Road, Guandu District. It is a small-scale outlet mall with an NLA of approximately 25,000 sqm, and provides middle to high-end brand products to the middle-class and above. It commenced operations in 2015.

Picture of Hefei Outlets

Source: Manager, DBS Bank

Weighted Average Lease Expiry



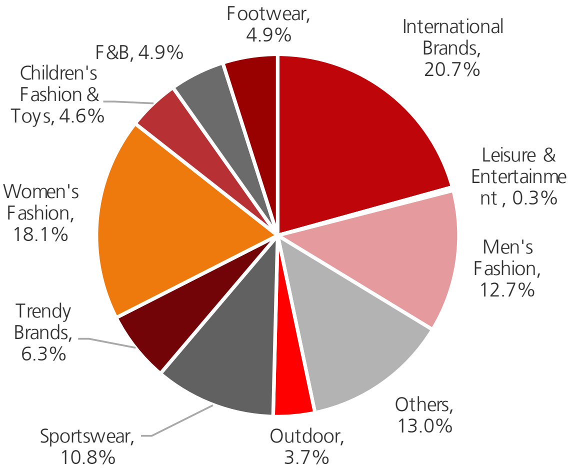
Source: Manager, DBS Bank

Salient Property details

Address	No. 181 Aotelaisi Avenue, Anning City, Kunming, Yunnan Province, PRC (云南省安宁市奥特莱斯大道 181 号)
Commencement of Operations	December 2016
Expiry Date of Land Use Rights	16 April 2054
Number of Floors	Building 1 has four floors above ground and three floors underground, and Building 2A has five floors above ground and two floors underground.
GFA (sqm)	88,256.8
NLA (sqm)	70,067.2
Car Park Lots	2,000
Number of Tenants as at 30 September 2017	209
Occupancy Rate as at 30 September 2017 (%)	90.7
Average Independent Valuation as at 30 September 2017 (with the Entrusted Management Agreements) (RMB'm)	1,460.5
WALE by Committed NLA as at 30 September 2017 (years)	2.7
WALE by Property Income for the month of September 2017 (years)	2.5

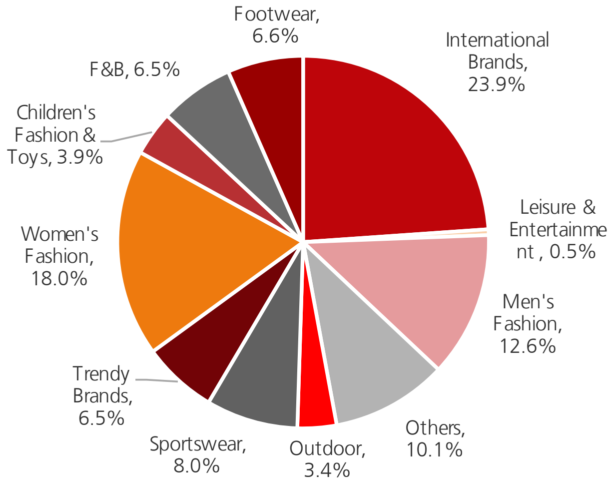
Source: Manager, DBS Bank

Breakdown by trade sector (% of Property Income)



Source: Manager, DBS Bank

Breakdown by trade sector (% of NLA)



Source: Manager, DBS Bank

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return i.e. > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 18 Sep 2018 09:00:33 (SGT)
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