

Sasseur Real Estate Investment Trust and its subsidiaries

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

Unaudited Condensed Interim Financial Statements
for the six months ended 30 June 2022

Sasseur Real Estate Investment Trust and its subsidiaries

Table of Contents

	Page
Condensed Interim Statements of Financial Position	1
Condensed Interim Consolidated Statement of Total Return	2
Condensed Interim Consolidated Distribution Statement	3
Condensed Interim Statements of Changes in Unitholders' Funds	4
Condensed Interim Consolidated Statement of Cash Flows	5
Statement of Portfolio	6
Notes to the Condensed Interim Financial Statements	8

Sasseur Real Estate Investment Trust and its subsidiaries

**Condensed Interim Statements of Financial Position
As at 30 June 2022**

	Note	Group		Trust	
		30 June 2022 \$'000	31 December 2021 \$'000	30 June 2022 \$'000	31 December 2021 \$'000
Assets					
Non-current assets					
Investment properties	3	1,766,491	1,801,013	-	-
Interests in subsidiaries		-	-	1,089,551	1,101,028
		1,766,491	1,801,013	1,089,551	1,101,028
Current assets					
Prepayments, deposits and other receivables		23,117	29,065	834	877
Cash and short-term deposits	4	136,685	159,761	34,432	47,852
Derivative financial instruments		271	-	271	-
		160,073	188,826	35,537	48,729
Total assets		1,926,564	1,989,839	1,125,088	1,149,757
Liabilities					
Non-current liabilities					
Loans and borrowings	5	-	508,115	-	237,151
Deferred tax liabilities		114,254	115,805	-	-
		114,254	623,920	-	237,151
Current liabilities					
Other payables and accruals		98,325	123,177	936	791
Loans and borrowings	5	505,506	2,457	239,540	-
Derivative financial instruments		-	93	-	93
Tax payables		33,178	30,984	10	28
		637,009	156,711	240,486	912
Total liabilities		751,263	780,631	240,486	238,063
Net assets		1,175,301	1,209,208	884,602	911,694
Represented by:					
Unitholders' funds		1,175,301	1,209,208	884,602	911,694
Units in issue and to be issued ('000)	6	1,227,847	1,222,205	1,227,847	1,222,205
Net asset value per Unit (\$)		0.96	0.99	0.72	0.75

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

Sasseur Real Estate Investment Trust and its subsidiaries

**Condensed Interim Consolidated Statement of Total Return
For the six months ended 30 June 2022**

	Note	Group 6 months ended	
		30 June 2022 \$'000	30 June 2021 \$'000
EMA rental income ¹	7	65,873	66,123
Manager's management fees		(4,507)	(4,537)
Trustee's fees		(174)	(167)
Other trust expenses		(584)	(956)
Finance income		58	52
Finance costs	8	(12,338)	(11,938)
Exchange differences		(959)	3,217
Change in fair value of financial derivatives		364	212
Total return before fair value adjustments to investment properties and tax		47,733	52,006
Fair value adjustments to investment properties	3	(2,376)	(3,632)
Total return for the period before tax		45,357	48,374
Tax expense	9	(9,616)	(8,315)
Total return for the period attributable to Unitholders		35,741	40,059

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

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

Sasseur Real Estate Investment Trust and its subsidiaries

**Condensed Interim Consolidated Distribution Statement
For the six months ended 30 June 2022**

	Group	
	6 months ended	
	30 June	30 June
	2022	2021
	\$'000	\$'000
Income available for distribution to Unitholders at 1 January	-	7
Total return for the period attributable to Unitholders	35,741	40,059
Distribution adjustments (Note A)	9,328	5,314
	45,069	45,373
Less: Amount retained for working capital	(3,344)	(4,537)
Amount available for distribution to Unitholders	41,725	40,843
Distribution to Unitholders:		
Distribution of 1.822 cents per Unit for the period from 1/1/2022 to 31/3/2022	(22,269)	-
Distribution of 1.588 cents per Unit for the period from 1/4/2022 to 30/6/2022	(19,456) ¹	-
Distribution of 1.759 cents per Unit for the period from 1/1/2021 to 31/3/2021	-	(21,274)
Distribution of 1.614 cents per Unit for the period from 1/4/2021 to 30/6/2021	-	(19,564) ²
Total distribution to Unitholders	(41,725)	(40,838)
Income available for distribution to Unitholders at 30 June	-	5
Distribution per Unit (DPU) (cents)³:	3.410	3.373
Note A – Distribution adjustments comprise:		
- Manager's management fees paid/payable in Units	4,507	4,537
- Amortisation of borrowing-related transaction costs	3,247	3,151
- Straight-line adjustments	(2,376)	(3,632)
- Fair value adjustments to investment properties	2,376	3,632
- Deferred tax expense	1,332	1,311
- Unrealised exchange differences	606	(3,473)
- Change in fair value of financial derivatives	(364)	(212)
Distribution adjustments	9,328	5,314

¹ Distribution relating to the period from 1 April 2022 to 30 June 2022 will be made subsequent to the reporting date (Note 15).

² Distribution relating to the period from 1 April 2021 to 30 June 2021 was made in September 2021.

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

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

Sasseur Real Estate Investment Trust and its subsidiaries

**Condensed Interim Statements of Changes in Unitholders' Funds
For the six months ended 30 June 2022**

	Group		Trust	
	6 months ended 30 June 2022 \$'000	30 June 2021 \$'000	6 months ended 30 June 2022 \$'000	30 June 2021 \$'000
At 1 January	1,209,208	1,105,414	911,694	891,837
Operations				
Total return for the period attributable to Unitholders	35,741	40,059	13,795	32,618
Net increase in net assets resulting from operations	35,741	40,059	13,795	32,618
Unitholders' transactions				
Units in issue				
- Manager's management fees paid in Units	2,474	2,364	2,474	2,364
- Distribution to Unitholders	(45,394)	(44,621)	(45,394)	(44,621)
	(42,920)	(42,257)	(42,920)	(42,257)
Units to be issued				
Manager's management fees payable in Units	2,033	2,173	2,033	2,173
Net decrease in net assets resulting from Unitholders' transactions	(40,887)	(40,084)	(40,887)	(40,084)
Foreign currency translation reserve				
Movement in foreign currency translation reserve	(28,761)	31,396	-	-
At 30 June	1,175,301	1,136,785	884,602	884,371

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

Sasseur Real Estate Investment Trust and its subsidiaries

**Condensed Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2022**

		Group	
		6 months ended	
	Note	30 June 2022	30 June 2021
		\$'000	\$'000
Cash flows from operating activities			
Total return for the period before tax		45,357	48,374
<u>Adjustments for:</u>			
Manager's management fees paid/payable in Units		4,507	4,537
Straight-line adjustments	3	(2,376)	(3,632)
Change in fair value of investment properties	3	2,376	3,632
Change in fair value of financial derivatives		(364)	(212)
Finance costs	8	12,338	11,938
Finance income		(58)	(52)
		61,780	64,585
Cash flows before changes in working capital			
<u>Changes in working capital:</u>			
Prepayments, deposits and other receivables (exclude mid-term deposits)		(1,187)	4,389
Mid-term deposits		6,405	25,492
Other payables and accruals		(23,168)	(42,544)
		43,830	51,922
Cash generated from operations			
Tax paid		(5,236)	(5,982)
Interest received		58	52
		38,652	45,992
Net cash generated from operating activities			
Cash flows from investing activity			
Capital expenditure on investment properties	3	(2,530)	(2,644)
		(2,530)	(2,644)
Net cash used in investing activity			
Cash flows from financing activities			
Repayments of bank loans		(2,877)	(9,769)
Distribution to Unitholders		(45,394)	(44,621)
Interest paid		(8,701)	(8,595)
Increase in restricted cash		(855)	(53)
		(57,827)	(63,038)
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		152,421	146,550
Effect of exchange rate changes on cash and cash equivalents		(2,127)	(4,057)
		128,589	122,803
Cash and cash equivalents at end of the period			

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

Sasseur Real Estate Investment Trust and its subsidiaries

**Statement of Portfolio
As at 30 June 2022**

Description of Property	Location	Tenure of Land	Remaining Term of Lease (Year)	Lease Expiry	Carrying Value as at 30 June 2022 RMB'000	Carrying Value as at 30 June 2022 \$'000	Percentage of Total Net Assets attributable to Unitholders as at 30 June 2022 %
Chongqing Liangjiang Outlets	No. 1 Aotelaisi Road, Beibuxin District, Chongqing	Leasehold	24.9	2047	3,126,471	649,049	55.2
Chongqing Bishan Outlets	No. 9 Baiyang Road, Bishan District, Chongqing	Leasehold	29.3	2051	842,046	174,807	14.9
Hefei Outlets	No. 1888 Changning Avenue, Gaoxin District, Hefei, Anhui Province	Leasehold	31.1	2053	2,885,497	599,024	51.0
Kunming Outlets	No. 181 Aotelaisi Avenue, Anning City, Kunming, Yunnan Province	Leasehold	31.8	2054	1,655,173	343,611	29.2
Investment properties, at carrying value					8,509,187	1,766,491	150.3
Other assets and liabilities (net)						(591,190)	(50.3)
Net assets attributable to Unitholders						1,175,301	100.0

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

Sasseur Real Estate Investment Trust and its subsidiaries

**Statement of Portfolio
As at 30 June 2022**

Description of Property	Location	Tenure of Land	Remaining Term of Lease (Year)	Lease Expiry	Carrying Value as at 31 December 2021 RMB'000	Carrying Value as at 31 December 2021 \$'000	Percentage of Total Net Assets attributable to Unitholders as at 31 December 2021 %
Chongqing Liangjiang Outlets	No. 1 Aotelaisi Road, Beibuxin District, Chongqing	Leasehold	25.4	2047	3,121,000	661,523	54.7
Chongqing Bishan Outlets	No. 9 Baiyang Road, Bishan District, Chongqing	Leasehold	29.8	2051	838,000	177,621	14.7
Hefei Outlets	No. 1888 Changning Avenue, Gaoxin District, Hefei, Anhui Province	Leasehold	31.6	2053	2,883,000	611,077	50.5
Kunming Outlets	No. 181 Aotelaisi Avenue, Anning City, Kunming, Yunnan Province	Leasehold	32.3	2054	1,655,000	350,792	29.0
Investment properties, at valuation					8,497,000	1,801,013	148.9
Other assets and liabilities (net)						(591,805)	(48.9)
Net assets attributable to Unitholders						1,209,208	100.0

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

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

1. Corporate Information

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

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

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

The registered office of the Manager is located at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632. The principal place of business is located at 7 Temasek Boulevard, #06-05, Suntec Tower One, Singapore 038987.

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

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with Financial Reporting Standard (“FRS”) 34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore, the recommendations of Statement of Recommended Accounting Practice (“RAP”) 7 *Reporting Framework for Investment Funds* applicable to interim financial statements issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards (“FRS”).

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

2. Basis of preparation (continued)

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

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

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

2.1. New and amended standards adopted by the Group

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

The Group and the Trust have adopted the following amendments to FRS, that is effective for the financial periods beginning on 1 January 2022:-

Description	Effective for annual periods beginning on or after
Amendments to FRS 103: <i>Reference to the Conceptual Framework</i>	1 January 2022
Annual Improvements to FRS 2018-2020	1 January 2022

The adoption of the amendments to FRS did not have any material financial impact on the financial statements of the Group and the Trust for the financial period ended 30 June 2022.

2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period is included in Note 11.

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

2. Basis of preparation (continued)

2.3 Seasonal operations

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

3. Investment properties

	Group	
	30 June 2022 \$'000	31 December 2021 \$'000
<u>Consolidated Statement of Financial Position</u>		
At 1 January	1,801,013	1,651,052
Adjustments to pre-IPO accrued costs capitalised ¹	–	(1,474)
Capital expenditure incurred	2,530	5,821
Change in fair value of investment properties	–	69,698
Exchange differences	(37,052)	75,916
	<hr/>	<hr/>
At end of the period/year	1,766,491	1,801,013
	<hr/> <hr/>	<hr/> <hr/>
<u>Consolidated Statement of Total Return</u>		
Change in fair value of investment properties	–	69,698
Net effect of straight-line adjustments ²	(2,376)	(7,343)
	<hr/>	<hr/>
Fair value adjustments to investment properties recognised in the Consolidated Statement of Total Return	(2,376)	62,355
	<hr/> <hr/>	<hr/> <hr/>

¹ Adjustments to pre-IPO accrued costs capitalised in 2021 comprised mainly the adjustment for over-accrued contract costs at IPO whereby final settlement made during the year.

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

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

Carrying values of investment properties

Investment properties are stated at fair value based on valuations performed as at 31 December 2021, adjusted for capital expenditure incurred subsequent to the valuation date and translation differences. The valuations were performed by Savills Real Estate Valuation (Beijing) Limited, an independent valuer with a recognised and relevant professional qualification and with a recent experience in the location and category of the properties being valued. The valuation has been undertaken in accordance with the International Valuation Standards.

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

3. Investment properties (continued)

Management is of the view that there was no indication of material changes to the carrying values of the investment properties as at 30 June 2022.

Properties pledged as security

As at 30 June 2022 and 31 December 2021, all investment properties are pledged as security to secure bank loans (see Note 5).

4. Cash and short-term deposits

	Group		Trust	
	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2022 \$'000	31 December 2021 \$'000
Cash and short-term deposit	136,685	159,761	34,432	47,852
Less: Restricted cash	(8,096)	(7,340)	(3,327)	(2,509)
Cash and cash equivalents	128,589	152,421	31,105	45,343

Restricted cash relates to cash balances which are used to secure bank facilities.

5. Loans and borrowings

	Group		Trust	
	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2022 \$'000	31 December 2021 \$'000
Secured bank loans	510,943	518,619	241,866	241,028
Less: Unamortised transaction costs	(5,437)	(8,047)	(2,326)	(3,877)
	505,506	510,572	239,540	237,151
Non-current	–	508,115	–	237,151
Current	505,506	2,457	239,540	–
	505,506	510,572	239,540	237,151

The Group through its subsidiaries, Chongqing Sasseur Suge Apparel Joint Stock Co., Ltd., Sasseur (Chongqing) Business Co., Ltd., Hefei Sasseur Commercial Management Co., Ltd. and Kunming Sasseur Commercial Management Co., Ltd. has put in place an aggregate amount of RMB 1,960 million, 5-year onshore term loans, with repayment of 1% of initial loan principal semi-annually. The onshore term loans have been partially repaid in September 2020 and pared down to RMB 1,350 million. Accordingly, the semi-annual repayments have been reduced to 1% of pared down loan principal.

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

5. Loans and borrowings (continued)

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

Both the onshore and offshore loans will mature in March 2023. As at 30 June 2022, all the loans and borrowings were reclassified from non-current liabilities to current liabilities as these borrowings are due for repayment within the next 12 months from the reporting date.

As at 30 June 2022, the Group has drawn down all these term loans and had unutilised revolving loan of \$8 million (31 December 2021: \$8 million) available to meet its future obligations. The offshore loans were hedged using floating-for-fixed interest rate swaps.

The weighted average cost of borrowings is 4.5% (31 December 2021: 4.4%) per annum.

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

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

As at 30 June 2022, the current liabilities of the Group and the Trust exceeded the current assets by \$477 million and \$205 million respectively. Notwithstanding, the condensed interim financial statements are prepared on a going concern basis, as the Manager has been working closely with a group of financial institutions and is confident that barring any unforeseen circumstances, the refinancing of the loans will be completed before their maturities.

6. Units in issue and to be issued

	30 June 2022 Group and Trust		31 December 2021 Group and Trust	
	Number of Units '000	\$'000	Number of Units '000	\$'000
At beginning of the period/year	1,217,119	685,118	1,206,539	762,307
Units in issue:				
- Manager’s management fees paid in Units	8,055	4,647	10,580	9,232
- Distribution to Unitholders	–	(45,394)	–	(86,421)
Total Units in issue at end of the period/year	1,225,174	644,371	1,217,119	685,118
Units to be issued:				
- Manager’s management fees payable in Units	2,673	2,033	5,086	4,222
Total Units in issue and to be issued at end of the period/year	1,227,847	646,404	1,222,205	689,340

Sasseur Real Estate Investment Trust and its subsidiaries

**Notes to the Condensed Interim Financial Statements
For the six months ended 30 June 2022**

7. EMA rental income

	Group 6 months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
EMA rental income	65,873	66,123

EMA rental income is accounted for on a straight-line basis over the lease term. Excluding net effect of straight-line adjustments, EMA rental income is \$63,497,000 (6 months ended 30 June 2021: \$62,491,000) (Note 12).

8. Finance costs

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

	Group 6 months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Interest expenses on loans and borrowings	8,942	8,660
Amortisation of borrowing-related transaction costs	3,247	3,151
Other borrowing costs	149	127
	12,338	11,938

9. Tax expense

The major components of tax expense are:

	Group 6 months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Current tax expense		
Current period	8,284	7,168
Over provision in prior periods	–	(164)
	8,284	7,004
Deferred tax expense		
Movement in temporary differences	1,332	1,311
	9,616	8,315

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

10. Earnings per Unit (“EPU”)

	Group 6 months ended	
	30 June 2022	30 June 2021
Weighted average number of Units	1,220,163	1,208,384
Total return after tax (\$'000)	35,741	40,059
EPU ¹ (cents) – basic and diluted ²	2.929	3.315

¹ EPU is calculated by dividing the total return for the period after tax against the weighted average number of Units in issue for the respective reporting period.

² Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the reporting period.

11. Fair values of assets and liabilities

(a) Fair value hierarchy

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

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

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

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements
For the six months ended 30 June 2022

11. Fair values of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value

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

Group 30 June 2022	Fair value		
	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value			
Non-financial assets			
Investment properties			
- <i>Retail outlet malls</i>	–	1,766,491	1,766,491
Total non-financial assets	–	1,766,491	1,766,491
Financial assets			
Derivative financial instruments			
- <i>Interest rate swaps</i>	271	–	271
Total financial assets	271	–	271
Group			
31 December 2021			
Assets measured at fair value			
Non-financial assets			
Investment properties			
- <i>Retail outlet malls</i>	–	1,801,013	1,801,013
Total non-financial assets	–	1,801,013	1,801,013
Liabilities measured at fair value			
Financial liabilities			
Derivative financial instruments			
- <i>Interest rate swaps</i>	93	–	93
Total financial liabilities	93	–	93

11. Fair values of assets and liabilities (continued)

(c) Level 2 fair value measurements

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

Derivative financial instruments

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

(d) Level 3 fair value measurements

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

Investment properties

Investment properties are stated at fair value based on independent valuations performed by Savills Real Estate Valuation (Beijing) Limited as at 31 December 2021, adjusted for capital expenditure incurred subsequent to the valuation date and translation differences. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuation has been undertaken in accordance with the International Valuation Standards.

The valuation reports for 31 December 2021 have highlighted estimation uncertainty arising from the COVID-19 pandemic and a higher degree of caution is to be exercised when relying on the valuations. The valuations were based on information available and market conditions as at 31 December 2021. Values may change subsequently as the impact of COVID-19 is fluid and continues to evolve. Management is of the view that there was no indication of material changes to the carrying values of the investment properties as at 30 June 2022. The Manager will continue to monitor the situation and seek professional advice on the property values as and when necessary.

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

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

11. Fair values of assets and liabilities (continued)

(d) Level 3 fair value measurements (continued)

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

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

12. Related party transactions

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

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

	Group	
	6 months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
EMA rental income received/receivable from Entrusted Manager (Note 7)	63,497	62,491
Manager's management fees paid/payable	4,507	4,537
Trustee's fees paid/payable	174	167

13. Financial ratios

	Group	
	6 months ended	
	30 June 2022	30 June 2021
	%	%
Ratio of expenses to weighted average net assets ¹		
- Including performance component of the Manager's management fees	0.90	1.01
- Excluding performance component of the Manager's management fees	0.90	1.01
Portfolio turnover rate ²	–	–

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

13. Financial ratios (continued)

- ¹ The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore (“IMAS”). The expenses used in the computation relate to expenses of the Group, excluding finance costs, exchange differences and tax expense.
- ² The annualised ratio is computed based on the lower of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

14. Operating segments

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

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

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

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

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

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

Sasseur Real Estate Investment Trust and its subsidiaries

Notes to the Condensed Interim Financial Statements For the six months ended 30 June 2022

14. Operating segments (continued)

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

Segment results

Group	6 months ended 30 June 2022					Total \$'000
	Chongqing Liangjiang Outlets \$'000	Chongqing Bishan Outlets \$'000	Hefei Outlets \$'000	Kunming Outlets \$'000	Unallocated \$'000	
EMA rental income	29,754	6,139	18,158	11,822	–	65,873
Manager's management fees	–	–	–	–	(4,507)	(4,507)
Trustee's fees	–	–	–	–	(174)	(174)
Other trust expenses						
- Other income	28	4	8	41	–	81
- Other expenses	–	*	(53)	(40)	(572)	(665)
Finance income	–	–	–	–	58	58
Finance costs	(4,541)	(892)	(1,774)	(1,076)	(4,055)	(12,338)
Exchange differences	(351)	–	(84)	–	(524)	(959)
Change in fair value of financial derivatives	–	–	–	–	364	364
Total return before fair value adjustments to investment properties and tax	24,890	5,251	16,255	10,747	(9,410)	47,733
Fair value adjustments to investment properties	(1,055)	(216)	(674)	(431)	–	(2,376)
Total return for the period before tax	23,835	5,035	15,581	10,316	(9,410)	45,357
Tax expense					(9,616)	(9,616)
Total return for the period					(19,026)	35,741
Segment assets	704,934	186,246	640,347	361,151	33,886	1,926,564
Segment liabilities	240,172	44,578	152,323	72,888	241,302	751,263
Other segment information:						
Capital expenditure	1,136	840	518	36	–	2,530

* Denote amounts less than \$1,000.

Sasseur Real Estate Investment Trust and its subsidiaries

**Notes to the Condensed Interim Financial Statements
For the six months ended 30 June 2022**

14. Operating segments (continued)

Segment results (continued)

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

* Denote amounts less than \$1,000.

15. Subsequent event

On 12 August 2022, the Manager declared a distribution of 1.588 cents per Unit for the period from 1 April 2022 to 30 June 2022.