

BUY

TP: SGD 0.97

▲ 12.8%

Dasin Retail Trust

DASIN SP

Standing on the shoulders of the Sponsor

Dasin Retail Trust (“DASIN”) is the sole SGX-listed business trust providing direct retail exposure to the Guangdong-HK-Macau Greater Bay Area (“GBA”) – set to become the world’s largest bay area by 2024. We expect a robust inorganic growth with visible ROFR pipelines (1-2 injections per year), and a locked-in organic growth with ~5% annual rental escalations. With attractive FY19E DPU yield of 8.3%, we initiate coverage with a BUY and TP S\$0.97/unit.

- ➔ **Proxy to Zhongshan’s growing spending power; fueled by GBA development:** DASIN’s assets are located mainly in the strategic areas of Zhongshan, with increasingly affluent residential catchments, making it the sole SGX-listed business trust with a retail exposure to GBA development (slated to become the world’s largest bay area by 2024). Zhongshan’s near term growth is boosted by the provincial government’s plan to spend ~RMB140bn on infrastructure over the next 5 years.
- ➔ **Established Sponsor with visible ROFR pipelines:** DASIN’s Sponsor is the prominent developer in Zhongshan with 16 years of experience, establishing the “DASIN” name with both reputable tenants and consumers. The sponsor holds a visible pipeline of 20 ROFR assets across 4 cities, with plans to inject 1-2 assets per year into DASIN. Gearing remains healthy at 32.5% with ~\$370m of debt headroom for acquisitions.
- ➔ **DPU to remain stable until FY21E:** DASIN’s current portfolio offers steady organic growth potential, anchored by built-in rental escalations of ~4-5% pa and robust rental reversion expectations of ~10% pa. We expect the 1-2 asset injections annually and the maintenance of a balancing reserve (~\$57m currently) as the key mitigating factors to concerns on distribution waivers falling off.
- ➔ **Initiate with BUY:** We like DASIN for its robust growth potential in both organic and inorganic aspects, a strong sponsor, and visible quality asset injection plans. Initiate coverage with a BUY rating and a TP of S\$0.97/unit, implying an upside of 12.8%. DASIN offers an attractive FY19E yield of 8.3%. It currently trades at 0.61x P/B.

Financial highlights

Y/E 31 Dec (SGD m)	FY17A	FY18E	FY19E	FY20E	FY21E
Revenue	57.7	70.2	73.4	78.2	82.4
Distribution income	31	21	22	26	29
Outstanding shares (M)	551	556	559	559	559
DPU (SGD cts)*	7.3	7.2	7.2	7.2	7.2
DPU growth (%)	NA	-1.2%	0.0%	0.0%	0.0%
Yield (%)	8.4%	8.3%	8.3%	8.3%	8.3%
BV per share	1.5	1.5	1.5	1.5	1.5
P/B (x)	0.6	0.6	0.6	0.6	0.6

Source: Company, SCCM, Prices as of 8 Nov 2018, *DPU with waiver

9 November 2018



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PRICE CLOSE (8 Nov 2018)

SGD 0.860

MARKET CAP

SGD 478.5 mln

USD 348.9 mln

SHARES O/S

556.4 mln

FREE FLOAT

23.1%

3M AVG DAILY VOLUME/VALUE

SGD 0.344 mln / USD 0.251 mln

52 WK HIGH

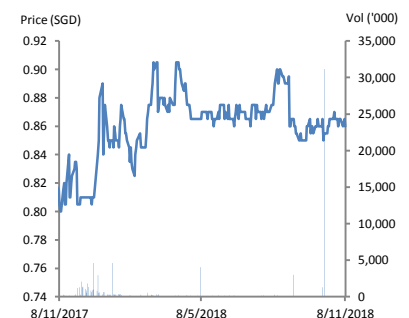
SGD 0.915

52 WK LOW

SGD 0.800

Target Price

SGD 0.97



Key Catalysts and Risks

Fig 1 - Catalysts and Risks

Catalysts	Comments
Proxy to rising retail market propelled by the development of Guangdong-HongKong-Macau Great Bay Area (GBA)	DASIN's assets are well positioned to directly benefit from the population and tourism growth from the economic development of Zhongshan and spill-over effect of economic resource redistribution following the development of the GBA. As cities in the GBA becomes increasingly connected, it is set to be of greater economic power than Tokyo, New York, and San Francisco Bay Areas, becoming the world's largest bay. As Zhongshan is a Tier 3 city, it is positioned to benefit disproportionately from economic resource redistribution as it becomes increasingly connected to more developed cities such as Shenzhen and Hong Kong.
Established Sponsor with Visible ROFR pipeline	As the dominant developer in the province with 16 years of experience, the Sponsor has established the "DASIN" name with both consumers and tenants. Several malls have become recognised landmarks (e.g. the road near Shiqi Mall is named after DASIN). Reputable tenants such as RT-Mart, Jane Eyre have long term relationship with the Sponsor and are found most of DASIN's malls. In Xiaolan Mall for example, >30% of tenants have >3-yr relationship with DASIN. The 20+ ROFRs will add >3.1m sqm of GFA, 3.1x of current portfolio. DASIN malls also benefit from the Sponsor's integrated system of the "DASIN Pass", which serves a dual function of implementing online marketing and building consumer databases.
Organic growth from in-built ~5% rental escalations and AEI of the 2 growth malls	Organic growth is expected to be consistent with ~5% rental escalations built into almost all tenants' contracts. All malls in the portfolio currently are at close to 100% occupancy, with a well-spread out WALE of 6.2yrs (by NLA, as of 3Q18) and have a close working relationship with ~1,500 businesses. The 2 growth malls Ocean and E-Colour Metro Malls, accounting for 33% of NLA are currently undergoing AEI, further supporting organic growth.
Seasoned Management makes a difference	The mall is actively managed to ensure constantly refreshed content, optimized use of space through dedicated space to short-term (1-2yrs) tenants like SMEs. Events and pop-up stores frequently occupy the highly visible space at the center of the malls (most of which have circular layouts) as well as other spare unutilized areas. Tenant ratio is consistently maintained to have no sector accounting for more than 25% of GRI and to have more ecommerce-proof sectors such as F&B and service facilities for the past few years.
Risks	Comments
Distribution Waiver Risk	Large contributor of DASIN's short-term story is the support from Sponsor waiving its right to distribution. The sustainability of DASIN's distribution beyond FY20E hinges on the injection of ROFR assets to offset the enlarging distribution base. DASIN plans to inject 1-2 of its 20 ROFR asset pipeline annually from FY19E onwards which would largely mitigate the risk.
Geographical Concentration Risk	All of DASIN's assets are located in Zhongshan, Guangdong, implying that the economic progress and the consequent growth in disposable income of its residents will have concentrated impact on the organic growth potential of its assets. While the macro conditions in Zhongshan are currently favourable, future economic/political instability could disrupt the status quo.
Interest rate risk	DASIN is highly dependent on financing for its operations and acquisitions. Higher-than-expected interest rate hikes, would materially impact on returns, NAV of the units and cash flows of the REIT given that only ~40% of DASIN's offshore SGD facilities are on fixed rate.
Currency risk	DASIN's cash flows from operations are denominated in RMB, while dividends are distributed in SGD. This exposes investors to the risk of currency fluctuations in RMB against SGD, which may in turn affect the performance of the REIT. To mitigate this risk, DASIN adopts the stance periodic disbursement of distribution during favourable RMB/SGD conditions.

Source: SCCM Research

Company Profile

Stable Organic Growth; Awaiting ROFR Injections as Key Catalyst

- Listed on SGX in 20 Jan 2017, DASIN Retail Trust (“DASIN”) is a business trust with an initial portfolio of 3 properties, acquiring an additional property on 19 Jun 2017. DASIN focuses on China retail malls in Zhongshan and is the only China retail property trust listed on SGX providing direct exposure to the Guangdong-HK-Macau Greater Bay Area. With the recent addition of Shiqi Metro Mall with appraisal value of RMB2,980m, DASIN currently has RMB7,439.5m of assets based on independent valuation as at 30 Sep 2018. The portfolio summary is as follows:

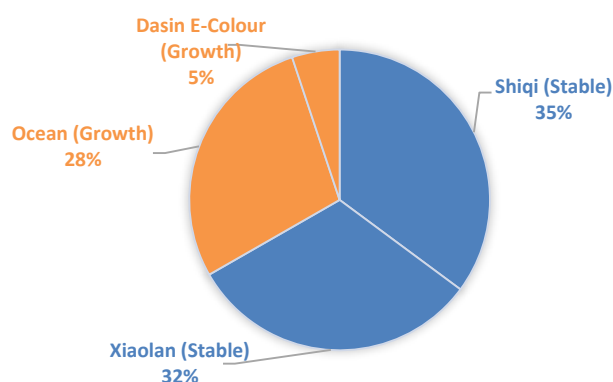
Fig 2 - Portfolio summary

Name	Value (RMB m)	NPI yield (%)	NLA (sqm)	Occupancy	Land lease expiry	Lease Type	Description
Shiqi Metro Mall	2,980	3.8%	85,902	98.7%	July 2041	Multi-Tenanted	Suburban mall, targets Middle class consumers
Xiaolan Metro Mall	2,313	4.9%	78,414	94.0%	Apr 2043	Multi-Tenanted	Suburban mall, targets Middle class consumers
Ocean Metro Mall	1,825	3.4%	68,899	99.9%	Feb 2046	Multi-Tenanted	Located in CBD, targets Upper-Middle Working Professionals
Dasin E-Colour	322	3.8%	12,507	99.5%	July 2045	Multi-Tenanted	Located near University, targets University students
Portfolio	7,440	4.0%	245,722				

Source: SCCM Research, Company

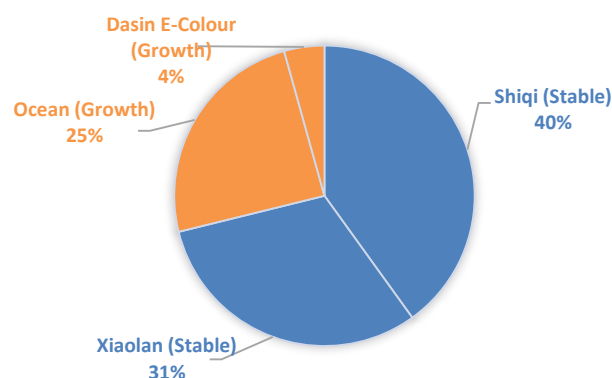
- Currently Shiqi Metro Mall and Xiaolan Metro Mall anchor the portfolio while Ocean Metro Mall and DASIN E-Colour are at their early growth stages. All 4 malls reached 100% occupancy in 1H18, and are temporarily down on occupancy due to switching of tenants in 3Q18.

Fig 3 - By NLA (sqm)



Source: SCCM Research, Company, as at 3Q18

Fig 4 - By Valuation in Rmb (%)



Source: SCCM Research, Company, as at 3Q18

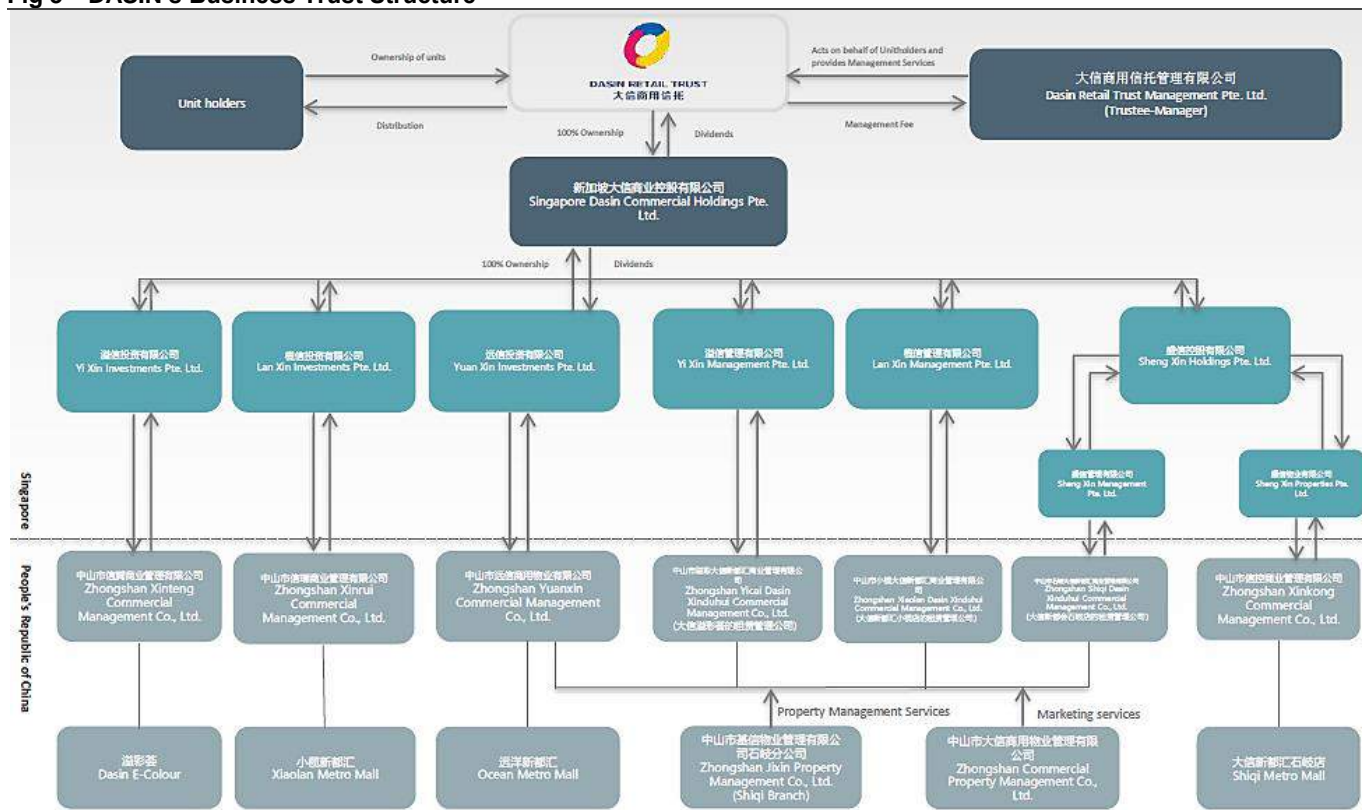
- DASIN’s tenants are of a diverse trade mix with no trade sector accounting for more than 25% of Portfolio NLA & GRI. As of 2Q18, all 4 malls have positive rental reversion, amounting to a portfolio rental reversion of +12.23%. DASIN’s WALE is also well-spread out at 6.2 years by NLA and 3.9 years by Rental.

Sponsor is the prominent developer in Zhongshan

- The Sponsor (Zhongshan DASIN Real Estate Co., Ltd) was established on 13 Jul 2001 in Zhongshan City. With 16 years of experience, the sponsor has established itself as one of the leading developers in Zhongshan City. They have also been consistently awarded the Top 10 commercial real estate development enterprise in China from 2012-2018. The Sponsor is wholly-owned by the Zhang Vendors with Mr. Zhang Zhongming, Mr. Zhang Kaicheng and Mr. Zhang Jiucheng holding 25.0%, 37.5% and 37.5% of the interests respectively.
- As of 30 Jun 2018, the Sponsor provides DASIN with **20 ROFR properties across 4 cities Zhongshan, Macau, Zhuhai and Foshan, up from the 15 ROFR assets at the time of listing**. Out of which 12 are completed properties, 7 are under development and the last property is a purchase option on Doumen Metro Mall. The sponsor plans to inject 1-2 assets annually FY19E onwards from its asset pipeline into DASIN.

Other than real estate, the Sponsor has also expanded into technological (Dasin Pass), hospitality, education, F&B and microfinance industries.

Fig 5 - DASIN's Business Trust Structure



Source: Company, as at 30Jun18

Investment Thesis

Proxy to the growing retail market propelled by the development of Guangdong-HK-Macau Greater Bay Area (GBA)

- Zhongshan as one of the prime beneficiaries of the development of Guangdong-HK-Macau GBA:** Zhongshan is part of the GBA, well positioned to becoming the world's largest bay area alongside Tokyo, New York and San Francisco bay areas. According to CBRE, GBA takes up only 0.6% of the land but contributes more than 10% of the GDP in China. The economic activity driven by the development of GBA as a major port will attract more residents and visitors to the cities and increase the disposable income of Zhongshan residents.

The government is giving priority to developing the GBA as announced last year in the 19th CPC National Congress report

Fig 6 - Comparison of the Economies of Bay Areas worldwide

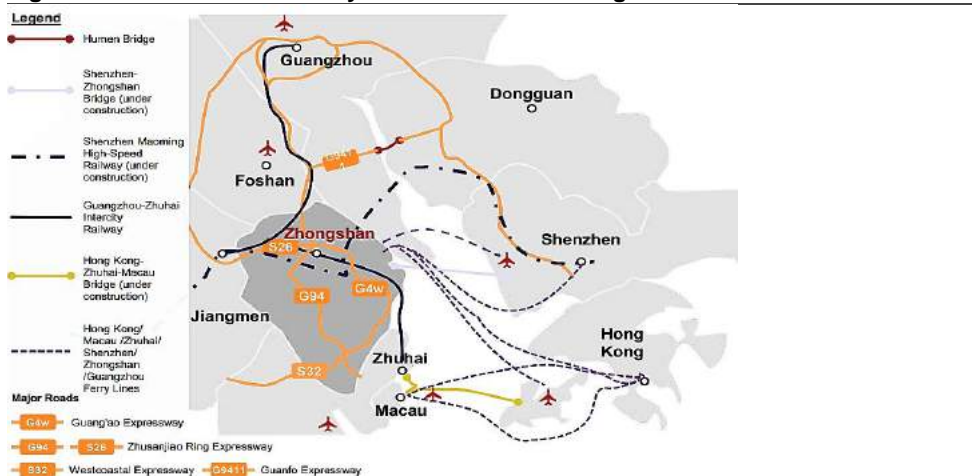
	The Greater Bay Area*	Tokyo Bay Area^	New York Bay Area^	San Francisco Bay Area^
Land Area (km ²)	56,000	36,500	21,500	17,900
Population (m)	69.6	44	20.2	7.7
GDP (USD'tn)	1.6	1.9	1.7	0.8
GDP Capita (USD)	23,000	42,000	82,000	102,000
Cargo Throughput (TEU)	7,499	773	625	237
Airport Passengers (m)	200	120	130	80
Contribution to National GDP (%)	11.80%	37.60%	9%	4.20%
Tertiary Industry Output (%)	64.90%	82.30%	89.40%	82.80%
Major Industries	Manufacturing, tech, finance	Auto, petroleum, finance	Finance, real estate	Tech, professional services

Source: CBRE, *as of 2017 ^as of 2016

- Increased connectivity in between GBA cities will drive economic spillover effects and population growth:** The government plans to eventually connect the 11 key cities of GBA to be within 1-hour commute of one another. Cities within GBA are currently at vastly different stages of development. Economic resources and population will likely redistribute themselves within the GBA from developed to less developed cities. Hence, Tier 3 cities such as Zhongshan have greater potential to benefit from the shortened transport time to Tier 1 cities like HK, Shenzhen and Guangzhou. We expect Zhongshan to become an attractive alternative to the crowded urban cities as it becomes increasingly easy to travel back and forth.

As of March 2018, Beijing is pushing forward a plan (awaiting approval) for more mainland integration of GBA, according to South China Morning Post.

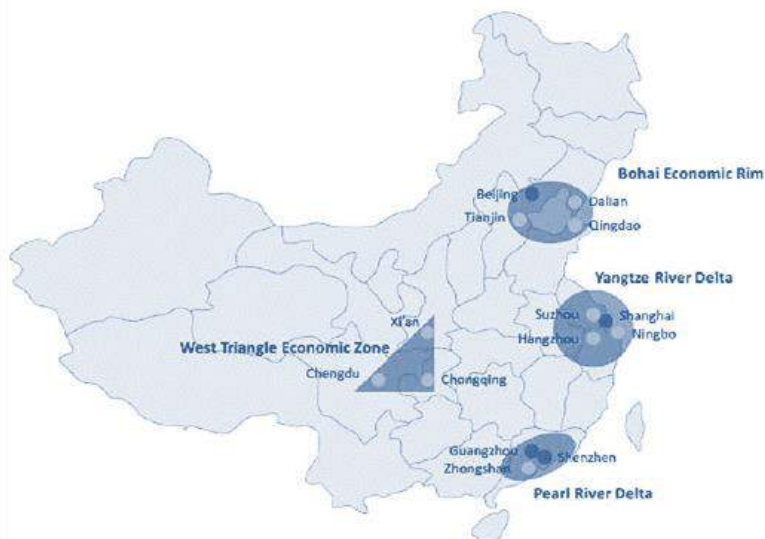
Fig 7 - Increase in connectivity of GBA cities to Zhongshan



Source: Company, CBRE as of 30Jun17

- The Shenzhen-Zhongshan bridge is one of the most important development in GBA's development plan. Shenzhen is a world-class financial hub, with highly rated airports and has a seaport rated 3rd in the world. The bridge would be completed by 2024, supporting reallocation of resources and attracting investment, businesses and new residents to Zhongshan. The River Taxi that commenced in Aug 2017 reduces travelling time from Shenzhen to Zhongshan from 2hr via car to 45min.
- Hong Kong, has consistently been one of the world's least affordable places for home ownership. According to South China Morning Post as of Mar 2018, one 1,800sqft home on sale in Zhongshan costs RMB4m, while the equivalent price can only fetch a 250sqft flat in Hong Kong. Meanwhile the Hong Kong-Zhuhai-Macau megabridge is currently near completion and will support redistribution of resources in a similar manner as the Shenzhen-Zhongshan bridge.
- Guangzhou, currently within 1hr commute from Zhongshan, is the top 7th port of the world as of 2017 and is key to driving economic growth of china. It is to have more transport routes built to Zhongshan, further decreasing travel time.

Fig 8 - China's 3 mega-regions including Pearl River Delta*



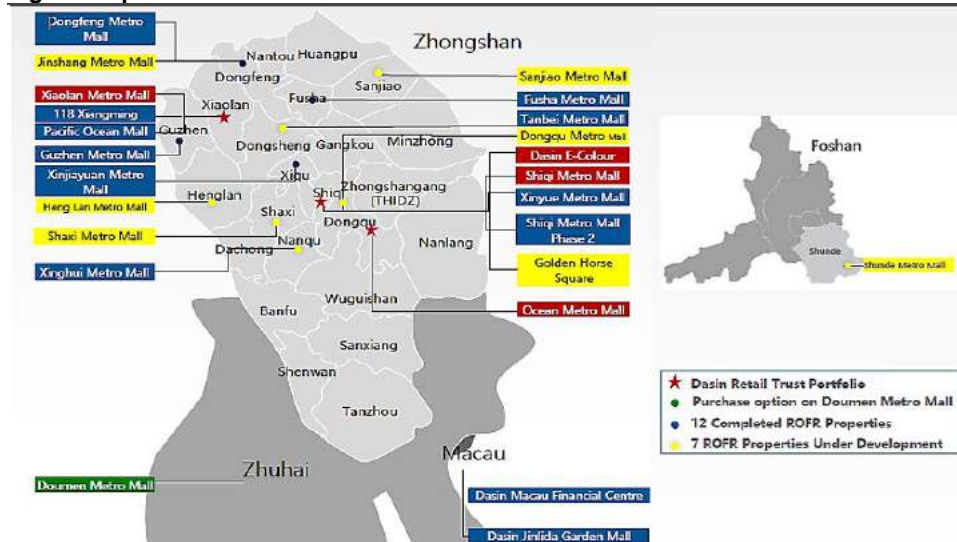
Source: CBRE, *Pearl River Delta cities is part of the Greater Bay Area (i.e. Greater Pearl River Delta) which includes Zhongshan. It is known as one of the 3 mega-regions of economic progress of China along its bay area.

- **Development of GBA as a world-class tourist destination to increase visitor arrivals in Zhongshan:** The Greater Bay Area Tourism Union was established recently in Dec 2017 to build the area as a world class tourism destination by coordinating policies and develop sight-seeing locations and entertainment. The China government fully intends to tap into tourism opportunities arising from the new infrastructure so as to create even greater synergies. Currently, DASIN's malls mainly serve their surrounding residents and users of surrounding facilities. Thus, the influx of tourists may potentially be a new source of demand for their malls.
- **Within Zhongshan, the provincial government plans to spend RMB140bn from FY18-23 on transport infrastructure:** New routes within the province are expected to increase the number of nearby transport nodes as well as to extend the catchment area of DASIN's malls. They will also extend the reach of inter-city routes, making Zhongshan more accessible to other cities' residents and tourists, and vice versa.

Sponsor provides robust ROFR pipeline with injection roadmap

- Clear asset injection roadmap with 20 ROFRs across 4 cities:** The management has guided for 1-2 assets injection every year starting from the first acquisition by 1H19. This could translate to a potential portfolio size of >1.1m sqm of GFA, which is approximately 3.1x of the current portfolio. With 12 ROFRs already completed and Doumen Metro mall to commence operations by Oct 2018, the Sponsor has sufficient completed assets in the pipeline ready to support DASIN's inorganic growth.

Fig 9 - Map of DASIN's ROFRs



Source: Company as at 30Jun18

- DASIN is a prominent name in ZhongShan:** Over the 16 years of establishment, the Sponsor has become the dominant developer in Zhongshan, making DASIN a well-known name to both tenants and consumers. The 4 malls in the portfolio currently have close to 100% occupancy and many of the assets under construction have near 100% pre-committed occupancy (see ROFRs section). This primarily sustained by the Sponsor's network and long term relationship with its tenants.
- To Zhongshan's consumers, some of DASIN's malls has become well-known landmarks. In fact, the Shiqi Metro mall is impactful enough to change the face of the neighbourhood, whereby the surrounding roads are named after the company.

>30% of tenants in Xiaolan Mall have at least a 3-year relationship with DASIN. Anchor tenants such as RT-MART and Jane Eyre are recurring tenants in DASIN malls, serving as their main traffic drivers.

Fig 10 - Shiqi Metro Mall located at Dasin Road



Source: SCCM Research, Google Maps

Fig 11 - Well-known Domestic and International Tenants



Source: SCCM Research, Company

Dasin Retail Trust

DASIN SP

- The Sponsor's "DASIN Pass" system serves the dual function in implementing the online-to-offline business model and gathering consumers' data for pattern analysis:** The DASIN Pass is an integrated system for customer membership consisting of physical membership cards as well a mobile application that allows members to purchase mall items online. Customers can enjoy the convenience of purchasing at the click of a button while having a peace of mind on receiving quality products from an established shopping centre. The mobile application also functions to waive parking fees for shoppers, producing incentives to download the application and to physically visit the stores simultaneously.
- The system also provides a channel for mass and targeted online marketing. It also serves as a platform to collect and analyze consumer data, allowing the management to be agile in tuning their asset management to the latest trends.
- As the system is the main technology branch of the Sponsor, it is integrated across the Sponsors assets including the numerous ROFRs and non-retail business branches like the DASIN Hotel. This means that the system draws from a larger pool of consumers and that DASIN's assets within the portfolio are capable of benefiting from customers' loyalty built from the Sponsor's other assets. The mobile application is also highly active, receiving more than 300,000 searches monthly.

This strategy is key to drawing customers from online channels to physical stores.

Currently, there are more than 700,000 members in the DASIN Pass system.

Fig 12 - DASIN Pass counter within the mall



Source: Company

Fig 13 - DASIN Pass standard card



Source: Company

- Full control of development cost improves yield on costs:** Given the full control the Sponsor has over the construction process, yield accretive assets have been injected in the process. The current portfolio of 4 assets are at injected at an overall 42.3% discount to implied purchase consideration. Moving forward, we expect this benefit to continue for the upcoming 1-2 asset injections per year.

Fig 14 - Implied Acquisition Price vs Average Independent Valuation

Name	Implied* Acquisition Price (RMB m)	Independent Valuation (RMB m)	(Discount) /Premium
Shiqi	1,224	2,900	(57.8%)
Xiaolan	1,580	2,342	(32.5%)
Ocean	1,280	1,897	(32.5%)
E-Colour	219	325	(32.6%)
Total	4,303	7,463	(42.3%)

Source: SCCM Research, Company. *Taken at different dates of injection for comparison purpose

Portfolio assets with built-in organic growth potential

- ~5% rental escalation built into existing contracts that typically lasts 2-3 years:** Almost all contracts within the malls of DASIN's current portfolio have locked in ~5% rental escalations. Considering that currently, all malls are at 100% occupancy with a well spread-out and long WALE of 6.38 years (by NLA), we expect robust organic growth driven by natural positive rental reversions down the line. DASIN has also secured contracts with larger tenants of 10-20 years' duration that have incremental revenue sharing over time.
- Ocean and E-Colour still have unlocked potential:** Ocean and E-colour opened their doors in 2014-15, and have yet to mature and evolve fully as a retail destination of their respective residential catchments. Empirical evidences suggest that both of them are progressing well, in terms of tenant mix and rental growth. For example, Ocean's main AEI is for a 1,272sqm tuition center, on level 4, that is under a 6-year contract with annual rental escalation (2 of the 6 years have 10.5%-10% escalation).

Majority of tenants still pay monthly rentals during AEI / renovation, cushioning the impact of the absence of sales-based rents.

Fig 15 - E-Colour Gym facility renovations accommodate younger crowd



Source: SCCM Research, from Company Site Visit in Sep 2018

Seasoned management makes a difference

- Space layout and usage well-designed to increase footfall:** Several of DASIN's larger malls such as Shiqi, Xiaolan and Ocean have dedicated space for smaller SME to increase the variety in content, thereby increasing the stickiness of the malls. These stores typically have a tenancy of 1-2 years, refreshing the content of the malls regularly and drawing in repeat customers.

Fig 16 - Shiqi Mall's SMEs



Source: SCCM Research, from Company Site Visit in Sep 2018

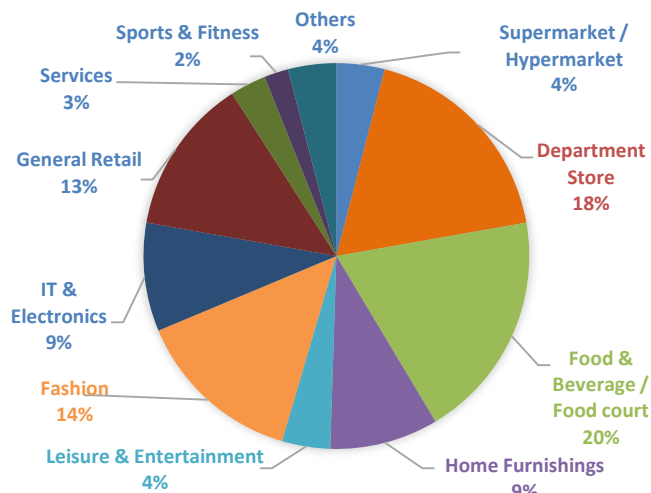
Fig 17 - Guzhen Mall's SMEs



Source: SCCM Research, from Company Site Visit in Sep 2018

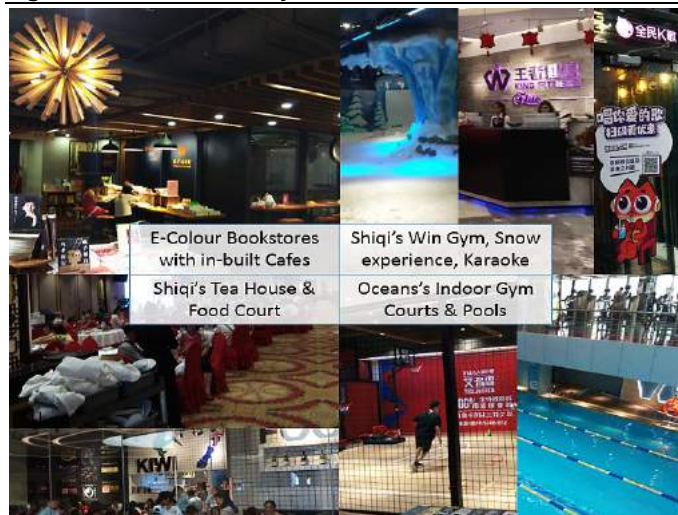
- Delicate balancing act of tenant ratio:** The management is aware of the rise of e-commerce and has made an effort to improve ratio of F&B outlets and service-based tenants such as large gyms with indoor courts and pools, indoor ice-rinks and karaoke stores to improve the stickiness and resilience of their assets. In addition, the trade mix is maintained to be well-diversified with no sector accounting for >25% of GRI.

Fig 18 - Portfolio tenants' trade sector by GRI



Source: SCCM Research, Company as of 3Q18

Fig 19 - F&B and Activity-based Tenants in malls



Source: SCCM Research, from Company Site Visit in Sep 2018

- DASIN's malls are mostly in a circular layout with the central area being used for events or temporary pop-up stores to attract shoppers with fresh content.** Other spare spaces around the mall are also used in a cost-effective manner for pop-up stores and events.

The pop-up store for cars shown below for Shiqi were paying rental rates of RMB30,000-50,000 per car spot per month in Sep 2018.

Fig 20 - Ocean's Circular Layout



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 21 - Shiqi A's Circular Layout



Source: SCCM Research, from Company Site Visit in Sep 2018

Portfolio of Strategically Located Malls

Shiqi Metro Mall

- Brief Description:** One of the 2 anchor malls of DASIN located in a mature urban area. It consists of an array of retail for leisure and entertainment, including F&B, children's store, department store, cinemas, karaoke outlet. Currently Shiqi (B), phase 2 of this project is one of the ROFRs in the sponsor's portfolio

Fig 22 - Shiqi Metro Mall



Location: No. 2, South Dasin Road, Shiqi District, Zhongshan, Guangdong

Description: 7 floors +2 basements

Commencement of Operations: May 2004

GFA/NLA: 119,682/85,902 sqm

Valuations: RMB2,980m (\$\$593.3m)

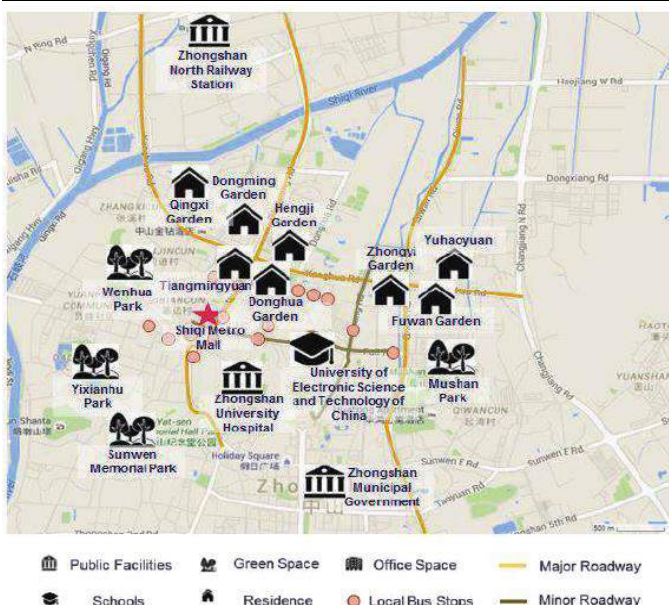
WALE (NLA/GRI): 4.1/2.9 yrs

Occupancy: 98.7%

Source: SCCM Research, Company as at 30Sep18

- Tenants:** Anchor tenants include RT Mart, Superior City Department Store and Jane Eyre Furniture Mall. Other tenants include Watsons, KFC, Starbucks and Xin Xuan Hotel Restaurant (信轩茶饮).
- Access to Transportation:** Shiqi Mall is located at core urban area of Zhongshan, intersection of DASIN South Road and Liantang Road. It has a bus stop right in front of the mall and has access to the main traffic artery Kanghua Road, Qiwan Road, Liantang Road, numerous local public bus routes.

Fig 23 - Radius



Source: Company

Fig 24 - Competition

Name	Distance from Mall (km)	Retail GFA (sqm)	Date of Completion
Lihe Plaza	2.5	130,000	2012
Central Power Plaza	2.0	130,060	2013
Holiday Plaza	1.5	30,000	2005
Yihua Department Store	2.5	50,000	1995
Joy City	3.5	160,000	2015
AEON	4.5	30,000	2015
Perfect Eagle Plaza	1.5	100,000	2018
Ligao Plaza	2.5	100,000	NA
Huafa Plaza	2.8	70,000	2019
Skyline International Plaza	4.2	50,000	2018
Shiqi Metro Mall Phase 2	<1.0	65,281	2018
Dasin E-Colour	1.0	25,857	2015

Source: Company

- Target Consumers and Surrounding Facilities:** Primary trade area of the mall is ~ 0.2km radius. It targets mid-income residents from high-density residential areas in south & eastern areas, students, government staff as they are of close proximity to a 20,000-student and staff University of Science and Tech of China, as well as ~2.0km away from the Zhongshan Municipal Government. The mall's secondary trade area covers an irregular shape furthest borders are 16km to Northeast, 10km to Southwest, totaling an area of 250.1sqkm. This includes most of core urban area of Zhongshan, where a large concentration of high-rise residential, office and retail assets are located, with high population density and populace with stronger purchasing power.
- The location is also near Xiqu District (logistics, commerce & trade), Shiqi District (commercial and cultural centre) with high population density, Dongqu District (good grade office buildings with finance and technology companies), and the Torch Hi-Tech Industrial Development Zone.

The University of Science and Tech of China is next to E-Colour. Shiqi Mall does not target students and staff as specifically as E-Colour. Hence it competes indirectly with E-Colour.

Xiaolan Metro Mall

- Brief Description:** A mature suburban Mall located approximately 20.0km to the northwest of the Zhongshan core urban area. It has an array of leisure and entertainment and F&B, including a supermarket and a cinema. Currently, the mall is undergoing AEI to increase the number of F&B tenants, making it more e-commerce resilient. Approx. 30% of tenants have >3years of relationship with the Sponsor. Extra outdoor space is efficiently utilized and is currently rented out for RMB 30,000 /unit/mth. Smaller SMEs have dedicated space branching from the larger anchor tenants and usually change every 1-2 years, refreshing the mall content. It is currently undergoing AEI in 3Q18, hence the temporary drop in occupancy from 100% in 2Q18.

Fig 25 - Xiaolan Metro Mall



Location: No. 18 Shengping Middle Road, Xiaolan Town, Zhongshan, Guangdong

Description: 5 floors +1 basement (Car Park)

Commencement of Operations: Sep 2005

GFA/NLA: 108,690/78,414 sqm

Valuations: RMB2,312m (S\$460.0m)

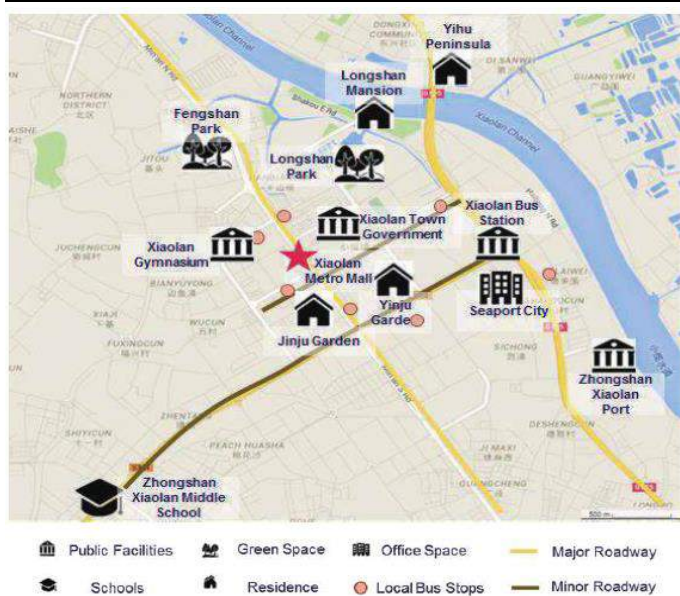
WALE (NLA/GRI): 6.1/4.5 yrs

Occupancy: 94.0%

Source: SCCM Research, Company as at 30Sep18

- Tenants:** Some of the tenants include Chow Tai Fook, McDonald's, KFC and Pizza Hut.
- Access to Transportation:** Xiaolan Mall is located intersection at Shengping Middle Road Min'an Road. Min'an Middle Road is one of the major north-south traffic arteries for the Xiaolan District while Shengping Road runs east-west and serves the immediate area around the Property. The mall is also easily accessible by Jucheng Avenue. The Property is well served by various other public roads that extend to other districts of Zhongshan and is only 1.2 km west of the Xiaolan Bus Station. Railway in secondary trade area connects Zhongshan with Jiangmen, Foshan.

Fig 26 - Radius



Source: Company

Fig 27 - Competition

Name	Distance from Mall (km)	Retail GFA (sqm)	Date of Completion
Shunchang Department Store	0.2	50,000	2002
118 Xiangming Square	0.3	33,537	2014
Parkway Plaza	2.6	120,000	2015
Longshan Shopping Centre	0.9	55,000	2016
Seaport City Phase 1	1.0	90,000	2017
Seaport City Phase 2	1.0	30,000	2017

Source: Company

- Target Consumers and Surrounding Facilities:** Xiaolan primary trade area is 1.5km-3.0km radius with 3 large residences. Other facilities include a middle school, 260,000sqm mixed-use office and retail assets. The town government and gymnasium are 500m away from school. The secondary trade area is of 5.0-8.0km radius located near several high-density residential communities.

Ocean Metro Mall

- Description:** Located in CBD in an emerging urban area, the Ocean Metro Mall is mainly targeted towards mid-high-income office workers and residents. This mid-upper tier mall's facility includes a supermarket, furniture shops, cinemas, a fitness centre, and a karaoke outlet. Revenue-sharing with the supermarket is a main driver of topline growth for this mall.

Fig 28 - Ocean Metro Mall



Location: No. 28 Boai Six Road, Dongqu District, Zhongshan, Guangdong

Description: 5 floors +3 basements

Commencement of Operations: Dec 2014

GFA/NLA: 180,338/68,899sqm

Valuations (RMB/SGD): RMB1,825m (\$\$363.2m)

WALE (NLA/GRI): 9.5/5.1 yrs

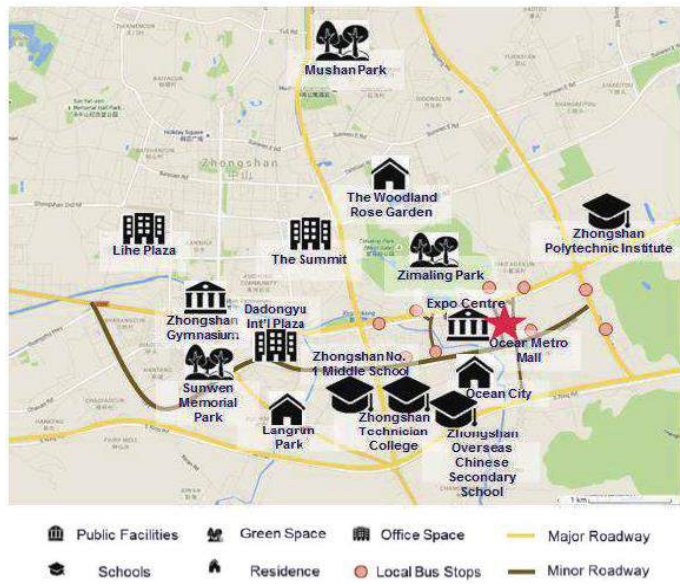
Occupancy: 99.9%

Source: SCCM Research, Company as at 30Sep18

- Tenants:** Carrefour, Superior City Department Store, Top KTV, Win Fitness, Jinyi Cinema, Starbucks, McDonald's, Nike and Adidas.

- Access to Transportation:** Ocean Metro Mall is well-connected through numerous bus routes and 6 free shuttlebuses. It is located in the core area of Zhong Shan at an intersection of 2 roads, well connected through 2 main traffic arteries of Donqu District that are connected by various minor roads. It is 4.8km to Zhongshan train station that links to Guangzhou-Macau highway. The secondary trade area will soon be connected to the Zhongshan train station through the new Metro line 1 (est completion 2020).

Fig 29 - Radius



Source: Company

Fig 30 - Competition

Name	Distance from Mall (km)	Retail GFA (sqm)	Date of Completion
Holiday Plaza	3.5	30,000	2005
Lihe Plaza	3.7	130,000	2012
Yihua Department Store	3.7	50,000	1995
Perfect Eagle Plaza	3.5	100,000	2018
Skyline International Plaza	2.0	50,000	2018

Source: Company

- Target Consumers and Surrounding Facilities:** The primary trade area is of 1.5km radius. Ocean Metro mall is of a mid-upper tier targeted to towards mid-high-income office workers, students and residents. The mall is southwest of high-quality residential communities consisting of mostly apartments and villas. There are 2 High Schools, 2 Professional Schools, EXPO center, one of the largest sporting goods store in the area and an 88.5-acre park within vicinity. The secondary trade area takes on an irregular shape 11km to east and 8km to south, totaling 223sqkm. To the North and the West are mature and new residential Communities whose residents would have higher purchasing power as well as high quality office buildings.

Other public facilities in the area include the Sunwen Memorial Park and the Zhongshan Gymnasium approximately 3.1km west of the mall

Dasin E-Colour

- Description:** The DASIN E-Colour is the smallest mall in the portfolio located in a mature urban area of Zhongshan. It is a mid-tier mall located near the University of Science and Tech of China right next to University Dorm. Hence, its tenants are geared towards secondary to university students and staff's needs, bookstore theatre gym. It offers F&B, fashion, leisure and entertainment services directed towards sec-unit students. Part of its eighth and ninth levels houses a business incubator for students of the Electronic Science and Technology of China (Zhongshan Institute), which opened in Dec 2016.

Fig 31 - Dasin E-Colour



Location: No. 4 Qitou New Village Longfeng Road, Shiqi District, Zhongshan, Guangdong

Description: 9 floors

Commencement of Operations: May 2015

GFA/NLA: 25,857/12,507sqm

Valuations (RMB/SGD): RMB322m (\$\$64.3m)

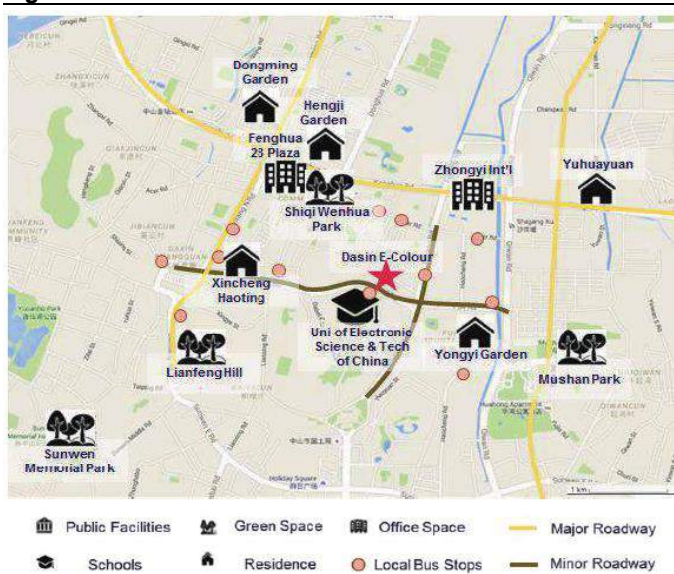
WALE (NLA/GRI): 3.1/2.1 yrs

Occupancy: 99.5%

Source: SCCM Research, Company as at 30Sep18

- **Tenants:** Top 10 tenants include DASIN's Karaoke, Business Incubator, F&B, Xinhe Property, 25th hours convenience store, Xin Xuan Teahouse, Heng Xing Internet Café, Fitness Today, Ming Chuang You Pin, Fei Kao Wu Rao, Cai Die Xuan.
- **Access to Transportation:** DASIN E-colour is located alongside Longteng Road, 150m away from Longteng Road and Fukang Road intersection. There is a total of 3 major roads close to the mall.

Fig 32 - Radius



Source: Company

Fig 33 - Competition

Name	Distance from Mall (km)	Retail GFA (sqm)	Date of Completion
Holiday Plaza	1.2	30,000	2005
Shi Shang Mei Sha Department Store	0.9	15,000	2009
Shiqi Metro Mall	1.0	101,585	2004
Perfect Eagle Plaza	1.0	100,000	2018
Shiqi Metro Mall Phase 2	1.0	65,281	2018

Source: Company

- **Target Consumers and Surrounding Facilities:** The primary trade area is of a smaller 500m radius, targeting students and residents from a 20,000-student University and low-rise residential projects (hence relatively lower population density) in North, high-rise in East. The secondary trade area is of 1km radius, serving students as well as residents in low-rise and relatively more mature apartments. Facilities in this area includes Mushan Park, low-quality street front shops, and warehouses.

Robust pipeline with 20 ROFRs across 4 cities

- The sponsor, being an established and renowned developer in Zhongshan, has ~20 ROFR assets within the pipeline for injection. We are highlighting 4 that we visited during our trip to Zhongshan.

Shunde Metro Mall

- Located in CBD area of Foshan and near an International School. Mall is relatively better located in terms of catchment area as compare to the main competitor Wanda Mall. Similar to the other malls, the Shunde Mall adapts to the local Fo Shan culture with a focus on F&B that emphasizes native delicacies.

Fig 34 - Shunde Metro Mall



Location: Fo Shan

Commencement of Operations: Nov 2018

GFA/NLA: 170,000/86,000sqm

Occupancy: 93-95% Pre-committed

Development Cost: RMB1.2bn

Rent: 100-200psm

Source: SCCM Research, Company

Doumen Metro Mall

- Family-oriented mall, mid-high end, integrated shopping mall for providing one-stop destination for leisure and entertainment, F&B and retail activities. The Doumen Mall achieved 100% occupancy 3-4 months before opening. Located in an area with 300,000 population and with no retail competition within 17,000sqm. Trade area includes the neighbouring Jing'an Town, Baijiao Town. The mall is located alongside Zhongxing Road, and surrounding roads are linked to the Western coastal highway, Pearl-river highway and Guangzhou-Macau highway.

Fig 35 - Doumen Metro Mall



Location: Zhongxing Road, Jingan Town, Doumen District, Zhuhai

Description: 6 floors +2 basements

Commencement of Operations: Oct 2018

GFA/NLA: 168,000/100,000sqm

Occupancy: 100% Pre-committed

Development Cost: RMB1.2bn

Rent: Bottom: RMB260psm, Top: RMB120psm

Source: SCCM Research, Company

Guzhen Metro Mall

- Youth-oriented shops and includes special facilities such as a music fountain and 20,000sqm playground. Their anchor tenants include the supermarket and the arcade. DASIN does not own the land to this mall.

Fig 36 - Guzhen Metro Mall (Phase 1)



Location: Zhong Shan

Commencement of Operations: Dec 2014

GFA: 100,000sqm

Occupancy: 95%

Rent: Mid: RMB300-500psm, Top: RMB100-150psm, 5-8% escalation

Source: SCCM Research, Company

Shiqi (B) Metro Mall

- Fashion-oriented, targets slightly more affluent consumers than Phase 1 and is one of the few higher class malls in Zhongshan. Anchor tenants include the Ice Rink and the cinema.

Fig 37 - Shiqi (B) Metro Mall



Location: Zhong Shan

Commencement of Operations: Oct 2017

GFA: 84,912sqm

Occupancy: 98-99%

Rent: Mid:RMB180-200psm

Source: SCCM Research, Company

Financial

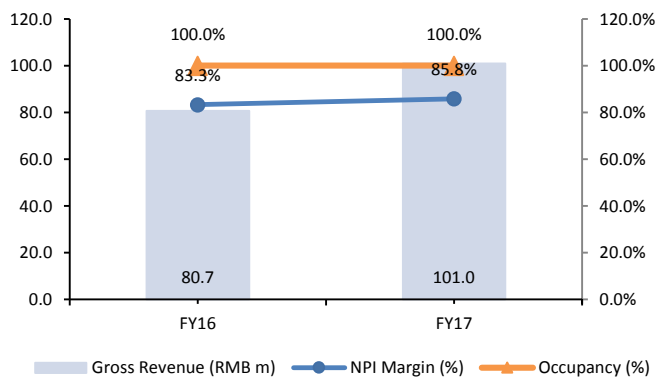
Results Review — IPO to 3Q18

- Historically, DASIN's performance had done well with strong topline performance and high NPI margins. Occupancy for E-colour and Ocean quickly rose to 100% by 2017. For 9M18 performance, DASIN's gross revenue surpassed forecast by 4.3% (+37% YoY to actual results) while NPI exceeded forecast by 4.6% (+38% YoY to actual results) as the malls continue to outperform and organic contribution kicked in in FY18. Rental reversions YTD ranges around 11-12%, largely driven by Xiaolan and E-Colour that saw strong tenant interest due to their strategic locations.
- 3Q18 results dampened by RMB depreciation and ongoing AEI:** 3Q18 revenues and NPI in RMB terms fell 1.7% and 7.1% YoY largely due to the ongoing weakness of RMB and the ongoing AEI at DASIN's anchor asset: Shiqi Metro mall is undergoing AEI on ~5,968sqm of space which already has committed tenant such as Hai Di Lao to further diversify its current tenant mix.
- Xiaolan and Shiqi as Stability factor:** As the matured malls of the portfolio, these 2 malls provide stable NPI support given the established foothold each of them have in their specific residential catchments and will see steadier reversions moving forward.

DASIN malls are likely to maintain ~100% occupancy in the near future thanks to the ~1,500 businesses in close relationship with DASIN.

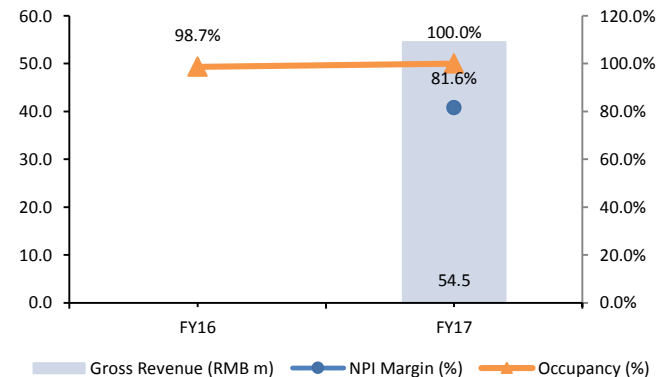
Level 4 of Shiqi mall is being reconfigured to accommodate more F&B outlets which are guided to be more resilient in face of greater e-commerce activities

Fig 38 - Xiaolan Metro Mall



Source: SCCM Research, Company

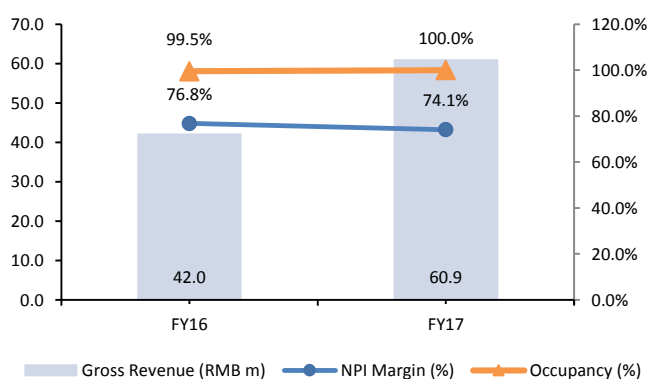
Fig 39 - Shiqi Metro Mall



Source: SCCM Research, *only occupancy data is available for Shiqi in FY16

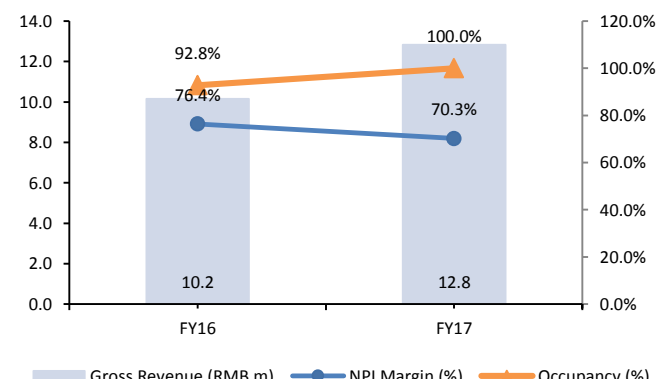
- Ocean and Metro still has unlocked potential:** The 2 malls opened their doors less than 3 years ago and have yet to establish a dominant presence in their respective locations and will likely see stronger growth in tenant sales and tenant interest.

Fig 40 - Ocean Metro Mall



Source: SCCM Research, Company

Fig 41 - Dasin E-Colour

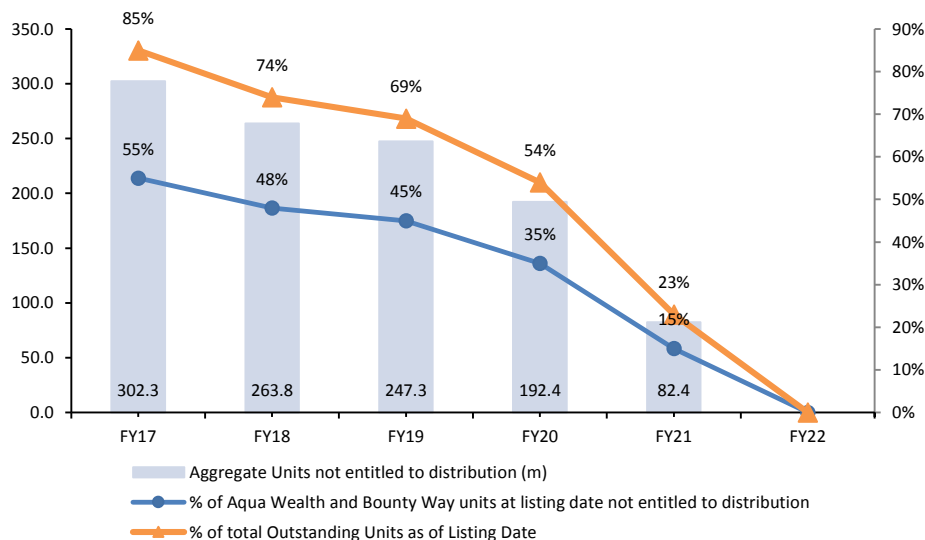


Source: SCCM Research, Company

ROFR Injections to mitigate impact of Distribution Waiver falling off

- Income support for DASIN is set to increase investor's returns while DASIN's growth malls are not yet stabilized. The Distribution Waiver will fall off gradually until it is completely removed in 2022. This is an important risk to consider if there were no asset injections to mitigate the decline. **However, the Sponsor will be injecting 1-2 assets per year with the next expected acquisition by 1H19.**

Fig 42 - Distribution Waiver Effect on Outstanding Units



Source: SCCM Research, Company

- Short-Term DPU stability with or without ROFR injections:** In our estimates, we expect DPU to remain flattish for the next 2-3 years on the back of 4-5% organic growth of existing portfolio and cushioned by balancing reserve maintained on the balance sheet when the need arises. Management maintains the flexibility to adjust distributions at least in the next 2-3 years to ensure stability to headline DPU.

Currently, DASIN has ~S\$7m in balancing reserves that mgmt. will tap into to maintain DPU stability until the impact of ROFRs injection kick in.

Abundant Debt Headroom for Inorganic Growth Plans

- Gearing remains healthy with sufficient debt headroom to proceed with asset injection and inorganic growth:** Assuming only organic growth, we expect gearing to remain at ~32% going forward. DASIN has plenty of debt headroom of ~S\$370m for their plans to acquire 1-2 assets per year going forward.
- As of 9M18, DASIN has RMB400.0m (S\$82.2m) Onshore facilities, S\$242m offshore facilities and USD134.3m (S\$179.6m) Offshore facilities. The onshore and offshore facilities have an all-in-cost of 5.32% and 5.20% respectively. Moving forward, management has indicated that interest costs have likely peaked in FY18E and will likely see blended interest costs stabilize at ~5.0% in FY19E.

Forecasts and Assumptions

- We expect gross revenue and NPI to both grow at 5.5% CAGR from FY18-21E, primarily driven organic growth of the portfolio and supported by the macro-economic development of Zhongshan. The core assumptions for the revenues and NPI are as follows:
 - We expect rental reversions of ~10% on the portfolio moving forward vs. the 11-12% historically;
 - Given the built-in rental escalation of ~5% for ~80% of DASIN's fixed rent contracts, our model assumes ~4% baseline growth in rental;
 - Approximately 20% of leases signed are tied to the tenant sales growth, for which we assume a 5-6% growth in the next 2-3 years;
 - Given the close relationship with ~1,500 businesses with DASIN, we expect portfolio occupancy to be ~99-100% at for the next 2-3 years;
 - Our current model has yet to account for any incoming asset injections;
 - We expect NPI margins to remain stable at ~80-84% in the next few years.

Fig 43 - Consolidated P&L

Y/E 31 Dec (SGD m)	FY17A	FY18E	FY19E	FY20E	FY21E
Total Gross Revenue	57.7	70.2	73.4	78.2	82.4
Gross Revenue Growth	68.6%	21.7%	4.6%	6.5%	5.3%
Property Expenses	(11.1)	(11.1)	(11.6)	(12.3)	(13.0)
Net Property Income	46.6	59.2	61.9	65.9	69.4
<i>NPI Margin</i>	80.7%	84.3%	84.3%	84.3%	84.3%
Trustee's Manager's Fees	(3.4)	(4.2)	(4.2)	(4.2)	(4.2)
Other Trust Expenses	(7.8)	(1.3)	(1.3)	(1.3)	(1.3)
EBIT	35.3	53.7	56.4	60.4	63.9
<i>EBIT Margin</i>	61.3%	76.4%	76.8%	77.3%	77.6%
Non-Operating Income	6.0	0.0	0.0	0.0	0.0
Interest Income	0.8	0.9	2.0	2.0	2.1
Interest Expense	(23.8)	(24.2)	(26.7)	(25.0)	(25.0)
EBT	18.5	30.4	31.7	37.5	41.1
<i>EBT Margin</i>	32.0%	43.4%	43.2%	47.9%	49.9%
Tax	(13.7)	(9.1)	(9.5)	(11.3)	(12.3)
Net Profit	4.8	21.3	22.2	26.3	28.8
<i>Net Profit Margin</i>	8.3%	30.3%	30.2%	33.6%	34.9%
Gain/Loss of revaluation of properties	14.0	0.0	0.0	0.0	0.0
Total Return for the year	18.9	21.3	22.2	26.3	28.8
Distribution Paid to Shareholders	18.0	20.7	22.0	26.0	34.1
DPU (cents) w/ Waiver	7.26	7.17	7.17	7.17	7.17
DPU (cents) w/o Waiver	3.27	3.73	3.94	4.66	6.10

Source: SCCM Research, Company

- The core assumptions for the B/S are as follows:
 - Our model has yet to factor in the expected acquisition in 1H19 given the absence of definitive guidance from the Manager. As such, our model assumes gearing to remain at around 32-33%.
 - Our model assumes that share base will expand from 551m in FY17 to 560m in FY20E. This is on the basis that the manager's fee will be partially payable in units. Actual figures may differ based on the manager's discretion.

The current balance sheet leaves ample debt headroom for future acquisitions

Fig 44 - Consolidated Balance Sheet

Y/E 31 Dec (SGD m)	FY17A	FY18E	FY19E	FY20E	FY21E
Cash	20.2	44.5	45.0	46.9	42.7
Restricted Cash	20.5	20.5	20.5	20.5	20.5
Trade Receivables	7.3	8.9	9.3	9.9	10.5
Other Current Assets	36.6	36.6	36.6	36.6	36.6
Current Assets	84.6	110.4	111.4	113.9	110.2
Investment Properties	1,552.0	1,552.0	1,552.0	1,552.0	1,552.0
PPE	0.3	0.3	0.3	0.3	0.3
Other LT Assets	0.5	0.5	0.5	0.5	0.5
Non Current Assets	1,552.8	1,552.8	1,552.8	1,552.8	1,552.8
Total Assets	1,637.4	1,663.3	1,664.2	1,666.7	1,663.0
Trade Payables	7.1	8.6	9.0	9.6	10.1
OD & ST Debt	0.8	169.4	169.4	169.4	169.4
Tax Provision	1.7	9.1	9.5	11.3	12.3
Other ST Liabilities	13.2	13.2	13.2	13.2	13.2
Current Liabilities	22.7	200.3	201.1	203.4	205.0
LT Debt	482.2	329.9	329.9	329.9	329.9
Deferred Tax	283.4	283.4	283.4	283.4	283.4
Other LT Liabilities	0.2	0.2	0.2	0.2	0.2
Non Current Liabilities	765.8	613.5	613.5	613.5	613.5
Total Liabilities	788.5	813.8	814.6	816.9	818.5
Unitholders Funds	848.9	849.5	849.6	849.9	844.6
Total Unitholders' Equity	848.9	849.5	849.6	849.9	844.6
Total Liabilities and Equity	1,637.4	1,663.3	1,664.2	1,666.7	1,663.0

Source: SCCM Research, Company

Valuation – Initiate w/ BUY and TP S\$0.97/unit

- We use a DDM-based model to value DASIN as we are of the view that the value of a REIT is derived from its distribution income as a perpetual vehicle. Applying a terminal growth rate of 3.0%, a discount rate of 7.98%, a risk-free rate of 2.52%, 0.9 beta and 6.07% equity risk premium, we arrive at a target price of S\$0.97/unit.

Our TP of S\$0.97/unit implies an upside of 12.8% and a total return of 21.6%.

Fig 45 - DDM Valuation

	2018E	2019E	2020E	2021E	2022E	Terminal Value
Year	1	2	3	4	5	
DPU (S\$)	0.072	0.072	0.072	0.072	0.072	
Discounted DPU (S\$)	0.066	0.061	0.057	0.053	0.049	1.010
Terminal growth	3.0%					
Cost of Equity	7.98%					
PV of terminal value (SGD)	0.69					
Total Equity value (SGD)	0.97					
SG risk free rate (10 yr)	2.52%					
SG equity risk premium	6.07%					
Beta	0.9					

Source: SCCM Research

- Our DDM-based derived target price of S\$0.97/unit translates to our estimated forward FY19E yield of 8.34%, which is undemanding, in our view. We initiate coverage on DASIN with a BUY rating.

Fig 46 - TP Sensitivity Analysis – Cost of Equity to Terminal growth

WACC \ G	2.0%	2.5%	3.0%	3.5%	4.0%
6.5%	1.16	1.28	1.42	1.62	1.89
7.0%	1.04	1.12	1.23	1.37	1.56
7.5%	0.94	1.00	1.09	1.19	1.32
8.0%	0.85	0.91	0.97	1.06	1.16
8.5%	0.78	0.82	0.88	0.94	1.02
9.0%	0.72	0.76	0.80	0.85	0.91
9.5%	0.67	0.70	0.73	0.77	0.82

Source: Company, SCCM Research

- Currency volatility is a main risk factor as operational currency is denominated in RMB but dividends are distributed in SGD. The management has adopted the stance that periodic disbursement of distributions will be done during favourable RMB/SGD conditions in order to mitigate the risks. Given that RMB is already at its all-time low, we expect further depreciation to be limited especially with the Chinese Govt's pledge stabilize its currency.

Our model, based on BB estimates, assume that RMB/SGD will appreciate marginally from 0.200 in FY18E to 0.203 in FY21E.

Fig 47 - TP Sensitivity Analysis

RMB/SGD	0.185	0.190	0.195	0.200*	0.205	0.210	0.215
	0.85	0.89	0.93	0.97	1.01	1.05	1.09

Source: Company, SCCM Research, *Using FY18E as a baseline & Bloomberg estimates for next 5 yrs, RMB movements in the next few years pegged to FY18E, maintaining Bloomberg's forecast of mild RMB appreciation

Comparables

- DASIN has the most attractive FY19E dividend yield of 8.34% as compared to the SG retail REITs and China retail REITs, largely due to management's commitment to keep DPU stable. We also note that our DPU estimates have yet to account for incoming ROFR injections in 1H19 that will likely contribute to DPU further.
- We think DASIN's 0.61x P/B is a reasonable value for flat DPU growth maintained at consistently high yield of ~8.3%. We expect DPU stability in the next 2-3 years to deliver the yield with additional upside potential to be unlocked if Sponsor fulfils the 1-2 asset injection per year starting 1H19.

Fig 48 - Peer Comparison – SG and China Retail REITs

Ticker	Name	P/B (x)	Market Cap (US\$ m)	FY18-21E DPU Growth (%)	Dividend yield (%)	
					FY18E	FY19E
DASIN SP	Dasin Retail REIT	0.61	349	0.00	8.34	8.34
SG Retail REITs Ave (excl. DASIN)		0.97		1.83	5.83	5.94
CT SP	CapitaMall Trust	1.06	5,776	1.95	5.21	5.40
MCT SP	Mapletree Commercial Trust*	1.10	3,434	0.88	5.52	5.64
SGREIT SP	Starhill Global REIT	0.75	1,082	2.76	7.06	7.21
SPHREIT SP	SPH REIT (FY ends in AUG)	1.05	1,874	2.32	5.73	5.83
FCT SP	Frasers Centrepoint Trust	1.04	1,468	3.62	5.81	5.94
SUN SP	Suntec REIT	0.85	3,448	-0.53	5.65	5.59
China Retail REITs Ave (excl. DASIN)		0.80		0.98	8.47	7.43
CRCT SP	CapitalLand Retail China Trust	0.81	987	1.96	7.61	7.61
BHGREIT SP	BHG Retail REIT	0.79	240	0.00	N.A.	N.A.
SASSR SP	Sasseur REIT	N.A.	581	N.A.	9.33	7.26

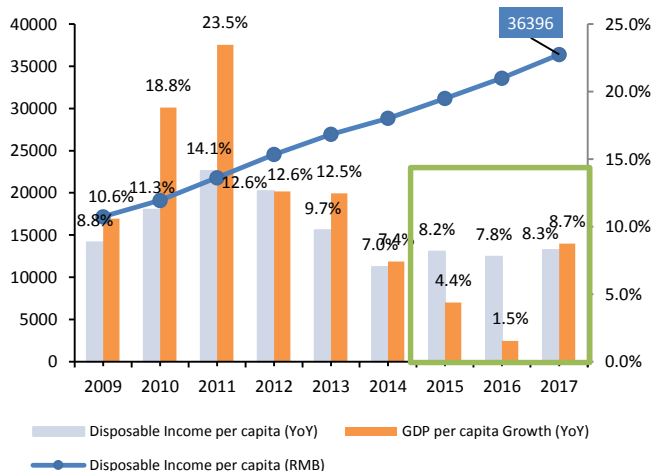
Source: SCCM Research, Bloomberg, Prices as of 8 Nov 2018, * for companies whose FY18 has ended as of Oct 2018, the Figures are +1FY in the headings accordingly e.g. figures under FY18E column are for FY19E instead.

Appendix

Zhongshan's Macro Economic Outlook

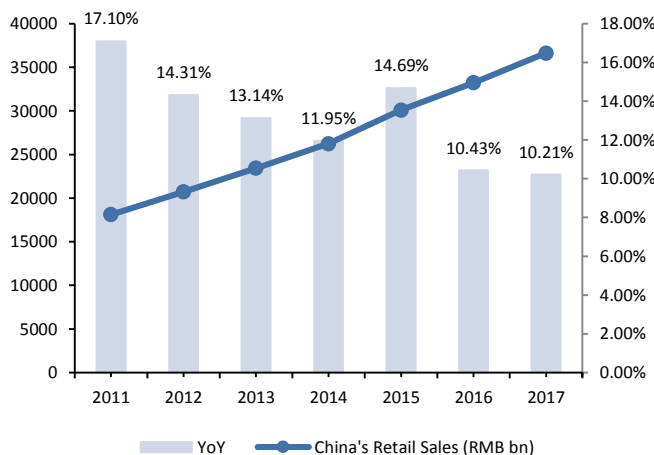
- According to the National Bureau of Statistics of China (NBSC), the economy grew 6.8% YoY in 1H18, and 6.5% YoY in 3Q18, an overall medium to high speed growth that surpassed the 6.5% annual target for 2018. China's retail sales increased 9.4% YoY to RMB18tn in 1H18. Urban disposable income per capita grew 8.3% YoY in 2017. While China-US trade war raises indirect concerns of slowing growth impacting China's economy in 2Q18 onwards, 3Q18 retail sales' growth rates remains healthy at 9.3% YoY.

Fig 49 - China's Macroeconomic Indicators



Source: SCCM Research, NBSC, IMF

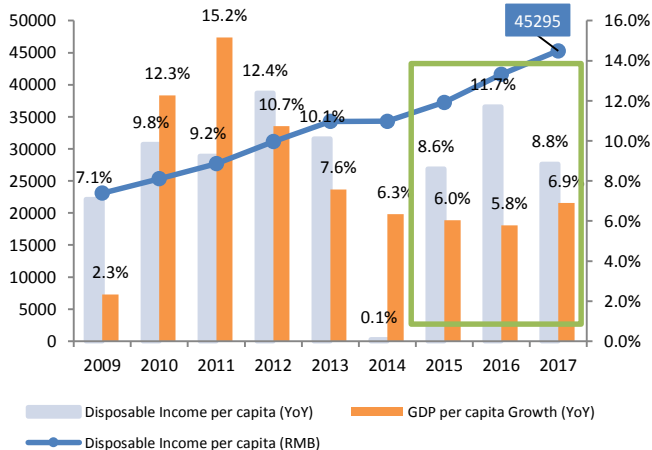
Fig 50 - China's Retail Sales



Source: SCCM Research, NBSC

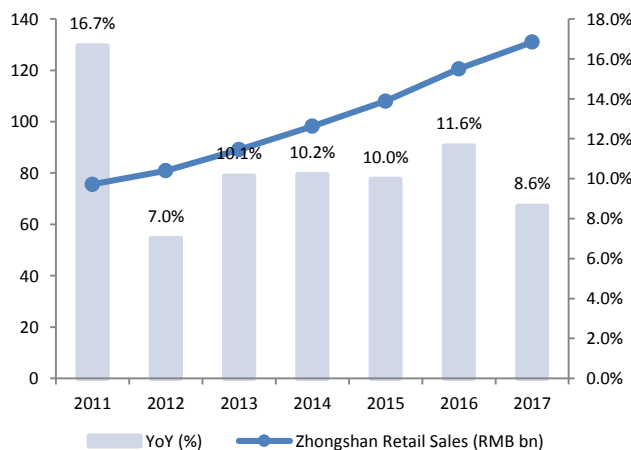
- Zhongshan is a Tier 3 city, but its GDP per capita and Disposable income per capita are growing at a much higher rate than national average in recent years. The absolute figures are also higher, as according to the Zhongshan Municipal Bureau of Statistics, Zhongshan's GDP increased 8.7% YoY, reaching RMB36,396 in 2017. Overall provincial GDP growth is only marginally slower at 6% YoY in 1H18 and 5.9% YoY in 3Q18. Retail sales increased by 5.9% YoY to RMB75.1bn in 1H18, and 5.4% YoY in 3Q18, lower than China's overall growth but still on a sustainable positive trajectory.

Fig 51 - Zhongshan's Macroeconomic Indicators



Source: SCCM Research, NBSC, Zhongshan Municipal Statistics Bureau

Fig 52 - Zhongshan's Retail Sales



Source: SCCM Research, Zhongshan Municipal Statistics Bureau

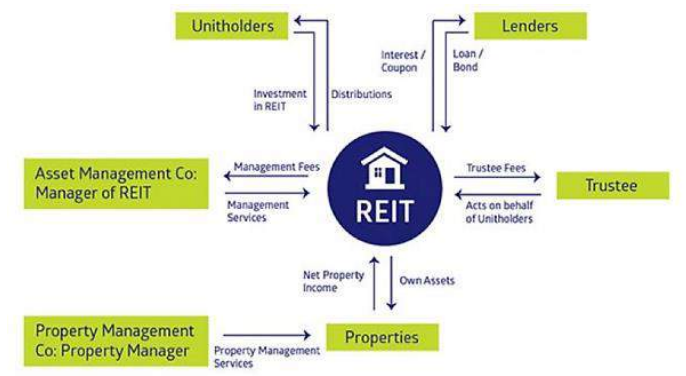
- Zhongshan is set to become a regional technology and R&D center under the provincial government’s 2017-30 plan. It is targeted to become a world-class modern equipment manufacturing base, as well as regional transportation hub connecting the east and west of the PRD. The plan also emphasizes development of financial sector while bolstering economic growth. We expect the ongoing development to attract increasing volumes of both residents and tourists to Zhongshan over time.

The plan also will promote tourism sectors and maintain high standards of living to attract buyers of 2nd homes, especially retirees

Business Trust vs. REIT

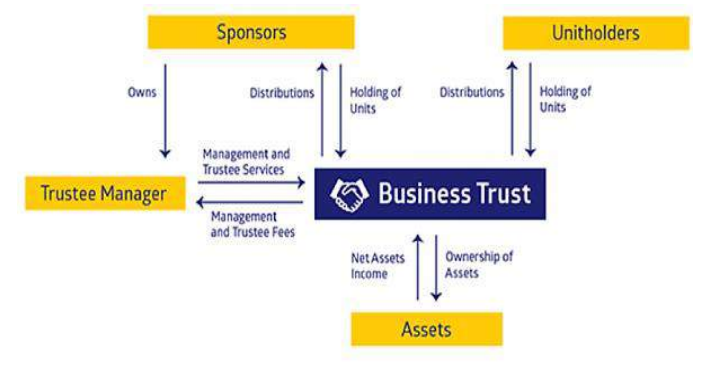
- DASIN Retail Trust is a business trust:** The rules governing DASIN is fundamentally different compared to other Singapore listed REITs. Specifically, the manager’s key obligation is mainly towards the sponsor instead of unitholders.

Fig 53 - Typical REITs structure



Source: SGX

Fig 54 - Typical Business Trust Structure



Source: SGX

- Less desirable tax/distribution structure:** DASIN is not obligated to pay out at least 90% of distributable income and subject to the tougher Income Tax Act. This implies that the investor will have to be more reliant on the manager’s discretion.
- Greater flexibility to monetize ROFR asset driven growth:** However, DASIN does offer greater balance sheet flexibility given that it is not subject to borrowing limits which will prove to be help especially with the sponsor’s intention to inject 1-2 assets every year in the next 1 to 2 years.

Given that DASIN’s main operation is in China, it is subjected to an additional layer of withholding tax

But DASIN has committed itself to ensure that it observes the 45% gearing limit

Fig 55 - Summary of Differences

	Business Trust	Real Estate Investment Trust
Asset Ownership	Trustee manages and has full legal ownership of assets. >=75% of unitholder approval needed to remove trustee	Trustee holds assets with a separate manager for assets. >=50% of unitholder approval needed to remove manager
Distribution Obligation	Has no legal obligation to distribute stipulated ratio. Distribution not based on accounting profit.	Must pay out 90% of distributable income
Gearing	Not subject to borrowing limit	Maximum 45% gearing
Beneficiary	Trustee-manager acts on behalf of the sponsor	Trustee acts on behalf of unitholders
Taxation	Subjected to Income Tax Act	Transparent REITs taxation structure

Source: MAS, SCCM Research

What Makes a Mall Sticky?

- Active Content Renewal:** In order for a mall to stay interesting enough to attract new and retain regular foot traffic, the mall has to constantly renew itself with new attractions and organize events and activities. DASIN maintains a small-business-friendly strategy to open parts of its mall to small business run by young adults with shorter lease terms, to ensure constantly refreshed content.
- Busy Neighbourhood:** The strength and resilience of a mall as a cornerstone neighbourhood attraction also depends on the proximity of surrounding residential clusters, facilities, and transport nodes (ease of access). The current malls in DASIN's portfolio are strategically located in key residential clusters and/or schools with significant catchment of regular patronage.
- Competition within the service radius:** The foot traffic of a single mall also depends on how well it differentiates itself and the availability of other choices in the surrounding. For example, XiaoLan is able to dominate within its neighbourhood despite surrounding malls due to its content variety and the Sponsor's control in the area, that stems from its first mover advantage in developing the area.
- Tenant mix:** DASIN recognizes the real threat of e-commerce and has opted to improve the resilience of the mall by adjusting its tenant mix to cater more towards F&B, physical activities (such as basketball courts, skating rinks) and in-store exclusives. All of which makes its mall less replaceable.
- Building loyalty:** Larger mall managers offer loyalty programmes to encourage regular patronage of its establishments. DASIN uses a special member card to offer discounts for repeated patronage within its network of malls. While this small aspect does not seem important on an individual basis, it contributes positively to the overall experience for the foot traffic of the mall.
- Physical layout of shops:** While it is difficult to find a one size fits all benchmark, positioning of stores and outlets is important. This will largely depend on the management of the mall. For example, anchor tenants can be highly visible to passersby outside the mall, or necessities-provider like supermarkets can be deep within the mall so that shoppers have to pass by other stores. Another example is DASIN's circular mall layout that makes the events /popup sales occurring at the center of the mall more visible.
- Seasoned management makes a difference:** Based on the site visit, there is visible difference between government-run malls and professionally run malls. LiHe (public-owned) was run down with the physical façade of the mall and the facilities within the mall poorly-maintained (paint was peeling and floors were not waxed). In contrast, Xiaolan (which is almost as old as LiHe), looked almost new due to the commitment towards regular maintenance and asset rejuvenation.

For example, E-Colour is located next to a university, capturing the constant of young adults seeking convenient entertainment options

For example, fashion outlets in DASIN malls offer in-store, seasonal exclusives that people cannot buy online

Cash Flow Statement

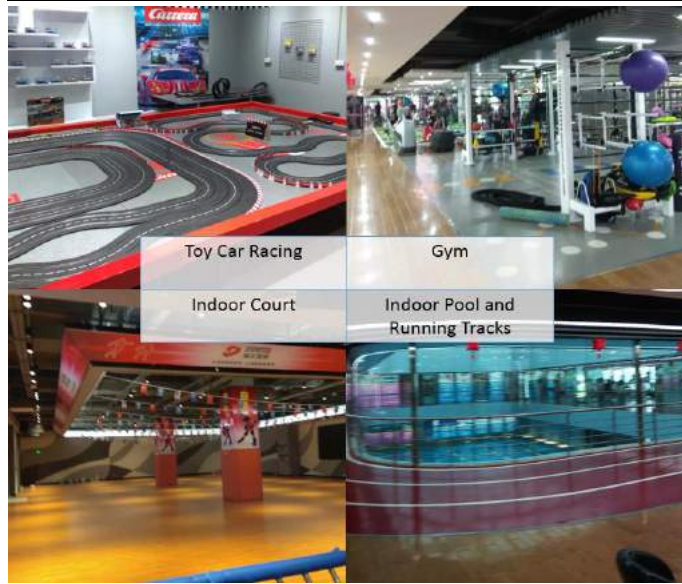
Fig 56 - Consolidated Cash Flow Statement

Y/E 31 Dec (SGD m)	FY17A	FY18E	FY19E	FY20E	FY21E
Pre-tax Profit	18.5	30.4	31.7	37.5	41.1
Tax Paid	(5.8)	(1.7)	(9.1)	(9.5)	(11.3)
Depreciation & Amortization	0.1	0.0	0.0	0.0	0.0
Other Non-Cash Adjustments	12.5	0.0	0.0	0.0	0.0
Changes in Non-Cash Work Cap	22.2	(0.1)	(0.0)	(0.0)	(0.0)
Cash From Operations	47.5	28.7	22.6	28.0	29.8
Other Investing Activities	(520.3)	0.0	0.0	0.0	0.0
Cash from Investing Activities	(520.3)	0.0	0.0	0.0	0.0
Distribution to Unit Holders	(7.4)	(20.7)	(22.0)	(26.0)	(34.1)
Net Change in Gross Debt	374.4	16.3	0.0	0.0	0.0
Issue of Units (net of Expenses)	141.2	0.0	0.0	0.0	0.0
Other Financing Activities	(32.2)	0.0	0.0	0.0	0.0
Cash from Financing Activities	476.0	(4.5)	(22.0)	(26.0)	(34.1)
Net Changes in Cash	3.2	24.3	0.5	1.9	(4.2)
Currency Adjustments	0.4	0.0	0.0	0.0	0.0
Cash at beginning of period	16.5	20.2	44.5	45.0	46.9
Cash at end of period	20.2	44.5	45.0	46.9	42.7
Net Changes in Cash	3.2	24.3	0.5	1.9	(4.2)

Source: SCCM Research, Company

Company Site Visit

Fig 57 - Selected main /unique attractions in Ocean Mall



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 58 - Selected main /unique attractions in Ocean Mall



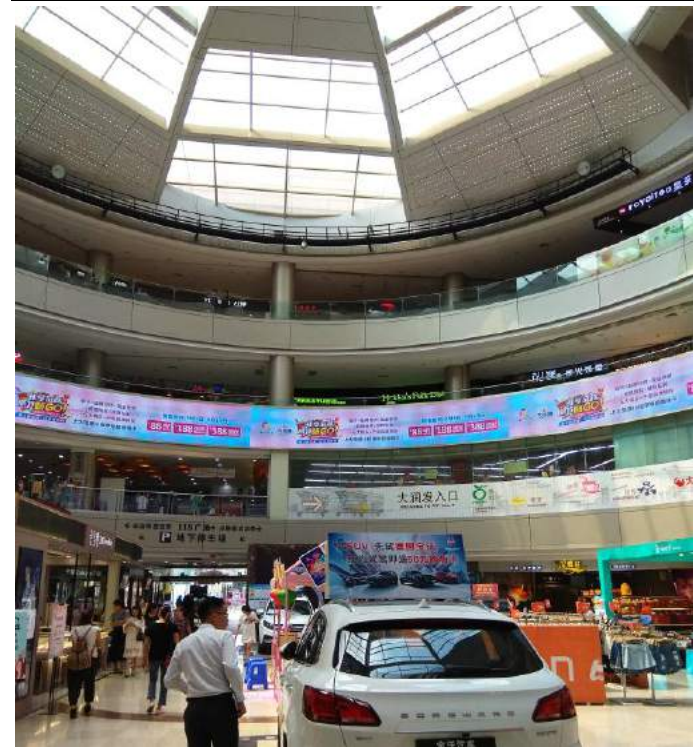
Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 59 - Apartments next to XiaoLan Mall



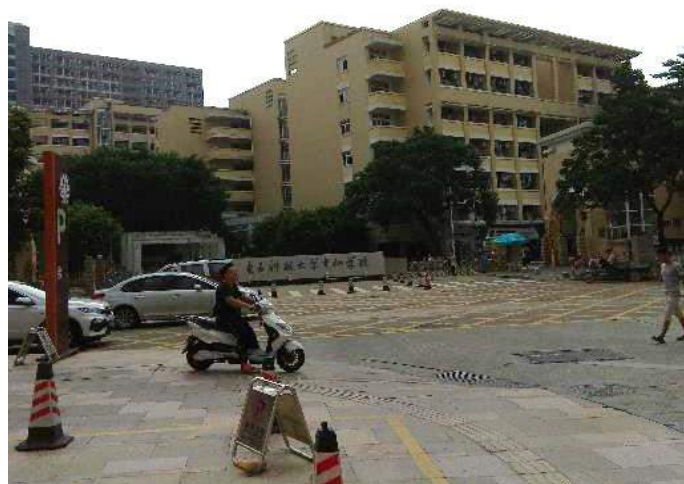
Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 60 - Circular layout with pop-up stores in Xiao Lan Mall



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 61 - 20,000-student University next to E-Colour Mall



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 62 - Tenants in E-Colour are mainly catered to Students



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 63 - Some anchor tenants /main attractions in Shiqi



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 64 - E-Colour gym extension in Sep 2018



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 65 - Shuttle Buses to and from Shiqi Mall



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 66 - Playground on spare spaces around Shiqi Mall



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 67 - Bridge that connects Shiqi A and B



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 68 - Shiqi B's tenants sell higher grade items –the Supermarket shown below is one such example



Source: SCCM Research, from Company Site Visit in Sep 2018

BUY

TP: SGD 0.97

▲ 12.8%

Dasin Retail Trust

DASIN SP

Company Initiation

SINGAPORE

REAL ESTATE

Fig 69 - Exterior of Shiqi B



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 70 - Hotel extension owned by the Sponsor



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 71 - Doumen 100% committed occupancy w/ reputable anchor tenant



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 72 - Doumen Mall under construction in Sep 2018



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 73 - Exteriors of Guzhen Mall featuring anchor tenants



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 74 - Round layout with large playground in Guzhen Mall



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 75 - Shunde Mall currently under construction



Source: SCCM Research, from Company Site Visit in Sep 2018

Fig 76 - Shunde surrounded by residential catchment



Source: SCCM Research, from Company Site Visit in Sep 2018

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