



DASIN RETAIL TRUST
大信商用信托

(a business trust constituted on 15 January 2016
under the laws of the Republic of Singapore)

TERMINATION OF MASTER LEASE AGREEMENTS FOR CERTAIN UNITS IN XIAOLAN METRO MALL AND DASIN E-COLOUR AND DIRECT ENTRY INTO LEASE AGREEMENTS WITH TENANTS

Introduction

The Board of Directors (the “**Board**”) of Dasin Retail Trust Management Pte. Ltd. (the “**Trustee-Manager**”), as trustee-manager of Dasin Retail Trust (the “**Trust**”), wishes to announce that the Group had, on 31 March 2023, terminated the master lease agreements entered into with Zhongshan Dasin Metro-Mall Merchant Investment Co., Ltd.¹ (as master lessee, hereinafter “**Dasin Merchant Investment**”) with respect to its leased units in Xiaolan Metro Mall and Dasin E-Colour (respectively, the “**Xiaolan Master Lease**” and the “**E-Colour Master Lease**”), and on 1 April 2023 entered into a direct new lease agreement with Zhongshan Youyuecheng Store Management Co., Ltd.² (“**Youyuecheng Store Management**”) for the units in Xiaolan Metro Mall which Youyuecheng Store Management previously sub-leased from Dasin Merchant Investment.

Background

Xiaolan Metro Mall Master Lease

As disclosed in the IPO prospectus of the Trust dated 13 January 2017, on 26 December 2016, Dasin Merchant Investment (the “**Xiaolan Master Lessee**”), which is wholly-owned by the Zhang Vendors³ through Zhongshan Dasin Management and Investment Co., Ltd.⁴ (“**Dasin Management and Investment**”), and Zhongshan Xiaolan Dasin Xinduhui Commercial Management Co., Ltd.⁵, the Rental Management Company of Xiaolan Metro Mall (“**Xiaolan Xinduhui**” or the “**Xiaolan Master Lessor**”), entered into the Xiaolan Master Lease for the lease of the first floor and third floor of Xiaolan Metro Mall.

¹ 中山市大信新都汇商业投资有限公司

² 中山市优越城百货管理有限公司; Mr. Zhang Kaicheng, an associate of Mr. Zhang Zhencheng, a Non-Executive Director of the Trustee-Manager, held 19.0% of the interests in Zhongshan Youyuecheng Store Management as at 30 June 2016. As at 2 September 2021, Mr. Zhang Kaicheng no longer holds any interest in Zhongshan Youyuecheng Store Management.

³ Mr. Zhang Kaicheng, Mr. Zhang Jiucheng and Mr. Zhang Zhongming, and each a “Zhang Vendor”

⁴ 中山市大信管理投资有限公司

⁵ 中山市小榄大信新都汇商业管理有限公司

The Xiaolan Master Lease was for a term of 10 years, commencing from 26 September 2017 (the “**Initial Lease Term**”).

E-Colour Master Lease

As disclosed in the IPO prospectus of the Trust dated 13 January 2017, on 1 March 2016, Dasin Merchant Investment (the “**E-Colour Master Lessee**”) and Zhongshan Yicai Dasin Xinduhui Commercial Management Co., Ltd.⁶, the Rental Management Company of Dasin E-Colour (“**Yicai Xinduhui**” or the “**E-Colour Master Lessor**”), entered into the E-Colour Master Lease for the lease of certain units on the fourth, eighth and ninth floors as well as the entire seventh floor of Dasin E-Colour.

The E-Colour Master Lease was originally for a term of 3 years and was renewed twice. The first time until 1 March 2022 and, on 2 March 2022, the agreement was renewed again until 1 March 2024.

The COVID-19 Pandemic and arrears in rent payment under the Master Leases

During the COVID-19 pandemic, China implemented very strict movement control measures which lasted for nearly over 3 years (till December 2022). These measures curtailed the normal retail traffic which led the tenants and shops to incur losses as normal retail operations were significantly affected.

In particular, with respect to Dasin E-Colour, the main customer groups visiting Dasin E-Colour are the lecturers, undergraduates, staff and visitors from the university located opposite the shopping mall. During the three years of the COVID-19 pandemic, face-to-face lessons were suspended and the students were unable to leave the campus unless with special permits. The drop in customer traffic made it difficult for Dasin E-Colour tenants to continue operating normally. The occupancy rate declined significantly from 96% pre pandemic to 64% during the pandemic. The total area of the Master Lease was 4,593 sq m, and had all been successfully subleased to third parties pre-pandemic. However, during the pandemic period, 2,123 sq m of space fell vacant, and the dropout rate was about 46%.

The Board has been given to understand that the Master Lessee, Dasin Merchant Investment has been in a loss position for the past three years (2020 to 2022), resulting in its inability to pay its rent on time.

To ensure that the shopping malls continued to maintain competitive and sustainable business performance with good lease structure during the COVID-19 pandemic, such that the shopping malls could quickly return to normal condition in a short period of time after the pandemic is over, rent concessions were given to many of the Trust’s tenants, but not to the Master Lessee, except for general discounts for large-scale closure of shopping malls in February and March 2020 due to the COVID-19 pandemic.

Additionally, the total leased areas under the Xiaolan Master Lease and E-Colour Master Lease were 20,261 sq m, which were too large to source enough replacement tenants during the pandemic period.

Having considered the above factors, and taking into account the fact that Dasin Merchant Investment had always paid the rent in full and on time before the COVID-19 pandemic, the Trust allowed Dasin Merchant Investment more grace period to settle the rent arrears under

⁶ 中山市溢彩大信新都汇商业管理有限公司

the Xiaolan Master Lease and the E-Colour Master Lease. Further details of the rent arrears and status of the deposits under the Master Leases are addressed below.

Amount of arrears in rent payment under the Master Lease agreements and status of deposits

(a) Xiaolan Metro Mall:

(i) Rental arrears

From December 2017 to January 2020, before the outbreak of the COVID-19 pandemic, the Xiaolan Master Lessee always paid the rent on time. The delay in rent payments started from February 2020. From April 2021 onwards, the Xiaolan Master Lessee has failed to pay the rent.

As of 31 December 2022, the total rental arrears by the Xiaolan Master Lessee was RMB 28.47 million.

(ii) Security deposit

On 15 September 2021, the security deposit for the Xiaolan Master Lease was reduced from RMB 21.00 million to approximately RMB 4.05 million (equivalent to two months' rent), with the difference of RMB 16.95 million used directly for the settlement of outstanding balance of unpaid rent relating to Xiaolan Metro Mall and Ocean Metro Mall. The subsequent value-added renovation of some areas of Xiaolan Metro Mall reduced the Master Lease area by 523 sq m. On 31 December 2021, the security deposit of the Master Lease was further reduced to approximately RMB 3.91 million (equivalent to two months' rent), with the difference of RMB 140,000 used directly to settle the unpaid balance. On 30 March 2022, the remaining security deposit of RMB 3.91 million was fully utilised to settle the unpaid rent. In all, the security deposit was reduced from RMB 21.00 million to zero through netting off the rent arrears.

(b) Dasin E-Colour:

(i) Rental arrears

There was only one late payment (due to a delay in rent computation related to rent increment) prior to the COVID-19 pandemic. The rent payments started to be late from April 2020 onwards, and the E-Colour Master Lessee has stopped paying rent from February 2021 onwards.

As of 31 December 2022, the total rental arrears by the E-Colour Master Lessee was RMB 7.61 million.

(ii) Security Deposit

When the E-Colour Master Lease was renewed in March 2019, the security deposit was adjusted from 12 months' rent to 2 months, to about RMB 660,000, for consistency with the market practice.

The Audit and Risk Committee and the Board conduct regular review of the collection of, and actions taken to recover the outstanding trade and other receivables from third parties, related parties as well as from Xiaolan Master Lessee and E-Colour Lessee.

During the Audit and Risk Committee meetings which were held on 19 May 2022, 10 August 2022 and 12 November 2022 for the review of the condensed interim consolidated financial statements for the three months ended 31 March 2022, six months ended 30 June 2022 and nine months ended 30 September 2022 respectively, the Audit and Risk Committee requested the management to consider terminating the Xiaolan Master Lease and E-Colour Master Lease owing to the non-payment of rents from Xiaolan Master Lessee and E-Colour Master Lessee, and signing lease agreements directly with the third party tenants so as to help ensure collection of rent.

Recent Developments

Before the outbreak of the COVID-19 pandemic in 2020, the units under the Xiaolan Master Lease were sub-leased by the Xiaolan Master Lessee to a department store, Youyuecheng Store Management, for the period from 26 September 2017 to 31 December 2024. The original rent amount agreed between the Xiaolan Master Lessee and Youyuecheng Store Management allowed a small profit for the Xiaolan Master Lessee.

The Board has since learned on 8 February 2023 that during the COVID-19 pandemic period, a sponsorship agreement was entered into by a third party related to the Xiaolan Master Lessee with Youyuecheng Store Management to provide rental support to Youyuecheng Store Management for a period of 4 years from 1 January 2021, although the rent amount under the Xiaolan Master Lease between the Xiaolan Master Lessee and the Trust remained unchanged. The Board has further learned on 25 February 2023 that Youyuecheng Store Management had continued to pay the applicable rental to the Xiaolan Master Lessee. Mr. Zhang Kaicheng, an associate of Mr. Zhang Zhencheng, a Non-Executive Director of the Trustee-Manager, held 19.0% of the interests in Youyuecheng Store Management as at 30 June 2016. As at 2 September 2021, Mr. Zhang Kaicheng no longer holds any interest in Youyuecheng Store Management.

Actions taken by the Trust

In view of the aforesaid developments, taking into consideration the fact that rental has been outstanding from as early as February 2021, the Trustee-Manager has decided to terminate both the Xiaolan Master Lease and the E-Colour Master Lease. Dasin Merchant Investment has agreed to the termination, which will take effect from 31 March 2023.

The Trustee-Manager has signed a new lease agreement on 1 April 2023 directly with Youyuecheng Store Management at the rent level that Youyuecheng Store Management has been paying (after netting off the sponsorship fee payable by Dasin Management and Investment) to Dasin Merchant Investment for the units that Youyuecheng Store Management has been renting in Xiaolan Metro Mall. The RMB 1 million security deposit placed by Youyuecheng Store Management with Dasin Merchant Investment in relation to the terminated sublease for the Xiaolan Metro Mall will be transferred from Dasin Merchant Investment to the Xiaolan Master Lessor by 12 April 2023.

The Trustee-Manager is of the view that the rent level that Youyuecheng Store Management has been paying to Dasin Merchant Investment is reasonable and in line with the rental rate in the direct lease agreement that Youyuecheng Store Management has been paying for its units in Shiqi Metro Mall.

The Trustee-Manager will also proceed to procure and sign lease contracts directly with the third-party tenants for the returned units in Dasin E-Colour. Going forward, the Xiaolan Master

Lessor and the E-Colour Master Lessor will be entering into direct lease contracts with the tenants for the Xiaolan Metro Mall and Dasin E-Colour respectively.

The Trust is considering a proposal by Dasin Merchant Investment for the settlement of all outstanding arrears by 31 December 2024.

Impact from the changes in Master Lease Agreements

The gross rental income receivable from Xiaolan Master Lease and E-Colour Master Lease is about 6.2% of the total gross income of the Trust for the financial year ended 31 December 2022 and the total net lettable area occupied by Xiaolan Master Lease and E-Colour Lease is about 4.2% of the net lettable area of the Trust as at 31 December 2022.

With the cancellation of the Xiaolan Master Lease and E-Colour Master Lease and entry into lease agreements directly with third parties, the Trust's rental income would be expected to decrease having regard to the generally lower current market rental rates.

The Trust is in the process of obtaining an independent valuation from Jones Lang LaSalle Corporate Appraisal and Advisory Limited of its investment properties. The Board expects the valuation to be completed soon and will make appropriate announcements in the event of any further material developments.

In the Board's announcement dated 17 January 2023, it was stated, amongst others, that: (i) the Group met the stipulated debt covenants, namely gearing ratio, interest coverage ratio, property interest coverage ratio and loan to valuation ratio during the period up to 30 September 2022; and (ii) the Group is in the process of finalising its financials for the year ended 31 December 2022 and the calculation of the stipulated debt covenants will depend largely on the Group's valuation of its investment properties as at 31 December 2022.

Due generally to higher interest rates, the Trustee-Manager's exercise of its entitlement for its fees to be paid in cash instead of Units and the consequential derecognition of the rental income from the two master leases recognised for the financial year ended 31 December 2022 in accordance with International Financial Reporting Standards IFRS 16 Leases, there has been a breach of the interest coverage ratio which the Trust is obliged to maintain under its Offshore Facilities.

The Trustee-Manager intends to seek a waiver from the lenders of any breach of the financial covenants as part of the discussions with the lenders to restructure and reschedule the Group's debt obligations.

On behalf of the Board

Dasin Retail Trust Management Pte. Ltd.

(Company Registration No. 201531845N)

(in its capacity as trustee-manager of Dasin Retail Trust)

Wang Qiu

Chief Executive Officer

7 April 2023

IMPORTANT NOTICE

The value of the units of Dasin Retail Trust (the “Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Trustee-Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Trustee-Manager to redeem their Units while the Units are listed. It is intended that unitholders of Dasin Retail Trust may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Dasin Retail Trust is not necessarily indicative of the future performance of Dasin Retail Trust.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Trustee-Manager’s current view on future events.