



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)

RESPONSE TO THE SGX-ST'S QUERIES DATED 12 JULY 2023

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 the information set out below in response to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX Queries**”) received on 12 July 2023 in relation to the announcement made by the Trust on SGXNet dated 10 July 2023 on the Trust’s unaudited financial statements for the financial year ended 31 December 2022.

SGX Query 1

“With reference to the loss allowance on receivables amounting to S\$17,331,000 as disclosed on page 11 of the unaudited financial statements, please disclose:

- (i) the reasons for the loss allowance on receivables, including the reasons for delays or non-payment, where applicable;
- (ii) the Company’s plans to recover the receivables;
- (iii) whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so; and
- (iv) whether specific provisions have been made and details of the specific provisions, if any.”

Trustee-Manager’s response to SGX Query 1

- (i) As stated in the announcement dated 17 January 2023, over the past three years, due to the COVID-19 pandemic and shifts in the external economic environment, customer consumption habits, consumer confidence, and commercial tenants’ willingness and ability to continue operating despite suffering short-term losses have been impacted. Before the COVID-19 pandemic, rent from tenants was generally received within the contractually agreed time frame. This has unfortunately deteriorated since the onset of the pandemic and the increase in loss allowance account accordingly.

The loss allowance account in respect of trade and other receivables is used to record loss allowance for expected credit losses (“ECL”) in accordance with International Financial Reporting Standards 9 unless the Trust and its subsidiaries (collectively, the “Group”) is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

The Group uses a uniformity allowance matrix to measure the ECL of trade receivables including third party and related party tenants. The loss rates are calculated using a “roll rate” method based on the probability of a receivable progressing through successive

stages of delinquency to write-off. The ECL on trade receivables, excluding trade receivables determined to be credit impaired, are determined based on historical credit loss rate and historical payment pattern, adjusted for current conditions and forecast of future economic conditions that may affect the ability of the customer to settle the trade receivables at the reporting date.

The aging analysis of the outstanding trade and non-trade receivables and the corresponding ECL as at 31 December 2022 is disclosed on page 21 and 22 of the unaudited condensed interim consolidated financial statements for the year ended 31 December 2022. It should be noted that a loss ratio of 100% is used to calculate the allowance for ECL for receivables overdue more than 365 days as at 31 December 2022.

(ii) With the new measures announced on 7 December 2022 by China's National Health Commission to ease its zero-COVID restrictions, the footfall of the malls gradually improves, and the Trustee-Manager has implemented the following recovery actions:

a) Termination of Master Leases with Related Party

Terminated the master lease arrangements with Zhongshan Dasin Metro-Mall Merchant Investment Co Ltd (中山市大信新都汇商业投资有限公司), who was the master lessee with respect to the leased units in Xiaolan Metro Mall ("Xiaolan Master Lease") and Dasin E-Colour ("E-Colour Master Lease") on 31 March 2023 and entered into a direct new lease agreement with Zhongshan Youyuecheng Store Management Co., Ltd. for units in Xiaolan Metro Mall on 1 April 2023, as stated in the announcement on 7 April 2023.

The Trustee-Manager is considering to recover the receivables from the master lessees by exercising the rights under the indemnities provided by the Sponsor of the Trust, Zhongshan Dasin Real Estate Co., Ltd. (中山市大信置业有限公司) on 26 December 2016, as disclosed in the announcement dated 24 April 2023, while discussion and negotiation on the collection of the outstanding receivables is in progress.

b) Stricter Credit Control

Take initiative to retire tenants with poor operating ability and recover accounts receivable through legal procedures.

As announced on 24 April 2023, the Group had terminated lease agreements with certain major tenants, i.e., Guangzhou Jiaguang Supermarket Co. Ltd ("Carrefour China") (广州家广超市有限公司) and Zhongshan GOME Electric Appliance Co. Ltd (中山市国美电器有限公司).

With effect from 1 March 2023, all tenants have been reminded to pay its rental on time and legal recovery action will be considered and pursued, where appropriate.

c) Replacement of Tenants with Poor Payment Records

Urge tenants with late payment records but have normal operating capacity to submit repayment plans and implement strict repayment discipline. If the tenants still fail to perform their obligations under the lease contracts, the Trustee-Manager will initiate the replacement of these tenants with new tenants.

There are certain major related party tenants in the food and beverage sector, namely Xin Xuan restaurants (信轩酒家) at Shiqi Metro Mall, Ocean Metro Mall and Doumen Metro Mall as well as major third party tenants, Youyuecheng Store Management Co., Ltd (优越城百货) at Shiqi Metro Mall, Jane Eyre Furniture Mall (简美家居) at Xiaolan Metro Mall and Shiqi Metro Mall, Suning.com (苏宁易购) at

Xiaolan Metro Mall, Shunde Metro Mall and Doumen Metro Mall, Jinyi Cinema (金逸影城) at Ocean Metro Mall, Shiqi Metro Mall, Xiaolan Metro Mall and Shunde Metro Mall, Yongcheng Communication (永成通讯) at Xiaolan Metro Mall and Ocean Metro Mall and Venice Steak City (威尼斯西餐牛扒城) at Doumen Metro Mall and Xiaolan Metro Mall, whose business had been severely affected by COVID-19 curbs imposed in the past. Having considered the fact that these tenants have been performing well before the pandemic and given the COVID-19 restriction measures have been lifted, the Group continues to transact with these customers as these tenants play an important and complimentary role to attract footfall to the malls.

- (iii) Although no specific loss allowance has been made as at 31 December 2022, revenue from Carrefour China, Xiaolan Master Lease and E-Colour Master Lease amounting to approximately S\$0.8 million, S\$0.48 million and S\$0.7 million respectively for the year ended 31 December 2022 have been de-recognised in accordance with International Financial Reporting Standards IFRS 16 *Leases* as disclosed on page 42 of the unaudited condensed interim consolidated financial statements of the Group for the year ended 31 December 2022.

SGX Query 2

“With reference to the loss allowance on related parties (non-trade) amounting to S\$1,063,000 as disclosed on page 19 of the unaudited financial statements, please disclose:

- (i) the identities of the related parties;
- (ii) the underlying transactions which gave rise to the amounts owing of S\$1,907,000; and
- (iii) the reason for the significant increase in loss allowance.”

Trustee-Manager’s response to SGX Query 2

- (i) The related parties are companies ultimately owned by Mr. Zhang Kaicheng (37.5%), Mr. Zhang Jiucheng (37.5%) and Mr. Zhang Zhongming (25%).

Mr. Zhang Kaicheng, Mr. Zhang Jiucheng and Mr. Zhang Zhengcheng are brothers.

Mr. Zhang Zhengcheng is a director of the Trustee-Manager and the largest controlling unitholder of the Trust. Mr. Zhang Zhongming is an alternate director to Mr. Zhang Zhengcheng,

- (ii) The amounts of S\$1,907,000 due from related parties are mainly from water and utility charges paid on behalf of these related party tenants.
- (iii) No substantial loss allowance was made in year 2021. In year 2022, a loss ratio of 100% is used to calculate loss allowance on amounts outstanding for more than a year.

SGX Query 3

“On page 21 of the unaudited financial statements, it states that “The Trustee-Manager believes that no loss allowance for impairment beyond the amounts provided for is necessary in respect of trade receivables as these receivables relate mainly to tenants that have good records with the Group or have sufficient security deposits as collateral.” Please provide the Board’s basis for concluding that the security deposits are sufficient and the factors considered in the Board’s assessment.”

Trustee-Manager's response to SGX Query 3

As disclosed in Notes 5 and 25 to the unaudited condensed interim consolidated financial statements for the year ended 31 December 2022, the security deposits received from third party tenants amounted to approximately S\$14.4 million and the net trade and non-trade receivables from third party amounted to approximately S\$2.9 million.

The net trade and non-trade receivables from related party tenants amounted to approximately S\$1.07 million. The security deposits from related party tenants are deemed sufficient after taking into consideration of the indemnities provided by the Sponsor on 26 December 2016 in relation to the Master Lease Agreements for the Xiaolan Metro Mall and Dasin E-Colour as disclosed in the announcement dated 24 April 2023, and taking into account of the transfer of RMB 1.0 million security deposit placed by Youyuecheng Store Management Co., Ltd. with Zhongshan Dasin Metro-Mall Merchant Co., Ltd. in relation to the terminated sublease for Xiaolan Metro Mall as disclosed in the announcement of 7 April 2023.

SGX Query 4

“With reference to the interest free loans from shareholders amounting to S\$20,493,000 as disclosed on page 37 of the unaudited financial statements, please disclose:

- (i) the identity of the “shareholders”;
- (ii) details of the interest free loans, including the maturity date, terms of repayment and any material conditions; and
- (iii) use of proceeds from the interest free loans.”

Trustee-Manager's response to SGX Query 4

- (i) The shareholders or unitholders are Aqua Wealth Holdings Limited (“AW”) and Bounty Way Investments Limited (“BW”). The entire issued share capital of AW is held by DBS Trustee Limited as trustee of a family trust known as The Zhang Family Settlement, of which Mr. Zhang Zhencheng is the settlor. Mr. Zhang Zhencheng is also the sole shareholder of BW.
- (ii) As disclosed in note 11 the unaudited condensed interim consolidated financial statements of the Group and the Trust for the year ended 31 December 2022, the loans are unsecured, interest free and are subordinated to bank loans and borrowings.
- (iii) The loans from the unitholders were extended to the Trust in 2022, at the request of the lenders, for the purpose of reducing the amounts owing under Offshore Facility 1 and Offshore Facility 3 (as defined in the announcements dated 2 January 2023) in connection with further extensions of the maturity date of the facilities. The loans were funded by the distributions made by the Trust to the unitholders in October 2021 and March 2022 (amounting to approximately S\$12,193,000) and the sale proceeds (amounting to S\$8,300,000) from the disposal of 70% interest by Mr. Zhang Zhencheng in the trustee-manager, which had been pledged by Mr. Zhang Zhencheng, AW and BW to the lenders in consideration for an extension of time under Offshore Facility 1 and Offshore Facility 3.

SGX Query 5

“On page 37 of the unaudited financial statements, it states that “During FY2022, the Group waived charges amounting to S\$1,971,000 (FY2021: S\$1,094,000) for late payment of lease rental from related parties in the ordinary course of business for the 9-month period from 1 January 2022 to 30 September 2022 (FY2021: 1 January 2021 to 31 December 2021). The late payment charges amounting to S\$719,000 for the last 3-month period from 1 October 2022 to 31 December 2022 were not waived and approved by the Board of directors.” Please disclose:

- (i) the identities of the related parties; and
- (ii) the Board’s basis for approving the waiver of charges for late payment of lease rental from the related parties.”

Trustee-Manager’s response to SGX Query 5

- (i) The related parties are: -

- (a) Xiaolan Master Lessee and E-Colour Master Lessee as stated in the Trust’s announcement dated 7 April 2023;

- (b) Xin Xuan restaurants (信軒酒家) operated by companies ultimately owned by Mr. Zhang Kaicheng (37.5%), Mr. Zhang Juicheng (37.5%) and Mr. Zhang Zhongming (25%);

- (c) tenants ultimately owned by Mr. Zhang Kaicheng (37.5%), Mr. Zhang Jiucheng (37.5%) and Mr. Zhang Zhongming (25%); and

- (d) tenant owned by Mr. Zhang Zhongming.

- (ii) In view of the impact of COVID-19 on the retail market, there had been delays in settlement of monthly rental due by many tenants in years 2020, 2021 and 2022. In this respect, the subsidiaries of the Trust have granted waiver for late payment charges to relevant tenants.

As directed by the Audit and Risk Committee (the “ARC”), the in-house independent internal auditors carried out audit of the waiver for late payment charges granted to related parties on a quarterly basis to verify the completeness and accuracy of such waiver, the authorization of such waiver and ascertain that the basis of assessment in determining whether a waiver of late payment charge would be granted or not is consistent among all tenants irrespective of whether the tenant is a related party tenant or a third party.

The ARC reviewed the waiver for late payment charges to related parties (the “Waiver of Late Payment Charges”) at the quarterly ARC meetings and noted that the Waiver of Late Payment Charges was granted on the same basis for waiver of late payment charges to third party tenants. The ARC was of the view that the Waiver of Late Payment Charges was on normal commercial terms and was not material to the audited NTA of the Trust as at 31 December 2021 and recommended the same to the Board of Directors for approval, ratification and confirmation.

The Board of Directors, having considered the recommendation of the ARC that the Waiver of Late Payment Charges was on normal commercial terms and was not material to the audited NTA of the Trust as at 31 December 2021, approved, ratified and confirmed the Waiver of Late Payment Charges.

SGX Query 6

“On page 41 of the unaudited financial statements, it states that “Investment properties (RMB-denominated assets) decreased by S\$547.8 million as at 31 December 2022 compared to 31 December 2021.”

Please disclose the Board’s confirmation as to whether it is satisfied with the reasonableness of (i) the methodologies used to determine the value of the Investment Properties; and (ii) the key assumptions and estimates used for the valuation, including its bases of assessment.”

Trustee-Manager’s response to SGX Query 6

The Audit and Risk Committee (the “ARC”) and the Board of Directors considered the valuation of investment properties as one of the most significant financial reporting matters due to its significance in the context of the Group’s net assets.

The ARC comprising all the directors of the Trustee-Manager reviewed the independence, objectivity, and competency of Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”) at an ARC meeting on 10 August 2022 and confirmed the appointment of JLL as the valuer of the investment properties of the Trust and its subsidiaries (the “Group”) for the financial year ended 31 December 2022.

On 23 February 2023, the Chairman of the Board, the Chairman of ARC and the Chief Investment Officer held discussions with the key members of JLL valuation team at JLL Shenzhen office on the following: -

- (a) independence of JLL
- (b) valuation methodologies
- (c) key assumptions and estimations used
- (d) impact of impending termination of master leases at Xiaolan Metro Mall and Dasin E-Colour

The Chief Executive Officer and the Chief Financial Officer also joined the meeting via video conference.

As directed by the Chairman of ARC during a Board meeting on 24 February 2023, the in-house independent internal auditors issued a report on 4 April 2023 in relation to the verification of the rent-roll of the investment properties provided to JLL against approximately 70% of the lease agreements.

At the request of the Chairman of ARC on 11 April 2023, the directors received from JLL on 13 April 2023, an analysis of the underlying reasons for decrease in the valuation of each investment property as well as the underlying key input applied to arrive at the preliminary valuation of each investment property, which was announced on 24 April 2023.

In May and June 2023, the external auditors of the Trust carried out certain procedures with respect to the valuation of investment properties in connection with the annual audit of the financial statements of the Group before the final draft valuation reports of the investment properties were submitted to the ARC and the Board of Directors.

During the ARC meeting held on 26 June 2023, the directors reviewed and discussed the report on the valuation of investment properties prepared by the Chief Investment Officer and discussed the final draft valuation reports prepared by JLL with the Management.

On 2 July 2023, an announcement in relation to the receipt of the independent valuations of the Group's investment properties from JLL was approved by the directors.

On 10 July 2023, the directors approved the publication of the unaudited condensed interim consolidated financial statements of the Group and the Trust for the year ended 31 December 2022 which was prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The methodologies used to measure the fair value of the investment properties, the standards adapted by JLL in the valuation and the significant unobservable inputs used in the valuation have been appropriately disclosed in Note 3 *Investment Properties* to the unaudited condensed interim consolidated financial statements in accordance with IAS 40 *Investment Property*.

The Trustee-Manager will make further announcements on the SGXNET in the event there are any material developments which warrant disclosure, in compliance with its obligations under the Listing Manual.

In the meantime, the Board wishes to advise unitholders and potential investors to exercise caution when dealing in the units of the trust. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

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)

Dr. Kong Weipeng

Chairman and Non-Executive Director

26 July 2023