FPA FINANCIAL
Investment Perspectives
31 March 2022

REAL ESTATE EQUITY RESEARCH

Dasin Retail Trust

SGX: CEDU
Bloomberg: DASIN:SP
ISIN code: SG1DE2000000

31 March 2022
RECOMMENDATION: NEUTRAL

Current Share Price S$0.310
Current Target price: S$0.515

Market capitalisation: S$246.14 million
Issued Stapled Securities: 794.01 million

52-week range: S$0.3000 - S$0.7650

PRICE PERFORMANCE

COMPANY DESCRIPTION

Dasin Retail Trust and its subsidiaries (collectively defined herein as DRT) is a China retail property trust listed on SGX providing direct exposure to Guangdong Hong Kong Macau Greater Bay Area (Greater Bay Area). It has a portfolio of seven retail malls in Zhongshan, Zhuhai and Foshan cities in Guangdong with an aggregate gross floor area (GFA) and net lettable area (NLA) of approximately 794,017 sq m and 386,529 sq m respectively.

SUMMARY

For financial year ended 31 December 2021 (FY2021) DRT recorded revenue of S$101.3 million, a 15.8% increase from S$87.5 million over the same period a year ago. Net property income (NPI) also increased by 10.9% from S$70.7 million in FY2020 to S$78.4 million in FY2021. This was mainly due to the full year contribution from Shunde Metro Mall and Tanbei Metro Mall which were acquired in July 2020 and higher revenue from Shiqi Metro Mall, Ocean Metro Mall and Dasin E-Colour due to recovery from the impact of Covid-19 as well as lower rental rebates granted to tenants. In line with the growth in revenue and NPI, distributable income surged by 79.4% to S$36.9 million in FY2021 from S$20.6 million in FY2020. This led to a distribution per unit (DPU) of 5.22 cents for FY2021. For the second half of 2021 (2H2021), DRT declared a dividend of 2.24 cents to be paid on 30 March 2022. Further, DRT's earnings was negatively impacted by net fair value loss on investment properties of S$62.8 million. Consequently DRT reported a loss per share of 6.26 cents in FY2021.

RECOMMENDATION

Since our initiation report on 27 July 2021, when DRT's share price closed at S$0.515, we note that the share price weakened. From then till present, the share price is down about 40% to the current price of S$0.310. Meanwhile, in terms of valuation, based on our adjusted NAV per share of S$1.40, the share is currently trading at a PB multiple of 0.22x and is trading at approximately 78% to NAV. Our peer comparison results show that DRT could be undervalued given a lower PB compared to its peer average PB of 0.76x. In addition, we note that DRT could be relatively attractive in terms of dividend yield. Our evaluation of the peer comparison results lead us to believe that it may be reasonable for DRT to trade at S$0.616 which represent a 98.71% upside from the current price. However, as there are uncertainties surrounding the sale of the two properties and multiple extension of its loans, we believe that it could be more reasonable for DRT's share price to recover to S$0.515, which was DRT's share price as of our initiation report on 27 July 2021. We have considered that even with the sale of the two properties to repay its debts, the upside would be dependent on what the management does going forward. In addition, if Sino-Ocean Capital were to inject its assets into DRT, it might also initiate a rights offering to raise funds, which could dilute the unitholders' interests. Considering the above, we will revise our recommendation downwards to neutral from buy.

KEY FINANCIALS

Year ended Dec 31	Revenue (S$ million)	Profit [1] (S$ million)	EPS (cents)	P/E (x)	DPS (cents)	Dividend yield (%)	NAV per unit (S$)	P/B (x)
2020 actual	87.5	(72.1)	(10.18)	NM	3.94	12.7%	1.41	0.22
2021 actual	101.3	(48.9)	(6.26)	NM	5.22	16.8%	1.40	0.22
2022 forecast [2]	80.3	16.0	2.05	15.14	4.85	15.6%	1.40	0.22
2023 forecast	64.9	17.4	2.22	13.93	4.38	14.1%	-	-

NM: not meaningful
Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S$0.310
(1) Profit attributable to owners of the Company
(2) Adjusted NAV, after the sale of Shiqi Metro Mall and Xiaolan Metro Mall
Source: Dasin Retail Trust, FPA Financial

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FINANCIAL REVIEW FOR FY2021

(I) Financial performance

DRT recorded revenue of S$101.3 million for FY2021, representing a growth of 15.8% year-on-year (yoy) from S$87.5 million for FY2020. This was largely due to contribution from Shunde Metro Mall and Tanbei Metro Mall which were acquired in July 2020 and higher revenue contribution from Shiqi Metro Mall, Ocean Metro Mall, Dasin E-Colour and Doumen Metro Mall due to recovery from the impact of Covid-19 as well as lower rental rebates granted to tenants. This was partially offset by the weaker performance from Xiaolan Metro mall mainly due to the asset enhancement initiatives that was completed in 4Q2021 as shown in **Exhibit 1**.

Exhibit 1: Breakdown of DRT's Revenue for FY2020 and FY2021

Portfolio	Revenue (S$'000)		
	FY2021	FY2020	Yoy change
Shiqi Metro Mall	22,638	21,102	7.3%
Xiaolan Metro Mall	23,146	23,594	-1.9%
Ocean Metro Mall	14,023	12,144	15.5%
Dasin E-Colour	2,773	2,465	12.5%
Doumen Metro Mall	18,236	17,519	4.1%
Shunde Metro Mall (1)	19,091	9,904	NM
Tanbei Metro Mall (1)	1,404	748	NM
Total	**101,311**	**87,476**	**15.8%**

NM: not meaningful

(1) Shunde Metro Mall and Tanbei Metro Mall were acquired on 8 July 2020

Source: DRT

DRT recorded a 10.9% yoy increase in net property income (NPI) to S$78.4 million in FY2021 from S$70.7 million in FY2020. Meanwhile, the NPI margin of DRT was approximately 77% for FY2021 compared to approximately 81% for FY2020, representing a decrease of 3.4 percentage points as shown in **Exhibit 2.** The slightly lower NPI margin was mainly due to higher staff and related costs, higher utilities expense and higher property tax expense. We also note that with effect from 1 January 2021, the Property Manager and the Commercial Manager recover the staff and related costs of not exceeding 1.5% of the gross revenue of the property each from DRT for Shiqi Metro Mall, Xiaolan Metro Mall, Ocean Metro Mall and Dasin E-Colour, thus resulting in higher staff and related costs. The staff and related costs were borne by the Property Manager and Commercial Manager in previous years. The total property operating expense also increased as higher property tax expense was recorded in FY2021 due to property tax rebates granted by the local government in response to Covid-19 in FY2020.

Exhibit 2: Breakdown of DRT's NPI for FY2020 and FY2021

S$'000	FY2021	FY2020	Yoy change
Revenue	101,311	87,476	15.8%
Total property operating expense	(22,901)	(16,783)	36.5%
Net Property Income (NPI)	**78,410**	**70,693**	**10.9%**
NPI Margin	77.4%	80.8%	-3.4 percentage points

Source: DRT

The Trustee-Manager's fees comprise the base fee of management fee and trustee fee. The base fee of management fee was calculated based on 0.25% per annum of the value of the trust property of DRT (Trust Property) and the trustee fee was 0.02% per annum of the value of the Trust Property, excluding out of pocket expenses and GST. The Trustee-Manager has elected to receive 100% of the base fee of management fee and the trustee fee in the form of units for FY2021. The acquisition fee of S$2.3 million incurred in FY2020 was related to the acquisition of Sunde Metro Mall and Tanbei Metro Mall in July 2020.

Exchange loss for FY2021 of S$7.3 million was mainly due to an unrealised exchange loss from weakening of SGD against USD & HKD on the USD and HKD denominated bank loans of US$168.3 million and HKD 294.0 million respectively.

DRT recorded other income of S$1.0 million in FY2021 compared to other expense of S$284,000 in FY2020. Other income/(expense) arises from net change in the fair value of derivative financial instruments arose from the re-measurement of the interest rate swaps as at the respective reporting dates, which were entered into by DRT to hedge the floating interest rate risk of its loans and borrowings. Meanwhile, loss allowance on receivables in FY2021 was higher compared to FY2020 mainly due to higher allowance made of about S$8.6 million.

Finance costs increased by 7.1% yoy to S$38.5 million in FY2021 compared to S$36.0 million in FY2020, mainly due to the amortisation of S$3 million extension fees for the offshore and onshore syndicated loan pertaining to the initial portfolio, as well as the drawdown of the onshore syndicated term loan of RMB472 million (S$100.1 million) and offshore syndicated term loan of approximately S$132.8 million to finance the acquisition of Shunde Metro Mall and Tanbei Metro Mall in July 2020. Net change in fair value of investment properties amounted to a loss of S$62.8 million mainly due to lower expected rental growth rate for both long-term & short-term as a result of the Covid-19 pandemic, and adjusted for capital expenditure & lease incentive.

As a result, DRT recorded a loss before income tax of S$47.2 million in FY2021. Factoring in the income tax expense of S$1.7 million, a net loss after tax of S$48.9 million was recorded in FY2021. Accordingly, DRT reported loss per unit of 6.26 cents for FY2021.

DRT's FY2021 and FY2020 financial results are summarised in **Exhibit 3** on the next page.

Exhibit 3: DRT Financial Results for FY2020 and FY2021

S$'000	FY2021	FY2020	Yoy change
Revenue	101,311	87,476	15.8%
Total property operating expense	(22,901)	(16,783)	-36.5%
Net Property Income (NPI)	**78,410**	**70,693**	**10.9%**
Trustee-Manager's fees	(6,945)	(6,100)	-13.9%
Acquisition fee	-	(2,278)	NM
Other trust expenses	(2,744)	(4,300)	36.2%
Exchange gain/ (loss)	(7,290)	2,427	NM
Other income/ (expense)	909	(284)	NM
(Loss allowance)/reversal on loss allowance on receivables	(9,212)	(645)	-1528.2%
Finance income	1,071	1,292	-17.1%
Finance cost	(38,527)	(35,988)	-7.1%
Net Income	**15,672**	**24,817**	**-36.8%**
Net change in fair value of investment properties	(62,844)	(104,722)	40.0%
Profit before income tax	**(47,172)**	**(79,905)**	**41.0%**
Income tax credit/ (expense)	(1,743)	7,779	NM
Profit for the year	**(48,915)**	**(72,126)**	**32.2%**
Attributable to:			
Unitholder of the Trust	(48,915)	(72,126)	32.2%
Weighted average number of units in issue	781,648	708,672	10.3%
Earnings per unit (cents)	**(6.26)**	**(10.18)**	**38.5%**

NM: not meaningful

Source: DRT

Meanwhile, in line with the growth in revenue and NPI, amount available for distribution increased by 79.1% to S$36.9 million in FY2021 from S$20.6 million in FY2020. Accordingly, a distribution per unit (DPU) of 5.22 cents was declared for the period, higher than FY2020 DPU of 3.94 cents by 32.5%.

DRT's statement of distribution for FY2021 and FY2020 are summarized in **Exhibit 4**.

Exhibit 4: DRT Statement of Distribution for FY2020 and FY2021

S$'000	FY2021	FY2020	Yoy change
Loss for the year	(48,915)	(72,126)	32.2%
Distribution adjustment	85,782	92,705	-7.5%
Amount available for distribution	**36,867**	**20,579**	**79.1%**
Distribution per unit (cents) (1)			
With distribution waiver	5.22	3.94	32.5%
Without distribution waiver	4.67	2.87	62.7%

(1) Figures may not add due to rounding

Source: DRT

(II) Capital Management

DRT reported total assets of S$2,540.0 million as at 31 December 2021 compared to S$2,509.3 million as at 31 December 2020. The increase in total assets was largely due to higher valuation on investment properties due to translation differences.

Total liabilities increased by S$19.4 million from S$1,406.9 million as at 31 December 2020 to S$1,426.3 million as at 31 December 2021 mainly due to the increase in deferred tax liabilities. Deferred tax liabilities comprise the provision of 5% withholding tax for undistributed statutory earnings of the PRC subsidiaries, recognition of the temporary differences between the carrying value of the investment properties for financial reporting and taxation purposes, the loss allowance on receivables and foreign currency translation differences.

DRT recorded net asset of S$1,113.7 million as at 31 December 2021 compared to S$1,102.4 million as at 31 December 2020 mainly due to the higher value on investment properties in FY2021. Given S$1,113.7 million in net assets attributable to unitholders, DRT report a net asset value (NAV) of S$1.40 as at 31 December 2021 as compared to S$1.41 a year ago. A summary of DRT's balance sheet data is shown in **Exhibit 5**.

Exhibit 5: Summary of DRT's Balance Sheet

S$'000	31-Dec-21	31-Dec-20
Total assets	2,540,017	2,509,289
Total liabilities	1,426,346	1,406,938
Net assets/ equity attributable to unitholders	1,113,671	1,102,351
Total number of issued and issuable units at the end of the year	794,014	779,716
NAV per share (S$)	1.40	1.41

Source: DRT

As at the 31 December 2021, DRT's net debt (before transaction cost) was S$959.4 million compared to S$948.8 million a year ago. This comprised of S$757.9 million in current secured borrowings and S$201.5 million in non-current secured borrowings. Thus, DRT's gearing ratio as computed by net debt (before transaction cost) over total assets maintained unchanged as at the end of FY2021 compared to FY2020 at approximately 37.8%. net of capitalised transaction cost, DRT's debt stood at S$954.1 million as at 31 December 2021 compared to S$939.5 million a year ago. A breakdown of DRT's net debt and gearing ratio is shown in **Exhibit 6**.

Exhibit 6: Breakdown of DRT's Net Debt and Gearing Ratio

S$'000	31-Dec-21	31-Dec-20
Secured borrowings, current	757,868	517,606
Secured borrowings, non-current	201,539	431,182
Net debt (before transaction cost)	**959,407**	**948,788**
Less: Transaction cost	(5,322)	(9,314)
Net debt (net transaction cost)	**954,085**	**939,474**
Net debt (before transaction cost)	959,407	948,788
Total asset	2,540,017	2,509,289
Gearing	**37.8%**	**37.8%**

Source: DRT, FPA Financial

We note that, as at 31 December 2021, DRT has the loan facilities comprising:

- Secured syndicated term loan in aggregate of S$499.5 million (S$242.0 million, US$134.3 million (S$181.1 million) and RMB360.1 million (S$76.4 million)) relating to acquisition of the Initial Portfolio and Shiqi Metro Mall, are due and payable on 19 March 2022 (1)

- Secured syndicated term loan in aggregate of S$209.1 million (S$54.9 million, HKD294 million (S$50.8 million) and RMB487.5 million (S$103.4 million)) relating to acquisition of Doumen Metro Mall, out of which, S$105.7 million (S$54.9 million and HKD294 million (S$50.8 million)) are due and payable on 19 September 2022. In addition, 0.25% of the principal loan amount of RMB500 million is repayable on every three months basis with the remainder amount of RMB450 million (S$95.5 million) payable on 29 August 2029

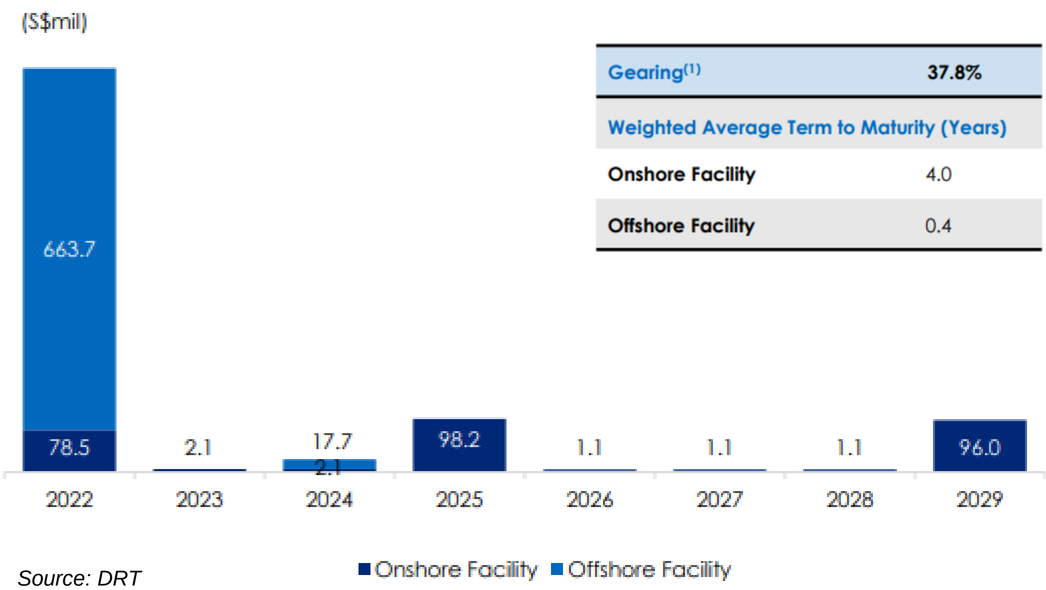
- Secured syndicated term loan in aggregate of S$233 million (S$87 million, US$34 million (S$45.9 million) and RMB472 million (S$100.1 million) relating to acquisition of Shunde Metro Mall and Tanbei Metro Mall, out of which, S$132.9 million (S$87 million, US$34 million (S$45.9 million)) are due and payable on 15 July 2022. In addition, 0.25% of the principal loan amount of RMB478 million is repayable on every three months basis with the remainder amount of RMB455.3 million (S$96.6 million) payable on 17 July 2025

- Revolving credit loan facility of US$13.12 million (S$17.6 million) due and payable on 28 September 2022.

The above loans and borrowings are secured by legal mortgage over each of DRT's portfolio and a pledge over the sales proceeds, rental income and receivables derived from these properties

DRT classified its debt maturity profile in term of Onshore Facility and Offshore Facility. The Onshore Facility has a Weighted Average Term to Maturity of 4.0 years while its Offshore Facility has a Weighted Average Term to Maturity of 0.6 years. As shown in **Exhibit 7**, S$742.2 million of the debt would be due in FY2022. It would comprise of S$663.7 million Offshore Facility and S$78.5 million Onshore Facility.

Exhibit 7:DRT's Debt Maturity Profile as at 31 December 2021



Source: DRT

(1) The lenders of both the Onshore and Offshore Facilities have granted an extension of 3 months from 19 March 2022

RECENT KEY DEVELOPMENTS

(I) Sale & Purchase Agreement with Sino-Ocean Capital

In our initiation report in July 2021, we noted that on 19 July 2021, DRT's trustee-manager announced that its chairman Mr. Zhang has entered into a sale and purchase agreement (SPA) with New Harvest Investment Limited (New Harvest) in pursuance of a strategic partnership with SinoOcean Capital Holding Limited (Sino-Ocean Capital).

On 12 October 2021, DRT announced that it has completed the transfer of shares from Mr. Zhang Zhencheng to New Harvest in accordance with the terms of the sale and purchase agreement. Accordingly, New Harvest has become a controlling shareholder of the Trustee-Manager, holding a total of 70% of the total issued and paid up share capital. New Harvest is an affiliate of Sino-Ocean Capital, a long-time partner of the Sponsor and Mr. Zhang Zhencheng.

Sino-Ocean Capital currently holds approximately 6.36% of the total issued units in the Trust (via its affiliate Glory Class). We also note that New Harvest have been granted a call option for one year after completion of the transfer of shares. The option allows New Harvest to purchase, in aggregate, the lower of (a) the total units owned by Aqua Wealth [(1)] and (b) 26% of the total units.

The key benefits of the SPA with Sino-Ocean capital include: (a) Increase attractiveness to a wider pool of institutional investors to improve trading liquidity, free float and potential share price re-rating (b) Leveraging Sino-Ocean Capital's established track record and credibility to enhance financing flexibility (c) Partnership and cooperation opportunities with platforms within Sino-Ocean Capital's ecosystem and network in Greater China (d) Enhanced complementary resources and capabilities in partnership for Greater Bay Area development and other expansion opportunities in China (e) Provides extensive expertise and insights across asset lifecycle.

We also note that following the SPA completion announcement, on 7 November 2021, the Trustee-Manager announced the changes to the Chairman of the Board and Board Committees as follows:

- Mr. Zhang Zhencheng, the Non-Executive Non-Independent Director of the Trustee-Manager steps down as Chairman of the Board and is appointed as a member of the Audit and Risk Committee and the Remuneration Committee.
- Dr. Kong Weipeng, the Non-Executive Non-Independent Director of the Trustee-Manager is appointed as the Chairman of the Board, a member of the Audit and Risk Committee and the Nominating Committee.
- Mr. Sonny Tan Hock Sun, the Independent Director of the Trustee-Manager is appointed as the Lead Independent Director, the Chairman of Nominating Committee, and a member of the Audit and Risk Committee and the Remuneration Committee.
- Mr. Lyu Guoliang, the Non-Executive Non-Independent Director of the Trustee-Manager is appointed as a member of the Audit and Risk Committee and the Remuneration Committee.
- Dr. Cao Yong ceases to be the Lead Independent Director and relinquishes his designation as Chairman of the Remuneration Committee but continues as a member of the Remuneration Committee.
- Mr. Sun Shu is appointed as the Chairman of the Remuneration Committee and relinquishes his designation as Chairman of the Nominating Committee but continues as a member of the Nominating Committee.
- Mr. Tan Huay Lim ceases to be a member of the Remuneration Committee.

(1) Aqua Wealth, a company incorporated in the British Virgin Islands, is the immediate holding company of DRT and an indirect wholly-owned subsidiary of the Zhang Family Trust. Zhang Family Trust holds the Units owned by Aqua Wealth.

(II) Delay In Payment of Distribution

DRT initially announced that it will distribute 2.98 Singapore cents per Unit for the period from 1 January 2021 to 30 June 2021 on 28 September 2021. However, on 28 September 2021, DRT released an announcement to update the unitholders that the distribution will be paid on 4 October 2021 instead. DRT mentioned that the delay in the payment is due to technical issues in the transfer of funds.

Upon further query from the SGX, DRT explained that the technical issues were due to delay in the processing of remittance of funds from Macau to Singapore as the remitting bank requires credible witnesses to witness the signing by the authorised signatories and the use of company stamp on the original remittance instructions/forms. Owing to Covid-19 restriction, the witnessing of the signing by the authorised signatories by credible witnesses and courier of the original remittance instruction/forms from Singapore to Macau (bearing the authorised signature and company stamp) were delayed. These have since been provided to and approved by the remitting bank. In addition, as at 29 September 2021, the funds have been successfully remitted from Macau to Singapore, for the distribution to be paid on 4 October 2021.

(III) Entry Into Non-binding Memorandum Of Understanding For Sale Of Shiqi Metro-mall And Xiaolan Metro-mall

DRT announced that it has on 19 March 2022 entered into a non-binding memorandum of understanding (MOU) with Wuhu Yuanche Bisheng Investment Center (Limited Partnership) (Purchaser) for the DRT's willingness to explore with the Purchaser a proposal on the potential divestment of Shiqi Metro Mall and Xiaolan Metro Mall (Properties), retail properties located in Zhongshan, Guangdong Province, People's Republic of China (PRC).

Incorporated in PRC, the Purchaser is a buyout fund with institutional and private investors and will be managed jointly by GSUM Real Estate Fund Management Co., Ltd. and a subsidiary of Sino-Ocean Capital Holding Limited. Sino-Ocean Capital Holding Limited is a substantial unitholder of the Trust via its affiliate, Glory Class Ventures Limited, which holds approximately 6.3% of the Trust as at 18 March 2022.

The Properties may be acquired directly or indirectly through shares of the relevant Special Purpose Vehicles (SPVs) pursuant to the exercise of a put option proposed to be granted by the Purchaser to the Trustee-Manager (Put Option).

The MOU does not restrict the Trustee-Manager from soliciting higher or otherwise better offers by other third parties, thereby having the potential to unlock greater value from the Trust's portfolio of properties. The net proceeds from the sale of the Properties pursuant to the exercise of the Put Option shall be used to repay the Trust's existing syndicated loans and the remainder if any for working capital purposes.

The terms of the Put Option and the Proposed Divestment (including the price) are subject to discussions between the Trustee-Manager and the Purchaser (collectively the Parties) and will be subject to the Parties entering into definitive agreements and Unitholders' approval, if required.

(IV) Updates on Refinancing Exercise and Other Offshore Facilities Due in 2022

In our initiation report on 27 July 2021, we noted that DRT has entered into a supplemental agreement for both the Offshore Facilities and the Onshore Facilities, to which, the tenure of both Facilities have been further extended by approximately five months to 19 December 2021.

Since our initiation report, there have been two further extensions of the Facilities. For the first extension on 20 December 2021, the lenders of both the Onshore and Offshore Facilities have granted an extension of 3 months from 20 December 2021 to 19 March 2022 to allow lenders more time to discuss new requests made by minority lenders. For the second extension on 21 March 2022, the lenders of both the Onshore and Offshore Facilities have granted an extension of 3 months from 19 March 2022 to allow DRT to explore the proposal for the sale of Shiqi Metro mall and Xiaolan Metro Mall as mentioned on the previous page.

Meanwhile, we also note from page 7 that the Offshore Facilities of up to the equivalent of $132.9 million relating to acquisition of Shunde Metro Mall and Tanbei Metro Mall is due on 15 July 2022, and the Offshore Facilities relating to acquisition of Doumen Metro Mall of up to equivalent of S$105.7 million is due on 19 September 2022. DRT announced that the Trustee-Manager will be working closely with the banks to secure the refinancing of these facilities. In addition, a revolving credit loan facility of S$17.6 million is due and payable on 28 September 2022.

(V) Margin Calls

It was announced on 6 May 2021, Aqua Wealth Holdings Limited (Aqua Wealth) has a share pledge arrangement on its units in Dasin Retail Trust with CGS-CIMB Securities (Singapore) Pte. Ltd. (CGS-CIMB) in relation to certain share margin financing facilities granted by CGS-CIMB to Aqua Wealth. Pursuant to the share margin financing facilities, over the period from 22 June 2021 to 27 August 2021, CGS-CIMB had exercised its margin call on a total units of 4,398,900 units for a consideration of S$2,286,039 as shown in **Exhibit 8**.

Exhibit 8: Margin Calls Exercised by CGS-CIMB

Period	Number of units	Consideration (S$)
22 Jun - 2 Aug	1,785,500	1,013,025
6 Aug & 10 Aug	360,500	191,566
12 Aug & 13 Aug	78,000	41,550
16 Aug & 17 Aug	118,500	60,343
18 Aug & 19 Aug	878,900	432,656
20 Aug, 23 Aug & 24 Aug	707,800	332,283
25 Aug & 26 Aug	329,000	150,340
27-Aug	140,700	64,278
Total	**4,398,900**	**2,286,039**

Source: DRT

(VI) Asset Enhancement Initiative at Xiaolan Metro Mall

DRT also updated that the asset enhancement initiative (AEI) at Xiaolan Metro Mall has been completed in 4Q2021. The AEI was to phase out traditional furniture & finishing and retail trade sectors. The completion of the AEI brought in new tenants mainly from the food & beverage and children sector, providing new learning & fun experience and to attract more families to the mall.

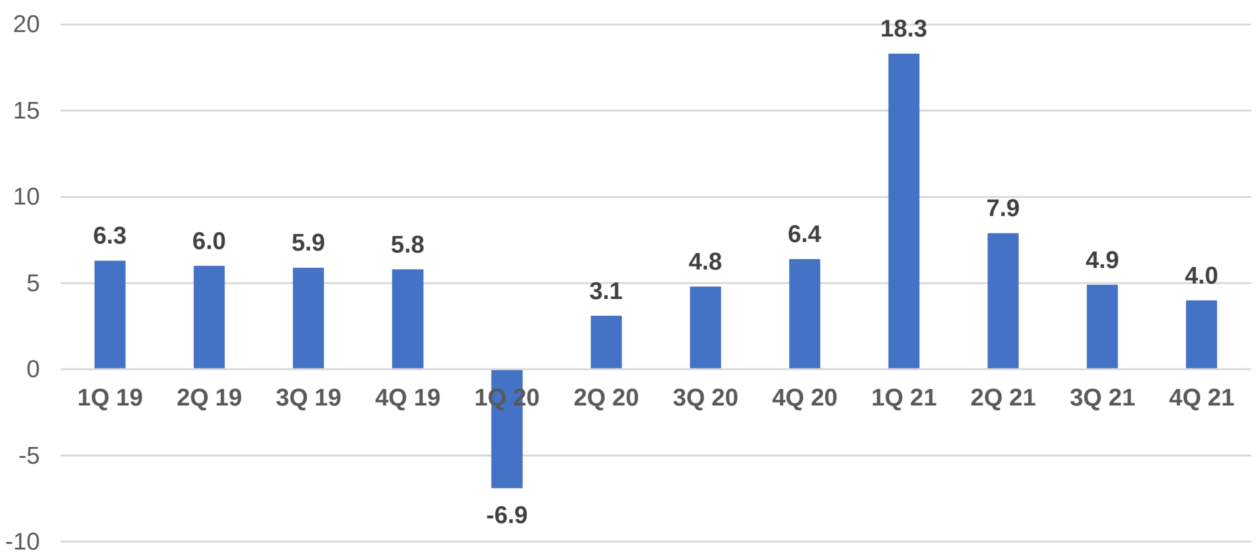
RETAIL INDUSTRY OVERVIEW

In this section, we will provide a review of the retail industry overview for China, Zhongshan, Zhuhai and Foshan.

(I) China

According to National Bureau of Statistics of China (NBS), China's Gross Domestic Product (GDP) rose by 4.0% yoy in the fourth quarter of 2021, moderating from the 4.9% yoy growth in the previous quarter as shown in **Exhibit 9**. For the full year, China's GDP grew by 8.1% over the previous year at constant prices with the average two-year growth of 5.1%. In addition, China also announced a GDP growth target of "around 5.5%" for 2022.

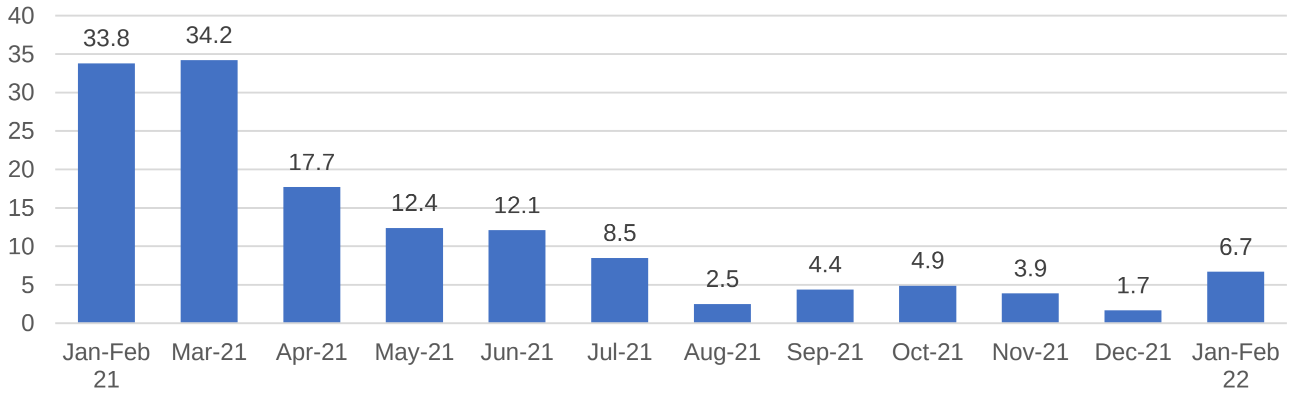
Exhibit 9: Change in China Quarterly GDP (%, yoy)



Source: National Bureau of Statistics of China

Meanwhile, NBS reported that from January to February, China's total retail sales of consumer goods rose by 6.7% yoy improving from the 1.7% yoy increase the previous month as shown in **Exhibit 10** on the next page. Accordingly to retail format, from January to February the retail sales of supermarkets, convenience stores, department stores, professional stores and specialty stores in retail units above designated size increased by 3.0%, 12.8%, 2.1%, 10.3% and 5.3% yoy respectively.

Exhibit 10: China Monthly Retail Sales Growth (% change yoy)



Source: NBS

According to CBRE, China's total retail sales exceeded RMB 44 trillion in 2021, an increase of 12.5% yoy, well above the growth rate of 3.9% yoy registered over the previous two years. Consumption upgrading underpinned overall retail sales growth during the year, with sales of sports & entertainment products, cosmetics and gold & silver jewellery of units above designated size recording yoy growth rate of 22%, 14% and 30% respectively. CBRE also highlighted that although the emergence of the Omicron variant of Covid-19 has added another layer of uncertainty to the economic outlook, China more active fiscal policy and the implementation of the Regional Comprehensive Economic Partnership (RCEP) will benefit import consumption and support the steady growth of domestic retail market. CBRE expects retail sales to register yoy growth of between 5%-6% in 2022 and will return to pre-pandemic growth rates of 7%-8% from 2023 as shown in **Exhibit 11**.

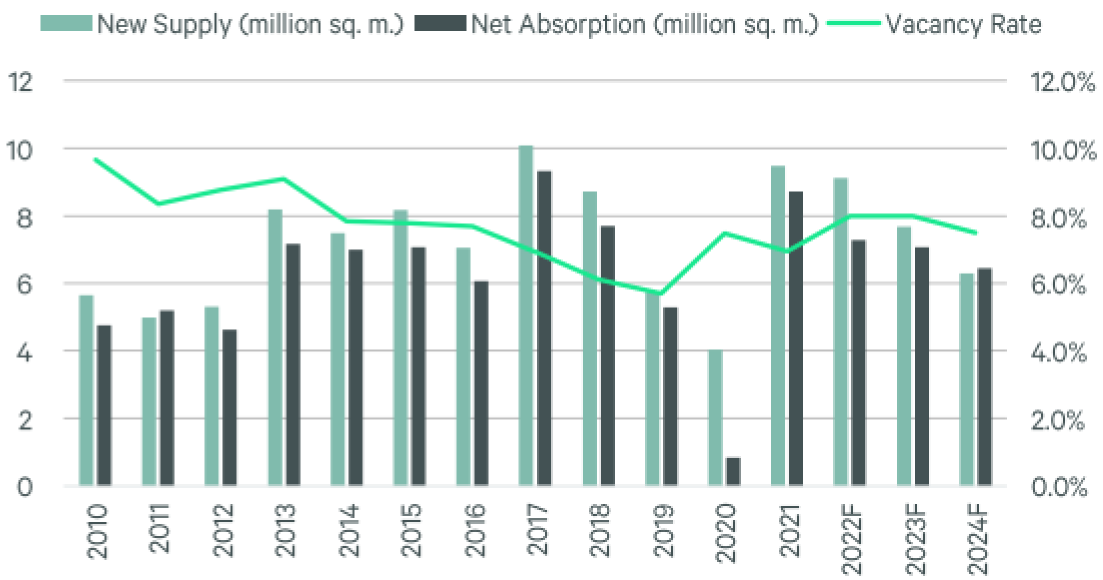
Exhibit 11: CBRE's China Retail Sales Growth Forecast

Source: CBRE

According to NBS, from January to February, China's online retail sales reached RMB 1,955.8 billion, an increase of 10.2% yoy. Among them, the online retail sales of physical goods were RMB 1,637.1 billion, an increase of 12.3% yoy, accounting for 22.0% of the total retail sales of social consumer goods. However, CBRE noted that while online retail has grown significantly since the outbreak of Covid-19, experiential retail in physical stores has become more important than ever. Restricted international and even inter-provincial travel has bolstered the importance of shopping malls, while younger consumers' demand for a more immersive shopping experience has highlighted the importance of physical stores. CBRE believes shopping malls' key tenants will continue to see steady expansion in 2022. In addition, according to CBRE's 2021 Asia Pacific Retail Survey, China remains the top market for brand expansion with serval major brands planning market entry or expansion in 2022. These brands include outdoor sports brand Head Sportswear and Hoka One One; apparel brands Chuu and ARKE; and toy brand Lego.

Meanwhile, CBRE also expects new shopping mall supply to remain stable in 2022, with around 9 million sq. m. of new space scheduled to come on stream. Although 90% of new projects are in non-prime areas, just over half will be operated by experienced landlords, meaning that vacancy risk should be minimal. Combined with solid demand from new retail trades and policy support from local authorities, CBRE believes overall vacancy rates to remain below 10% as shown in **Exhibit 12**. CBRE also projects shopping mall rents to continue to rise steadily in 2022, with average ground floor rents increasing by 1% yoy.

<u>Exhibit 12: CBRE's China Retail Supply and Demand Forecast</u>



Source: CBRE

(II) Greater Bay Area

We note that in FY2021, all three cities for DRT's portfolio (Zhongshan, Zhuhai and Foshan) have reported growth in GDP, retail sales and per capita disposable income.

According to the economic data released by Zhongshan Bureau of Statistics, Zhongshan's GDP amounted to 356.617 billion yuan, a yoy growth of 8.2% and an average growth of 4.8% in the last two years. Zhongshan's total retail sales of consumer goods reached 153.011 billion yuan in 2021, with a year-on-year growth of 8.7%. Further, residents' income increased steadily, with per capita disposable income reaching 57,901 yuan and a nominal growth of 9.8% yoy.

Economic data from the Statistics Bureau of Zhuhai showed that Zhuhai's GDP amounted to 388.175 billion yuan, a yoy increase of 6.9%, and an average increase of 4.9% in the two years. The consumer market also maintained a steady recovery. The city's total retail sales of consumer goods reached 104.824 billion yuan, a yoy increase of 13.8%. The per capita disposable income of residents in the city was 61,390 yuan, a nominal increase of 9.8% yoy.

According to Savills, the improving market sentiment in Zhuhai, along with more supportive policies and the growing consumption market strengthened landlords' confidence, especially those of benchmark properties, in raising rental expectations. Therefore, the rent of the Hengqin (an island in Zhuhai) and Zhuhai retail property markets in 2H2021 increased to an average of RMB 383.6 psm pmth, up 0.9% half on half (hoh) and 0.2% yoy on an index basis, respectively.

As for Foshan, the Foshan Municipal People's Government reported that the city's GDP reached 1,215.654 billion yuan, representing an increase of 8.3% from a year ago. Total retail sales reached 355.666 billion yuan, a yoy increase of 8.1%. Meanwhile, the city's per capita disposable income reached 61.7 thousand yuan, a nominal increase of 9.7% yoy.

For the outlook of Greater Bay Area (GBA), we note from DRT that the population is estimated to grow by 43% to 100 million over the next 15 years. GBA would also be the driving force of China's innovation economy, with further opening-up and improvement of the business environment attracting global investors to increase investment in the region. The GBA currently contributes 12% of China's overall GDP and building GBA financial hub is expected to be one the main task of China's 14th Five-Year Plan.

In addition, according to HSBC's 2021 Navigator survey, more than half of international businesses believe the GBA is set to experience higher growth than the rest of China. HSBC also highlighted that the GBA benefits from its ability to leverage the diverse strengths of its constituent cities, which are known on the world stage for innovation within technology, finance, advanced manufacturing, and hospitality. Further, the GBA's unique infrastructure presents a golden opportunity of connectivity to China and the rest of the world, which will enable greater footfall in the region.

SHARE PRICE DEVELOPMENT REVIEW

Since our initiation report issued on 27 July 2021, when DRT's share price closed at S$0.515, we note that the share price has fallen. From then till present, the share price is down by about 40% to the current price of S$0.310 as shown in **Exhibit 13**.

Exhibit 13: DRT's Share Price

Source: Yahoo Finance, FPA Financial

Recently, the share price traded between S$0.300 to S$0.340. The 52-week low of S$0.300 was reached on 17 March 2021 and the 52-week high of S$0.765 was reached on 22 April 2021.

On 9 August 2021, DRT posted a 38.5% increase in revenue and a 55.2% increase in distribution per unit (DPU) for the first half of the 2021. In the same announcement, DRT announced that its DPU for 1H2021 amounted to 2.98 cents. We note that DRT's share price rose by 10.20% from S$0.490 to S$0.540 after the announcement.

However, as mentioned on page 9, on 28 September 2021, DRT updated the unitholders that the distribution of DPU would be delayed due to technical issues in the transfer of funds. DRT's share price fell by 2.53% on the next day to S$0.385.

Meanwhile, as mentioned on page 8, following the announcement of the completion of sale and purchase agreement with Sino-Ocean Capital on 12 October 2021, DRT share price rose by 6.98% to S$0.460.

We also note that DRT requested for a trading halt on 20 December 2021 and only resumed trading on 21 December 2021 after DRT announced the status update of its refinancing exercise for the Onshore and Offshore Facilities that was due on 20 December 2021.

In terms of inside trades, we note that Harvest Private Wealth income Fund 4 SP (HPWIF4) had increased its stake in DRT. On 11 August 2021, it was announced that HPWIF4 sold a net of 670,000 units in DRT. This comprise of the sale of 1,300,000 units on 11 August 2021 and a series of market transactions prior to 11 August 2021 totalling an increase of 630,000 units in DRT.

Meanwhile, on 23 December 2021, HPWIF4 acquired 1,430,000 units in DRT, together with a series of market transactions prior to 23 December 2021, it resulted in a net increase of 1,321,600 units in DRT. Accordingly, HPWIF4's direct interest in DRT amounted to 5.02% as shown in **Exhibit 14**.

Exhibit 14: Share Acquisitions by HPWIF4

Date of transaction	Acquirer	No. of shares (sold)/ acquired	Direct interest		Shareholdings (%)
			Before transaction	After transaction	
11-Aug-21	Harvest Private Wealth Income Fund 4 SP	(670,000)	38,757,000	38,087,000	4.87%
23-Dec-21	Harvest Private Wealth Income Fund 4 SP	1,321,600	38,087,000	39,408,600	5.02%

Source: DRT, FPA Financial

FINANCIAL PROJECTION

Here, we will provide our projections for DRT's revenue, earnings and dividends for 2022 and 2023.

(I) Revenue projection

FY2022

As noted on page 3, DRT's revenue increased by 15.8% yoy in FY2021 mainly due to the full year contribution of Shunde Metro Mall & Tanbei Metro Mall and the stronger performance in the other properties. For FY2022 we note a positive outlook for China's retail industry. Retail sales for the first 2 months of FY2021 grew by 6.7% yoy and CBRE expects retail sales to continue to improve in FY2022. In addition, new shopping mall supply is expected to remain stable and vacancy rate to remain below 10% in FY2022. We also note that in 2H2021, DRT organised promotional activities such as celebrity event at Ocean Metro Mall, atrium & Christmas event at Doumen Metro Mall and mid-autumn festival event at Shunde Metro Mall to help drive footfall and tenants' sales. This would help to increase the turnover rent and in turn improve the revenue for DRT.

Considering the above, in FY2022, we believe that DRT will continue to engage shoppers with interactive activities by organising promotional activities. In addition, with the positive outlook for China's retail industry, we expect DRT's rental income to increase in FY2022. We would expect the revenue from Shiqi Metro Mall, Ocean Metro Mall, Dasin E-Color and Doumen Metro Mall to grow at the same rate recorded in FY2021. For Xiaolan Metro Mall, its revenue fell by 1.9% yoy in FY2021. For FY2022, we would expect the revenue to recover to its revenue recorded in FY2020. As Shunde Metro Mall and Tanbei Metro Mall were acquired on 8 July 2020 and we do not have its yoy revenue growth, we would use the average growth rate of the other 5 properties as a proxy. Hence, we would assume a revenue growth rate of 7.5% for Shunde Metro Mall and Tanbei Metro Mall = [(7.3% (Shiqi Metro Mall) + (-1.9%) (Xiaolan Metro Mall) + 15.5% (Ocean Metro Mall) + 12.5% (Dasin E-Colour) + 4.1% (Doumen Metro Mall) / 5].

However, as noted on page 9, DRT has entered into a non-binding memorandum of understanding (MOU) for the potential divestment of Shiqi Metro Mall and Xiaolan Metro Mall. Considering that there have been multiple extensions to the Offshore & Onshore Facilities and that Sino-Ocean Capital, the controlling shareholder of the Trustee-Manager & substantial shareholder of DRT is involved in the MOU for the sale of the two properties, we believe the possibility of the sale of Shiqi Metro Mall and Xiaolan Metro Mall to be very high. As the latest extension for the loan will expire on 18 June 2022, for our revenue projections, we would include only the revenue of the two properties for the first 5 months of FY2022. Accordingly, the projected revenue for FY2022 would be S$80.3 million as shown in **Exhibit 15** on the next page.

The revenue contribution of the respective properties in FY2022 would be calculated as follows:

- Revenue contribution from Shiqi Metro Mall = [(S$22.6 million x (100% + 7.3% (projected revenue growth for FY2022)) x 5/12 (5 months revenue contribution)] = S$10.1 million

- Revenue contribution from Xiaolan Metro Mall = [(S$23.1 million x (100% + 1.9% (projected revenue growth for FY2022)) x 5/12 (5 months revenue contribution)] = S$9.8 million

- Revenue contribution from Ocean Metro Mall = [S$14.0 million x (100% + 15.5% (projected revenue growth for FY2022)] = S$16.2 million

- Revenue contribution from Dasin E-Colour = [S$2.8 million x (100% + 12.5% (projected revenue growth for FY2022)] = S$3.1 million

➢ Revenue contribution from Doumen Metro Mall = [S$18.2 million x (100% + 4.1% (projected revenue growth for FY2022)] = S$19.0 million

➢ Revenue contribution from Shunde Metro Mall = [S$19.1 million x (100% + 7.5% (projected revenue growth for FY2022)] = S$20.5 million

➢ Revenue contribution from Tanbei Metro Mall = [S$1.4 million x (100% + 7.5% (projected revenue growth for FY2022)] = S$1.5 million

Exhibit 15: Projected Revenue for FY2022

	Revenue (S$'000) (Actual)		Forecast	
Portfolio	FY2021	Yoy change	FY2022	Yoy change
Shiqi Metro Mall	22,638	7.3%	10,119	NM
Xiaolan Metro Mall	23,146	-1.9%	9,827	NM
Ocean Metro Mall	14,023	15.5%	16,193	15.5%
Dasin E-Colour	2,773	12.5%	3,119	12.5%
Doumen Metro Mall	18,236	4.1%	18,982	4.1%
Shunde Metro Mall	19,091	NM	20,523	7.5%
Tanbei Metro Mall	1,404	NM	1,509	7.5%
Total	**101,311**	**15.8%**	**80,273**	**-20.8%**

Source: DRT, FPA Financial

FY2023

For FY2023, we would expect a stronger revenue performance amid a stabilisation of the virus situation. Accordingly to Statista, as at 14 March 2022, approximately 85.8% of the China population are fully vaccinated. This could bode well for the retail market as it could potentially increase domestic mall footfall and spending, with the relaxation of Covid-19 safety measures and restrictions. Further, as mentioned on page 10, the strategic positioning of the GBA would also enable greater footfall in the region, potentially improving DRT's revenue. With the containment of the pandemic and the gradual recovery in the economy we would also expect the withdrawal of support extended to tenants, further improving DRT's revenue. According to IMF, China's GDP is projected to grow by 5.2% in 2023. This positive outlook would regain the confidence of the consumer to shop and dine in retail settings, hence, improving demand for retail spaces and rental growth.

Considering the above, we would expect the revenue to grow by 7.5%, which is the mid-point mark of CBRE's projections for the growth in retail sales for FY2023, as mentioned on page 10. Beside our expected sale of Shiqi Metro Mall and Xiaolan Metro Mall, we do not expect any further divestment or acquisition to DRT's portfolio in FY2023. Accordingly, the projected revenue for FY2023 would amount to S$64.9 million as shown in **Exhibit 16** on the next page.

Taking Ocean Metro Mall as an example, the projected revenue for the mall in FY2023 would be as follows:

➢ Revenue contribution from Ocean Metro Mall = [S$16.2 million x (100% + 7.5% (projected revenue growth for FY2023)] = S$17.4 million

Exhibit 16: Projected Revenue for FY2023

Revenue (S$'000)	Actual	Forecast		
	FY2021	FY2022	FY2023	Yoy change
Shiqi Metro Mall	22,638	10,119	-	-
Xiaolan Metro Mall	23,146	9,827	-	-
Ocean Metro Mall	14,023	16,193	17,407	7.5%
Dasin E-Colour	2,773	3,119	3,353	7.5%
Doumen Metro Mall	18,236	18,982	20,406	7.5%
Shunde Metro Mall	19,091	20,523	22,062	7.5%
Tanbei Metro Mall	1,404	1,509	1,622	7.5%
Total	**101,311**	**80,273**	**64,851**	**-19.2%**

Source: DRT, FPA Financial

(II) Earnings projection

Given our projected revenue figures for FY2022 and FY2023, we now estimate DRT's earnings for these periods.

Net Property Income

Regarding our NPI projections, we will consider DRT's historical NPI margin. As noted on page 3, with effect from 1 January 2021, the Property Manager and the Commercial Manager will recover the staff and related costs of DRT's properties. In addition, higher property tax expense was also recorded in FY2021 due to property tax rebates granted in FY2020. Hence, we believe FY2021's NPI margin would be a better representation of DRT's margins under normal operations. Accordingly, we would assume the NPI margin of 77.4% for FY2022 and FY2023 and the NPI would amount to S$62.1 million and S$50.2 million for FY2022 and FY2023 respectively as shown in **Exhibit 17**.

Exhibit 17: Projected NPI for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Revenue	87,476	101,311	80,273	64,851
Total property operating expense	(16,783)	(22,901)	(18,145)	(14,659)
Net Property Income (NPI)	70,693	78,410	62,128	50,192
NPI margin	80.8%	77.4%	77.4%	77.4%

Source: DRT, FPA Financial

Trustee-Manager and Acquisition fees

The Trustee-Manager's fees comprise the base fee of management fee, trustee fee, acquisition fee and divestment fees. We note that the Trustee-Manager receives management fees as per the following:

1. The base fee of management fee is calculated based on 0.25% per annum of the value of the trust property of DRT (Trust Property)

2. The trustee fee was 0.02% per annum of the value of the Trust Property

3. The Trustee-Manager is entitled to receive acquisition fee of 0.75% for acquisition from interested person and 1.0% for all other acquisition price plus any other payments in addition to the acquisition price made to the vendor

4. The Trustee-Manager is entitled to receive divestment fee of 0.5% of the sale price plus any other payments received in addition to the sale price from the purchaser

As DRT announced that it has entered into a non-binding memorandum of understanding for the potential divestment of Shiqi Metro Mall & Xiaolan Metro Mall and we believe that the possibility of the divestment of the two properties is very high, we would adjust the value of Trust Property accordingly. As at 31 December 2021, Shiqi Metro Mall and Xiaolan Metro Mall were valued at S$596.9 million and S$429.5 million respectively. Accordingly, the adjusted value of Trust Property would amount to S$1,369.6 million as shown in **Exhibit 18**.

Exhibit 18: Adjusted Value of Trust Property

S$'000	As at 31 December	
	FY2021 Actual	FY2022 Adjusted
Shiqi Metro Mall	596,906	-
Xiaolan Metro Mall	429,456	-
Ocean Metro Mall	355,546	355,546
Dasin E-Colour	56,234	56,234
Doumen Metro Mall	418,889	418,889
Shunde Metro Mall	523,770	523,770
Tanbei Metro Mall	15,194	15,194
Total Trust Property	**2,395,995**	**1,369,633**

Source: DRT, FPA Financial

Given the Trust Property to be S$1,369.6 million, the projected base management fee would be as follows:

- Projected base fee for FY2022 = 0.25% x S$1,369.6 million = S$3.424 million
- Projected base fee for FY2023 = 0.25% x S$1,369.6 million = S$3.424 million

Given the Trust Property to be S$1,369.6 million, the projected trustee fee would be as follows:

- Projected trustee fee for FY2022 = 0.02% x S$1,369.6 million = S$0.274 million
- Projected trustee fee for FY2023 = 0.02% x S$1,369.6 million = S$0.274 million

Accordingly, the projected Trustee-Manager's fees would be S$3.7 million for both FY2022 and FY2023 = [S$3.424 million (projected base fee) + S$0.274 million (projected trustee fee)].

We note that both Shiqi Metro mall and Xiaolan Metro Mall were acquired at a discount compared to its valuation as at 30 June 2016. With that in mind, we believe it would be fair to assume the sale price of each property to be the at valuation of the respective properties as at 31 December 2021. Accordingly, the divestment fee for Shiqi Metro Mall and Xiaolan Metro Mall would amount to S$3.0 million and S$2.1 million respectively as shown in **Exhibit 19**.

Exhibit 19: Projected Divestment Fee

Properties	Shiqi Metro Mall [1]		Xiaolan Metro Mall [1]	
	RMB ('000)	SGD('000)	RMB ('000)	SGD('000)
Valuation as at 30 June 2016 (with the master lease agreements)	Savills: 2,803,500 Colliers: 2,899,000	Savills: 594,911 Colliers: 615,177	Savills: 2,411,000 Colliers: 2,272,000	Savills: 511,622 Colliers: 482,125
Implied acquisition price	1,224,000	259,737	1,580,000	335,280
Valuation as at 31 December 2021	2,812,900	596,906	2,023,800	429,456
Divestment fee (0.5%)	14,065	2,985	10,119	2,147

(1) Calculated based on the SGD:CNY exchange rate of 1:4.71

Source: DRT, FPA Financial

As we do not expect any further divestment or acquisition to DRT's portfolio in FY2023, we would assume no acquisition or divestment fee to be paid to the Trustee-Manager. Accordingly, the projected Trustee-Manager's fees, acquisition fee and divestment fee is shown in **Exhibit 20**.

Exhibit 20: Projected Trustee-Manager's fees and Divestment Fee for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Trustee-Manager's fees	(6,100)	(6,945)	(3,698)	(3,698)
Acquisition fee	(2,278)	-	-	-
Divestment fee	-	-	(5,132)	-

Source: DRT, FPA Financial

Other Trust Expenses

The items under other trust expense are related to the acquisitions made for the year. As we are projecting the divestment of the two properties, we would expect other trust expenses to increase in FY2022. Hence, we would assume the other trust expenses recorded in FY2020 of S$4.3 million for FY2022. For FY2023, we would assume the other trust expense to return to the amount recorded in FY2021 of S$2.7 million as shown in **Exhibit 21**.

Exhibit 21: Projected Other Trust Expenses for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Other trust expenses	(4,300)	(2,744)	(4,300)	(2,744)

Source: DRT, FPA Financial

Exchange Gain/ (Loss)

As mentioned on page 4, exchange loss of S$7.3 million was mainly due to an unrealised exchange loss from weakening of SGD against USD and HKD. Thus far in FY2022, we note that the USD/SGD and HKD/SGD exchange rates have been relatively stable. However, there could be a possibility for the SGD to appreciate against the USD or HKD going forward. In our projections for FY2022 and FY2023, we would assume no gains or losses on foreign exchange.

Other Income/ (Expense)

As noted on page 4, other expense for the trust only comprises of the net change in fair value of derivative financial instruments. As the net (loss)/ gain is due to the spot interest rate against the contracted interest rate, we would assume other expense to be zero for both FY2022 and FY2023.

(Loss Allowance)/ Reversal on Loss Allowance

As mentioned on page 4, the loss allowance on receivables of S$9.2 million was due to higher allowance made in FY2020. however, given the uncertainties in the loss allowance on receivables, we would assume it to be zero for both FY2022 and FY2023.

Net Finance Cost

We note from the breakdown of loans on page 7 that DRT has loans that are denominated in SGD, USD, HKD and RMB. The breakdown of DRT's loans based on currency is shown in **Exhibit 22**.

Exhibit 22: Breakdown of DRT's Loans by Currency

Currency	Current debt (S$ million)	Non-current debt (S$ million)	Total debt (S$ million)
SGD	383.9	-	383.9
USD	244.6	-	244.6
HKD	50.8	-	50.8
RMB	76.4	203.5	279.9
Total	**755.7**	**203.5**	**959.2**

Source: DRT

With reference to **Exhibit 22** above, DRT's current debt amounted to S$755.7 million and its non-current debt amounted to S$203.5 million. As mentioned on page 9, the net proceeds from the sale of Shiqi Metro Mall and Xiaolan Metro Mall would be used to repay DRT existing syndicated loans and the remainder (if any) for working capital purposes. We are estimating a net proceeds of S$1,021.2 million from the sale of the two properties =[S$593.9 million (net proceeds for Shiqi Metro Mall) + S$427.3 million (net proceeds for Xiaolan Metro Mall)] as shown on **Exhibit 23** on the next page. We believe it is likely that DRT would repay the extended Onshore and Offshore loans that will expire on 18 June 2022 and the other Offshore Facilities due in 2022, as mentioned on page 10, by the end of May. Accordingly, the projected net debt for DRT beginning June 2022 and the whole of FY2023 would be S$203.5 million, which is DRT's non-current debt.

Exhibit 23: Estimated Net Proceeds from the Sale of Shiqi Metro Mall and Xiaolan Metro Mall

S$'000	Shiqi Metro Mall (1)	Xiaolan Metro Mall (1)
Valuation as at 31 December 2021 (Sale price)	596,906	429,456
Divestment fee (0.5%)	2,985	2,147
Estimated net proceeds	593,921	427,309

(1) Calculated based on the SGD:CNY exchange rate of 1:4.71

Source: DRT, FPA Financial

Over the past few months, interest rates have risen due to remarks by the Federal Reserve (Fed) Chairman Jerome Powell suggesting that the Fed would consider speeding up the wind-down of its easy-money policies in an effort to curtail inflation. It was recently reported that the Fed will raise interest rates by a quarter-percentage point rate amid high inflation, strong economic demand and a tight labor market. Their median projections show the rate rising to around 1.90% from the current 0.25% by the end of 2022. Hence, there is a possibility that we could expect an upward pressure on interest rates in FY2022.

We also note that the 10-year bond yield for the currencies DRT's loans are based on is expected to have risen in FY2022. To project the interest expense on loans and borrowings, we would be using the 10-year bond yield of the respective currencies in March of FY2022 as a proxy for interest rate for the first five months, before the repayment of loans. Accordingly, the interest rate for SGD, USD, HKD and RMB denominated loans in the first five months would be 2.32%, 2.38%, 2.20% and 2.83% respectively as shown in **Exhibit 24**.

Exhibit 24: 10-Year Bond Yield

	10-year bond yield (%)				
Currency	FY2021	Jan-22	Feb-22	Mar-22 (1)	FY2022 (2)
SGD	1.52%	1.77%	1.90%	2.32%	2.00%
USD	1.44%	1.78%	1.83%	2.38%	1.99%
HKD	1.20%	1.67%	1.71%	2.20%	1.86%
RMB	3.03%	2.72%	2.81%	2.83%	2.79%

(1) As at 24 March 2022

(2) Average of the first 3 months of FY2022

Source: MAS, WSJ, FPA Financial

As mentioned on the previous page, the projected net debt for DRT beginning June 2022 would be S$203.5 million, which is made up of RMB denominated loans. With reference to **Exhibit 24**, we note that China's average 10-year bond yield decreased by 0.24 percentage points in the first 3 months of FY2022 to 2.79% from the average yield for FY2021 of 3.03%. While we note that China may continue to provide stimulus to support the capital market and introduce market-friendly policies to stabilize capital markets & bolster economic growth, we would assume the same interest rate of 2.83% as of March 2022 for the RMB denominated loans for the remaining 7 months in FY2022.

FY2022

Given the above interest rate projections and the projected repayment of its loans in May 2022, the projected interest expense on loans and borrowings for FY2022 would be as follows:

- Interest expense on SGD loans and borrowings in FY2022 = [(5/12 (first 5 months before repayment of debt) x S$383.9 million (total debt) x 2.32% (interest rate)] = S$3.7 million

- Interest expense on USD loans and borrowings in FY2022 = [(5/12 (first 5 months before repayment of debt) x S$244.6 million (total debt) x 2.38% (interest rate)] = S$2.4 million

- Interest expense on HKD loans and borrowings in FY2022 = [(5/12 (first 5 months before repayment of debt) x S$50.8 million (total debt) x 2.20% (interest rate)] = S$0.5 million

- Interest expense on RMB loans and borrowings in FY2022 = [((5/12 (first 5 months before repayment of debt) x S$279.9 million (total debt before repayment) x 2.83% (interest rate)) + 7/12 (next 7 months after repayment of debt) x S$203.5 million (total debt after repayment of debt) x 2.83% (interest rate)] = S$6.7 million

FY2023

As shown in **Exhibit 22,** assuming no further repayment or borrowings, DRT's non-current debt of S$203.5 million is denominated in RMB. Assuming no further stimulus support from the government, we would expect that the China's 10-year bond yield to return to its average yield of 3.03% recorded in FY2021. Using China's 10-year bond yield return as a proxy for the interest rate for FY2023, the projected interest rate for China in FY2023 would be 3.03%.

Accordingly, the projected interest expense on loans and borrowings for FY2023 would be as follows:

- Interest expense on loans and borrowings in FY2023 = [S$203.5 million (expected total debt for FY2023) x 3.03% (expected effective interest rate)] = S$6.2 million

The summary of the projected interest expense on loans and borrowings for FY2022 and FY2023 is shown in **Exhibit 25**.

Exhibit 25: Projected Interest Expense on Loans and Borrowings for FY2022 and FY2023

S$ million	Total debt for first 5 months	Total debt for next 7 months	Effective interest rate	Interest expense on loans and borrowings
FY2022				
SGD	383.9	-	2.32%	3.7
USD	244.6	-	2.38%	2.4
HKD	50.8	-	2.20%	0.5
RMB	279.9	203.5	2.83%	6.7
Sub total	**959.2**	**203.5**	**-**	**13.3**
FY2023				
SGD	-	-	-	-
USD	-	-	-	-
HKD	-	-	-	-
RMB	203.5	203.5	3.03%	6.2
Sub total	**203.5**	**203.5**	**-**	**6.2**

Source: DRT, FPA Financial

For finance income, considering that the interest rate would increase, we would assume the finance income to return to the amount recorded in FY2020 of S$1.3 million for both FY2022 and FY2023. Meanwhile, we would assume amortisation of capitalised borrowing cost, interest expense and interest expense on Right-of Use assets to be the same as FY2021. Consequently, the net finance cost for FY2022 and FY2023 would be S$26.3 million and S$19.2 million as shown in **Exhibit 26**.

Exhibit 26: Projected Net Finance Cost for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Finance income	1,292	1,071	1,292	1,292
Finance cost				
Amortisation of capitalised borrowing cost	(10,339)	(13,613)	(13,613)	(13,613)
Interest expense	(665)	(656)	(656)	(656)
Interest expense on loans and borrowings	(24,984)	(24,206)	(13,263)	(6,160)
Interest expense on Right-of-Use assets	-	(52)	(52)	(52)
Net finance cost	**(34,696)**	**(37,456)**	**(26,292)**	**(19,189)**

Source: DRT, FPA Financial

Net Change in Fair Value of Investment Properties

As noted on page 4, DRT recorded a net change in fair value of investment properties of S$62.8 million due to the impact of the Covid-19 pandemic. For both FY2022 and FY2023, we would assume no fair gain or loss on investment properties.

Profit Before Income Tax

Given the above projections, we estimate a profit before tax of S$22.7 million and S$24.6 million for FY2022 and FY2023 respectively, as shown in **Exhibit 27**.

Exhibit 27: Projected Profit Before Income Tax for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Revenue	87,476	101,311	80,273	64,851
Total property operating expense	(16,783)	(22,901)	(18,145)	(14,659)
Net Property Income (NPI)	**70,693**	**78,410**	**62,128**	**50,192**
Trustee-Manager's fees	(6,100)	(6,945)	(3,698)	(3,698)
Acquisition fee	(2,278)	-	-	-
Divestment fee	-	-	(5,132)	-
Other trust expenses	(4,300)	(2,744)	(4,300)	(2,744)
Exchange gain/ (loss)	2,427	(7,290)	-	-
Other income/ (expense)	(284)	909	-	-
(Loss allowance)/reversal on loss allowance on receivables	(645)	(9,212)	-	-
Finance income	1,292	1,071	1,292	1,292
Finance cost	(35,988)	(38,527)	(27,584)	(20,481)
Net Income	**24,817**	**15,672**	**22,705**	**24,561**
Net change in fair value of investment properties	(104,722)	(62,844)	-	-
Profit before income tax	**(79,905)**	**(47,172)**	**22,705**	**24,561**

Source: DRT, FPA Financial

Income Tax Expense

For FY2020 and FY2021, the current income tax expense is calculated based on the statutory income tax rate of 25%. Meanwhile, we would assume the same withholding tax expense of S$1.0 million in FY2021 for both FY2022 and FY2023. For both FY2022 and FY2023, we would assume deferred income tax expense to be zero. Accordingly, the projected income tax expense for FY2022 and FY2023 would be S$6.7 million = [25% x S$22.7 million (projected profit before income tax FY2022) + S$1.0 million] and S$7.2 million = [25% x S$24.6 million (projected profit before income tax FY2023) + S$1.0 million] respectively, as shown in **Exhibit 28**.

Exhibit 28: Projected Income Tax Expense for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Current income tax expense (25%)	6,279	6,609	5,676	6,140
Withholding tax expense	972	1,029	1,029	1,029
Deferred tax (income)/ expense	(15,030)	(5,896)	-	-
Income tax (credit)/ expense	(7,779)	1,742	6,705	7,169

Source: DRT, FPA Financial

Profit For The Year

Adjusting for income tax expense, the projected profit for FY2022 and FY2023 would be S$16.0 million and S$17.4 million, respectively. As 100% of the profit for the year would be attributed to the unitholder of the trust, the projected figures would be same as the profit of the year. Accordingly, assuming the same weighted average number of units in issue in FY2021 for FY2022 and FY2023, the projected EPU for FY2022 and FY2023 would be 2.05 cents and 2.22 cents respectively. We have summarised our earnings projections in **Exhibit 29**.

Exhibit 29: Projected Profit for FY2022 and FY2023

S$'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Revenue	87,476	101,311	80,273	64,851
Total property operating expense	(16,783)	(22,901)	(18,145)	(14,659)
Net Property Income (NPI)	**70,693**	**78,410**	**62,128**	**50,192**
Trustee-Manager's fees	(6,100)	(6,945)	(3,698)	(3,698)
Acquisition fee	(2,278)	-	-	-
Divestment fee	-	-	(5,132)	-
Other trust expenses	(4,300)	(2,744)	(4,300)	(2,744)
Exchange gain/ (loss)	2,427	(7,290)	-	-
Other income/ (expense)	(284)	909	-	-
(Loss allowance)/reversal on loss allowance on receivables	(645)	(9,212)	-	-
Finance income	1,292	1,071	1,292	1,292
Finance cost	(35,988)	(38,527)	(27,584)	(20,481)
Net Income	**24,817**	**15,672**	**22,705**	**24,561**
Net change in fair value of investment properties	(104,722)	(62,844)	-	-
Profit before income tax	**(79,905)**	**(47,172)**	**22,705**	**24,561**
Income tax credit/ (expense)	7,779	(1,743)	(6,705)	(7,169)
Profit for the year	**(72,126)**	**(48,915)**	**16,000**	**17,391**
Attributable to:				
Unitholder of the Trust	(72,126)	(48,915)	16,000	17,391
Weighted average number of units in issue	708,672	781,648	781,648	781,648
Earnings per unit (cents)	**(10.18)**	**(6.26)**	**2.05**	**2.22**

Source: DRT, FPA Financial

(III) Dividends projection

With our projected profit after tax, we would now estimate DRT's amount available for distribution to unitholders. Following the distribution adjustments as shown in **Exhibit 30**, the projected amount available for distribution to unitholders for FY2022 and FY2023 would be S$38.5 million and S$34.8 million respectively.

We note that DRT's distribution waiver agreement whereby the holding company of the trust will waive a portion of its entitlement to distribution has expired in FY2021. Hence, we would not be projecting DRT's distribution per unit (DPU) with distribution wavier. Accordingly, assuming the same number of units issued and to be issued at the end of FY2021 for FY2022 and FY2023, DPU for FY2022 and FY2023 would amount to 4.85 cents and 4.38 cents as shown in **Exhibit 30**.

Exhibit 30: Projected DPU for FY2022 and FY2023

	Actual	Forecast	
S$'000	FY2021	FY2022	FY2023
(Loss)/ Profit for the year	**(48,915)**	**16,000**	**17,391**
Amortisation of intangible assets	63	63	63
Amortisation of capitalised borrowing costs	13,613	13,613	13,613
Deferred income tax (income)/ expense	(5,896)	-	-
Depreciation of plant and equipment	143	-	-
Loss allowance/(reversal on loss allowance on receivables	9,212	-	-
Net change in fair value of derivative financial instruments	(909)	-	-
Net change in fair value of investment properties	62,844	-	-
Recognition of rental income on a straight line basis over the lease term	1,267	-	-
Transfer to statutory reserve	(120)	-	-
Trustee-manager's fees paid/payable in units	6,945	3,698	3,698
Divestment fees paid/payable in units	-	5,132	-
Unrealised exchange loss/ (gain)	7,471	-	-
Other adjustments	(8,851)	-	-
Distribution adjustments	**85,782**	**22,506**	**17,374**
Amount available for distribution	**36,867**	**38,506**	**34,765**
Number of units entitled to distribution under distribution wavier	711,573	-	-
Number of units issued and to be issued at end of the year	794,014	794,014	794,014
Distribution per unit (cents)			
With distribution waiver	5.22	-	-
Without distribution waiver	4.67	4.85	4.38

Source: DRT, FPA Financial

VALUATION ANALYSIS

(I) Valuation Impact of the Sale of Shiqi Metro Mall and Xiaolan Metro Mall

As mentioned on page 23, we are estimating a net proceeds of S$1,021.2 million from the sale of the two properties =[S$593.9 million (net proceeds for Shiqi Metro Mall) + S$427.3 million (net proceeds for Xiaolan Metro Mall)]. We also assumed DRT's current borrowings of S$755.7 million would be fully repaid using the proceeds of the sale as mentioned above. As mentioned on page 9, the remainder of the net proceeds would be use for working capital purposes. Accordingly, the working capital would amount to S$265.5 million = [S$1,021.2 (estimated total net proceeds) – S$755.7 million (repayment of debt)].

Therefore, after adjusting for the impact of the divestment, the estimated total assets of DRT after the transaction would amount to S$1,779.2 million = [S$2,540.0 million (actual FY2021 total assets) – S$1,026.4 million (valuation of Shiqi Metro Mall and Xiaolan Metro Mall) + S265.5 million (estimated working capital)].

Consequently, DRT total liabilities would amount to S$670.6 million = [S$1,426.3 million (actual FY2021 total liabilities) – S$755.7 million (repayment of debt)]. Accordingly, the estimated net asset/ equity attributable to unitholders would amount to S$1,108.5 million. Assuming the total number of issued and issuable units at the end of the year to remain the same at 794.0 million, the adjusted NAV would remain at S1.40 per share as shown in **Exhibit 31**.

Exhibit 31: Estimated NAV per Share After the Sale of Shiqi Metro Mall And Xiaolan Metro Mall

S$'000	Actual	Adjusted
Total assets	2,540,017	1,779,185
Total liabilities	1,426,346	670,646
Net assets/ equity attributable to unitholders	1,113,671	1,108,539
Total number of issued and issuable units at the end of the year	794,014	794,014
NAV per share (S$)	1.40	1.40

Source: DRT, FPA Financial

(II) Peer Comparison Analysis

We will perform an updated peer comparison analysis to account for the changes in the financial position of DRT and its selected peer companies. The results of our updated peer comparison analysis are summarized in **Exhibit 32**.

Exhibit 32: Peer comparison analysis

Company	SGX code	Price (S$) as at initiation report (1)	Price (S$) as at 31 March 2022	Market cap (S$ million)	EPU (2) (cents)	P/E (x)	DPU (cents)	Dividend yield (%)	NAV per share (3) (S$)	P/B (x)
Dasin Retail Trust	CEDU	0.515	0.310	246.14	(6.26)	NM	5.22	16.84	1.40	0.22
Peer companies:										
Sasseur REIT	CRPU	0.955	0.845	1,032.76	10.14	8.33	7.10	8.41	0.99	0.85
Capitaland China Trust	AU8U	1.340	1.210	2,022.68	6.92	17.49	8.73	7.21	1.56	0.78
BHG Retail REIT	BMGU	0.560	0.595	305.35	1.47	40.48	2.17	3.65	0.92	0.65
Peer average	-	-	-	-	-	**22.10**	-	**6.42**	-	**0.76**

Figures have been rounded and based on the share price as at 31 March 2022. NM: not meaningful

(1) 27 July 2021

(2) 12-month trailing diluted EPS based on latest financial statements

(3) As at 31 Dec 21

Source: Respective company data, FPA Financial

Based on the result in **Exhibit 32** above, we note that DRT's dividend yield of 16.84% is above the peer average yield of 6.42% which could suggest that it is relatively attractive in terms of dividend yield. Further, we also note that DRT is trading at a lower PB multiple of 0.22x compared to the peer average of 0.76x, which could suggest that it may be undervalued.

Similar to our initiation report, we note that while Sasseur REIT and Capitaland China is similar to DRT in terms of industry and business operations, the market capitalisation of the two REITs are significantly higher than DRT, which may justify their higher PB multiples.

In addition, even though BHG Retail REIT's (BHG) market capitalisation is more similar to DRT, the former is trading at a higher PB of 0.65x. We identified two factors which may explain why DRT has a lower PB multiple than BHG.

First, BHG's sponsor, Beijing Hualian Department Store Co., Ltd. is part of Beijing Hualian Group Investment Holding Co., Ltd., one of the 15 largest retail enterprises supported by Ministry of Commerce. BHG's Sponsor is also an established retailer and is one of China's largest retail enterprises with more than 20 years of retail operating experience, managing more than 30 malls over 10 different Chinese cities. It is listed on the Shenzhen stock exchange with a current market capitalisation more than 5 billion yuan. As at 29 September 2021, the company reported total assets and total shareholder equity of approximately 13.2 billion yuan and 7.3 billion yuan respectively.

Next, we also note that BHG's second largest shareholder, Qianhai International Holdings Co. Limited – who owns a 13.18% stake – is a wholly-owned subsidiary of Qianhai Authority, a statutory body of Qianhai Cooperation Zone in China. This relationship suggests that there could be Chinese state-owned control in BHG, which we believe to be positive for BHG.

While we believe that there is growth potential for DRT on the back of stronger economic rebound in China and its strategic partnership with Sino-Ocean Capital, these factors are unlikely to justify for DRT to trade at the BHG's PB multiple 0.65x.

Having considered the above, we believe that it would be more likely for DRT to trade at a PB multiple of the average of DRT's and BHG's at 0.44x = [(DRT PB of 0.22x + BHG PB of 0.65x)/ 2]. This would imply a target price of S$0.616 as computed below

- Estimated target price = [Average PB of DRT and BHG] x [latest reported NAV] = 0.44 x S$1.40 = S$0.616

This estimated target price would represent a 98.71% upside from the current price of S$0.310. However, there is currently no major catalyst in the short to medium term which could justify such high upside potential in the share price Moreover, the multiple extension of its loans could explain the lower valuation multiple for DRT. Adopting a conservative approach we believe that it could be more reasonable for DRT's share price to recover to S$0.515, which was DRT's share price as of our initiation report on 27 July 2021. This estimated target price would represent a 66.13% upside from the current price of S$0.310.

(III) Potential Injection of Assets into DRT

As noted on page 8, as at 12 October 2021, Sino-Ocean Capital, through New Harvest Investment Limited, is the controlling shareholder of the Trustee-Manager, holding a total of 70% of the total issued and paid up share capital. We also note from Sino-Ocean Capital's announcement that "The acquisition of the management company by Sino-Ocean Capital will directly connect the two platforms of real estate private equity funds and overseas public REITs, realize two-wheel drive, and accelerate the realization of the entire chain of "from development, transformation, cultivation to mature operation"." Further, Sino-Ocean Capital also highlighted that at present, public REITs in China have not yet included commercial properties in the pilot scope, and the Singapore REITs market will provide more possibilities for the securitization of domestic commercial properties.

In addition, as noted on page 3, excluding Shiqi Metro Mall and Xiaolan Metro Mall, the remaining properties have recorded revenue growth in FY2021. We believe that with the recovery in China's economy and the positive outlook for the greater bay area, DRT's would remain profitable after the sale of the two properties. Even after factoring in the sale of the two properties, we are projecting a DPU of 4.85 cents and 4.38 cents in FY2022 and FY2023 respectively.

Considering that DRT's financial performance has been stable amid the Covid-19 pandemic in FY2020 and FY2021, Sino-Ocean only recently acquired 70% shares in the Trustee-Manager and it has announced the possibility of connecting its domestic commercial and office properties with an overseas public REIT, we believe it might be possible that Sino-Ocean Capital may inject some of its properties into DRT. This could provide further revenue and distribution growth in the future.

However, we would like to highlight that even if Sino-Ocean Capital were to inject its assets into DRT, it might also initiate a rights offering to raise funds, which could dilute the unitholders' interests.

We have summarised Sino-Ocean Capital's real estate investment portfolio in **Exhibit 33**.

Exhibit 33: Sino-Ocean Capital's Real Estate Investment Portfolio

Commercial	Logistic
Beijing Anzhen Hualian Project	Nanjing Riverside Logistics Project
Beijing Beiyuan Project	Kunshan Yushan Logistics Project
Beijing Bank Net Center	Chengdu Qingbaijiang Logistic Project
Shanghai H88 Yuehong Plaza	Tianjin Beichen Logistic Project
Shanghai Ocean Commercial Building	Suzhou Zhangjiagang Logistics Project
Shanghai Yanbo Hotel	Xuzhou Jiawang Logistics Project
Shanghai Cohen International Center	Jiaxing Nanhu Logistics Project
Shanghai Wanhe Haomei	Wuhan Jiangxia Logistics Project
	Langfang Guangyang Logistics Project
	Ningbo Yuyao Logistics Project

Data Centers
Huzhou Ocean Anji Big Data Intelligent Internet Industry Base
Beijing Yizhuang Zhengyuan Data Center
Beijing Majuqiao Data Center
Changzhou Bell Tower Green Data Center
Guangzhou Ruihe Road Data Center
Guangzhou Guanda Road Data Center
Nanning Wuxiang Ocean Big Data Center
Chengdu Qingbajijiang Big Data Center

Source: Sino-Ocean Capital

INVESTMENT RECOMMENDATION

Based on our valuation analysis, factoring in the impact of the sale of Shiqi Metro Mall and Xiaolan Metro Mall, we derived an adjusted NAV of S$1.40, which remained unchanged from the reported NAV as at 31 December 2021. Based on the adjusted NAV of S$1.40, DRT currently has a PB multiple of 0.22x and is trading at a discount of approximately 78% to NAV.

Meanwhile, our peer comparison analysis results show that DRT's PB of 0.22x is below the peer average PB of 0.76x, which suggest that it could be undervalued. At the same time, DRT is relatively attractive in terms of dividend yield of 16.84% compared to its peer average of 6.45%. Our evaluation of the peer comparison results lead us to believe that it may be reasonable for DRT to trade at the PB multiple of 0.44x and the estimated target price of S$0.616. This estimated target price would represent a 98.71% upside from the current price of S$0.310.

However, there is currently no major catalyst in the short to medium term which could justify such high upside potential in the share price. Moreover, the multiple extension of its loans could explain the lower valuation multiple for DRT. Adopting a conservative approach we believe that it could be more reasonable for DRT’s share price to recover to S$0.515, which was DRT’s share price as of our initiation report on 27 July 2021. This estimated target price would represent a 66.13% upside from the current price of S$0.310.

We have considered that even with the sale of the two properties to repay its debts, the upside would be dependent on what the management does going forward. In addition, if Sino-Ocean Capital were to inject its assets into DRT, it might also initiate a rights offering to raise funds, which could dilute the unitholders’ interests. Considering the above, we will revise our recommendation downwards to neutral from buy. There are also risks to our target price which we would highlight in the next section.

RISKS TO OUR RECOMMENDATION

In this section, we highlight below risk factors that may limit the potential upside in DRT's target price

(I) Refinancing Risk

As noted on page 10, the 3 months extension of DRT's Onshore & Offshore Facilities to 18 June 2022 has helped ease investor concerns over its refinancing risks. However, in the latest extension, the lenders extended the loan to allow DRT to explore the proposal for the sale of Shiqi Metro mall and Xiaolan Metro Mall. However, it is currently in the early stages and there are still uncertainties surrounding the transaction. Hence, if the sale of the two properties or other properties in DRT's portfolio do not materialise, there is a possibility that DRT could face trouble refinancing the facilities and there could be a possibility of another sell-off.

(II) China's Covid-19 Lockdown Measures and Risk of Weak China Economic Recovery

In China, even as health officials rushed to stay ahead of a fast-moving virus spreading quickly through asymptomatic carriers, daily infection numbers in China continued to hit levels not seen since early 2020. Chinese authorities have ordered lockdowns and other restrictions across the country in response to the worsening coronavirus outbreak. Residents of northeastern Jilin province, which borders Russia and North Korea, were locked down, the first time since Covid-19 was first detected in Wuhan two years ago that such restrictions have been imposed on an entire province. Shenzhen city began a weeklong lockdown in the week starting 14 March 2022, closing public transport, nonessential businesses and schools, while companies in Shanghai began shutting down. If the Covid-19 situation continues to deteriorate, China may continue to intensify its lockdown and other anti-Covid restrictions measures which could negatively impact the footfalls in the retail malls and the financial performance of DRT.

As noted on page 11, China's GDP grew by 8.1% yoy in 2021 and its retail sales grew by 6.7% yoy during the January to February period. Furthermore, China also announced a GDP growth target of "around 5.5%" for 2022. As it stands, the virus are constantly mutating and new variants of the virus are expected to occur as seen in the recent spike in COVID-19 cases as mentioned able. With this in mind, there is a possibility that China will tighten or prolong their border control measures, hindering economy recover. This could have a negative impact on the DRT's financial performance going forward

(III) Currency Risk

DRT is exposed to fluctuations of the Chinese Renminbi (RMB), United States Dollar (USD) and Hong Kong Dollar (HKD) against the Singapore Dollar (SGD). Amid the current COVID-19 situation, there is a possibility that SGD could strengthen due to higher vaccination rates and an increase in capital inflow as a result of its safe-haven status. This would imply a reduction in revenue when foreign currency earnings in HKD and RMB are translated to SGD. Hence, a stronger SGD could have a negative impact on DRT's earnings due to currency exchange transaction losses.

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