REAL ESTATE EQUITY RESEARCH

Dasin Retail Trust

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

Country: Singapore
Industry: Retail, Real Estate

27 July 2021
RECOMMENDATION: BUY

Current price: S$0.515
Target price: S$0.719
Issued units: 779.72 million (31 Dec 21)
Market capitalisation: S$401.56million

52-week range: S$0.460 - S$0.820

PRICE PERFORMANCE

COMPANY DESCRIPTION

Dasin Retail Trust (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. These properties host a tenant base of over 500 local and international retailers.

SUMMARY

Owing to the COVID-19 pandemic, Revenue for FY2020 was impacted by lower rental income and rental rebates provided to tenants. However, the Group, comprising DRT and its subsidiaries, recorded a 15.1% year-on-year (y-o-y) growth in revenue for the financial year ended 31 December 2020 mainly due to contributions from acquisitions completed in 2019 and 2020. During the period, the Group reported a Distribution Per Unit (DPU) of 3.94 cents compared to 6.82 cents in FY2019. During the period, the Group's earnings was negatively impacted by a net fair value loss on investment properties of S$104.7 million compared to a loss of S$20.8 million a year ago. Consequently, the Group reported a loss per share of 10.18 cents in FY2020.

RECOMMENDATION

Based on DRT reported NAV per share of S$1.41 as at 31 December 2020, the share is currently trading at a P/B of 0.37x, presenting a discount of approximately 63% to NAV. Our peer comparison results show that the Company could be undervalued, given a lower PB of 0.37x compared to peer average P/B of 0.87x. 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 the P/B multiple of 0.51x. Adopting a relative valuation approach, we estimate a target price of S$0.719 which represent a 39.61% upside from the current price. We believe this upside could be justified by potential growth in the Group's earnings as supported by the positive outlook on China's economy and its strategic partnership with Sino-Ocean Capital. Given the above, we believe a buy recommendation is warranted on DRT.

KEY FINANCIALS Year ended Dec 31	Revenue (S$ million)	Profit* (S$ million)	EPS (cents)	P/E (x)	DPS (cents)	Dividend yield (%)	NAV per unit (S$)	P/B (x)
2019 actual	76.0	(7.4)	(1.27)	NM	6.82	13.2%	1.37	0.38
2020 actual	87.5	(72.1)	(10.18)	NM	3.94	7.7%	1.41	0.37
2021 forecast	98.1	35.5	5.0	10.30	4.51	8.8%	-	-
2022 forecast	108.9	39.4	5.56	9.26	4.34	8.4%	-	-

NM: not meaningful
Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S$0.515
**Profit attributable to owners of the Company*
Source: Dasin Retail Trust, FPA Financial

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COMPANY OVERVIEW

(I) Corporate profile

Dasin Retail Trust (DRT) is a Singapore-domiciled business trust constituted pursuant to the trust deed dated 15 January 2016 entered into by Dasin Retail Trust Management Pte. Ltd. as trustee-manager of the Trust (the “Trustee-Manager”) The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries in trust for the holders (“Unitholders”) of units in the Trust. Dasin Retail Trust and its subsidiaries are collectively known as the (“Group”).

Listed on the Mainboard of Singapore Exchange Limited (SGX) on 20 January 2017, Dasin Retail Trust is a China retail property trust listed on SGX providing direct exposure to the Guangdong Hong Kong Macau Greater Bay Area (“Greater Bay Area”, “GBA”).

As at 31 December 2020, the Group, comprising of Dasin Retail Trust and its subsidiaries, had total asset of S$2.5 billion and net assets attributable to unitholders of S$ 1.1 billion.

As at 1 April 2021, Mr Zhang Zhencheng is DRT’s major shareholder with 53.56% stake in the Trust. Other notable shareholders include, China Orient Asset Management (International) Holding Limited, Glory Class Ventures Limited, Harvest Private Wealth Thematic Fund SPC, who respectively holds 6.68%, 6.37% and 4.97% stake in DRT as shown in **Exhibit 1**.

Exhibit 1: DRT’s register of substantial shareholders

Shareholders	Type	Percentage of shares held
Mr Zhang Zhencheng	Individual Investor	53.56%
China Orient Asset Management (International) Holding Limited	Corporation	6.68%
Glory Class Ventures Limited	Corporation	6.37%
Harvest Private Wealth Income Fund 4 SP	Investment Fund	4.97%

Source: Dasin Retail Trust

China Orient Asset Management (International) Holding Limited (COAMCI) is a wholly-owned subsidiary of China Orient Asset Management Co., Ltd (Group). COAMCI is the Group’s primary overseas platform with core businesses in special opportunities investment and asset management. COAMCI acts as a bridge between the Group's domestic resources and customers and overseas markets and business partners, serving cross-border clients and their investment and financing needs.

Glory Class Ventures is an affiliate of Sino-Ocean Capital Holding Limited, which DRT is establishing a strategic partnership with and will be discussed further in page 30.

Harvest Private Wealth Thematic Fund SPC is an independent portfolio company incorporated in the Cayman Islands. It operates as an investment fund. Its investment objective is to achieve absolute returns in thematic investment strategies. Harvest Private Wealth is managed by H Partners Private Wealth Management (Singapore) Pte. Ltd.

Sponsor of the Trust

The sponsor of Dasin Retail Trust is Zhongshan Dasin Real Estate Co. Ltd. (Sponsor). The Sponsor has been established since 13 July 2001 and is one of the leading real estate developers in Zhongshan city, Guangdong Province. The Sponsor has a strong track record as a retail mall operator who has been awarded multiple national-level industry awards including "China Top 10 Excellent Commercial Real Estate Operators", "Top 10 Real Estate Developer Commercial Real Estate of China" and "Top 200 Real Estate Development Enterprises in China" The Sponsor is also a conglomerate in Zhongshan with a portfolio of business that includes, amongst others, real estate, retail, technological, hospitality, F&B, microfinance and the education industries. Since its inception, the Sponsor had developed, completed and is currently operating 10 retail malls, and currently also owns 10 assets which are undergoing development and reconstruction.

The Sponsor also provides income support to the trust in the form of master lease agreement through Dasin Merchant Investment in Xiaolan Metro Mall and Dasin E-Color which will be renewed upon expiry in March 2022.

The Sponsor is wholly-owned by Mr. Zhang Kaicheng, Mr. Zhang Jiucheng and Mr. Zhang Zhongming (collectively known as the Zhang Vendors), with ownership of 37.5%, 37.5% and 25.0% respectively. Mr. Zhang Kaicheng and Mr. Zhang Jiucheng are the siblings of Mr. Zhang Zhencheng, the Chairman and Non-Executive Director of the Trustee-Manager while Mr. Zhang Zhongming is the nephew of Mr. Zhang Zhencheng.

(II) Trust structure

An overview of Dasin Retail's trust structure shows the roles of the individual entities within the trust structure and the relationship between these entities.

Trustee-Manager of Dasin Retail Trust

The Trustee-Manager, being Dasin Retail Management Pte Ltd is 99% owned by Mr Zhang Zhencheng, a director of the Trustee-Manager. Mr. Zhang Zhencheng is the Chairman and Non-Executive Director of the Board of the Trustee-Manager. He is also a member of the Nominating Committee.

Prior to joining the Trustee-Manager, from February 2015 to September 2015, Mr. Zhang had been an Executive Director at Zhongshan Dasin Holdings Co., Ltd., a wholly-owned subsidiary of the Sponsor, where he was responsible for the investment strategies of the company. Prior to that, from August 2009 to August 2013, Mr. Zhang was Chairman of the Board of the Sponsor and from September 2013 to January 2015, Mr. Zhang held the position of Executive Director and General Manager of the Sponsor. During this time, he was responsible for investment decisions of the Sponsor, development and management of engineering and commercial projects as well as financial and human resource management. From October 2003 to July 2009, Mr. Zhang was the Deputy General Manager of the Sponsor, where he was primarily responsible for the management of construction projects.

Commercial Manager of Dasin Retail Trust

The Commercial Manager is Zhongshan Dasin Commercial Property Management Co., Ltd., Zhongshan branch, Zhuhai Branch and Foshan Branch. It provides lease management services, general management services and marketing services for the Trust. The Sponsor has an effective equity interest of 100% in the Commercial Manager. The Commercial Manager is entitled to receive a management fee, lease-up commission and reimbursement of expenses at cost.

The Commercial Manager is entitled to receive commercial management fee of 1% of the monthly gross revenue of the properties and reimbursement of expenses as incurred for each property. The Commercial Manager is entitled to receive a one-time fee of two months' gross rent for newly completed buildings or buildings undergoing major asset enhancement and/or renovation works.

The commercial management fee, reimbursement of expenses which includes employee related expenses and other marketing expenses, and lease-up commission are payable to the Commercial Manager in the form of cash.

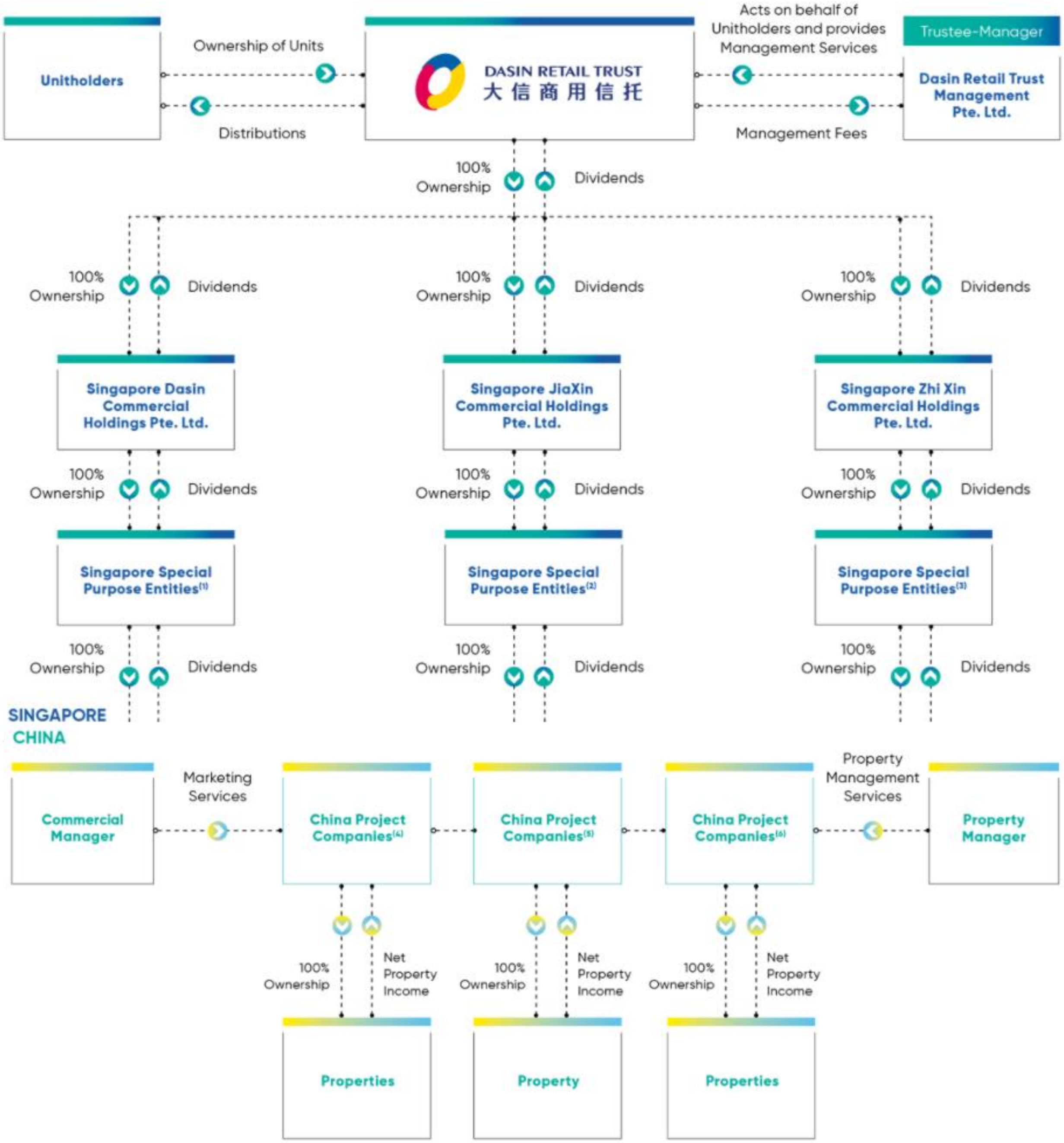
Property Manager of Dasin Retail Trust

The Property Manager, being Zhongshan Jixin Property Management Co., Ltd., Shiqi Branch, Zhuhai Branch and Foshan Branch. It provides operations and property management services for the Trust. This includes conducting regular and random audits, monitoring and managing the risk of non-compliance with law and regulations, selections and management of tenants and the day-to-day operations. The Sponsor has an effective interest of 33% in the Property Manager.

The Property Manager is entitled to receive property management fee of 1% of the monthly gross revenue of the properties and reimbursement of expenses incurred for each property. The property management fee and reimbursement of expenses which includes repair and maintenance expenses, utilities, property related taxes and among others, are payable to the Property Manager in the form of cash.

On the next page, **Exhibit 2** provides a diagrammatic representation of the trust structure as disclosed in the Dasin Retail Trust's Annual Report 2020.

Exhibit 2: Dasin Retail Trust's Structure



NOTES:

(1) Includes Yi Xin Investments Pte. Ltd., Lan Xin Investments Pte. Ltd., Yuan Xin Investments Pte. Ltd., Yi Xin Management Pte. Ltd., Lan Xin Management Pte. Ltd., Sheng Xin Holdings Pte. Ltd., Sheng Xin Management Pte. Ltd. and Sheng Xin Properties Pte. Ltd.

(2) Includes Jia Xin Holdings Pte. Ltd., Jia Xin Investments Pte. Ltd. and Jia Xin Management Pte. Ltd.

(3) Includes Singapore Xu Xin Commercial Holdings Pte. Ltd., Singapore Tan Xin Commercial Holdings Pte. Ltd., Xu Xin Holdings Pte. Ltd., Tan Xin Holdings Pte. Ltd., Xu Xin Investments Pte. Ltd., Xu Xin Management Pte. Ltd. and Tan Xin Investments Pte. Ltd.

(4) Includes Zhongshan Xinteng Commercial Management Co., Ltd., Zhongshan Xinrui Commercial Management Co., Ltd., Zhongshan Yuanxin Commercial Management Co., Ltd., Zhongshan Yicai Dasin Xinduhui Commercial Management Co., Ltd., Zhongshan Xiaolan Dasin Xinduhui Commercial Management Co., Ltd., Zhongshan Shiqi Dasin Xinduhui Commercial Management Co., Ltd. and Zhongshan Xinkong Commercial Management Co., Ltd.

(5) Includes Zhuhai Xinmingyang Investment Co., Ltd. and Zhuhai Doumen Dasin Metro-Mall Commercial Management Co., Ltd.

(6) Includes Foshan Dasin Commercial Management Co., Ltd, Foshan Shunde Dasin Metro-Mall Commercial Management Co., Ltd. and Zhongshan Yuanteng Commercial Property Management Co., Ltd.

Source: Dasin Retail Trust

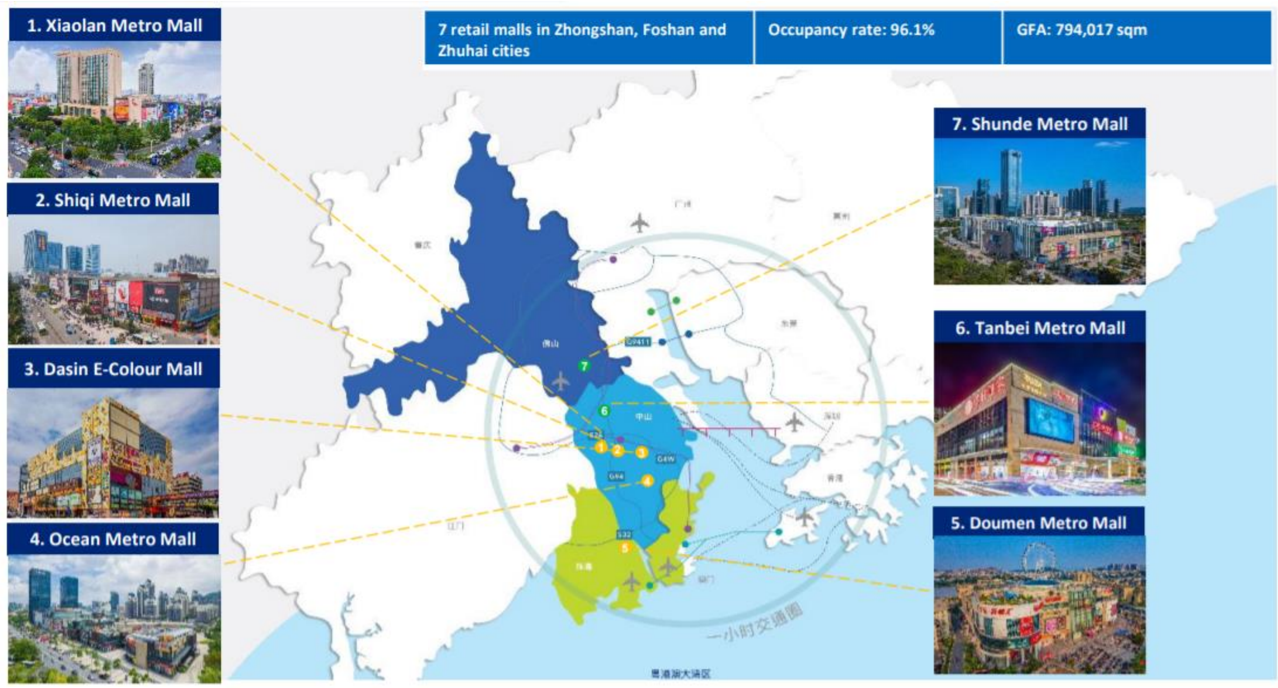
(III) Overview of the Trust's portfolio

Characteristics of the portfolio

The Trust's mandate is to invest in, own or develop land, uncompleted developments and income-producing real estate in Greater China (comprising the People's Republic of China ("PRC"), Hong Kong and Macau), used primarily for retail purposes, as well as real estate related assets, with a focus on retail malls.

As at 31 December 2020, the Trust's portfolio comprises seven retail malls located in Zhongshan, Zhuhai and Foshan cities in Guangdong, PRC as shown in **Exhibit 3**.

Exhibit 3: Map of the Seven Retail Malls of DRT



Source: Dasin Retail Trust

These properties host a tenant base of over 500 local and international retailers. A summary of the property location, land lease expiry, Net Lettable Area (NLA), Gross Floor Area (GFA) and Occupancy of the Trust's individual properties is shown in **Exhibit 4**.

Exhibit 4: Summary of Dasin Retail Trust's properties

Property	Location*	Land Lease Expiry	NLA(sqm)	GFA(sqm)	Occupancy**
Shiqi Metro Mall	ZS	Jul-2041	85,008	119,682	97.2%
Xiaolan Metro Mall	ZS	Apr-2043	73,282	108,690	97.5%
Ocean Metro Mall	ZS	Feb-2046	71,314	180,338	95.7%
Dasin E-Colour	ZS	Jul-2045	12,579	25,857	86.5%
Doumen Metro Mall	ZH	Oct-2052	78,049	168,269	97.8%
Shunde Metrol Mall	FS	Mar-2057	66,781	177,276	94.1%
Tanbei Metro Mall	ZS	Sep-2038	8,928	13,905	93.6%

*ZS – Zhongshan, ZH – Zhuhai, FS – Foshan
**Occupancies are as at Q1 2021
Source: Dasin Retail Trust

Valuation of the properties

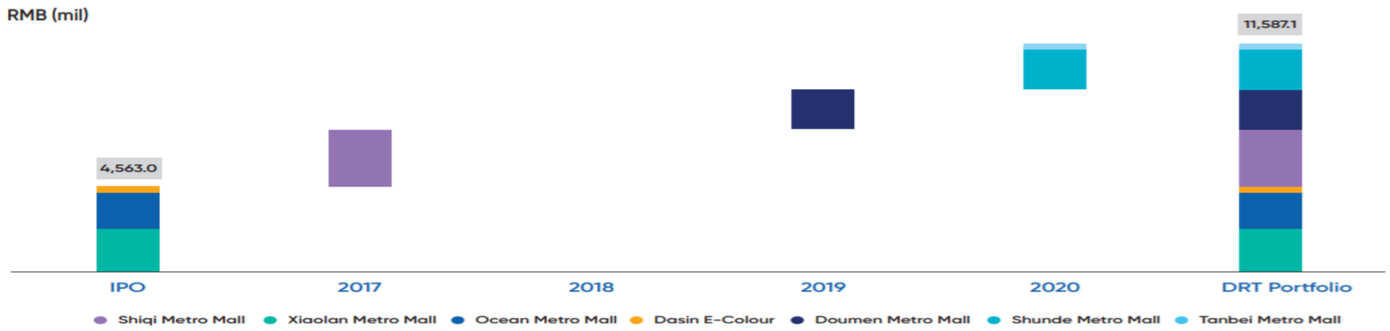
In July 2020, DRT acquired Shunde Metro Mall and Tanbei Metro Mall in Foshan city and Zhongshan city, for an agreed property value of S$375 million (RMB1,946 million) = [Shunde Metro Mall's acquisition price of S$364 million + Tanbei Metro Mall's acquisition price of S$11 million], further strengthening DRT's foothold in the fast-developing GBA.

The Agreed Property Value of S$364 million for the Shunde Property represents a discount of approximately 25.3% to D&P China (HK) Limited's (D&P) valuation of S$487.5 million and a discount of approximately 25.1% to Jones Lang LaSalle Corporate Appraisal and Advisory Limited's (JLL) valuation of S$486.5 million (RMB2,525.0 million).

The Agreed Property Value of S$11 million for the Tanbei Property represents a discount of approximately 23.8% to D&P's valuation of S$14.1 million and a discount of approximately 26.5% to JLL's valuation of S$14.6 million.

Following the acquisition, the valuation of the Trust's portfolio of approximately RMB11.6 billion (S$2.3 billion), have expanded by approximately 2.56x from RMB4.6 billion (S$0.9 billion) since its IPO with consisted of Xiaolan Metro Mall, Ocean Metro Mall and Dasin E-Colour, as shown in **Exhibit 5**.

Exhibit 5: Portfolio Valuation Since IPO



Source: Dasin Retail Trust

Using the Discounted Cash Flows ("DCF") and Income Capitalisation methods, the investment properties of the Group were valued at 31 December 2020 by JLL, as seen in **Exhibit 6**.

Exhibit 6: Valuation of Trust's Portfolio (2020)

	As at 31 December 2020 (RMB'M)	As at 31 December 2019 (RMB'M)	As at 31 December 2020 (S$'M)	As at 31 December 2019 (S$'M)
Shiqi Metro Mall	2,864	2,994	580	577
Xiaolan Metro Mall	2,149	2,274	435	439
Ocean Metro Mall	1,705	1,805	345	349
Dasin E-Colour	282	309	57	60
Doumen Metro Mall	2,015	2,100	408	406
Shunde Metro Mall	2,498	–	506	–
Tanbei Metro Mall	74	–	15	–
Total	**11,587**	**9,482**	**2,346**	**1,831**

Source: Dasin Retail Trust

The increase in the value of investment properties was mainly due to the acquisition of Shunde Metro Mall (S$506 million) and Tanbei Metro Mall (S$15 million) on 8 July 2020 and net movement in foreign currencies due to strengthening of RMB against SGD as the investment properties are RMB-denominated assets, and partially offset by net change in fair value. The increase is partially offset by decrease in valuation of the investment properties for Shiqi Metro Mall (-S$3 million), Xiaolan Metro Mall (-S$4 million), Ocean Metro Mall (-S$4 million) and Dasin E-Colour (-S$3 million) which were mainly due to lower expected rental growth rate, higher discount rate and terminal cap rate assumptions as a result of the COVID-19 pandemic, and adjusted for capital expenditure, lease incentive and government grants related to investment properties.

(IV) Portfolio Performance

Revenue Contribution

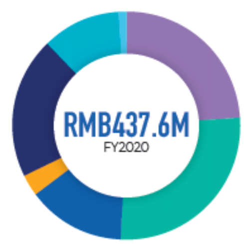
As at 31 December 2020, DRT's portfolio comprises seven retail malls in Zhongshan, Zhuhai and Foshan cities. Proactive asset and investment efforts have resulted in a resilient portfolio with no single property contributing more than 27% of the Trust's revenue in December 2020 as shown in **Exhibit 7**.

Exhibit 7: Breakdown of Revenue Contribution

	FY2020 (RMB'M)	FY2019 (RMB'M)	% Change	FY2020 (S$'M)	FY2019 (S$'M)	% Change
Shiqi Metro Mall	105.6	128.1	(18)	21.1	25.3	(17)
Xiaolan Metro Mall	118.0	129.1	(9)	23.6	25.5	(7)
Ocean Metro Mall	60.8	79.6	(24)	12.1	15.7	(23)
Dasin E-Colour	12.3	16.3	(25)	2.5	3.2	(22)
Doumen Metro Mall[1]	87.7	31.4	N.M.	17.5	6.3	N.M.
Shunde Metro Mall[2]	49.5	–	N.M.	9.9	–	N.M.
Tanbei Metro Mall[2]	3.7	–	N.M.	0.8	–	N.M.
Portfolio	**437.6**	**384.5**	**14**	**87.5**	**76.0**	**15**

Notes:
N.M. = Not Meaningful
[1] Doumen Metro Mall was acquired by the Trust on 12 September 2019. FY2019 of Doumen Metro Mall refers to the period from 13 September 2019 to 31 December 2019.
[2] Shunde Metro Mall and Tanbei Metro Mall were acquired by the Trust on 8 July 2020. FY2020 of Shunde Metro Mall and Tanbei Metro Mall refers to the period from 9 July 2020 to 31 December 2020.

GROSS REVENUE CONTRIBUTION (%)



1.	Shiqi Metro Mall	24.1
2.	Xiaolan Metro Mall	27.0
3.	Ocean Metro Mall	13.9
4.	Dasin E-Colour	2.8
5.	Doumen Metro Mall[1]	20.0
6.	Shunde Metro Mall[2]	11.3
7.	Tanbei Metro Mall[2]	0.9

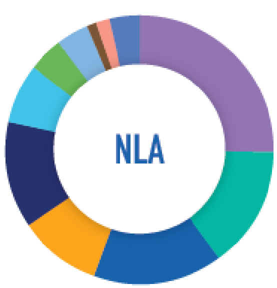
Source: Dasin Retail Trust

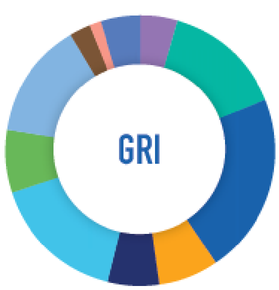
Tenant Mix

The portfolio has a diversified tenant mix with each sector accounting for less than 25% of portfolio Net Lettable Area (NLA) & Gross Rental Income (GRI), which leads to diversification of risk as shown in **Exhibit 8**.

Exhibit 8: Sector Breakdown by NLA and GRI (%)

TRADE SECTOR (%)





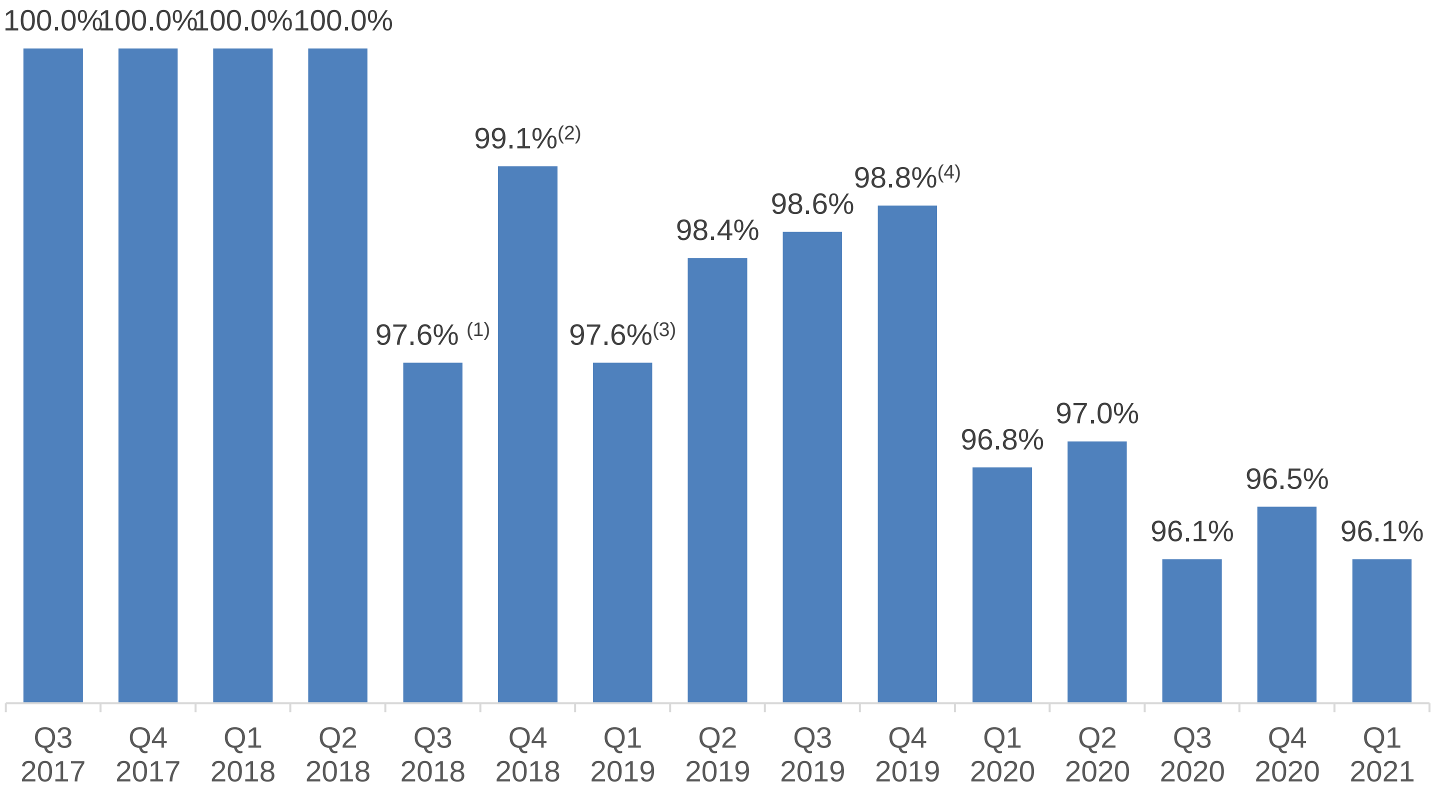
	NLA	GRI
Supermarket/ Hypermarket	25.4	4.7
Department Store	14.8	14.4
F&B/Food Court	15.6	21.5
Home Furnishings	10.0	7.4
Leisure & Entertainment	12.8	6.1
Fashion	7.1	15.9
IT & Electronics	4.1	7.5
General Retail	3.9	14.1
Services	1.2	2.3
Sports & Fitness	1.6	1.6
Others	3.5	4.5

Source: Dasin Retail Trust

Occupancy Rate

Owing to the impact of COVID-19, we note from Dasin Retail Trust that average portfolio occupancy rates remains stable since its drop in Q3 2018. The occupancy rate registered 96.1% in 1Q2021, which was slightly below 96.5% in Q42020 as shown in **Exhibit 9**. This was mainly due to the drop in occupancy rates in Dasin E-Color. The mall is situated opposite the University of Electronic Science and Technology of China (Zhongshan) Institute which form the top customer segment of the mall. Owing to COVID-19, even though students are allowed back on campus they are advised to return straight home from campus, which impacted Dasin E-Color's customer footfall and occupancy rate.

Exhibit 9: Portfolio Overall Occupancy Rate



(1) Q3 2018: Asset Enhancement Initiative (AEI) at both Shiqi Metro Mall and Xiaolan Metro Mall which accounted for 3.95% of overall area

(2) Q4 2018: AEI at Shiqi Metro Mall which accounted for 1.2% of NLA

(3) Q1 2019: AEI at Xiaolan Metro Mall which accounted 0.7% of NLA

(4) Q4 2019 AEI at Ocean Metro Mall which accounted for 2.9% of NLA

Source: Dasin Retail Trust

Lease Profile

Regarding the lease status for Dasin Retail Trust's properties, we note that the majority of lease expirations will take place in 2026 and beyond mainly due to anchor tenants with long leases, which ensures the Trust enjoys a more stable cash flow as shown in **Exhibit 10**.

Exhibit 10: Lease Expiry as at 31 December 2020

Lease Expiry Profile	NLA	GRI
FY2021	17.7%	33.4%
FY2022	4.6%	8.7%
FY2023	7.5%	12.5%
FY2024	21.6%	16.2%
FY2025	7.7%	4.0%
FY2026 & Beyond	40.9%	25.2%
Total	100.0%	100.0%

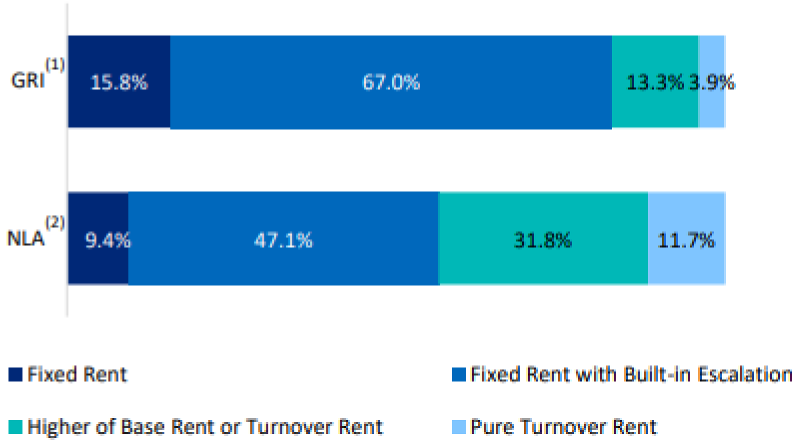
Source: Dasin Retail Trust

We also note that the Asset Enhancement Initiatives (AEI) of Ocean Metro Mall has been completed in Q42020. Approximately 9,085 sqm of furniture and finishing space at the mall has been reconfigured into a children's education area, which brought a positive rental reversion of about 46.0%.

Lease Structure

The Dasin Retail Trust's portfolio lease structure comprises four components including fixed rent, fixed rent with built-in escalation, higher of base rent or turnover rent and pure turnover rent. The fixed rent and fixed rent with built-in escalation represents 82.8% of the portfolio's GRI and 56.5% of its NLA provides the Trust with stable rental income. The lease structures with turnover rent contributes 17.2% of the portfolio's GRI and 43.5% of its NLA will also allow the Trustee-Manager to track tenants' sales, as shown in **Exhibit 11**.

Exhibit 11: Breakdown of Portfolio's Lease Structure



Source: Dasin Retail Trust

Top Tenants

None of the tenants contributed more than 7% of Dasin Retail Trust's revenue in FY 2020. However, based on China Chain Store & Franchise Association's list, 3 of the Top 5 chain retailers have leased space in Dasin's mall (Suning, GOME and RT Mart) as shown in **Exhibits 12 and 13**. Having reputable retailers can be beneficial as it may increase the footfall of the shopping malls and allowing Dasin to increase the rental rates.

Exhibit 12: Dasin Retail Trust's Top 10 Tenants

Tenant	NLA	GRI
Dasin Merchant Investment (Master lease)	8.03%	6.74%
Superior City department store	4.97%	6.38%
Jane Eyre Furniture mall	7.43%	4.94%
RT mart	15.61%	4.85%
GOME	0.86%	2.51%
Xin Yuan Hotel Restaurant	3.65%	2.28%
Suning	1.99%	1.78%
Huawei Plus/ Yongcheng Communication	0.19%	1.24%
Leto	0.90%	1.20%
Venice Streak City	1.56%	1.10%

Source: Dasin Retail Trust

Exhibit 13: China's 2020 Top 5 Chain Retailers (by retail sales)

Rank	Chain Retailer	Sales Pre-Tax (Billion yuan)
1	Suning	416.315
2	GOME	140.752
3	Red Star	108.019
4	Yonghui Superstores	104.539
5	Sun Art Retail (RT Mart)	95.486

Source: China Chain Store & Franchise Association

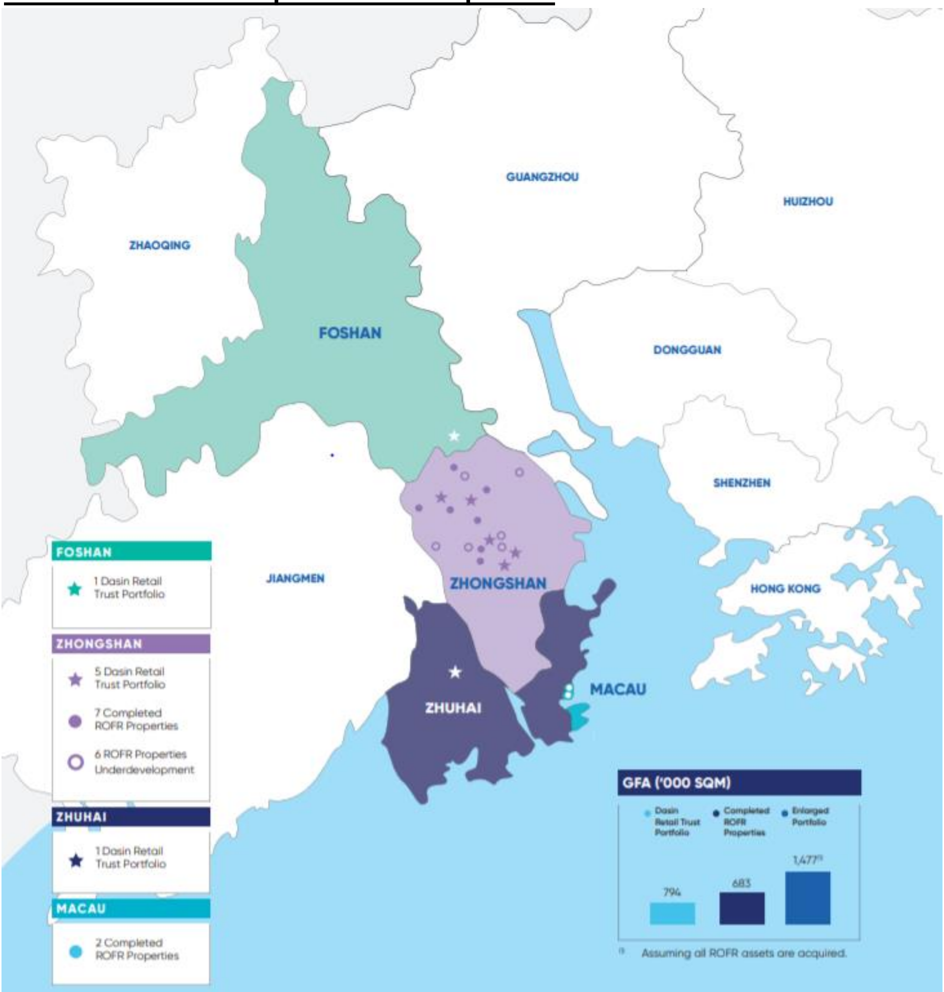
However, we would like to note that Suning, one of DRT top tenants, announced in July 2021 that they are expecting a net loss of up to RMB3.2 billion (S$668 million) for the first half of 2021. This is because the company was confronted with phased challenges and a plunge of over 30% in its estimated sales revenues for the second quarter year-on-year, which resulted in a substantial decline in its gross earnings over the past quarter. The poor financial performance of Suning may affect its lease with DRT if they were to close any of their stores within Dasin's portfolio.

However, Suning recently announced that they secured a US$1.36 billion (S$1.84 billion) bailout, backed by local government funds, suppliers and Alibaba Group Holding in exchange for a 16.69% stake in the company. This may address Suning's financial problems.

Rights of First Refusal

The Dasin Retail Trust has access to 15 right of first refusal (ROFR) assets across Zhongshan and Macau from the Sponsor. 9 of these properties have been completed (7 in Zhongshan and 2 in Macau) and the other 6 are currently under development. The completed ROFR properties have a Gross Floor Area (GFA) of 683,000 sqm which is around 86% of the Trust's existing portfolio as shown in **Exhibit 14**.

Exhibit 14: ROFR Properties of the Sponsor



Source: Dasin Retail Trust

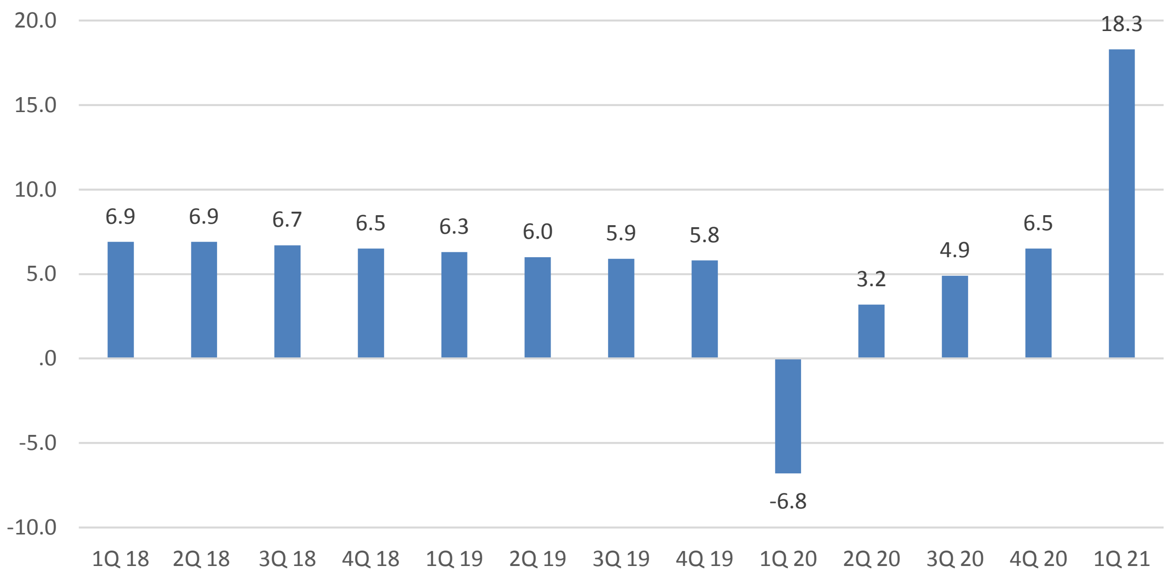
Through the sponsor's ROFR, Dasin Retail Trust can leverage on the strong support from the sponsor and acquire high quality properties at the right time. However, it is important that the Trustee-Manager undertake a prudent investment approach to inject these properties to enhance the portfolio.

RETAIL INDUSTRY OUTLOOK

(I) China Overview

According to National Bureau of Statistics of China (NBS), China's Gross Domestic Product (GDP) rose by a record 18.3% yoy in the first quarter of 2021, following a 6.5% growth in the last quarter of 2020 as shown in **Exhibit 15**. This indicates that China's economy expanded for the fourth consecutive quarter in Q1 2021, marking its highest quarterly yoy growth rate since 1993. The International Monetary Fund (IMF) also raised China's 2021 GDP forecast by 0.3% to 8.4% due to its effective containment measures and central bank's liquidity support which facilitated a strong recovery. The healthy economic outlook bodes well for the retail market as consumers are more likely to increase spending.

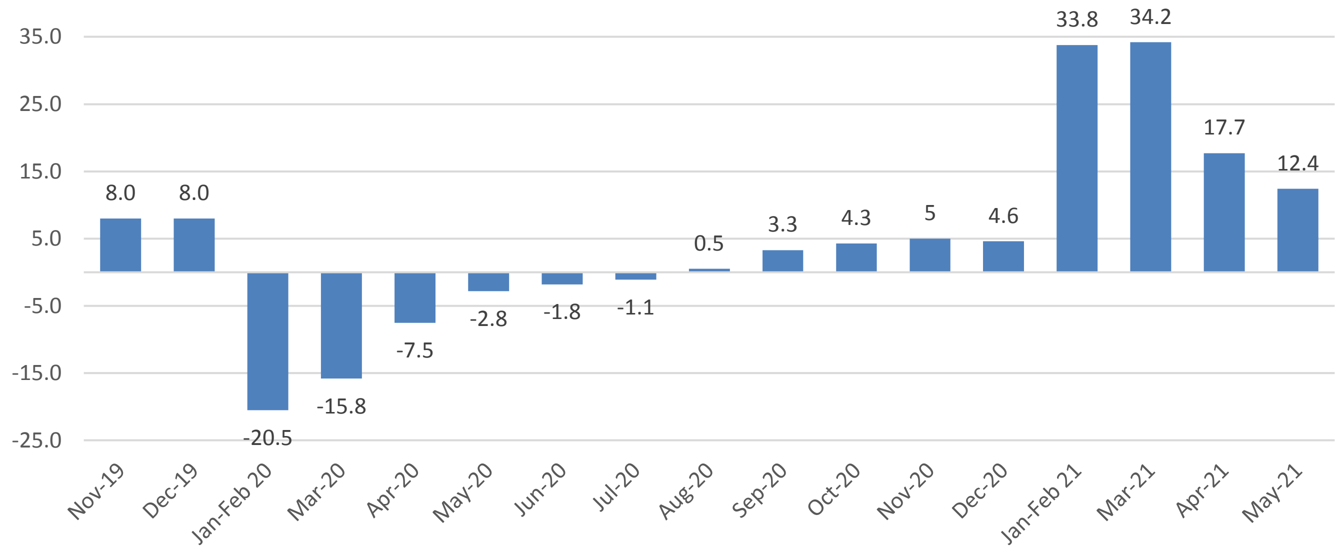
Exhibit 15: Change in China quarterly GDP (%, y-o-y)



Source: National Bureau of Statistics of China

Meanwhile, NBS reported that in May, China's total retail sales of consumer goods rose by 12.4% yoy, down from the 17.7% increase seen in the previous month as shown in **Exhibit 16** on the next page**.** From January 2021 to May 2021, China's online retail sales increased by 24.7% yoy. The online retail sales of physical goods increased by 19.9%. Of which, the sales of food, clothing and consumer goods increased by 24.2%, 28.2% and 17.0% respectively.

Exhibit 16: China monthly retail sales growth (% change yoy)



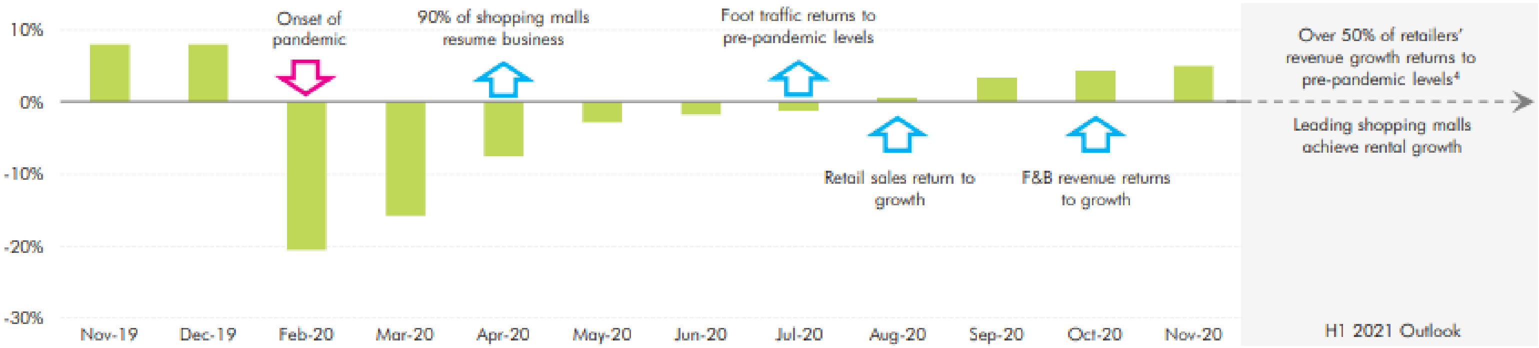
Source: National Bureau of Statistics of China

China's quick response in face of the COVID-19 pandemic has suppressed the transmission of the virus. Since Q3 2020, travelling restrictions started to loosen and retailers have resumed operations, improving consumer sentiment and business confidence. Along with the pent-up demand and quickening of vaccine rollouts we expect the strong growth potential in retail sales which will translate into stronger revenue for DRT in the coming months.

Nonetheless, we acknowledge the rise in online retailing could potentially reduce the market share of retail sales for physical stores. According to a survey by CBRE, roughly 28% of retailers in Mainland China plan to increase their online sales capacity, while 44% plan to reduce their physical footprint. Meanwhile, Savills noted that retailers embracing online platforms do not necessarily scale down their physical stores network but is adopting a multi-channel approach and changing their function and purpose of their brick-and-mortar stores. Boston Consulting Group (BCG) also reported that 62% of consumers prefer to first conduct their research online, and then acquiring the products offline. Hence, there is a relatively small possibility that online retailing will overtake the market share of physical stores. Rather, retailers are utilising these online channels to strengthen their connection with the consumer.

According to CBRE, comparable rental income of shopping malls decreased by 10%-20% y-o-y in H1 2020 due to widespread rental reductions, temporary store closures and delays in receiving rent payments. However, the situation improved rapidly in H2 2020 and it has helped to register strong sales in Q3 2020. CBRE expects total retail sales growth to reach 8%-9% in 2021. and the further recovery of retail sales will support rental income growth as shown in **Exhibit 17** on the next page.

Exhibit 17: Recovery Timeline of Key Retail Indicators

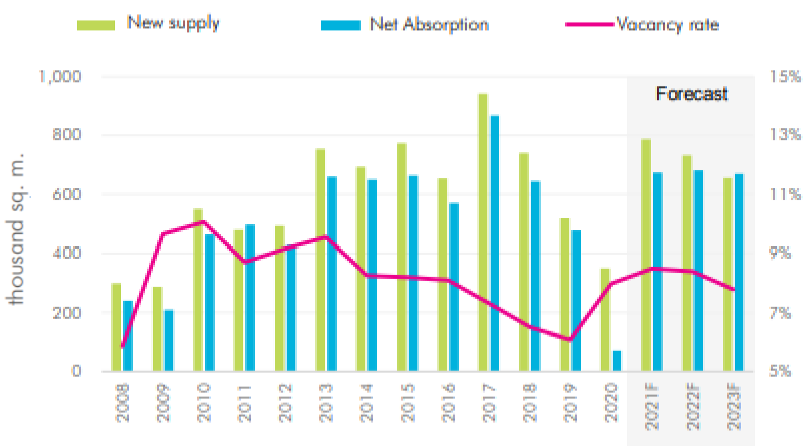


Data Source: NBS, Ministry of Commerce, Winshangr.com, CBRE Research, January 2021.

The suspension of construction following the onset of the pandemic led to more than 30% of last year's new supply being pushed back to 2021. CBRE estimates that new shopping mall supply in China's 18 major cities will reach 8 million sq. m. in 2021, reaching its highest since 2017 as shown in **Exhibit 18**. However, with just 10% of new completions due this year situated in prime locations, an undersupply situation is likely to arise in these areas, exacerbated by rising leasing demand. Of the remaining 90% of new supply located in non-prime areas, half will be in emerging districts without direct competitors. This should ensure occupancy remains healthy.

CBRE also noted that China's quick containment of the pandemic and swift rebound in consumption has instilled confidence in domestic and foreign brands and is set to spur further investment in store network expansion this year. CBRE expects vacancy rates to stabilise in 2021, followed by a decline in 2022 as shown in **Exhibit 18**.

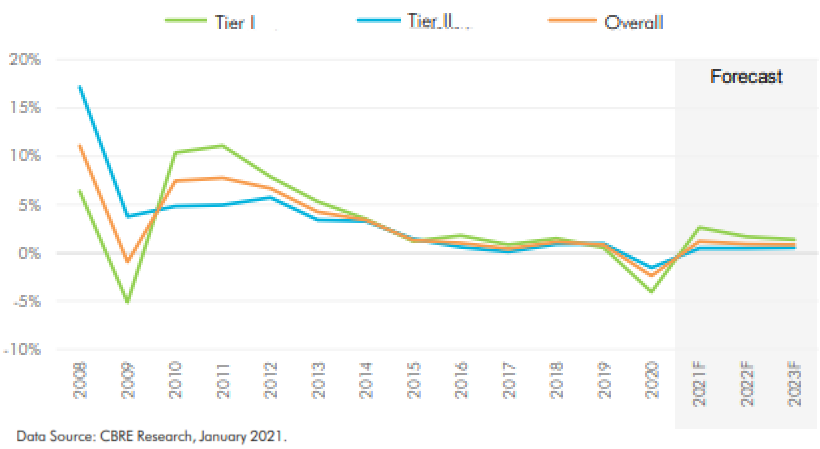
Exhibit 18: Demand and Supply Forecast



Data Source: CBRE Research, January 2021.

As supply and demand rebalances, CBRE expects shopping mall rentals to rise slightly in 2021 and then recover to pre-pandemic levels in 2022. The rental recovery will be stronger in tier I cities (Beijing, Shanghai, Guangzhou and Shenzhen) compared to tier II locations (Xiamen, Fuzhou, Hefei and Kunming) as shown in **Exhibit 19**.

Exhibit 19: Shopping Mall Rental Forecast



Data Source: CBRE Research, January 2021.

(II) Greater Bay Area Overview

In 2018. According to CBRE, the Greater Bay Area accounted for 5% and 0.6% of China's population and land area, respectively, but contributed to 11.8% of the country's GDP. We note that GBA's Per-capita GDP in 2019 fell short of the world's top three major bay areas as shown in **Exhibit 20.** However, the National Development and Reform Commission approval to allow Greater Bay Area's intercity railway construction plan in August 2020 has promoted better integration of urban agglomerations in the area. The Trust had benefited positively from the rapid development and the enhanced connectivity within GBA.

Exhibit 20: Comparison of the largest bay areas in the world (2020)

as at 2020	Greater Bay Area	San Francisco Bay Area	New York Bay Area	Tokyo Bay Area
Area (sq km)	56,098	17,887	24,179	36,898
Population	86.17	7.74 (1)	19.22 (1)	44.34
GDP (USD billion)	1,679.3 (1)	995.1 (1)	1,861.2 (1)	1,991.6 (2)
Per-capita GDP (USD)	23,116 (1)	128,573 (1)	96,853(1)	45,084 (2)
GDP share of tertiary industry (%)	66.1	75.0 (1)	82.4 (1)	75.9 (2)

(1) 2019 figures

(2) 2018 figures

Source: Government statistical departments in the relevant jurisdictions; HKTDC; CBRE Research

According to the economic data released by the Zhongshan City Statistics Bureau, Zhongshan's GDP in 2020 was RMB 315.1 billion, up 1.5% from the previous year. Total consumer goods retail sales was RMB 140.7 billion, which is a decline of 13.0% year-on-year. Disposable income per capita grew by 4.5% year-on-year to RMB 52,754, which is higher than the national disposable income per capita of RMB 32,189.

Economic data from the Statistics Bureau of Zhuhai showed that Zhuhai's GDP in 2020 was RMB 348.194 billion, 3.0% higher from the previous year. Total consumer goods retail sales registered a decline of 7.5% year-on-year to RMB 92.126 billion. Disposable income per capita rose by 6.6% to RMB 55,936 versus the national disposable income per capita of RMB 32,189.

As for Foshan, the Foshan Municipal People's Government reported that the city's GDP rose by 1.6% in 2020 from the previous year to RMB 1,081.7 billion. Total consumer goods retail sales fell by 10.8% year-on-year to RMB 328.9 billion. Compared to the national disposable income per capita of RMB 32,189, Foshan's disposable income per capita was RMB 56,245, up 4.1%.

Even though the three cities experienced decline in total consumer goods retail sales, they have reported GDP growth with higher disposable income per capita as compared to the national disposable income per capita. The decrease in total consumer goods retail sales may be due to COVID-19 safety measures which resulted in shopping malls to close or shorten their operating hours in FY2020. However, most shopping malls have since resumed normal operating hours and retail sales in China have been experiencing growth since August 2020 as noted on page 15.

The government has released an Outline Development Plan for the GBA to further develop and generate new impetus for growth to bring new development opportunities. Under this development plan, Zhongshan would be developed into an important integrated transport hub in the western part of the GBA while Zhuhai will be developed into a high standard international leisure and tourism island. Foshan, as a national base for advance manufacturing, together with Zhuhai, will be spearheading the development of an industrial belt for advanced equipment manufacturing. Further, the Shenzhen-Zhongshan bridge which will commence operation in 2024 will reduce the travel time between both cities from 2 hours to 20 minutes. When the bridge is ready, the increase in connectivity will attract more visitors as Zhongshan becomes an attractive alternative to Tier 1 cities like Shenzhen. This will benefit DRT, which has five shopping malls in Zhongshan city.

RECENT SHARE PRICE DEVELOPMENT

During the first half of 2021, DRT announced the refinancing of its Onshore & Offshore Facilities and its proposed strategic partnership with ARA. Amid these developments, DRT's share price was relatively stable and maintained above S$0.700.

Since mid-June, however, the share price has broadly declined and reached a low of S$0.480 on 15 July 2021. Fresh developments during this period included the termination of DRT's partnership with ARA and the announcement of a potential partnership with Sino-Ocean Capital. DRT also updated that it is still working to obtain approvals for the refinancing of its Offshore Facilities. We are inclined to believe that potential concerns over the sudden termination of the ARA partnership as well as refinancing uncertainties could have in part contributed to the share price weakening.

Nevertheless, the latest announcement on 20 July 2021 regarding the extension of the Onshore & Offshore Facilities has seemingly calmed investor concerns over DRT's refinancing risks. A solidified partnership with Sino Ocean has been perceived as positive. Negative sentiment has seemingly eased and has been reflected in a slight recovery in the share price to between S$0.505 and $0.545.

Meanwhile, on shareholdings' movement, we note that the ownership stake of Mr. Zhang Zhencheng, DRT's major controlling shareholder, increased slightly from 53.3% at the end of 2020 to 53.56% as of 27 May 2021. The increase, was due to additional units received by Mr. Zhang from the payment of the trustee fee and the base fee components of the management fees.

FINANCIAL ANALYSIS

In this section, we will provide a review of the Group's financial performance and capital management.

(I) Financial review

Review of full year 2020 results

For the financial year ended 31 December 2020 (FY2020), the Group reported a 15.1% year-on-year (y-o-y) increase in revenue to S$87.5 million mainly due to full year contribution by Doumen Metro Mall which was acquired in September 2019 as well as approximately six months contribution by Shunde Metro Mall and Tanbei Metro Mall, which were acquired in July 2020.

The Net Property Income (NPI) margins increased to 80% in FY 2020 compared to 79% in FY 2019. Higher NPI margins was due mainly to lower operating expenses resulting from lower electricity charges, lower advertising and promotion expenses, lower repair and maintenance expenses and property tax rebates provided by local government owing to the government support for businesses in response to COVID-19 as shown in **Exhibit 21**.

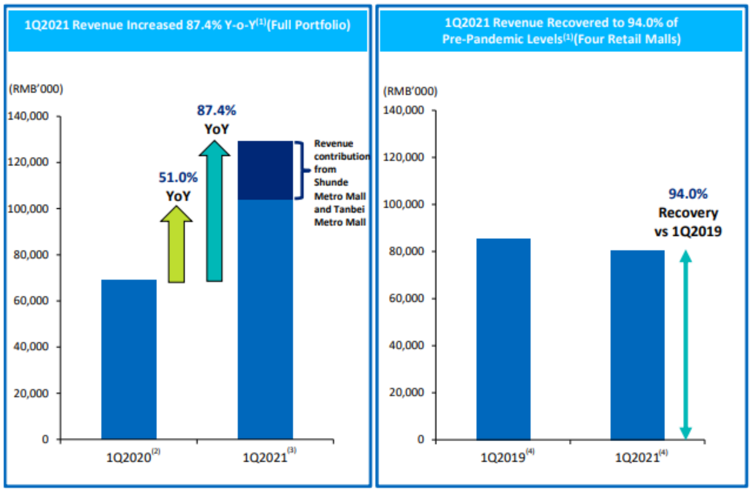
Exhibit 21: Revenue and NPI for FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Rental income	77,378	66,336	16.6%
Other operating income	10,098	9,671	4.4%
Revenue	**87,476**	**76,007**	**15.1%**
Property related tax	(4,827)	(4,392)	9.9%
Property and commercial management fees	(1,733)	(1,506)	15.1%
Other Property operating expenses	(10,868)	(10,127)	7.3%
Total property operating expense	(17,428)	(16,025)	8.8%
Net Property Income (NPI)	**70,048**	**59,982**	**16.8%**
Net property magin	*80%*	*79%*	

Source: Dasin Retail Trust

However, we would like to note that in DRT's business update for Q1 2021, the group's revenue excluding the new acquisition (Shunde Metro Mall and Tanbei Metro Mall) increased by 51.0% yoy and its revenue for the full portfolio increased by 87.4% yoy in Q1 2021 as compared to Q1 2020. Furthermore, revenue in Q1 2021 excluding the new acquisitions, recovered by 94.0% as compared to Pre-Pandemic levels in Q1 2019 as shown in **Exhibit 22** on the next page.

Exhibit 22: Revenue Updates for Q1 2021



Source: Dasin Retail Trust

Meanwhile, the Trustee-Manger's management and Trustee fees for the year ended 31 December 2020 increased by 33.2% and 33.3% respectively due to higher value of the Trust Property of the Group, following the completion of the acquisition of Shunde Metro Mall and Tanbei Metro Mall. The acquisition fee increased by 35.1% in FY2020 was incurred for the acquisition for Shunde Metro Mall and Tanbei Metro Mall compared to the acquisition of Doumen Metro Mall in FY2019 as shown in **Exhibit 23.**

Exhibit 23: Trustee-Manager's Fees Breakdown for FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Trustee-Manager's fees			
Base Management fee	5,648	4,239	33.2%
Trustee fee	452	339	33.3%
Acquisition fee	2,278	1,686	35.1%

Source: Dasin Retail Trust

Other trust expenses increased by 26.5% y-o-y to S$ 4.3 million in FY 2020. The increase is mainly related to the cost incurred for the Shunde and Tanbei acquisition. The increase of professional fees by 15.6% was due to valuation, legal, tax agent, internal audit and compliance fees as shown on **Exhibit 24** on the next page.

Exhibit 24: Breakdown of Other Trust Expenses for FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Audit fees	398	338	17.8%
Facility agent and security agent fees	385	119	223.5%
Professional fees	622	538	15.6%
Expenses relating to acquisition of subsidiaries written off	1,885	819	130.2%
Stamp duty	130	328	(60.4%)
Unclaimable GST expenses	543	692	(21.5%)
Investor relations	172	203	(15.3%)
Others	165	361	(54.3%)
Other trust expense	**4,300**	**3,398**	**26.5%**

Source: Dasin Retail Trust

Exchange gain for FY2020 of S$2.4 million comprise unrealised exchange gain of S$4.8 million and realised exchange loss of S$2.4 million as shown in **Exhibit 25**. Unrealised exchange gain was mainly due to strengthening of SGD against USD and HKD on the USD and HKD denominated bank loans of US$168.3 million and HKD 294.0 million respectively. The exchange rates were USD/SGD 1.3217 in 2H2020 compared to 1.3945 in 1H2020 and HKD/SGD 0.1705 in 2H2020 compared to 0.1799 in 1H2020. Realised exchange loss was mainly attributable to foreign exchange loss arising from settlement of the RMB-denominated indebtedness in respect of Shunde Metro Mall and Tanbei Metro Mall, which comprises purchase consideration of the PRC subsidiaries and construction payables and other liabilities.

Exchange gain for FY2019 of S$5.3 million is due mainly to an unrealised exchange gain from the strengthening of the SGD against USD and HKD on the USD and HKD denominated bank loans of US$134.3 million and HKD 294.0 million respectively.

Exhibit 25: Exchange Gain in FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Exchange gain	2,427	5,263	(53.9%)

Source: Dasin Retail Trust

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 the Trust to partially hedge the floating interest rate risk of its Offshore Facilities and Offshore Facilities for Shunde and Tanbei Acquisition. The net loss in fair value of derivative financial instruments of S$0.28 million in FY2020 was mainly due to the current interest rate being lower than the level of interest rate hedged or contracted for the derivative financial instruments as shown in **Exhibit 26**.

Exhibit 26: Other Expenses in FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Net change in fair value of derivative financial instruments	(284)	(1626)	(82.5%)

Source: Dasin Retail Trust

Finance income for FY2020 was higher than FY2019 by approximately S$0.1 million or 10.7% mainly due to contributions by Shunde Metro Mall and Tanbei Metro Mall which was acquired in July 2020. Higher interest expenses on loans and borrowings of 20.6% in FY2020 compared to FY2019, were mainly due to drawdown of the onshore term loan of RMB478.0 million (S$96.8 million) and the offshore syndicated term loan of approximately S$131.9 million to finance the acquisition of Shunde Metro Mall and Tanbei Metro Mall in 2H2020 as shown in **Exhibit 27**.

Exhibit 27: Breakdown of Net Finance Cost in FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Finance income	1,292	1,167	10.7%
Finance cost			
Amortisation of capitalised transaction	(10,339)	(10,005)	3.3%
Commitment fee expense	-	(40)	NM
Interest expense	(665)	-	NM
Interest expense on loans and borrowings	(24,984)	(20,712)	20.6%
Interest expense on Right-Of-Use (ROU) assets	-	(3)	NM
Net finance cost	**(34,696)**	**(29,593)**	**17.2%**

Source: Dasin Retail Trust

Consequently, net income amounted to S$24.8 million for the period, up by 1.9% y-o-y, as shown in **Exhibit 28**.

Exhibit 28: Group's Net Income for FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Rental income	77,378	66,336	16.6%
Other operating income	10,098	9,671	4.4%
Revenue	**87,476**	**76,007**	**15.1%**
Property related tax	(4,827)	(4,392)	9.9%
Property and commercial management fees	(1,733)	(1,506)	15.1%
Other Property operating expenses	(10,868)	(10,127)	7.3%
Total property operating expense	(17,428)	(16,025)	8.8%
Net Property Income (NPI)	**70,048**	**59,982**	**16.8%**
Net property magin	*80%*	*79%*	
Trustee-Manager's fees			
Base Management fee	(5,648)	(4,239)	33.2%
Trustee fee	(452)	(339)	33.3%
Acquisition fee	(2,278)	(1,686)	35.1%
Other trust expenses	(4,300)	(3,399)	26.5%
Exchange gain	2,427	5,263	(53.9%)
Other expense	(284)	(1,626)	(82.5%)
Finance income	1,292	1,167	10.7%
Finance cost	(35,988)	(30,760)	17.0%
Net Income	**24,817**	**24,363**	**1.9%**

Source: Dasin Retail Trust

There was a decrease in valuation of the investment properties by 404.6% in FY2020 compared to FY2019 respectively, was mainly due to lower expected rental growth rate, higher discount rate and terminal cap rate assumptions as a result of the COVID-19 pandemic, and adjusted for capital expenditure, lease incentive and government grants related to investment properties.

This resulted in a pre-tax loss of S$79.9 million in FY 2020 as compared to the pre-tax profit of S$3.6 million in FY 2019 as shown in **Exhibit 29**.

Exhibit 29: Group's Pre-tax (Loss)/Profit in FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Net Income	24,817	24,363	1.9%
Net change in fair value of investment properties	(104,722)	(20,754)	404.6%
(Decrease)/ Increase in valuation of the investment properties	(99,124)	(18,671)	430.9%
Recognition of rental income on a straight-line basis	(5,598)	(2,083)	168.7%
(Loss)/Profit before income tax	**(79,905)**	**3,609**	**NM**

Source: Dasin Retail Trust

While the Group incurred loss in FY2020, the rental management companies of Shiqi Metro Mall and Xiaolan Metro Mall have incurred income tax expenses on their taxable profits of S$11.2 million and S$13.1 million for FY2020 respectively. The income tax expense is calculated based on the statutory income tax rate of 25%.

Deferred income tax expense/(income) arise mainly from recognition of the temporary differences between the carrying amounts used for financial reporting and taxation purposes (the "Temporary Differences") relating to the investment properties. Decrease in deferred income tax expense/(income) for FY2020 compared to deferred income tax expense for FY2019 mainly arose from decrease in Temporary Differences in respect of the investment properties for Shiqi Metro Mall, Xiaolan Metro Mall, Ocean Metro Mall and Dasin E-Colour due to the lower fair values of these investment properties as at 31 December 2020; offset by such Temporary Differences arising from the acquisition of Shunde Metro Mall and Tanbei Metro Mall in July 2020 as shown in **Exhibit 30**.

Exhibit 30: Breakdown of Interest Tax Expense FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Current income tax expense	6,279	7,755	(19.0%)
Withholding tax expense	972	1,190	(18.3%)
Deferred income tax (income)/expense	(15,030)	2,100	NM
Income tax (credit)/expense	**(7,779)**	**11,045**	**NM**

Source: Dasin Retail Trust

Adjusting for income tax credit, the Group incurred an after-tax loss of S$72.1 million for the period, compared with S$7.4 million loss for FY 2019 which is fully attributed to unit holders as shown in **Exhibit 31** on the next page.

Exhibit 31: Group's Financial Result for FY2020 and FY2019

S$'000	FY2020	FY2019	y-o-y change
Revenue	87,476	76,007	15%
Net Property Income (NPI)	70,048	59,982	17%
(Loss)/ profit before income tax	(79,905)	3,609	NM
Income tax credit/ (expense)	7,779	(11,045)	NM
Loss for the year	(72,126)	(7,436)	NM
Attributable to:			
Unitholders of the Trust	**(72,126)**	**(7,436)**	**NM**

Source: Dasin Retail Trust

Meanwhile, total distribution to unitholders amounted to S$20.6 million compared to S$23.3 million in FY2019. Accordingly, a distribution per unit (DPU) of 3.94 cents was declared for the period, lower than FY2019 DPU of 6.82 cents by 42.2%.

The Group's statement of distribution for FY2020 and FY2019 are summarized in **Exhibit 32**.

Exhibit 32: Group's statement of distribution for FY2020 and FY2019

S$'000	FY2020	FY2019	y-o-y change
Loss for the year	(72,126)	(7,436)	NM
Distribution adjustment	92,705	30,706	NM
Amount available for distribution	**20,579**	**23,270**	**(11.6%)**
Distribution per unit (cents)			
With Distribution Waiver	3.94	6.82	(42.2%)
Without Distribution Waiver	2.89	3.95	(26.8%)

Source: Dasin Retail Trust

Net loss attributed to unitholder of the Trust was S$72.1 million. Accordingly, Basic Earnings Per Unit (EPU) loss amounted to 10.18 cents for the period as compared to 1.27 cents a year ago, while Diluted EPU loss amounted to 10.15 for the period as compared to 1.27 a year ago as shown in **Exhibit 33.**

Exhibit 33: EPU (Basic and Diluted) for FY 2020 and FY 2019

S$'000	FY2020	FY2019	y-o-y change
Loss attributed to Unitholders of the Trust	(72,126)	(7,436)	NM
Basic EPU (cents)			
Weighted average number of Units in issue ('000)	708,672	584,757	21.2%
Basic EPU [1]	(10.18)	(1.27)	NM
Diluted EPU (cents)			
Weighted average number of Units in issue ('000)	710,907	586,351	21.2%
Diluted EPU [2]	(10.15)	(1.27)	NM

[1] EPU is calculated based on loss for the period and weighted average number of Units as at the end of each period.

[2] Diluted EPU is calculated based on loss for the period and weighted average number of Units outstanding during the period, adjusted for the effects of all dilutive potential Units arising from issuance of estimated Units of Trustee-Manager's fees.

Source: Dasin Retail Trust

Review of historical financials

We will also review the Group's historical financial results to evaluate how it has performed prior to the COVID-19 pandemic. With reference to **Exhibit 34**, we note that the Group has managed to grow its revenue stream from investment properties over the years. This is mainly due to acquisitions made by the Trust since its inception in 2017. These acquisitions include Shiqi Metro Mall in 2017, Doumen Metro Mall in 2019 and Shunde and Tanbei Metro Mall in 2020. Meanwhile, the Group's NPI has also increased over the years. However, the NPI margin in FY 2019 dropped below 80% to 78.92% due to cost incurred for the acquisition of Doumen Metro Mall relating to acquisition fees, legal and professional fees.

Exhibit 34: Group's Historical Financials

	For year ended Dec 31			
[S$'000]	FY2017	FY2018	FY2019	FY2020
Revenue	57,696	71,288	76,007	87,476
Net Property Income	46,560	57,323	59,982	70,048
NPI Margin	80.70%	80.41%	78.92%	80.08%
Amount available for distribution	18,009	21,216	23,270	20,579
EPU (cents)	3.42	(2.07)	(1.27)	(10.18)
DPU (cents)	7.16	7.22	6.82	3.94
Closing price as at Dec 31 (S$)	0.8510	0.8690	0.8410	0.7850
Dividend yield (%)	8.4%	8.3%	8.1%	5.0%

Source: Dasin Retail Trust, FPA Financial

We also note that the EPU have been negative over the years, except for FY2017 when the group recorded positive net change in fair value of investment properties. The amount available for distribution has increased from FY2017 to FY 2019 but has dropped 11.6% in FY2020 as noted on page 25. This is due to higher adjustments to deferred income tax income, recognition of rental income on a straight-line basis over the lease term and the amount set aside for future repayment of interest and related cost of loan facilities. However, the DPU to unitholders have been decreasing. This may be due to its distribution waiver, where major unitholder waived a percentage of their entitlement to distribution, allowing DRT to distribution higher DPU to the rest of the shareholders. The distribution is set to end on 31 December this year as shown in **Exhibit 35**. Accordingly, we note that dividend yield has dropped over the years and reached 5.0% in FY2020.

Exhibit 35: Group's Distribution Waiver Period

Distribution Waiver Period	Aggregated units not entitled to distribution (mil)	% of total number of units on listing date
Listing Date - 31 Dec 2017	302.3	55.0%
1 Jan 2018 - 31 Dec 2018	263.8	48.0%
1 Jan 2019 - 31 Dec 2019	247.3	45.0%
1 Jan 2020 - 31 Dec 2020	192.4	35.0%
1 Jan 2021 - 31 Dec 2021	82.4	15.0%

Source: Dasin Retail Trust

Given the above, the Group's financial performance has been relatively healthy with revenue growth over the years while maintaining its NPI. Prior to the COVID-19 pandemic, unitholders have also managed to enjoy high dividend yield annually. While the pandemic has affected the Group's financial performance in FY2020, we could expect a stronger performance going forward as Chinese authorities ramped up their efforts in getting their citizens vaccinated to control the virus situation.

(II) Capital Management

Review of Balance Sheet

The Group reported total assets of S$2,509.3 million as at the end of FY2020 compared to S$1,960.4 million at the end of FY2019. The increase in total assets was largely due to the acquisition of Shunde Metro Mall and Tanbei Metro Mall. The increase is partially offset by the decrease in valuation of investment properties for Shiqi Metro Mall, Xiaolan Metro Mall, Ocean Metro Mall and Dasin E-Colour as mentioned in **Exhibit 3** above.

Total liabilities increased by S$332.3 million to S$1,406.9 million over FY2020. Deferred liabilities increase by S$ 77.4 million or 23% as at 31 December 2020 mainly attributed to deferred tax liabilities of S$76.1 million on the fair value of Shunde Metro Mall and Tanbei Metro mall. During the period, the total loans and borrowings increase by S$233.9 million to S$939.5 million.

The Group recorded net asset of S$1,102.4 million at the end of FY2020 compared to S$1,074.7 million at the end of FY2019 mainly due to the increase in investment properties in FY2020. Given S$1,102.4 million in net asset attributable to unitholders, the Group reported a Net Asset Value (NAV) of S$1.41 as at 31 December 2020 as compared to S$ 1.37 a year ago. A summary of the Group's balance sheet data is shown in **Exhibit 36**.

Exhibit 36: Summary of Group's Balance Sheet

[S$'000]	31-Dec-20	31-Dec-19
Total assets	2,509,289	1,960,404
Total liabilities	1,406,938	1,074,676
Net assets	1,102,351	885,728
Equity attributable to shareholders	1,102,351	885,728
No. of issued shares, excluding treasury shares ('000)	779,716	648,628
NAV per share (S$)	1.41	1.37

Source: Dasin Retail Trust, FPA Financial

As at the end of FY2020, the group net debt (before transaction cost) was S$948.8 million compared to S$716.2 million a year ago. This comprised of S$ 517.6 million in current secured borrowings and S$431.2 million in non-current secured borrowings. Thus, the Group's gearing ratio as computed by net debt (before transaction cost) over total assets stood at approximately 38% at the end of FY2020 compared to 37% as at the end of FY2019. Net of capitalised transaction cost, the Group's debt stood at S$939.5 million as at 31 December 2020 compared to S$716.2 million a year ago. A breakdown of the Group's net debt is shown on **Exhibit 37** on the next page.

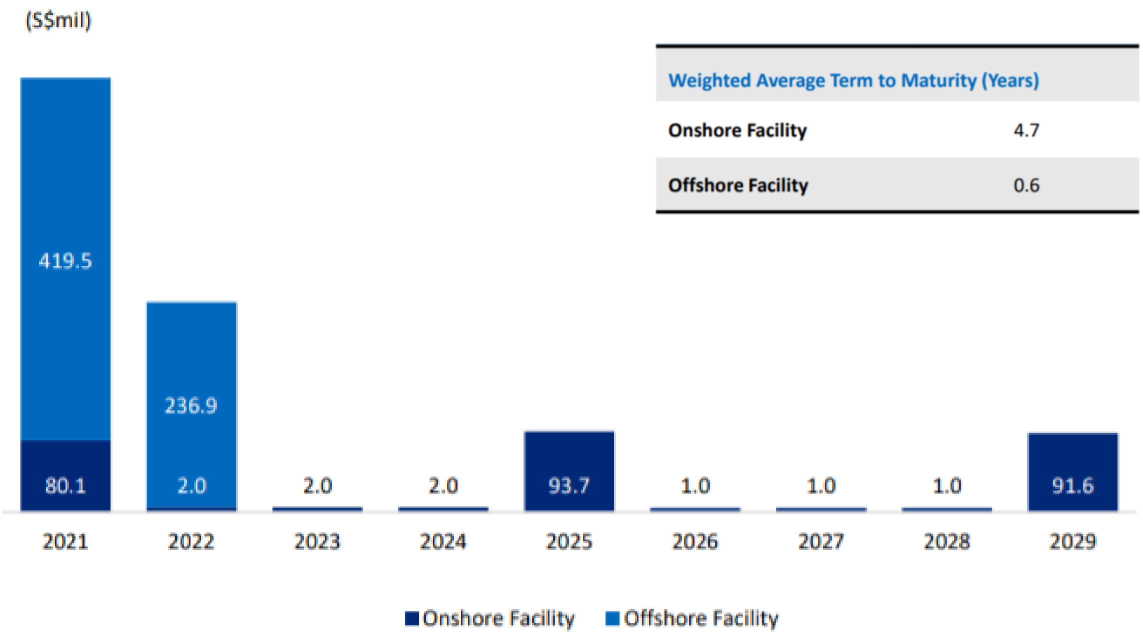
Exhibit 37: Breakdown of Group's Debt

S$'000	31-Dec-20	31-Dec-19
Secured borrowings, current	517,606	204,112
Secured borrowings, non-current	431,182	512,094
Net debt (before transaction cost)	948,788	716,206
Less: Transaction cost	(9,314)	(10,693)
Net debt (net transaction cost)	939,474	705,513
Net debt (before transaction cost)	948,788	716,206
Total asset	2,509,289	1,960,404
Gearing	0.38	0.37

Source: Dasin Retail Trust

The Group has onshore syndicated term loans (Onshore Facility) and offshore syndicated term loans (Offshore Facilities). In terms of debt maturity, the Onshore Facility has a Weighted Average Term to Maturity of 4.7 years while its Offshore Facility is 0.6 years. As shown in **Exhibit 38**, S$499.6 million of the liabilities will be due in 2021. It would comprise of $80.1 million Onshore Facility and S$419.5 million Offshore Facility

Exhibit 38: Group's Debt Maturity Profile as at 31 December 2020



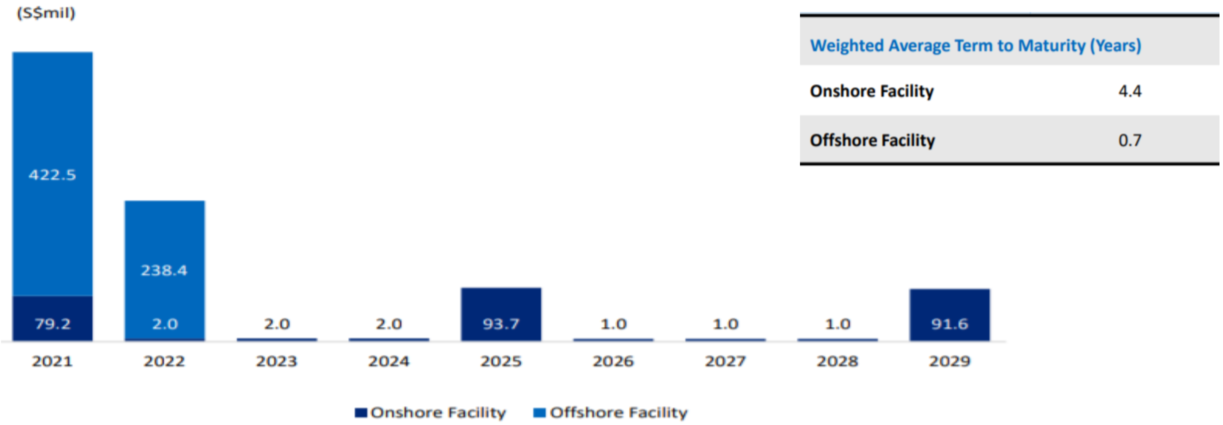
Weighted Average Term to Maturity (Years)	
Onshore Facility	4.7
Offshore Facility	0.6

Source: Dasin Retail Trust

As at 31 December 2020, the Group has three Onshore Facilities of RMB386.0 million (S$78.1 million), RMB492.5 million (S$99.7 million) and RMB476.8 million (S$96.5 million) and three Offshore Facilities of S$383.9 million, US$168 million (S$222.4 million) and HK$294.0 million (S$50.1 million).

However, we would like to note that in DRT's business update for Q1 2021, as of 31 March 2021, in terms of debt maturity, the Onshore Facility has a Weighted Average Term to Maturity of 4.4 years while its Offshore Facility is 0.7 years, with a gearing of 37.2%. Also, its Onshore and Offshore facility for 2021 is S$79.2 million and S$422.5 million, respectively as shown in **Exhibit 39**.

Exhibit 39: Group's Debt Maturity Profile as at 31 March 2021



Source: Dasin Retail Trust

Additionally, DRT announced on 20 July 2021 that the Trust have 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. The Trustee-Manager highlighted that the further extensions would allow the Trust to jointly coordinate the refinancing of the Offshore Facilities. Currently they are still seeking to secure refinancing of the outstanding loans and is working to obtain the approvals for the refinancing from all the banks within the respective syndicate of lenders.

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UPCOMING CATALYST

(I) Sino-Ocean Capital Partnership

Dasin Retail Trust's trustee-manager announced on 5 July 2021 that its chairman Zhang Zhencheng, as well as Aqua Wealth Holdings, has terminated a proposed sale and purchase agreement with two subsidiaries of ARA Asset Management (ARA) made in April this year. At the same time, DRT also announced that Mr Zhang had entered into a non-binding memorandum of understanding in pursuance of a strategic partnership with Sino-Ocean Capital Holding Limited (Sino-Ocean Capital). In addition, pursuant of the Sino-Ocean Capital Partnership, Sino-Ocean Capital will use its best endeavours and banking relationships to assist in the refinancing of the Offshore Facilities or the extension of the repayment date from the syndicate of lenders.

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 Sino-Ocean Capital Holding Limited (Sino-Ocean Capital). New Harvest is an affiliate of Sino-Ocean and will acquire 70.0% of the total issued share capital (Sale Share) in the Trustee-Manager from Mr. Zhang. Sino-Ocean Capital, which currently holds approximately 6.36% of the total issued units in the Trust (via its affiliate Glory Class), is also a long-time partner of the Sponsor and Mr. Zhang.

The Trustee-Manager also granted a call option to New Harvest (or any of its designated affiliates) for a period of one year after the completion of the sale of the Sale Shares (the "Option") over units in the Trust (the "Units") which, in aggregate, shall not exceed the lower of (a) the total Units owned by Aqua Wealth; and (b) 26.0% of the total Units, in each case as of the date when the Option is exercised.

Given the above announcement, we foresee the possibility that the termination of the agreement with ARA and partnership with Sino-Ocean Capital could be a strategic decision by DRT to obtain better refinancing for its Offshore facilities. China Life Insurance Group, a Chinese holding company for China's Ministry of Finance, is one of the two major shareholders of Sino-Ocean Capital’s parent company, Sino-Ocean Group Holding Limited. This may allow Sino-Ocean Capital to secure favourable refinancing rates with state-owned banks in China which will be beneficial for DRT.

Meanwhile, we identify two other potential benefits from the partnership. First, DRT could benefit from the partnership by leveraging on Sino-Ocean Capital’s expertise and track record as a top domestic real estate fund management company. Second, DRT could gain access to accretive acquisition opportunities. In a recent interview with Business Times, DRT’s CEO Ms Wang Qiu highlighted plans to double DRT’s market capitalisation to S$1 billion in three to five years through inorganic acquisitions of the sponsor’s ROFR properties. In view of the partnership, and the fact that Sino Ocean Capital is a long-time partner of the Sponsor, this may also provide greater opportunities for DRT to tap on the Sponsor's network to acquire new assets in China on favourable terms.

<u>About Sino-Ocean Capital</u>

Sino-Ocean Capital was founded in 2013 and has quickly emerged as one of the leading domestic real estate fund management company and an outstanding alternative asset management company in China. As of 31 December 2020, Sino-Ocean manages approximately US$20.1 billion in gross Asset Under Management (AUM) with diversified business lines including Real Estate Investment, Credit Investment, Private Equity, Investment Advisory, Strategic Investment and Others. Its real estate investments includes commercial properties, logistic properties and data centres.

Sino-Ocean Capital’s parent company, Sino-Ocean Group Holding Limited was founded in 1993 and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 September 2007 with China Life Insurance Company Limited and Dajia Life Insurance Company Limited as major shareholders. To date, Sino-Ocean Group has developed and operated over 500 projects in more than 70 fast-growing cities in China.

FINANCIAL PROJECTIONS

In this section, we will be providing our projections for the Group's revenue, earnings and dividends in FY2021 and FY2022.

(I) Revenue projections

FY2021

As noted on page 20, the acquisition of the three malls during mid-2019 and 2020 contributed to a 16.6% y-o-y growth in rental income. Looking ahead in 2021, we note a positive outlook for China's retail industry. According to CBRE, China's current retail industry is expected to improve, with the recovery of retail sales supporting the rental income growth. Further, amid the pandemic, DRT leveraged on online platforms to mitigate the decline in shopper traffic. DRT organised live streaming and hosted more than 100 live broadcasts to drive tenants' sales. These initiatives have not only helped their tenants tide over the difficult period, but it also resulted in the partial recovery in turnover rent and revenue for the Group.

Considering the above, given the resilient revenue growth in FY2020 despite the challenging COVID-19 environment, we expect the Group's rental income to increase in FY2021. As we do not expect the Group to make any acquisition in 2021, the revenue growth will be based on the full year contribution by the newly acquired Shunde Metro Mall and Tanbei Metro Mall acquired in July 2020. As noted on page 9, Shunde Metro Mall and Tanbei Metro mall contributed a total of S$10.65 million = [Shunde Metro Mall's FY2020 revenue contribution of S$9.90 million + Tanbei Metro Mall's FY2020 revenue contribution of S$0.75 million] for the second half of 2020. Therefore, a full year contribution for these two malls in FY2021 would be S$21.30 million. Also, as noted on page 17, according to CBRE, shopping mall rentals are likely to increase from 2021. Hence, using that as a proxy, assuming a neutral outlook and rental rates to remain the same, the expected Group's revenue for FY2021 would be approximately S$98.13 million = [S$87.48 million (FY2020 Revenue) + S$10.65 million]. This represent a 12.2% increase in revenue in FY2021 as compared to FY2020.

FY2022

For FY2022, we would expect a stronger revenue performance amid a stabilisation of the virus situation. China has accelerated their vaccination progress by providing incentives to encourage its citizens to get vaccinated, aiming to fully vaccinate 70% of the country's 1.4 billion population by end of 2021. This could bode well for the retail market as it could potentially increase domestic mall footfall and spending, as COVID-19 safe measures and restriction become relaxed. Further, with the containment of the pandemic and the gradual recovery in the economy, we expect the withdrawal of support extended to tenants, further improving the Group's revenue. According to IMF, China's GDP is projected to be at 5.6% in 2022. This positive outlook will allow people to regain confidence to shop and dine in retail setting, improving the demand for retail spaces and rental growth.

Considering the above, we would expect the revenue growth for FY2022 to grow by 10.96%= [((FY2020 revenue of S$87.476 million / FY2017 revenue of S$57.696 million)^(1/4 years) – 1) x 100%], which is the Group's Compound Annual Growth Rate (CAGR) from FY2017 to FY2020 as shown in **Exhibit 40**. CAGR is the measure of an investment's annual growth rate over time while taking into account the effect of compounding. Accordingly, projected revenue for FY2020 would be S$108.89 million = [110.96% x S$98.13 million in projected revenue for FY2021].

Exhibit 40: Historical revenue performance

	For year ended Dec 31			
	2017	2018	2019	2020
Revenue (S$'000)	57,696	71,288	76,007	87,476
Y-o-y change (%)	-	23.56%	6.62%	15.09%
CAGR	-	-	-	10.96%

Source: Dasin Retail Trust, FPA Financial

A summary of our projected gross revenue for FY2021 and FY2022 is shown in **Exhibit 41.**

Exhibit 41: Projected Revenue for FY2021 and 2022

Period	Revenue (S$'000)	Y-o-y change (%)
FY2020 Actual	87,476	15.1%
FY2021 Forecast	98,128	12.2%
FY2022 Forecast	108,888	11.0%

Source: Dasin Retail Trust, FPA Financial

(II) Earnings projection

Given the above projected revenue for FY2021 and FY2022, we will now estimate the Group's earnings for these periods.

Net Property Income

Regarding our NPI projections, we will consider the Group's historical NPI margin. For FY2021 and FY2022, we would assume the same NPI margin of 80.1% as in FY2020. Accordingly, projected NPI for FY2021 and FY2022 would be S$78.6 million and S$87.2 million respectively as shown in **Exhibit 42.**

Exhibit 42: Projected NPI for FY2021 and FY2022

	Actual				Forecast	
S$'000	2017	2018	2019	2020	2021	2022
Revenue	57,696	71,288	76,007	87,476	98,128	108,888
NPI	46,560	57,323	59,982	70,048	78,601	87,219
NPI Margin	80.7%	80.4%	78.9%	80.1%	80.1%	80.1%

Source: Dasin Retail Trust, FPA Financial

Trustee-Manager and Acquisition fees

The Trustee-Manager’s fees comprise the base fee of management fee, trustee fee and acquisition fee. 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 the Group (“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

As DRT did not release any plans or announcement of any potential acquisition, for FY2021 and FY2022, we will assume the Trust Property to be S$2.346 billion, which is the valuation of the Trust’s portfolio in FY2020 as noted on page 8.

Given the Trust Property to be S$2.346 billion, the projected base management fee would be as follows:

- Projected base fee for FY2021 = 0.25% x S$2.346 billion = S$5.865 million
- Projected base fee for FY2022 = 0.25% x S$2.346 billion = S$5.865 million

Given the Trust Property to be S$2.346 billion, the projected trustee fee would be as follows:

- Projected trustee fee for FY2021 = 0.02% x S$2.346 billion = S$0.469 million
- Projected trustee fee for FY2022 = 0.02% x S$2.346 billion = S$0.469 million

As we do not expect the Trust to make any acquisition in FY2021 and FY2022, we would assume no acquisition fee will be paid to the Trustee-Manager. Taking the sum of the projected base, trustee and acquisition fee, the total projected Trustee-Manger fees for both FY2021 and FY2022 will be S$6.3milllion as shown in **Exhibit 43**.

Exhibit 43: Projected Trustee-Manager fees for FY2021 and FY2022

	Forecast	
S$'000	FY2021	FY2022
Trustee-Manager's fees		
Base Management fee	5,865	5,865
Trustee fee	469	469
Acquisition fee	-	-
Total	**6,334**	**6,334**

Source: Dasin Retail Trust, FPA Financial

Other trust expenses

Historically, most of the items under other trust expense are related to the acquisitions made for the year. Hence, the trust expense in FY2018 is relatively lesser as DRT did not make any acquisition for that year as shown in **Exhibit 44**.

Exhibit 44: Group's historical and projected other trust expense

	Actual				Forecast	
S$'000	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Audit fees	304	263	338	398	263	263
Facility agent and security agent fees	102	100	119	385	100	100
Professional fees	6,312	495	538	622	495	495
Expenses relating to acquisition of subsidiaries written off	-	-	819	1,885	-	-
Stamp duty	497	-	328	130	-	-
Unclaimable GST expenses	163	498	692	543	498	498
Investor relations	69	218	203	172	218	218
Others	348	271	361	165	271	271
Other trust expense	**7,795**	**1,845**	**3,398**	**4,300**	**1,845**	**1,845**

Source: Dasin Retail Trust, FPA Financial

In our projections, we would assume other trust expenses of S$1.8 million for FY2021 and FY2022 as in FY2018 as we are not expecting the Trust to make any acquisition in the next two years.

Exchange gains/(loss)

The Group has benefited from the strengthening of SGD against USD and HKD on the USD and HKD nominated bank loans which have resulted in exchange gains in FY2017, FY2019 and FY2020. However, the weakening of SGD against USD in FY2018 has resulted in exchange losses for the Group as shown in **Exhibit 45**.

Exhibit 45: Group's historical gain/loss on foreign exchange

S$'000	FY2017	FY2018	FY2019	FY2020
Exchange gain/ (loss)	5,700	(3,285)	5,263	2,427

Source: Dasin Retail Trust, FPA Financial

Thus far in FY2021, 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 FY2021 and FY2022, we would assume no gains or losses on foreign exchange.

Other expense

As noted on page 22, other expense for the trust only comprises of the net change in fair value of derivative financial instruments as shown in **Exhibit 46**. 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.

Exhibit 46: Historical other expense

	Actual			
S$'000	FY2017	FY2018	FY2019	FY2020
Net change in fair value of derivative financial instruments	344	676	(1,626)	(284)

Source: Dasin Retail Trust, FPA Financial

Finance Cost

As noted on page 28, the Group has onshore syndicated term loan and offshore syndicated term loan amounting to S$948.8 million in FY2020. The breakdown of its net debt based on onshore and offshore loans is shown in **Exhibit 47**.

Exhibit 47: Breakdown of net debt (Onshore loans and Offshore loans)

S$'000	FY2019	FY2020
Onshore loans	171,395	274,372
Offshore loans	544,811	674,416
Total debt	**716,206**	**948,788**

Source: Dasin Retail Trust, FPA Financial

The Group's all-in cost of debt on the onshore facilities and offshore facilities for FY2020 were 5.3% and 3.7% respectively. Currently, given the rising inflation expectations, interest rates are expected to increase. For FY2021, we would assume both the onshore and the offshore all-in interest rate to remain at 5.3% and 3.7% respectively. In FY2022, we could expect stronger inflation to push interest rates higher and assume a 5.8% interest rate for onshore facilities and 4.0% interest rate for offshore facilities. Accordingly, the projected finance cost for FY2021 would be S$39.5million = [5.3% x S$274.4 million + 3.7% x S$674.4million], assuming no debt repayment. For FY2022, similarly, assuming the Group does not make any repayment or additional borrowings, the projected finance cost would be S$42.9 million = [5.8% x S$274.4million + 4.0% x S$674.4million].

Meanwhile, we would assume the same finance income in FY2020 for both FY2021 and FY2022. Accordingly, the projected net finance cost would be S$38.2 million in FY2021 and S$41.6 million in FY2022 as shown in **Exhibit 48**.

Exhibit 48: Projected net finance cost for FY2021 and FY2022

	Actual				Forecast	
S$'000	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Finance income	831	2,043	1,167	1,292	1,292	1,292
Finance cost	(23,751)	(27,621)	(30,760)	(35,988)	(39,495)	(42,890)
Net finance cost	**(22,920)**	**(25,578)**	**(29,593)**	**(34,696)**	**(38,203)**	**(41,598)**

Source: Dasin Retail Trust, FPA Financial

Net change in fair value of investment properties

As noted on page 24, the Group recorded a loss of S$104.7 million in net change in fair value of investment properties in FY2020 compared to a loss of S$20.8 million the previous year. The large decline in fair value in FY2020 was due to the impact of the COVID-19 pandemic. For both FY2021 and FY2022, we would assume no fair gain or loss on investment properties.

Profit before income tax

Given the above projections, we would estimate a profit before tax of S$48.6 million and S$53.8 million for FY2021 and FY2022 respectively, as shown in **Exhibit 49**.

Exhibit 49: Projected profit before income tax

	Forecast	
S$'000	**FY2021**	**FY2022**
Revenue	98,128	108,888
Total property operating expense	19,527	21,669
Net Property Income (NPI)	**78,601**	**87,219**
Trustee-Manager's fees		
Base Management fee	5,865	5,865
Trustee fee	469	469
Acquisition fee	-	-
Other trust expenses	1,845	1,845
Exchange gain/ (loss)	-	-
Other (expense)/ income	-	-
Finance income	1,292	1,292
Finance cost	(39,495)	(42,890)
Net Income	**48,577**	**53,800**
Net change in fair value of investment properties	-	-
Profit before income tax	**48,577**	**53,800**

Source: Dasin Retail Trust, FPA Financial

Income tax expense

For FY2021 and FY2022, the income tax expense is calculated based on the statutory income tax rate of 25%. Meanwhile, we would assume the same withholdings tax expense of S$0.97 million in FY2020 for both FY2021 and FY2022. For both FY2021 and FY2022, we would assume deferred income tax expense to be zero. Accordingly, the projected income tax expense for FY2021 and FY2022 would be S$13.1 million = [25% x S$48.6 million + S$0.97 million] and S$14.4 million = [25% x S$53.8 million + S$0.97 million] as shown in **Exhibit 50** on the next page.

Exhibit 50: Projected income tax expense for FY2021 and FY2022

	Actual		Forecast	
S$'000	FY2019	FY2020	FY2021	FY2022
Current income tax expense	7,755	6,279	12,144	13,450
Withholding tax expense	1,190	972	972	972
Deferred income tax (income)/expense	2,100	(15,030)	-	-
Income tax expense/ (credit)	**11,045**	**(7,779)**	**13,116**	**14,422**

Source: Dasin Retail Trust, FPA Financial

Projected profit after tax

Adjusting for income tax expense, the projected after-tax profit for FY2021 and FY2022 would be S$35.5 million and S$39.4 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 FY2020 for FY2021 and FY2022, the projected EPU for FY2021 and FY2022 would be 5.00 cents and 5.56 cents respectively. We have summarised our earnings projections in **Exhibit 51**.

Exhibit 51: Earnings projection for FY2021 and FY2022

	Forecast	
S$'000	FY2021	FY2022
Revenue	98,128	108,888
Total property operating expense	19,527	21,669
Net Property Income (NPI)	**78,601**	**87,219**
Trustee-Manager's fees		
Base Management fee	5,865	5,865
Trustee fee	469	469
Acquisition fee	-	-
Other trust expenses	1,845	1,845
Exchange gain/ (loss)	-	-
Other (expense)/ income	-	-
Finance income	1,292	1,292
Finance cost	(39,495)	(42,890)
Net Income	**48,577**	**53,800**
Net change in fair value of investment propert	-	-
Profit for the year	**48,577**	**53,800**
Income tax credit/ (expense)	(13,116)	(14,422)
Profit for the year	**35,460**	**39,378**
Attributable to:		
Unitholder of the Trust	35,460	39,378
Weighted average number of units in issue	708,672	708,672
Earnings per unit (cents)	**5.00**	**5.56**

Source: Dasin Retail Trust, FPA Financial

(III) Distributions projection

With our projected figures for profit after tax, we would now estimate the Group's income available for distribution to unitholders. Following the distribution adjustments as shown in **Exhibit 52,** the projected income available for distribution to unitholders for FY2021 and FY2022 would be S$29.9 million and S$33.8 million. For FY2021, as noted on page 26, under the distribution waiver agreement, the holding company of the trust will waive a portion of its entitlement to distribution. For FY2021, 15% of the total units issued would not be entitled to distribution. Hence, the projected DPU for FY2021 with distribution waiver is 4.51 cents and 3.83 cents without distribution waiver. For FY2022, as the distribution waiver agreement has expired, DPU for the year would be 4.34 cents, as shown in **Exhibit 52**.

Exhibit 52: Distribution projection for FY2021 and FY2022

S$'000	FY2021	FY2022
Profit for the year	**35,460**	**39,378**
Deferred income tax expense/ (income)	-	-
Depreciation of plants and equipment	133	133
(Reversal of impairment loss)/ impairment loss on receivables	645	645
Interest income on financial investment	-	-
Loan repayment	-	-
Net change in fair value of derivative financial instruments	-	-
Net change in fair value of investment properties	-	-
Recognition of rental income on a straight line basis over lease term	-	-
Transfer to statutory reserve	(92)	(92)
Trustee-manager acquisition fees paid in units	-	-
Trustee-Manager fees paid/payable in units	-	-
Unrealised exchange gains	-	-
Other adjustments	(6,249)	(6,249)
Distribution adjustments	**(5,563)**	**(5,563)**
Amount available for distribution	**29,897**	**33,815**
Distribution per unit (cents)		
With Distribution Waiver	4.51	-
Without Distribution Waiver	3.83	4.34

Source: Dasin Retail Trust, FPA Financial

VALUATION ANALYSIS

(I) Peer Comparison

We performed a peer comparison analysis to review how Dasin Retail Trust is faring against industry peers in terms of valuation metrics. We selected peer companies that are similar to DRT in terms of industry and business operations and did a comparison by considering the peer's P/B as shown in **Exhibit 53**.

Exhibit 53: Peer Comparison

Company	SGX code	Price (S$) as at 27 July 2021	Market cap (S$ million)	EPU [1] (cents)	P/E (x)	DPU (cents)	Dividend yield (%)	NAV per share [2] (S$)	P/B (x)
Dasin Retail Trust	CEDU	0.515	401.56	(10.18)	NM	3.94	7.65	1.41	0.37
Peer companies:									
Sasseur REIT	CRPU	0.955	1,154.99	3.92	24.38	6.55	6.85	0.91	1.05
Capitaland China Trust	AU8U	1.340	2,025.80	(0.96)	NM	6.33	4.72	1.49	0.90
BHG Retail REIT	BMGU	0.560	286.16	(0.21)	NM	1.95	3.48	0.86	0.65
Peer average	-	-	-	-	**24.38**	-	**5.02**	-	**0.87**

Figures have been rounded. NM: not meaningful

(1) 12-month trailing diluted EPS based on latest financial statements

(2) As at 31 Dec 20.

Source: Respective company data, FPA Financial

Based on the results in **Exhibit 53** above, we note that DRT's dividend yield of 7.65% is above the peer average yield of 5.02% 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 0.37x compared to the peer average of 0.87x, which could suggest that it may undervalued.

(II) Valuation Summary

Based on our peer comparison results, it appears that DRT could be undervalued given that it is trading below the peer average P/B of 0.87x. If DRT were to trade at the peer average P/B multiple of 0.87x, this would imply an estimated target price of S$1.227 = [0.87 x latest reported NAV of S$1.41]. This would represent a 138.25% upside from the current price of S$0.515. However, we believe there are two areas of concern which may not warrant this upside. These are:

(A) Refinancing Risk

As noted on page 29, the Group has extended both the Facilities, but they are still in the process of securing the refinancing of the Facilities which will be due on 19 December 2021. With the extension, it will provide leeway for DRT to obtain refinancing for its Facilities. This could ease investor's concerns regarding DRT's financial heath. However, we note that there is still a possibility that DRT may fail to secure the refinancing when it is due at the end of the year.

(B) Distribution Waiver Expiry

As noted on page 26, DRT's Distribution Waiver agreement is set to expire this year. As shown in **Exhibit 54**, assuming the absence of distribution waiver, the DPU in each year would be significantly lower. Hence, after the distribution waiver expires in 2021, we expect DPU and yield to be lower than current levels, making it less attractive.

Exhibit 54: DPU With and Without Distribution Waiver

Distribution per unit (cents)	FY 2020	FY2019	FY 2018	FY 2017
With Distribution Waiver	3.94	6.82	7.22	7.16
Without Distribution Waiver	2.89	3.95	3.81	3.25

Source: Dasin Retail Trust

We also note that the market capitalisation of Sasseur REIT and Capitaland China are significantly higher than DRT, which may justify their higher P/B multiples. While BHG Retail REIT's (BHG) market capitalisation is more similar to DRT, the former is trading at a higher P/B of 0.65x. We identify three factors which may explain why DRT has a lower P/B 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 of close to 5 billion yuan. As at 30 December 2020, the company reported total assets and total shareholder equity of approximately 11.3 billion yuan and 8.0 billion yuan respectively.

Second, BHG's has a relatively healthy gearing of 35.7% as at 31 December 2020, which would allow a comfortable debt headroom for future inorganic growth. Further, we view the risks in relation to BHG's ability to repay debt to be relatively low. Of BHG's total borrowings of S$294.8 million, only S$9.3 million will be due in 2021. With a cash & cash equivalents balance of S$48.3 million as at 31 December 2020, it would suggest that BHG could meet its debt obligations using internal resources .

Third, we also note that BHG's second largest shareholder, Qianhai International Holdings Co. Limited – who owns a 19.86% 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 P/B multiple 0.65x.

Having considered the above, we believe that DRT would trade at a P/B multiple of the average of DRT's and BHG's at 0.51x = [(DRT P/B of 0.37x + BHG P/B of 0.65x)/ 2]. This would imply a target price of S$0.719 as computed below.

- Estimated target price = [Average P/B of DRT and BHG] x [latest reported NAV] = 0.51 x S$1.41 = S$0.719

This estimated target price would represent a 39.61% upside from the current price of S$0.515.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 55** to evaluate the various components of the analysis thus far.

Exhibit 55: SWOT analysis

SWOT analysis	
Strengths • Strong recurring income stream • Stable lease structure	Weaknesses • Limited portfolio diversification
Opportunities • Strong Support from the Sponsor to expand their portfolio • China's Dual Circulation strategy	Threats • COVID-19 resurgence • Rise in online retailing • New malls in GBA

(I) Strengths

As noted on page 9, the Group's strong revenue stream has been underpinned by its resilient portfolio and tenant mix. Despite the challenging COVID-19 environment, DRT was quick to take precautionary measures to protect shoppers of its malls and prevent the spread of COVID-19 within its properties' premises. As a result, excluding the new acquisitions, they were able to recover roughly 96% of their Q4 2020 revenue yoy. Also, the Group has managed to maintain strong occupancy rate among its investment properties as noted in page 10. Further, its high proportion of fixed rent and fixed rent with-built escalation will provide stable future revenue and cash flow.

(II) Weaknesses

As noted on page 11 roughly 33% of its lease are expiring in FY2021. If the Trust is unable to renew or secure new lease agreement, the Group's property income and distribution to shareholders will be affected. We also note that Dasin's portfolio is concentrated on assets that are primarily used for retail and / or retail-related purposes. The focus on retail malls limits its portfolio diversification as compared to a mixed-use development which is less risky due to its variety of uses and tenants. Further, the Trust's portfolio concentration in the GBA also puts it at risk should the GBA economy weakens.

(III) Opportunities

As noted on page 13, DRT could potentially leverage on the strong support of their Sponsor's portfolio of 15 ROFR pipeline spanning across the core of the GBA, allowing DRT to expand their portfolio and improve their financial performance. Given that DRT has expanded their portfolio by nearly three times since its IPO, as noted on page 7, it is possible that DRT will make use of its large pipeline of ROFR properties to make DPU accretive acquisition each year.

Further, the Chinese government is looking inwards to tap the potential of its huge domestic market as part of its Dual Circulation strategy by prioritizing domestic consumption while remaining open to international trade and investment. China also aims to narrow the wealth gap by increasing the size of its middle class to increase its domestic consumption. The increase in domestic consumption could potentially enhance retail sales performance which would make retail malls more attractive and increase the valuations of the malls.

(IV) Threats

While the COVID-19 situation in the China has stabilised with vaccine distribution allowing for resumption of economic activities as health concerns subside, the risk of a virus resurgence remains. However, the risk of COVID-19 resurgence might dampen the recovery of the China economy and affect consumer spending which will impact the Group financially.

Also, as noted on page 14, China's online retail sales increased by 24.7% yoy. The rise in online retailing have impacted the retail industry, affecting consumer purchasing behaviour which may reduce the need for retail spaces. Owing to lockdowns and control measures, the pandemic has driven the surge in adopting online platforms for consumer to obtain goods and services. The ease of purchase via online channel may potentially reduce the attractiveness of retail malls and could impact the Group's financials.

The establishment of a new shopping mall in the GBA could also impact the Group's financial performance as it increases the competitiveness of retailers in the region. We note from South China Morning Post (SCMP) that Melco International Development and Agile Group Holdings plans to build one of Zhongshan's biggest mixed-use development. This project could yield a gross floor area of 750,000 square metres and will comprise of a shopping mall, among other components like residential complexes, office area and hotels. This development could be a significant competitor to DRT as it may potentially reduce the footfall in the five retail malls that DRT owns in the Zhongshan district.

INVESTMENT RECOMMENDATION

As at 31 December 2020, Dasin Retail Trust is trading at a P/B of 0.37x based on its reported NAV per unit of S$1.41, representing a discount of approximately 63% to NAV.

Meanwhile, our peer comparison analysis results show that DRT's P/B of 0.37x is below the peer average P/B of 0.87x, which suggest that it could be undervalued. At the same time, DRT is relatively attractive in terms of dividend yield of 7.65% compared to its peer average of 5.02%. Our evaluation of the peer comparison results lead us to believe that it may be reasonable for DRT to trade at the P/B multiple of 0.51x.

In terms of financials, we note that the Group has maintained stable financial results and has achieved revenue growth while maintaining its NPI over the years. While the COVID-19 pandemic has slightly impacted its occupancy rate, we could expect a stronger performance going forward. On top of that, CBRE expects shopping mall rents in China to rise in 2021 and recover to pre-pandemic levels in 2022. This could provide some upside potential for DRT’s share price which is reflected in our target price.

Given the above, we believe a buy recommendation is warranted on DRT. Our current target price is S$0.719, which is a 39.61% upside from the current share price of S$0.515. However, there are risks to our target price which we will highlight in the next section.

RISKS TO THE TARGET PRICE

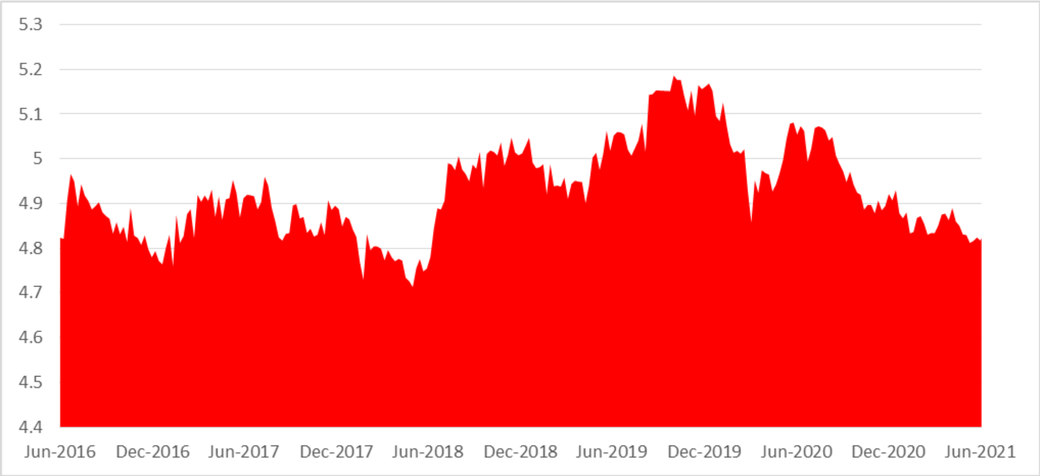
In this section, we highlight below risk factors that may limit the potential upside in DRT's target price.

(I) Currency Risk

The Group is exposed to foreign currency risk on cash holdings and operating expenses that are denominated in a currency other than the respective functional currencies of the Group entities. As Dasin's operations are primarily focused in China, fluctuation of RMB may affect the financial performance of the Group.

We have noted that the Group has recorded foreign exchange gains in FY2019 and FY2020 amid the strengthening of the Chinese Yuan (CNY) against the Singapore Dollar (SGD) as shown in **Exhibit 56**. However, given the volatility in currency markets, the SGD could potentially strengthen against the CNY which may have a negative financial impact to the Group.

Exhibit 56: SGD/CNY Exchange Rates Over the Years



Source: Yahoo Finance

(II) Risk of weak China economic recovery

As noted on page 14, China's economy is expected to rebound strongly following a 18.3% yoy growth in GDP and an increase in retail sales of consumer goods in May by 12.4% yoy, in the first quarter of 2021. Furthermore, according to IMF, China's growth is projected at 8.4% in 2021 due to its effective COVID-19 containment measures However, high uncertainly surrounds this outlook as it is still largely dependent on the effectiveness of the vaccine distribution and the control measures implicated. Thus, the pace of recovery could be uneven across various services segment.

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 in Guangzhou in May 2021. 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 Group's financial performance going forward.

(III) US-China Tension

Currently, most of the elevated tariffs imposed during the US-China trade war have remained in place and has affected the trade flows between both countries. The rating agency, Moody, noted that, of the 20% US tariff on Chinese goods, US Importers absorbed more than 90% of the additional cost. This means that US importers pay around 18.5% more in price while Chinese exporters receive 1.5% lesser for the same product. As things stand, we are uncertain as to the direction of the new White House administration's policy towards China. Should US continue imposing such tariffs, American business could potentially source for alternatives outside of China, potentially impacting China's exports and economy. Hence, these tensions between US and China could create uncertainty and dampen investor confidence

(IV) China's regulations on Big Tech firms

Regulators in China have in the last few months have ramped up its scrutiny on the country's tech giants. The State Administration of Market Regulation (SAMR), dished out 22 fines of half a million yuan each to the country's Big Tech firms, including Alibaba Group Holding, Tencent Holdings, and Didi Chuxing for a series of irregularities related to merger deals over the past decade. This sudden burst of activity from the SAMR has rattled the tech sector in China.

Furthermore, in July 2021, SAMR announced that they would block Tencent Holdings' plan to merge the country's top two videogame streaming sites, Huya and DouYu , on antitrust grounds as they expect the merger to eliminate or restrict fair competition. Chinese regulators have also ordered app store operators in the country to remove the mobile app of Didi's China services, citing serious problems involving illegal collection of personal data days after they blocked its China business from adding new users as regulators reviewed the company's cybersecurity.

Although it remains unclear how badly China's tech companies will be hit by the enforcement of the rules, we believe that the clamping down on its home-grown technology giants over antitrust and data security concerns may slow the technology industry's growth, which is a major industry in the GBA. This could potentially impact the development of GBA and could affect DRT's financial performance.

(V) New REITs listed in Shanghai and Shenzhen

The Business Times recently reported that nine new China REITs - five in Shanghai and four in Shenzhen – made their stock market debut in June with solid initial gains, as it drew interest from Chinese retail investors. Currently, China only allow REITs to invest in infrastructure projects unlike Singapore where REITs can invest in shopping malls and office buildings. However, there is a possibility that China will allow its REITs to invest in commercial properties. This might provide Singapore REITs with some competition and will provide alternatives for investors to invest in Chinese property REITs listed in China domestic stock exchange.

(VI) Refinancing risks

As noted on page 19, the extension of DRT's Onshore & Offshore Facilities to the end of 2021 has helped to ease investor concerns over its refinancing risks. However, should DRT face trouble refinancing the facilities then, there could be a possibility for another sell-off.

SUSTAINABILITY INFORMATION

As part of its sustainability efforts, the Board strives to maintain a balanced approach towards sustainability. In addition to maintaining a long-term sustainable cash flow with the goal of maximising investor returns, the Board, together with the management, also seeks to manage relevant ESG risks and opportunities across the Trust's assets, to create long-term value for our stakeholders.

The Trust's sustainability approach is also aligned with the Sponsor's belief in giving back to the society. The Trust invests in quality shopping malls which foster social bonds by serving as destinations for local communities to get together. As the Trust continues to tap on opportunities of the growing Greater Bay Area, it also contributes to the sustainability development of the region through the provision of employment and business opportunities.

Stakeholder Engagement

The Trustee-Manager, Property Manager and the Sponsor engage with their internal and external stakeholders regularly through various channels to understand the stakeholders' expectations and concerns. **Exhibit 57** below details the engagement activities with the key stakeholders.

Exhibit 57: Dasin Retail Trust Stakeholder Engagement

Key stakeholders	Engagement Methods	Frequency	Key Topics of Interest
Board of Directors	• Half-yearly board meeting • Regular reporting to the board	• Half-yearly • Regular	• Sound corporate governance practices • Alignment of sustainability with business strategy • Transparent reporting
Employees	• An Office Automation System used to make timely important announcements to employees • Year End Staff Summary Meeting • Recreational and team cohesion activities • Training Programmes • Employee Handbook	• Ad hoc • Annual • Regular • Regular • Active	• Equitable remuneration • Fair and competitive employment practices and policies • Safe and healthy work environment • Focus on employee development and well-being
Investment Community (Investors, analysts, media)	• Annual General Meeting • Extraordinary General Meeting • Annual Report • Press announcements and SGX filings • Contact channels with the Investor Relations team • One-on-one meetings / roadshows • Site visits for investors / analysts • Website updates	• Annual • Ad hoc • Annual • Regular • Ad hoc • Regular • Ad hoc • Regular	• Sustain profitability and enhance investor returns • Transparent reporting • Sound corporate governance practices • Active portfolio management
Property Managers	• Regular and random audits and interviews	• Regular	• Regular and punctual payments upon enlistment of service
Suppliers	• Regular audits and interviews	• Regular	• Equitable treatment of business partners • Regular and punctual payments upon enlistment of service
Tenants	• Annual Meetings for tenants • Tenant activities at the malls such as the annual Production Safety Month	• Annual • Regular	• Safety and security of the malls • Competitive rent • Responsiveness to tenant requests and feedback
Shoppers	• Customer Service Centre • Activities at the malls	• Ad hoc • Ad hoc	• Shopping Experience • Quality of Service • Safety and hygiene of the malls
Government and regulators	• Mandatory reporting as required for compliance purpose	• Regular	• Compliance with local laws and regulations
Local Communities	• Various volunteer activities as described in the section "CSR Activities & Local Communities	• Regular	• Contributions to local communities • Responsible and ethical business practices

Source: Dasin Retail Trust

Sustainability Development Goals (SDGs)

The Trustee-Manager is supportive of the 2030 Sustainability Development Goals (SDGs) outlined by the United Nations (UN) in 2015. Some of the key sustainability focuses and activities in relation to the 5 key SDGs are outlined in **Exhibit 58** below.

Exhibit 58: Dasin Retail Trust's SDGs

Sustainability Pillar	Material ESG Factors	United Nations Sustainable Development Goals (UN SDGs)	Activities
Community	• CSR Activities and Local Communities	1, 3, 10	The Trustee-Manager and the Sponsor make philanthropic donations and carry out various volunteer activities to help those in need such as people suffering from major diseases, accidents, natural disasters or family poverty. The Trustee-Manager and the Sponsor also actively participate in other health-related programmes such as charity walk, health awareness outreach programmes and blood donation events.
Employees	• Talent Management • Training and Education • Labour/ Management Relations	8	The Trustee-Manager takes a holistic approach to ensure that it provides a fair, open and rewarding environment for its employees.
Economic Performance (Investors, analysts, media)	• Direct Economic Contribution	11	The Trustee-Manager contributes to the sustainable development in the Guangdong-Hong Kong-Macau Greater Bay Area through providing jobs and business opportunities, facilitating community bonding and indirectly improving the standard of living.

Source: Dasin Retail Trust

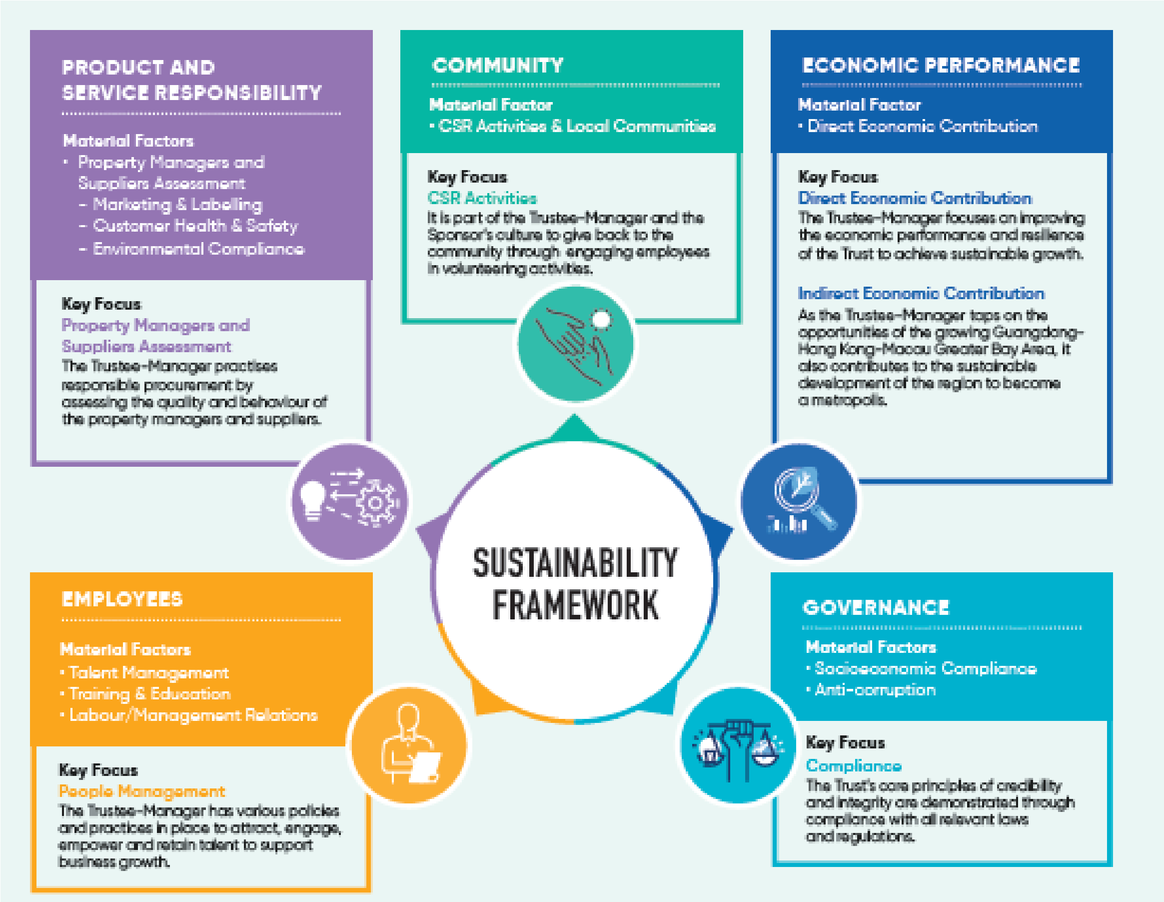
Materiality Assessment

As part of the sustainable development of the Trust, materiality assessment exercises are carried out annually to determine the key ESG material issues for its business portfolio. 12 material ESG factors were identified through background research on the Trust's internal and external factors.

Stakeholders involved in the materiality prioritisation process included representatives from the Board, the Trustee-Manager and the Sponsor. The 12 material factors were approved by the Board. DRT's material factors in FY2020 remained relevant as those identified in FY2019.

The Trustee-Manager's sustainability framework, which is aligned to its principles of credibility and integrity, covers 5 key pillars and 12 material ESG factors as outlined in **Exhibit 59.**

Exhibit 59: Dasin Retail Trust Materiality Assessment



Source: Dasin Retail Trust

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