



(a real estate investment trust constituted on 7 June 2018  
under the laws of the Republic of Singapore)  
(Managed by Elite Commercial REIT Management Pte. Ltd.)

## **RESPONSE TO SGX-ST'S QUERY ON ELITE COMMERCIAL REIT'S UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 FEBRUARY 2020 (LISTING DATE) to 30 JUNE 2020**

Oversea-Chinese Banking Corporation Limited and UBS AG, Singapore Branch are the joint issue managers for the Offering (collectively, the "Joint Issue Managers"). Oversea-Chinese Banking Corporation Limited, UBS AG, Singapore Branch, CGS-CIMB Securities (Singapore) Pte. Ltd. and China International Capital Corporation (Singapore) Pte. Limited are the joint bookrunners and underwriters for the Offering (collectively, the "Joint Bookrunners and Underwriters").

Elite Commercial REIT Management Pte. Ltd. (the "**Manager**"), sets out its response to the query raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 24 August 2020 in relation to Elite Commercial REIT's unaudited financial statements for the period from 6 February 2020 (listing date) to 30 June 2020, as follows:

### **SGX-ST Query on 24 August 2020:**

We refer to the REIT's financial statements for the period from 6 February 2020 (Listing Date) to 30 June 2020 (the "Financial Statements").

Our Regulator's Column of 27 July 2020 titled "What SGX RegCo expects of financial reports amid COVID-19" dated 27 July 2020 provides amongst others that: -

*"Boards and management should carefully assess if asset values are appropriately reported in the interim financial statements. They should review whether the effects of COVID-19 present any indication that the asset values as at the previous financial yearend have changed significantly. The assessment of the impact and its associated uncertainties should be clearly explained.*

*Where adjustments to the inputs of the valuation models are made to reflect material changes in business conditions, issuers should disclose the key assumptions used, such as forward-looking information on earnings growth rates, as well as management's basis for selecting those assumptions. Material uncertainties on the asset valuations should also be disclosed.*

*Disclosures are expected to be entity-specific, relevant and useful to investors. Issuers must eschew boilerplate disclosures, such as broad or generic statements that COVID19 have negatively impacted the valuation measurements, without elaborating on the effects on each business segment. Disclosures must also be balanced and fair and avoid omission of important unfavourable facts.*

*Financial statements should provide comparable and relevant information that adequately reflects the impact of COVID-19 on the issuer. Timely disclosure of any changed circumstances will enable investors to make an informed investment decision."*

- (a) Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic which would be prevailing as at 30 June 2020, please state whether and how Elite Commercial REIT would have disclosed all material information relating to the assessment of the value of its investment properties to enable investors to make informed investment decisions;

- (b) Please clarify whether Elite Commercial REIT has revalued its investment properties and the results of the revaluation and if not, reasons why the investment properties were not revalued.
- (c) Please explain whether the Board of Directors has addressed its mind to the carrying amounts of Elite Commercial REIT's investment properties for the period ended 30 June 2020 and decided if any material change is required, in view of the current COVID-19 situation;
- (d) Please provide the assessment by the Board of Directors as to whether it is possible and if so, please quantify any impact on the carrying amounts of Elite Commercial REIT's investment properties for the period ended 30 June 2020. If no, please provide us with the bases for your view(s); and
- (e) Taking into consideration the responses of Elite Commercial REIT to the above queries (a) to (d), please clarify whether the Board of Directors have considered if the interim financial statements provide a balanced and fair view of any material factors that have affected the issuer's business conditions and financial position, including the impact of COVID-19.

### **Manager's Response:**

- (a) Elite Commercial REIT's portfolio comprises 97 commercial buildings (the "Initial Portfolio") located across the UK with over 99.0% of the Group's revenue derived from the current leases with the UK Government via The Secretary of State for Housing, Communities and Local Government (with the Department for Work and Pensions ("DWP") occupying each Property under a group sharing arrangement). DWP is responsible for welfare, pensions and child maintenance policy. As the UK Government's biggest public service department, it administers the State Pension and a range of working age, disability and ill health benefits for approximately 20 million claimants. As such, it is a counter-cyclical occupier and has demonstrated increased utilisation during the COVID-19 pandemic.

The Manager has, together with the Financial Statements, released its Press Release and Presentation Slides on 23 July 2020. Material information relating to the impact of COVID-19 has been disclosed in these documents.

Referring to Section 10 of the REIT's financial statements for the period from 6 February 2020 (Listing Date) to 30 June 2020 (the "Financial Statements"), the following has been disclosed:

- Occupancy – *"As of 30 Jun 2020, the portfolio is 100% occupied."*
- Operational status of JobCentre Plus – *"While the public is advised that there is no need to visit Jobcentre Plus locations for medical assessments, interviews or any other face-to-face appointments, they remain open to process and disburse benefits to claimants."*
- Increased utilisation by the primary tenant DWP – *"The DWP currently employs around 13,500 coaches, who help people claiming benefits get back into and progress in work. Chancellor Rishi Sunak had officially announced that another 13,500 JobCentre Plus staff would be recruited as part of an economic recovery package – 4,500 of which will be in position by October 2020, with more following later in the year."*
- Rental collection in advance – *"In terms of rent collection, the Group received in advance 99.8% of the 3-months rent for the period spanning across the months of July 2020 to September 2020, within 7 days of the due date."*

In the accompanying presentation slides, the following has been disclosed:

- Portfolio income visibility enhanced - *"Lodge House, Bristol – break option not exercised, lease will expire on 31 March 2028 and John Street, Sunderland – extended the break option by 12 months to 31 March 2022"*
- Portfolio WALE of 7.8 years which remains long

Furthermore, the Manager assessed the impact of COVID-19 on the value of the Elite Commercial REIT's investment properties and were of the view that, there were no indicators of significant

deterioration of or material changes to the carrying value of Elite Commercial REIT's investment properties for the period ended 30 June 2020.

Factors taken into consideration in this assessment included the portfolio occupancy of 100% with a long weighted average lease expiry of 7.8 years. The tenant is essentially the UK government, which is rated AA and Aa2 by S&P and Moody's respectively. In terms of rent collection, Elite Commercial REIT received in advance 99.8% of the 3-months rent for the period spanning across the months of July 2020 to September 2020, within 7 days of the due date, in accordance with the lease agreements. The leases have in-built rental escalations every five years based on the UK Consumer Price Index (with a cap and collar of 1% and 5% per annum).

Given the abovementioned factors and the stability of distributable income from the investment properties, the Manager assessed that there were no current indicators of significant deterioration of or material changes to the carrying value of Elite Commercial REIT's investment properties as of 30 June 2020 and the Manager will continue to monitor the impact of COVID-19.

Accordingly, the Manager is of the view that all material information relating to the assessment of the value of Elite Commercial REIT's investment properties to enable investors to make informed investment decisions has been disclosed.

- (b) Investment properties are stated at their fair values based on the average of the valuations of the Properties as at 31 August 2019 by Colliers and Knight Frank based on the price that would be received for the sale of each Property, in accordance with the relevant accounting standard. The same values have been reconfirmed by both valuers as of 31 December 2019 for the purposes of FY2019's audit.

Elite Commercial REIT has yet to revalue its investment properties for the reasons discussed in responses to (a).

In accordance with the requirements under Appendix 6 of the Code on Collective Investment Schemes ("Property Funds Appendix"), Elite Commercial REIT will conduct property valuations on an annual basis in December.

- (c) The Board of Directors, after assessing the various factors discussed in responses to (a) and (b), is of the view that the carrying amounts of Elite Commercial REIT's investment properties are fair and no material change is required.
- (d) The Board of Directors, after assessing the various factors discussed in responses to (a) and (b), is of the view that the carrying amounts of Elite Commercial REIT's investment properties are fair and no material change is required.
- (e) The Board of Directors, having reviewed the interim financial statements and given due consideration to the factors discussed in responses to (a) and (b), is of the view that the interim financial statements provide a balanced and fair view of any material factors that have affected Elite Commercial REIT's business conditions and financial position, including the impact of COVID-19.

By Order of the Board  
Shaldine Wang  
Chief Executive Officer

**Elite Commercial REIT Management Pte. Ltd.**  
(Registration Number: 201925309R)  
(as manager of Elite Commercial REIT)

25 August 2020

## **IMPORTANT NOTICE**

This announcement is for information only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for the Units in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This announcement is qualified in its entirety by, and should be viewed in conjunction with, the full text of the Prospectus in relation to the Offering. The Offering is made by the Manager. Anyone wishing to subscribe for or purchase the Units will need to make an application in the manner set out in the Prospectus.

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by Elite Commercial REIT, the Manager, the Issue Managers and the Joint Bookrunners and Underwriters or any of their respective affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. The Unitholders have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of Elite Commercial REIT. The forecast financial performance of Elite Commercial REIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities in the United States. The Units have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States. The Units may not be offered, sold, or delivered within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act. Accordingly, the Units are being offered and sold only outside of the United States in offshore transactions in reliance on and in compliance with Regulation S under the U.S. Securities Act. No public offering of securities is being made in the United States.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United State securities laws or the laws of any other jurisdiction.