



(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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 31 August 2022 in relation to Elite Commercial REIT's unaudited condensed interim consolidated financial statements for the period from 1 January 2022 to 30 June 2022, as follows:

We refer to the Company's unaudited financial statements and dividend announcement for the half year ended 30 June 2022.

### SGX-ST Query:

- (a) It is noted that there is an increase of £0.445 million in financial derivatives of the Group from £0.508 million as at 31 December 2021 to £0.953 million as at 30 June 2022. Please advise as to the nature of the financial derivatives and provide an explanation for this increase in financial derivatives.

### Manager's response:

- (a) The Group's financial derivative relates to an £80.0 million interest rate swap entered into in March 2021. The interest rate swap was entered into to hedge a portion of the Group's floating rate borrowings. Under the interest rate swap, the Group receives floating interest (priced upon the Sterling Overnight Index Average ("**SONIA**") interest rate benchmark) on the principal amount and pays fixed interest. As disclosed on page 25 of the 1H2022 unaudited condensed interim consolidated financial statements ("**1H2022 results**"), the Bank of England ("**BoE**") hiked the Bank Rate during the year and this resulted in a corresponding increase in SONIA, which trends closely to the Bank Rate movements. The increase in SONIA during the interim period has resulted in an increase in the fair value of the interest rate swap from £0.508 million as at 31 December 2021 to £0.953 million as at 30 June 2022.

### SGX-ST Query:

- (b) It is noted that there is a decrease of £1.191 million in trade and other receivables of the Group from £12.030 million as at 31 December 2021 to £10.839 million as at 30 June 2022. Please provide an explanation for the decrease in trade and other receivables.

### Manager's response:

- (b) As disclosed in page 12 of 1H2022 results, trade and other receivables comprise mainly of trade receivables relating to rental collected in advance from tenants by the property manager on behalf of the Group.

The decrease of £1.191 million in trade and other receivables of the Group from £12.030 million as at 31 December 2021 to £10.839 million as at 30 June 2022, relates mainly to a lower trade

receivable amount from the property manager as at the 30 June 2022 of £10.023 million, compared to £11.299 million as at 31 December 2021. This decrease in trade receivables is mainly due to advance billings to tenants for certain properties being raised post 30 June 2022, as compared to 31 December 2021.

SGX-ST Query:

- (c) It is noted that there is a decrease of £3.461 million in trade and other payables of the Group from £5.625 million as at 31 December 2021 to £2.164 million as at 30 June 2022 when revenue increased by £2.812 million in 1HFY2022.
- (i) Please provide an explanation for the decrease in trade and other payables.
- (ii) Please disclose a breakdown of trade and other payables amounting to £2.164 million as at 30 June 2022.
- (iii) For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Manager's response:

- (c)(i) Please refer to the breakdown in trade and other payables in (c)(ii) below. The decrease in trade and other payables is largely driven by the reduction in accrued operating expenses and other payables, as explained in (c)(ii) below.

- (c)(ii) The breakdown of trade and other payables amounting to £2.164 million as at 30 June 2022 is set out below.

	<b>Group</b>	
	<b>30/06/2022</b>	<b>31/12/2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	168	194
Bank interest payable	606	558
Accrued operating expenses	1,273	2,010
Other payables	117	2,863
	<u>2,164</u>	<u>5,625</u>

Decrease in accrued operating expenses of £0.737 million is mainly attributable to:

- Utilisation of legal and professional fees accrual of approximately £0.238 million made as at 31 December 2021 for the purpose of leases re-negotiations which were completed in 1Q2022;
- Lower accrual for statutory expenses as at 30 June 2022 of approximately £0.224 million when compared to 31 December 2021 as accrual for such expenses are provided for progressively throughout the year; and
- Reversal of accrual of one-off expenses of approximately £0.225 million which are no longer required.

- (c)(iii) Other payables mainly relates to Value Added Tax ("VAT") payable to Her Majesty's Revenue and Customs ("HMRC") for the following quarter.

In March 2021, the Group had acquired 58 assets via two property holding companies, namely Elite Amphora Limited and Elite Cask Limited. Post-acquisition, filings were made to HMRC to set up these two companies into a VAT group. This registration was completed in 4Q2021. As a result, the other payables of £2.863 million as at 31 December 2021 included VAT payable by the two companies for 2Q2021 and 3Q2021 and VAT payable by the Group for 4Q2021. These were subsequently paid in 1Q2022 thus resulting in the decrease in other payables as at 30 June 2022 as compared to 31 December 2021.

SGX-ST Query:

- (d) It is noted that there is a decrease of £0.869 million in deferred income of the Group from £8.705 million as at 31 December 2021 to £7.836 million as at 30 June 2022. Please provide an explanation for the decrease.

Manager's response:

- (d) Decrease of £0.869 million in deferred income of the Group from £8.705 million as at 31 December 2021 to £7.836 million as at 30 June 2022 mainly relates to advance billings to tenants for certain properties being raised post 30 June 2022 as compared to 31 December 2021.

SGX-ST Query:

- (e) Given the Group's significant short term liabilities of £111.426 million and cash and cash equivalents of only £9.460 million as at 30 June 2022, please disclose the Board's assessment
- (i) whether the Group's current assets are adequate to meet the Group's short term liabilities of £111.426 million as at 30 June 2022, including its bases of assessment; and
  - (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Manager's response:

- (e) A significant portion of the short term liabilities of £111.426 million, relates to a £94.0 million loan facility coming due in January 2023. As disclosed on page 24 of 1H2022 results, the £94.0 million loan facility which is due in January 2023, has an extension option built within the existing facility agreement. This extension option is exercisable by the Group. Despite having this option, as part of prudent capital management, the Manager is exploring other refinancing solutions with an aim to achieve better financing outcome for the Group. The Group remains on track to refinance the £94.0 million loan facility ahead of its maturity date in January 2023. The Group will update the market when the refinancing matters are finalised.

As at 30 June 2022, the Group's current assets of £27.636 million, exceed its current liabilities (excluding the carrying amount of the current portion of bank loans) of £11.226 million.

The Board of Directors, after assessing the extension option (which is exercisable by the Group) built within the existing facility agreement and other refinancing solutions presented at the 1H2022 board meeting, is of the view that the Group would be able to fulfil its debt obligations in the next 12 months.

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)

2 September 2022

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