CREATING VALUE PURSUING GROWTH

BHG RETAIL REIT
ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE

SINGAPORE'S FIRST PURE-PLAY CHINA RETAIL REIT SPONSORED BY A CHINA-BASED GROUP

Listed on SGX-ST, BHG Retail REIT has a diversified portfolio of five retail properties strategically located in major cities in China, namely Beijing, Chengdu, Hefei, Xining and Dalian.

As of 31 December 2018, BHG Retail REIT's portfolio comprises:

1. 60.0% interest in Beijing Wanliu Mall (北京华联万柳购物中心) in Beijing
2. Chengdu Konggang Mall (北京华联成都空港购物中心) in Chengdu, Sichuan Province
3. Hefei Mengchenglu Mall (北京华联合肥蒙城路购物中心) in Hefei, Anhui Province
4. Xining Huayuan Mall (北京华联西宁花园店) in Xining, Qinghai Province
5. Dalian Jinsanjiao Property (北京华联大连金三角店) in Dalian, Liaoning Province

All of BHG Retail REIT's malls are located in high population density areas frequented by growing middle class professionals and families. Designed as lifestyle destinations, each multi-tenanted mall features a compelling mix of shopping, dining, education and entertainment establishments. In every mall, the anchor tenant or master lessee is the highly popular Beijing Hualian Hypermarket Co., Ltd. (北京华联综合超市股份有限公司) catering to the daily needs of residents of the surrounding neighbourhoods.

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (北京华联商厦股份有限公司) (the "Sponsor"). The Sponsor and Beijing Hualian Hypermarket Co., Ltd. are part of Beijing Hualian Group Investment Holding Co., Ltd. (北京华联集团投资控股有限公司), one of China's largest retail enterprises with more than 20 years of retail operating experience.




OUR VISION

A SUCCESSFUL AND SUSTAINABLE REAL ESTATE INVESTMENT TRUST WITH A PORTFOLIO OF QUALITY, INCOME-PRODUCING RETAIL PROPERTIES THAT ARE WELL-MANAGED.

BHG RETAIL REIT

has grown steadily on the back of astute investment focus: good quality income-generating retail assets in China's high-growth neighbourhoods.

Poised to capitalise on the steady rise of a consumer segment that clamours for good retail spaces and compelling retail experiences, we aspire to grow with our markets – creating desirable retail destinations, building strong tenant relationships and bringing lasting benefits to our communities.


OUR MISSION

TO DELIVER REGULAR AND STABLE DISTRIBUTIONS TO OUR UNITHOLDERS, CREATING VALUE BY ENHANCING OUR PROPERTIES THROUGH ASSET MANAGEMENT STRATEGIES AND EXPANDING OUR PORTFOLIO THROUGH YIELD-ACCRETIVE ACQUISITIONS, WHILE WORKING TO CONTRIBUTE TO THE COMMUNITIES WE OPERATE IN.






PROPERTY PORTFOLIO

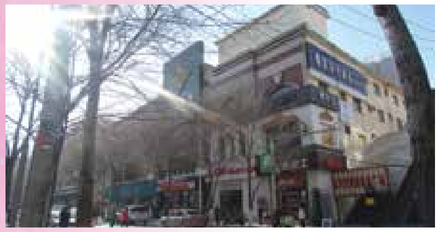
MULTI-TENANTED

Beijing Wanliu


Chengdu Konggang

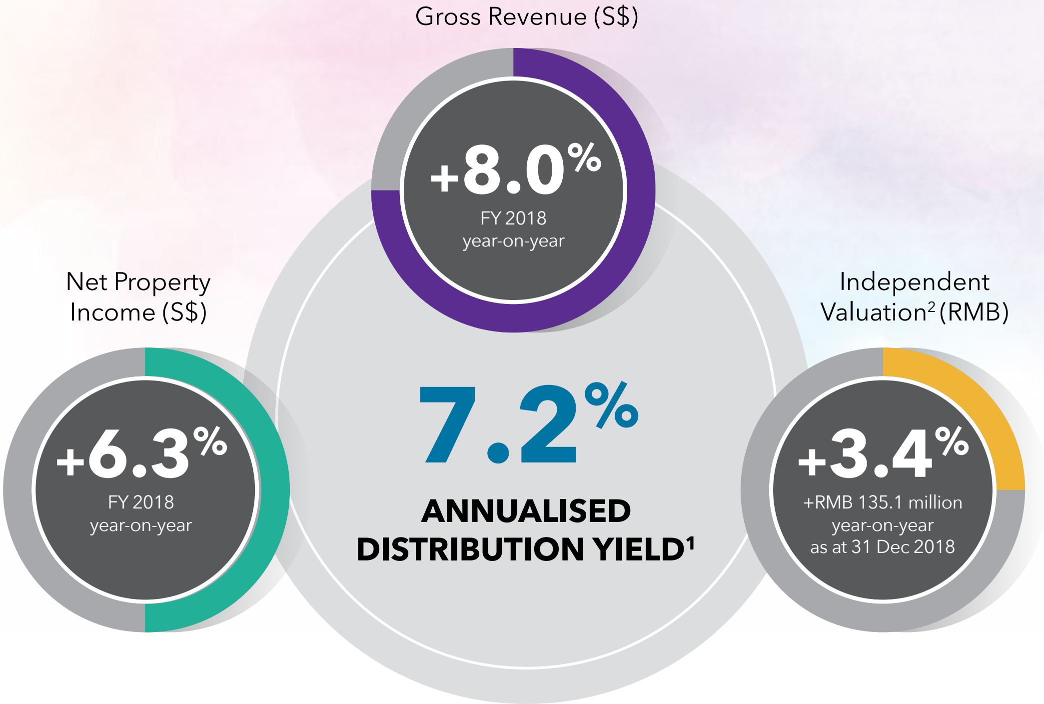
Hefei Mengchenglu

MASTER-LEASED


Xining Huayuan

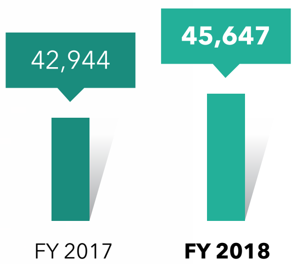

Dalian Jinsanjiao

KEY HIGHLIGHTS



GROSS REVENUE
(S$'000)

NET PROPERTY INCOME
(S$'000)



INDEPENDENT VALUATION[2]
(RMB 'million)

Amount Available for Distribution

S$19.7 MILLION

Distribution per Unit	Portfolio Committed Occupancy	Gearing[3]
5.16 Singapore cents	**98.7%**	**30.7%**

1 Based on closing price of S$0.715 as at 31 December 2018.
2 Based on independent valuation from Cushman & Wakefield Limited for both 31 December 2017 and 31 December 2018.
3 Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders.

YEAR AT A GLANCE

MAR 2018

- SGX Hangzhou Investors' Seminar

APR 2018

- SGX-CIMB Investment Seminar
- NUS Seminar: China REIT Market
- **The Global Good Governance Awards 2018™**
  BHG Retail REIT received Bronze awards for both the 'Best Governed and Transparent Company' and the 'Best Corporate Communications and Investor Relations' categories
- FY 2017 Annual General Meeting

MAY 2018

- **1Q 2018 Results announcement**
  BHG Retail REIT's gross revenue and net property income for 1Q 2018 outperformed the first quarter of the preceding year by 12.5% and 12.2%, respectively
- REIT Symposium 2018 (organised by REITAS & Shareinvestor)
- **Singapore Governance and Transparency Index 2018**
  BHG Retail REIT was ranked 10th amongst 43 REITs and business trusts by NUS Centre for Governance, Institutions and Organisations ("CGIO")

AUG 2018

- **Asia Pacific Best of The Breeds REITs Awards™ 2018**
  BHG Retail REIT received Platinum Award, under Retail REIT category (market capitalisation of less than US$1 billion).
- **2Q 2018 Results announcement**
  BHG Retail REIT's gross revenue and net property income up 11.9% and 9.9% year-on-year respectively in the 2Q 2018
- INVEST Fair 2018

SEP 2018

- Distribution payment of 2.74 Singapore cents per Unit for the period from 1st January 2018 to 30th June 2018

NOV 2018

- Proposed Acquisition of Hefei Changjiangxilu Mall
- **3Q 2018 Results announcement**
  Gross revenue and net property income for 3Q 2018 outperformed the same quarter last year by 5.1% and 3.5% year-on-year, respectively
- Beijing Investors' Seminar & Meetings

DEC 2018

- Extraordinary General Meeting (Resolution in relation to the Proposed Acquisition of Changjiangxilu duly passed by the Unitholders)

JAN 2019

- Shanghai, Beijing, Hong Kong Investors' Meetings

FEB 2019

- **4Q 2018 Results announcement**
  BHG Retail REIT achieves annual distribution yield of 7.2%.
  FY 2018 gross revenue and net property income up 8.0% and 6.3% year-on-year, respectively
- Bangkok Investors' Meetings

MAR 2019

- Distribution payment of 2.42 Singapore cents per Unit for the period from 1st July 2018 to 31st December 2018

LEVERAGING ON THE LONGER-TERM CONSUMPTION UPTREND

GROWING RESIDENTS' INCOME AND CONSUMER SPENDING

China's economic growth with healthy retail sales and consumer spending is anchored by steady increase in households' income, and ongoing rural-urban migration.

LETTER TO UNITHOLDERS

2018 MARKS THE REIT'S FIRST STEP TOWARDS ENLARGING ITS PORTFOLIO. THE PROPOSED ACQUISITION OF CHANGJIANGXILU MALL, IN HEFEI CITY, THE CAPITAL CITY OF ANHUI PROVINCE, IS EXPECTED TO BE COMPLETED BY EARLY APRIL 2019 AND CONTRIBUTE POSITIVELY TO THE REIT'S PORTFOLIO PERFORMANCE IN THE YEAR AHEAD.

DEAR UNITHOLDERS,

On behalf of the Board of Directors and the management team of BHG Retail Trust Management Pte. Ltd., we are pleased to present to you BHG Retail REIT's annual report for the financial year 2018 ("FY 2018").

2018 was a year which started off with much optimism, but ended in a mix as trade tensions in key economies weighed down on global market sentiments. Despite that, China's economy continued to chalk a stable growth trajectory. Against the backdrop of rising residents' income and spending, the REIT's strategy to focus on neighborhood retail properties, in high population density neighborhoods, continued to underpin the resilience of our fundamentals.

2018 marks the REIT's first step towards enlarging its portfolio. The proposed acquisition of Changjiangxilu Mall, in Hefei city, the capital city of Anhui province, is expected to be completed by early April 2019 and contribute positively to the REIT's portfolio performance in the year ahead.

In 2018, BHG Retail REIT's gross revenue and net property income ("NPI") grew 8.0% and 6.3% respectively year-on-year, on the back of more promising underlying rental uplifts achieved for new and renewed leases, as well as in-built rental escalation for ongoing tenancies.

Based on the closing price of S$0.715 as at 31 December 2018, and aggregated distribution per unit ("DPU") for FY 2018 of 5.16 Singapore cents, BHG Retail REIT's annual distribution yield of 7.2% continues to represent an attractive yield-play investment.

STABLE FUNDAMENTALS & ORGANIC GROWTH

Existing portfolio remained poised for further growth. Portfolio committed occupancy rate was 98.7% as at 31 December 2018. Rents for new and renewed leases continued to achieve very healthy rental reversions in FY 2018. Our malls' strong success in attracting new retailers while retaining quality tenants was attributed to the proactive leasing activities, tenant engagement, as well as astute asset management. Average passing rents registered positive increase year-on-year in FY 2018.

BHG Retail REIT's multi-tenanted malls contributed 88.6% of the entire portfolio's net property income in FY 2018. These key contributors, namely Beijing Wanliu Mall, Chengdu Konggang Mall, and Hefei Mengchenglu Mall, accounted for 61.6%, 14.3% and 12.7% respectively of FY 2018's NPI. Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2018. This was achieved through dedicated efforts to continually enhance the quality and popularity of our malls and to entrench our malls as the mall of choice for tenants and the surrounding communities.

Mr Francis Siu Wai Keung
Chairman

Ms Chan Iz-Lynn
Chief Executive Officer

OPTIMISING GROWTH VIA ASSET ENHANCEMENT

In mid-2017, we completed the asset enhancement initiative ("AEI") at Chengdu Konggang Mall to rejuvenate the mall's active lifestyle offering. We continued to witness strong visitorship throughout 2018.

Notwithstanding this, the REIT is not resting on its laurels. We continued to proactively manage our assets, and embarked on another AEI in third quarter 2018, which relates to the resizing of the supermarket space in Hefei Mengchenglu Mall. This allows us to unlock the underlying potential of the newly released space, rejuvenate the cluster, and widen the range of offerings for its customers, while retaining the supermarket's competitive mass to serve its surrounding community residents. In tandem with the resizing of the supermarket, the mall is undergoing asset enhancement works, with the installation of an additional set of escalators underway to significantly enhance access and improve natural traffic circulation to tenants at basement two. This integrated enhancement, slated to complete around mid-2019, is expected to elevate the long-term attractiveness of the anchor tenant and new cluster, as well as to further reinforce Hefei Mengchenglu's position as the mall of choice for the Luyang district community.

LETTER TO UNITHOLDERS

COMMUNITY-MALL FOCUSED STRATEGY

With the mission of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we endeavour to build on our resilient community-mall focused and experiential strategy, and to capitalise on the rising middle income population.

Leveraging on Beijing Hualian Group's wealth of knowledge and substantial footprint in retail mall management, luxury department store management, supermarket operation and international retail partnerships, the REIT and property managers benefit from the Group's strong understanding of Chinese consumption patterns.

Coupled with proactive engagement of the surrounding communities and strong collaboration with tenants, the REIT is able to promptly identify the fast changing demands of shoppers and communities that we serve, thereby maintaining the relevancy of our malls. In addition, Beijing Hualian Group's extensive network of retailers strengthens our ability to draw new retailers into our malls to provide an ever-refreshing retail-tainment experience.

To embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. This segment, which typically requires consumers to visit the mall, contributed about 65% and 80% of gross rental income and net lettable area respectively of the entire portfolio as at 31 December 2018.

STEADY FINANCIAL POSITION

As at 31 December 2018, BHG Retail REIT's appraised portfolio value was RMB 4,081.1 million, representing a 3.4% appreciation from the previous valuation of RMB 3,946.0 million as at 31 December 2017.

The Manager remains prudent in its capital management strategy. As at 31 December 2018, total borrowings drawn down aggregated to S$222.5 million, with about 70% of debt denominated in Singapore dollars and remaining approximately 30% denominated in RMB. In addition to the natural hedge provided by the RMB-denominated debt to the matching revenue stream, close to 50% of the Singapore dollars denominated debt has been hedged from a floating to fixed rate via interest rate swap instruments.

Gearing remained low at 30.7% and allows a comfortable debt headroom for future potential acquisition growth.

ACCOLADES & RECOGNITION

Over the course of the year, BHG Retail REIT received several accolades for our commitment and efforts. In August 2018, results of the Singapore Governance & Transparency Index ranking was made public. BHG Retail REIT was ranked 10th amongst 43 REITs and Real Estate Business Trust for our commitment in adhering to exemplary corporate governance practices and disclosure standards. In the same month, BHG Retail REIT also won the Platinum Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2018, under the Retail REITs (small capitalisation) category.

We are humbled and pleased to receive these recognitions as an affirmation of our efforts to pursue value for our Unitholders. These will serve as inspiration for us to remain focused on our mission to deliver sustainable returns to our Unitholders, and to be committed to good corporate governance practices.

INORGANIC GROWTH CATALYST

In November 2018, the Manager announced the proposed acquisition of the Hefei Changjiangxilu Mall, located in Shusan district, Hefei City for a total acquisition cost of approximately RMB348.4 million (approximately S$69.7 million). The agreed Changjiangxilu value of approximately RMB334.0 million (approximately S$66.8 million), represented a good discount compared to both independent valuations of the property commissioned by the Trustee and the Manager.

The Hefei Changjiangxilu Mall serves a large residential catchment area in the Shushan district, with a catchment population within a three kilometre radius from Hefei Changjiangxilu Mall of approximately 200,000 which comprises about 50 local communities. It is well-connected to the Hefei Metro Line 2, which commenced operations on

26 December 2017 and connects Shushan district with two other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu Mall by approximately 20.0%. As at 31 August 2018, Hefei Changjiangxilu Mall exhibits a strong occupancy rate of 99.4%, with a weighted average lease expiry of 2.6 years (by gross rental income) and 5.0 years (by committed lettable area).

The proposed transaction was approved by Unitholders at the Extraordinary General Meeting held on 18 December 2018, and is expected to be completed by early April 2019. The acquisition is expected to deliver a DPU accretion and NAV per unit accretion of 0.4% and 6.0% respectively.

OUTLOOK

China's GDP and retail sales registered 6.6% and 9.0% year-on-year growth in 2018. Disposable income and expenditure per capita of urban residents increased 7.8% and 6.8% year-on-year in 2018.

Looking ahead, we are confident that our portfolio of quality community malls will stay robust, underpinned by the upward trajectory of residents' income and expenditure, as well as spending uplift from consumption upgrade and rural-urban migration (urbanisation). We however, will remain watchful of changes in consumer preferences, developments in the economy and changes in government policies that may have an adverse impact on our business. We will continue to undertake proactive lease management and asset enhancement to enhance the value of the malls under our portfolio.

The Manager endeavours to continue an inorganic growth momentum. To lay a strong foundation for the REIT's next phase of growth, the Manager will seek potential opportunities through both Right of First Refusal as well as third-party properties. Our key acquisition considerations include being DPU-yield accretive, sustainability of operating performance, as well as potential for future organic growth.

Lastly, with prudence, expertise and commitment of the Manager, we are confident that BHG Retail REIT will continue to poise itself as an attractive yield-play investment, and deliver long-term sustainable growth to our Unitholders.

WITH APPRECIATION

In closing, we take this opportunity to acknowledge the commitment and contributions by fellow Board members, the management team and staff in the past year. We will also like to express our appreciation to our business partners, tenants, and shoppers for their continuous support. Last but not least, we offer our sincere gratitude to our Unitholders for their unwavering support and confidence in us. Together, let us look forward to another year of commendable performance and growth.

Thank you.

Mr Francis Siu Wai Keung
Chairman

Ms Chan Iz-Lynn
Chief Executive Officer

20 March 2019

致信托单位持有人之信函

尊敬的信托单位持有人：

我们很荣幸代表北京华联商业信托管理有限公司董事会及管理层公布北京华联商业信托（以下简称"本信托"）的2018财政年度（以下简称"2018财年"）业绩报告。

2018年刚开始时，市场情绪还是比较乐观的，后来却因为主要经济体之间发生贸易摩擦而陷入低潮。尽管如此，中国经济继续沿着稳健增长的轨道前进。在居民的收入和开支双双增长的背景下，本信托将策略重点放在人口稠密居民区中的社区零售物业，持续巩固我们富有弹性的基础。

2018年也是本信托首次扩大旗下商场规模的一年。对北京华联长江西路购物中心（位于安徽省会合肥市）的收购，预计将在2019年4月初完成。在新的一年里，这个新增商场预计将会为本信托旗下商场的整体表现锦上添花。

2018年，本信托总收入和净资产收入各自同比增长8.0%和6.3%，收入来源主要是新租户、续租户和现有租户的租金增长。

基于2018年12月31日闭市价0.715新元，以及2018财年每单位派息0.0516新元，本信托的年度派息收益率为7.2%，足以说明它仍然是一个极富吸引力的收益型投资。

稳定的基础及内生增长

现有旗下商场的业绩仍将继续增长。截止2018年12月31日，旗下商场的平均入住率是98.7%。在2018财年，新租户和续租户的租金保持良好增长。我们的商场之所以能在吸引新零售租户的同时，也能保留优质租户，主要得归功于积极的租赁活动，与租户之间的良好互动，以及精明的资产管理。2018财年的平均租金也实现了同比增长。

本信托旗下的多租户商场，在2018财年旗下商场的净资产收入中占比88.6%。主要创收者为北京万柳购物中心，成都空港购物中心，及合肥蒙城路购物中心，它们在2018财年的净资产收入中各占61.6%，14.3%和12.7%。在2018财年，我们的多租户商场在客流方面实现了更高的同比增长。之所以能取得这样的好成绩，是因为我们不断提高商场的素质和知名度，让租户和周边社区居民深信这里就是他们开店和购物的不二选择。

通过资产增值实现优化增长

在2017年中期，我们完成了北京华联成都空港购物中心的资产增值计划，为商场的购物体验注入了新的活力。

尽管如此，本信托并没有踌躇满志，裹足不前。我们继续积极管理资产，并于2018年第三季启动另一项资产增值计划，即调整合肥蒙城路购物中心的超市空间。这让我们能充分释放新增空间的潜能，为租户群注入新的活力，使其能为顾客提供更大范围的购物选择，同时保留超市的竞争优势，以便更好地服务周边社区居民。在调整超市空间的同时，商场也将进行翻新工程，多安装一架自动扶梯，提高通往地下二层商铺群的便捷性，并增加自然客流。这项定于2019年中期竣工的综合翻新工程，预计将提高新老租户的长期吸引力，并进一步巩固合肥蒙城路购物中心作为庐阳区居民心目中的购物最佳选择商场的地位。

聚焦社区商场策略

基于为信托单位持有人提供定期稳定的派息及长期的可持续增长的使命，我们努力建立富有弹性的、聚焦于社区商场的体验性策略，并设法把正在增长的中等收入人口资本化。

由于善用北京华联集团在零售商场管理、豪华百货商店管理、超市运营及国际零售合伙等方面的丰富知识和雄厚根基，本信托和物业管理团队也能从集团对中国消费模式的透彻认识中获益。

再加上主动接触周边社区居民及与租户的通力合作，本信托能迅速掌握购物者和社区居民日新月异的需求变化，从而确保商场能不断地与时俱进。此外，北京华联集团在零售业界的充沛人脉也强化了我们吸引更多新零售商入驻商场，从而为购物者提供令人耳目一新的零售体验。

为了适应消费者全渠道零售的发展趋势，本信托将继续侧重于体验部分。这部分由于经常需要消费者光顾商场，在截至2018年12月31日旗下商场的总租金收入和净可出租面积中，分别占比65%和80%。

稳健的财务状况

截至2018年12月31日，本信托旗下商场总估值40.811亿人民币，比2017年12月31日上一次评估时的39.46亿人民币升值3.4%。

管理团队在资本管理策略方面继续谨慎以对。截至2018年12月31日，总借贷额降至2.225亿新元，其中约70%是新元债务，另外约30%是人民币债务。除了通过自然对冲把人民币债务导入匹配的收入流以外，有将近50%的新元债务是通过利率掉期交易工具从浮动向固定利率对冲。

负债率保持在30.7%的较低水平，这让我们今后在从事进一步的收购行动时有充裕的负债空间。

荣誉认证

在这一年里，本信托获得了好几项荣誉，这是对我们不懈努力工作的肯定。2018年8月，有关方面公布了新加坡治理与透明度指数的排名成绩。由于我们致力于成为公司治理与披露标准的典范，本信托在43家房地产投资信托和商业信托中排名第10。在同一个月，本信托还荣获了2018亚洲最佳房地产投资信托大奖（Asia Pacific Best of the Breeds REITs Awards）零售房地产投资（小盘股）组别的白金奖。

我们以谦虚和欣慰的心情来领奖，因为这些荣誉是对我们不断为信托单位持有人追求价值的努力的肯定。它们也将鞭策我们在继续致力于为信托单位持有人提供可持续回报的同时，不忘恪守企业治理守则。

非内生增长催化剂

2018年11月，管理团队公布了总收购价约3.484亿人民币（约6970万新元）的北京华联长江西路购物中心（位于合肥市蜀山区）收购提议。这项收购提议后来以大约3.34亿人民币（约为6680万新元）的商定价成交，比起由管理团队和托管人分别委托的第三方不同物业评估的价值，是不错的折扣。

合肥市的北京华联长江西路购物中心位于蜀山区人口稠密的繁华地带，其3公里半径内有50个社区，总人口约20万。购物中心毗邻合肥地铁2号线。2号线在2017年12月26日通车，把蜀山区和合肥市的另外两个市辖区连成一片。合肥地铁2号线给这里带来了更大的购物人流，北京华联长江西路购物中心就大约增加了20.0%。截至2018年8月31日，合肥市北京华联长江西路购物中心的入住率达到了99.4%，加权平均租赁期限以总租金收入来算是2.6年，以可出租面积来算则是5.0年。

在2018年12月18日召开的特别股东大会上，这项收购提议得到了信托单位持有人的批准，并预计将于2019年4月初完成交易。合肥市北京华联长江西路购物中心收购案预计能产生0.4%的每单位派息（DPU）增值和6.0%的每单位资产净值（NAV per unit）增值。

致信托单位持有人之信函

展望

2018年，中国的国内生产总值和零售销售分别同比增长6.6%和9.0%。此外，城市居民的可支配收入和人均支出各自在2018年同比增长7.8%和6.8%。

展望未来，我们对旗下优质社区商场持续强劲增长充满信心，因为除了居民收入和开支都呈现了持续增长的势头以外，消费升级和农村人口向城市迁移（城市化）也提高了开支水平。尽管如此，我们仍然密切关注消费者偏好、经济发展和政府政策的变化，尤其是那些可能会给我们的业务构成不利影响的改变。我们将继续积极进行租赁管理和物业翻新计划，以提升旗下商场的价值。

展望未来，管理团队也将继续努力推动非内生增长。为了给本信托下一阶段的增长奠定更加牢靠的基础，管理团队会持续在拥有优先购买权（"ROFR"）以及第三方持有物业中寻找收购机会。主要的收购考虑因素包括每单位派息收益增长，经营表现的可持续性，以及未来内生增长的潜能。

最后，由于我们拥有一支精明、专业和热心奉献的管理团队，我们深信本信托将继续证明自己是物超所值的收益型投资，并将为所有的信托单位持有人提供长期的可持续增长。

鸣谢

最后，我们想趁此机会向在过去一年里为公司做出贡献的董事、管理层和员工致谢。我们也要感谢业务伙伴、租户和购物者的继续支持。此外，我们也要向所有的信托单位持有人真诚致谢，感谢他们对我们充满信心，感谢他们不遗余力地支持我们。让我们一起展望未来，希望在来年有更好的表现，取得更高的增长。

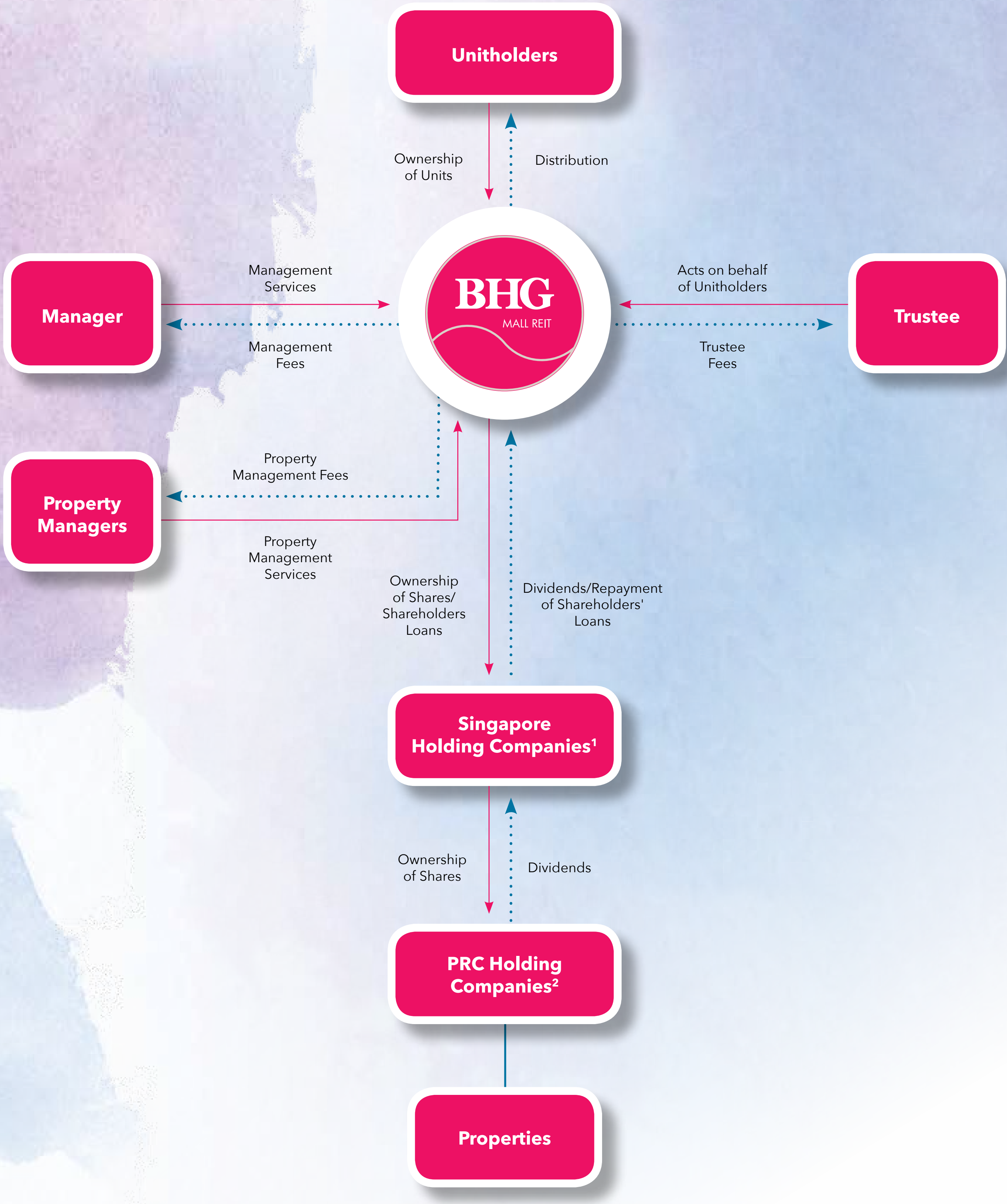
谢谢。

萧伟强
主席

陈懿璘
首席执行官

2019年3月20日

TRUST STRUCTURE



1 There are five Singapore Holding Companies, one holding a 60.0% equity interest in the PRC Holding Company and the remaining four each holding 100.0% equity interest in the relevant PRC Holding Companies.
2 There are five PRC Holding Companies, each holding one Property.

ORGANISATION STRUCTURE

BOARD OF DIRECTORS

MR FRANCIS SIU WAI KEUNG (64)

Chairman
Independent Director

Date of first appointment as a director
12 November 2015

Date of last re-election as a director
6 April 2017

Board committees served on
- Audit and Risk Committee (Chairman)
- Nominating and Remuneration Committee (Member)

Present directorships in other listed companies
- Guocoland Limited
- China International Capital Corporation Limited
- CITIC Limited
- China Communications Services Corporation Limited
- CGN Power Co. Ltd.

Past directorships in other listed companies over the preceding 3 years
Nil

Other principal commitments
Nil

Background and working experience
- Senior Partner of KPMG Beijing, Northern Region
- Senior Partner of KPMG Shanghai
- Audit Partner of KPMG Hong Kong

Academic and professional qualifications
- University of Sheffield, United Kingdom (Bachelor of Arts in Accounting and Economics)
- Institute of Chartered Accountants in England and Wales (Fellow Member)
- Hong Kong Institute of Certified Public Accountants (Fellow Member)

MR BEN YEO CHEE SEONG (67)

Independent Director

Date of first appointment as a director
12 February 2015

Date of last re-election as a director
18 April 2018

Board committees served on
- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Chairman)

Present directorships in other listed companies
- RE&S Holdings Ltd

Past directorships in other listed companies over the preceding 3 years
Nil

Other principal commitments
- Angullia Development Pte Ltd
- TCRE Partners Pte Ltd
- T.K. Yeo (Private) Limited
- Muse Capital Pte Ltd
- Muse (Carpenter) Pte Ltd
- Y Hospitality Pte Ltd
- Y Developments Pte Ltd
- Y Properties Pte Ltd
- Y (Hai Hin) Pte Ltd
- Ginkgo Tree Asset Management Pte Ltd

Background and working experience
- Group Managing Director of Guthrie GTS Limited

Academic and professional qualifications
- Institute of Singapore Chartered Accountants (Member)
- Institute of Chartered Accountants in England and Wales
- Association of Chartered Certified Accountants

MR LAU TECK SIEN (47)

Independent Director

Date of first appointment as a director
12 November 2015

Date of last re-election as a director
Not applicable

Board committees served on
- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)

Present directorships in other listed companies
Nil

Past directorships in other listed companies over the preceding 3 years
Nil

Other principal commitments
- Agri-Food & Veterinary Authority of Singapore
- Agrifood Technologies Pte Ltd
- Sichuan Jiuda Salt Manufacturing Co., Ltd.
- HOPU (Singapore) Services Pte Ltd
- HOPU (Hong Kong) Investment Consultancy Company Limited
- Partner/Chief Investment Officer of HOPU Investments

Background and working experience
- Managing Director (China) at Temasek International Pte. Ltd.
- Senior Manager at UOB Asset Management Ltd
- Vice President and Deputy General Manager of UOB Beijing Branch
- Chief Representative of UOB Beijing Representative Office

Academic and professional qualifications
- Nanyang Technological University of Singapore (Bachelor of Business)

BOARD OF DIRECTORS

MR YANG FENG (56)
Non-Executive Director

Date of first appointment as a director
6 April 2017

Date of last re-election as a director
18 April 2018

Board committees served on
Nil

Present directorships in other listed companies
- Chairman of Beijing Hualian Department Store Co., Ltd.

Past directorships in other listed companies over the preceding 3 years
Nil

Other principal commitments
- General Manager of Beijing Hualian Department Store Co., Ltd.

Background and working experience
- Branch President, Bank of Communications (Guangdong Province Branch)

Academic and professional qualifications
- Renmin University of China (Masters of Economics)
- Hunan College of Finance and Economics (Bachelor of Finance)

MR XIONG ZHEN (44)
Non-Executive Director

Date of first appointment as a director
12 November 2015

Date of last re-election as a director
18 April 2018

Board committees served on
Nil

Present directorships in other listed companies
Nil

Past directorships in other listed companies over the preceding 3 years
Nil

Other principal commitments
- Vice President of Beijing Hualian Group Investment Holding Co., Ltd.

Background and working experience
- General Manager of Beijing Hualian Department Store Co., Ltd.
- Vice General Manager of Beijing Hualian Department Store Co., Ltd.
- Personal Assistant to Chairman of Global Data Solutions Limited
- Personal Assistant to Chairman of Sinar Mas
- Personal Assistant to Chairman of Hong Kong Construction (Holdings) Limited

Academic and professional qualifications
- Auckland Institute of Technology (Master's Degree)
- Shanxi Institute of Finance and Economics (Bachelor's Degree)

MR PENG GE (47)
Non-Executive Director

Date of first appointment as a director
12 November 2015

Date of last re-election as a director
Not applicable

Board committees served on
Nil

Present directorships in other listed companies
Nil

Past directorships in other listed companies over the preceding 3 years
Nil

Other principal commitments
- Vice General Manager of Beijing Hualian Hypermarket Co., Ltd.

Background and working experience
- Vice General Manager of Bejing Hualian Department Store Co., Ltd.
- Vice General Manager of Beijing Hualian Hypermarket Co., Ltd.
- General Manager of Beijing Hualian Hypermarket Co., Ltd. South West Regional Office

Academic and professional qualifications
- Hunan Institute of Political Science and Law (Bachelor's Degree)

KEY MANAGEMENT

MS CHAN IZ-LYNN

Chief Executive Officer
Head of Investor Relations

Iz-Lynn is the Chief Executive Officer of BHG Retail REIT. She has over 20 years' experience in the real estate and service sector, including 10 years focused exclusively on retail and hospitality real estate at management level.

Prior to joining the Manager, Iz-Lynn was the Director of Mall Management at Beijing Hualian Department Store Co., Ltd. (the "**Sponsor**") from 2013 where she was responsible for the active management of the Sponsor's portfolio of shopping malls to ensure that financial and operational targets were met. As head of the Sponsor's Mall Management Department, Iz-Lynn was part of the team that established the organisational strategy and direction of the business.

From 2005 to 2013, Iz-Lynn held various positions in Far East Organization. She was the Assistant Director of the Retail Business Group where her primary responsibility included maximizing the business performance of the flagship asset Orchard Central, while her concurrent role as Vice-President (Retail Consultancy) involved the exploration of international new-to-market brands to the retail portfolio.

In the Hospitality Business Group, comprising hotels and serviced residences, she was responsible for service and operations. During her tenure, Iz-Lynn also concurrently held the position of the Head of Service Quality at the group's corporate level.

From 1996 to 2005, Iz-Lynn was with Singapore Airlines where she became the airline's first female Station Manager and managed overseas stations' airport operations in Frankfurt, Copenhagen, New York and Hong Kong.

Iz-Lynn holds a Bachelor of Arts (Honours) in English from the University of Leicester, United Kingdom and completed the General Management Programme at Harvard Business School, Boston MA, USA.

MR VICTOR TEN

Chief Financial Officer

Victor is the Chief Financial Officer of BHG Retail REIT. He has more than 25 years of experience in corporate management, finance, investment, accounting, and project management.

Prior to joining the Manager, he was the Financial Controller of Hyflux Ltd where he oversaw financial, accounting, taxation, cost management and corporate reporting matters for overseas operations in the Middle East and North Africa region.

Victor's prior experience further included the setting up of real estate, engineering, logistics and healthcare operations and offices in South East Asia. He implemented numerous operational and financial strategies and processes which added strength to various stages of successful transformation and growth of the businesses.

Victor holds a Degree (Honours) in Accounting from University of Bolton, United Kingdom, a Fellow Member for both the Institute of Public Accountants, Australia and the Institute of Financial Accountants, United Kingdom.

MS YVONNE LEW

Senior Finance Manager

Yvonne is involved in the financial and statutory reporting, treasury and provides support for compliance matters of BHG Retail REIT in Singapore. She has over 15 years of financial and audit experience. Prior to joining BHG Retail REIT, Yvonne held financial positions at Keppel Infrastructure Fund Management Pte Ltd, the Trustee-Manager of Keppel Infrastructure Trust.

Yvonne is a Singapore Chartered Accountant (CA) with the Institute of Singapore Chartered Accountants and she is a Fellow with the Association of Chartered Certified Accountants.

KEY MANAGEMENT

MR ERIC LIU
Investment and Asset Management Manager

Eric is responsible for creating value for Unitholders through acquisitions and divestments , asset enhancement and active asset management.

Prior to joining BHG Retail REIT, Eric was the Asset Manager in Straits Real Estate Pte Ltd where he provided direction and oversight of the company's business plan and strategy with regard to the company's asset portfolio in APAC. Prior to Straits Real Estate, he was the Investment and Asset Manager in Bright Ruby Resources Pte Ltd where he provided market research and strategic direction for real estate investments for their global portfolio. Eric also led and managed the transactions procedure.

Eric holds a Bachelor of Science in Finance and Accounting from the University of Bradford.

MR NIGEL NAI ZI
Investor Relations Manager

Nigel's responsibilities include strategic targeting of investors, management of communications and roadshows with existing and potential investors, as well as the research and media community. Nigel has over 10 years of experience in auditing, finance & regulatory reporting, and investor relations. Prior to joining BHG Retail REIT, he held positions at Ernst & Young, JP Morgan Singapore and SPH REIT.

Nigel is a Certified Public Accountant with CPA Australia, and holds an International Certificate in Investor Relations by the Investor Relations Society of UK. Nigel graduated from University of Western Australia, Perth, with a Bachelor of Commerce in Financial & Management Accounting, and Corporate Finance.

MR MELVYN LEE
Compliance Manager

Melvyn is responsible for legal, compliance and enterprise risk management matters at BHG Retail REIT in Singapore. Prior to his current appointment at BHG Retail REIT, Melvyn was the Compliance Officer at Pheim Asset Management (Asia) Pte Ltd. He started his career as a senior executive at the Singapore Land Authority.

Melvyn holds a Bachelor of Laws and Legal Practices LLB from Flinders University. In 2013, he was admitted to the Bar in the state of South Australia and is eligible to practice as a barrister and solicitor in South Australia.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (“**ERM**”) is integral to the business and culture of BHG Retail REIT (the "**REIT**"). Through a formalised framework that informs the decision-making of all staff, ERM not only preserves, but enhances value.

The Board of Directors (the “**Board**”) is responsible for the overall risk strategy and risk governance of the REIT. It achieves this through the approval of the REIT’s risk appetite and the implementation of sound risk management and internal control practices. The Board is supported by the Audit and Risk Committee in these matters.

In working within the implemented ERM Framework, the Manager is empowered with a sound structure for the REIT to capitalise on opportunities and achieve its investment objectives in a measured manner. This allows the Manager to take prudent risks in line with the approved risk appetite.

ERM FRAMEWORK

The ERM Framework was built on the premise that the REIT would have a standard and consistent approach to risk management in its culture and strategic planning processes. This would support the setting of priorities and making of decisions at the portfolio and Manager level.

Further, the ERM Framework applies a systematic approach to effectively manage and control risks in the Manager’s governance and operations so as to achieve optimal outcome for all its operations, business ventures, collaborations and partnerships.

The ERM Framework will be reviewed every two years. In the event of changes in regulations, country of operations, nature of business or any other event which would affect the REIT and the Manager, the Framework would be reviewed accordingly and updated immediately.

The Board and Manager have worked closely with input from Deloitte & Touche Enterprise Risk Services Pte Ltd in ensuring that the ERM Framework remains relevant and proceeds in accordance with current regulatory practices and requirements.

Further, the ERM Framework is supplemented by an outsourced Internal Audit function, which measures and evaluates the effectiveness of the procedures in place under the Framework. An internal audit exercise is conducted annually. In 2018, the exercise was conducted at the REIT’s portfolio property in Beijing, and at the REIT Manager’s office.

In addition, the Manager has established a semi-annual Control Self-Assessment exercise that is undertaken by the Manager and its subsidiaries. The CSA serves as a monitoring mechanism for management, as individual risk owners are required to assess the effectiveness of existing risk management and controls processes.

KEY RISKS IN FY 2018

Real Estate Risks

The REIT’s portfolio faces real estate market risks in China. These may include rental rate volatility and changes in occupancy rates. Generally, an adverse development may lead to a reduction in revenue or an increase in costs, which could result in a downward adjustment of the REIT’s assets.

The Manager manages real estate risk by adopting a proactive asset management strategy. Portfolio properties are monitored closely to ensure that existing assets are optimally leveraged. Additionally, the Manager may consider divesting assets that no longer provide yield-accretive opportunities.

The Manager closely monitors the tenant occupancy rate and tenant mix of each portfolio property. The collated data from the portfolio properties allows the Manager to optimise the tenants in each portfolio property to maximise its attractiveness to target customers in the community.

ENTERPRISE RISK MANAGEMENT

Investment Risks
Potential acquisitions are subject to rigorous due diligence, taking into consideration its potential for yield enhancement, long-term sustainability and its asset valuation. Any potential acquisition is first discussed with the Board. A conditional approval is obtained for commencement of review, analysis and due diligence after which the findings are presented to the Board for consideration.

Further, transactions related to acquisitions or divestments of real estate assets are monitored closely to ensure compliance with the requirements in the Property Funds Appendix, and the Listing Manual of the Singapore Exchange Securities Limited ("**SGX-ST**").

Disaster and Business Interruption Risk
The Manager is cognizant that unforeseen circumstances may interrupt the business of each portfolio property. These circumstances may include natural disasters, fire, and equipment failures.

Accordingly, each portfolio property has in place sufficient insurance coverage against such occurrences. Each portfolio property has implemented recovery plans, which are tested at intervals throughout the year to ensure staff and tenant familiarity. Further, the Manager has put in place proactive initiatives to ensure the upkeep and maintenance of the premises and equipment contained within each portfolio property.

Financial and Interest Rate Risk
The Manager ensures that financial market risks are closely monitored by the Manager, and reported to the Board. The Manager adopts a proactive strategy to manage the risks associated with the changes in interest rates on any loan facilities. As at 31 December 2018, the REIT has entered approximately half of the offshore loan into interest rate swap transactions. The fair value of financial derivative liabilities of S$74,000 represented 0.01% of the net assets as at 31 December 2018.

The Manager also closely monitors its debt profile to ensure it maintains compliance with the gearing limit established by the Monetary Authority of Singapore ("**MAS**") in the Code of Collective Investment Schemes. The Manager also actively monitors the portfolios to ensure sufficient liquid reserves to fund operations and meet short-term obligations.

The REIT is exposed to fluctuations of the Chinese Renminbi ("**RMB**") against the Singapore Dollar. Our aim is to maximize returns to our Unitholders, and accordingly the Manager monitors currency exchange trends closely and explores methods to mitigate foreign exchange risk. These methods may include foreign exchange hedging on the expected dividends from our China project companies, as well as other measures.

Where feasible, the REIT also adopts a natural hedging by borrowing in RMB. This matches the revenue stream generated from its investment, balancing the interest rate and foreign exchange risk. As at 31 December 2018, about 30% of the Group's borrowings is RMB-denominated.

Compliance Risks
The Manager is subject to multiple laws and regulations. These include the various regulations, notices and guidelines under the purview of MAS, which are applicable to the Manager as a Capital Markets Service Licence holder. Additionally, the Manager complies with the requirements found in the Listing Manual of SGX-ST, the Property Funds Appendix, and the provisions of the REIT's Trust Deed.

In ensuring that it complies with the myriad regulations, the Manager has implemented corporate policies and procedures to provide clear instructions for all staff to abide by. This would minimise the likelihood of contravention of any regulation or rule, ensuring the least disruption to the business activities conducted by the Manager. Further, the Manager ensures all employees are aware of the latest developments in the law through training and attending seminars and briefings conducted by professionals.

Technology Risks
The Manager is aware of the modern-day risks associated with Information Technology. In accordance with the MAS Notice on Technology Risk Management, the Manager conducts periodic reviews of its technology risks, with a view towards minimizing the risk of downtime caused by information technology system failures.

CORPORATE GOVERNANCE

INTRODUCTION

BHG Retail REIT (the "**REIT**") is a trust constituted by a deed of trust dated 18 November 2015 (as amended and supplemented) (the "**Trust Deed**") entered between BHG Retail Trust Management Pte Ltd (the "**Manager**"), as manager of the REIT, and DBS Trustee Limited (the "**Trustee**"), as trustee of the REIT. The Manager was appointed in accordance with the terms of the Trust Deed. The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of unitholders of the REIT (the "**Unitholders**") present and voting at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

As an entity regulated by the Securities and Futures Act (Cap. 289) ("**SFA**"), the Code on Collective Investment Schemes (the "**CIS Code**"), the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and other regulations, the Manager is committed to upholding good standards of corporate governance.

The board of directors (the "**Board**" or "**Director**") of the Manager has ensured corporate governance practices in line with the Code of Corporate Governance 2012 (the "**2012 Code**") were implemented. The Manager has further ensured that it remains in compliance with the other regulations, notices, circulars and guidelines that may be released by the Monetary Authority of Singapore ("**MAS**") from time to time.

The report describes the corporate governance practices with specific reference to the 2012 Code. Where there are deviations from the principles and guidelines of the 2012 Code, such as the disclosure of remuneration, explanations are provided within this Annual Report.

THE MANAGER

The Manager has general powers of management over the assets of the REIT, and is responsible for setting the strategic direction of the REIT. The Manager's primary responsibility is to manage the assets and liabilities of the REIT for the benefit of the Unitholders of the REIT. Broadly, the Manager's strategy is:

- Active Asset Management – Driving organic growth and building long-lasting relationships with tenants;
- Active Asset Enhancement – Implementing enhancement opportunities to enhance cash flow and value of the properties;
- Acquisition Growth – Achieving portfolio growth through acquisition of quality income producing retail properties; and
- Sound Capital and Risk Management – Appropriate mix of debt and equity financing to maintain a strong and robust statement of financial position.

The Manager is an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (the "**Sponsor**"), an established China-based homegrown retail property operator. The Sponsor has extensive experience and expertise in asset management, which the REIT is able to leverage on in order to achieve its objectives.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Effective Board to lead and control the Company

The Board, which is responsible for the long-term success of the REIT, is entrusted with overall responsibility for the corporate governance of the Manager. The Board is also responsible for the strategic business direction and risk management of the REIT. To this end, the Board has set in place a framework of internal controls for effective management of risks within the business. All Directors exercise reasonable diligence and independent judgment when making decisions and are obliged to act honestly and consider the interests of the Manager and the REIT at all times.

Half of the Board consists of Independent Directors, and this meets the requirements in the 2012 Code, which prescribes a minimum of one-third of the Board to be independent. The Directors collectively bring to the Board deep experience in financial services, audit, real estate development, valuations and lease management. This collective expertise allows the Board to lead the Manager, establishing the long-term strategies and overseeing the management of the REIT.

The Board has authority to approve or endorse certain matters, including:

- Material transactions, such as acquisitions and divestments;
- Annual budgets;
- Quarterly/annual financial reports; and
- Appointment of Directors and key management staff.

To facilitate proper discharge of its functions, the Board has established the following committees:

- Audit and Risk Committee (the "**ARC**"); and
- Nominating and Remuneration Committee (the "**NRC**") (collectively, the "**Board Committees**").

The Board Committee members are appointed from within the ranks of the Board, and operate on delegated authority from the Board.

The Board and the ARC meet at least once every quarter to review key business activities. The NRC meets at least annually. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, videoconferencing, or other similar means of telecommunication. Four Board meetings were held during the financial year ended 31 December 2018 ("**FY 2018**"). The attendance of the Directors at Board meetings and Board Committee meetings are set out at page 27 of this report.

Updates and changes to regulatory requirements that bear relevance to the REIT are monitored and reported to the Board during the meeting. Where necessary and expedient, the Board may be briefed on urgent updates via circulars.

Each newly appointed Director goes through an orientation and induction programme. The programme aims to familiarise the new Director with his duties as a director and how to discharge those duties, the laws and regulations that govern the operation of a REIT, and to familiarise the new Director with the REIT's business and organisation structure and governance practices. Following their appointment, Directors are provided with opportunities for continuing education in areas such as Director's duties and responsibilities, changes to laws, regulations, accounting standards, and industry-related matters so as to be updated on matters that may affect or enhance their performance as Directors of the Board, or of the Board Committees. In FY 2018, Directors were briefed and updated on changes to the the Listing Manual of SGX-ST and the 2012 Code.

The directors and executive officers should have appropriate experience and expertise to manage the REIT's business. For new Directors who have no prior experience as a director of a public listed company listed on the SGX-ST, they will undergo training in the roles and responsibilities of a director of a public listed company in Singapore as prescribed by the SGX-ST.

Newly appointed Directors will be provided with a formal letter of appointment setting out their duties and obligations.

Board Composition and Guidance

Principle 2: Strong and Independent Element on the Board

The Board presently comprises six members, all of whom are Non-Executive Directors of which three are Independent Directors:

Mr Francis Siu Wai Keung	Chairman/ Independent Director
Mr Ben Yeo Chee Seong	Independent Director
Mr Lau Teck Sien	Independent Director
Mr Yang Feng	Non-Executive Director
Mr Xiong Zhen	Non-Executive Director
Mr Peng Ge	Non-Executive Director

This composition complies with the 2012 Code's guideline that at least one-third of the Board should be made up of Independent Directors.

The Manager is not required to have at least half of the Board as Independent Directors or to have a Lead Independent Director as:

(a) The Chairman of the Board and Chief Executive Officer (the "**CEO**") are not the same person and are not immediate family members; and

(b) The Chairman is not part of the management team and is independent.

Each Director is a respected individual with the appropriate experience to act as the Directors of the Manager. The profiles of the Directors may be found from page 17 to 18 of the Annual Report. The Board is headed by Mr Francis Siu Wai Keung, who presides as Chairman. The Board encompasses a diverse set of skills, experience, and knowledge of the REIT and its portfolio properties. Due consideration is also given to other diversity factors including but not limited to tenure, age and gender. The Board will review the composition of the Board from time to time to ensure that the size of the Board provides effective and efficient decision-making, and that the Board is sufficiently independent.

In addition, the composition of the Board is determined using the following principles:

- The Chairman of the Board should be a Non-Executive Director of the Manager;
- The Board should comprise Directors with a broad range of commercial experience including expertise in fund management, audit and accounting, and the property industry; and
- At least one-third of the Board should comprise Independent Directors.

Mr Yang Feng, Mr Xiong Zhen and Mr Peng Ge are salaried employees of other entities within the Beijing Hualian Group and accordingly are treated as Non-Independent Directors. The independence of Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien are assessed against the requirements of the 2012 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations (the "**SF(LCB)R**").

The assessment of a Director's independence takes into account the enhanced independence requirements set out in the SF(LCB)R. Under the enhanced independence requirements set out in the SF(LCB)R, an independent director is one who:

(i) has no relationship with the Manager, its related corporations and its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgment;
(ii) is independent from any management and business relationship with the Manager and BHG Retail REIT, and from every substantial shareholder of the Manager and every substantial Unitholder;
(iii) is not a substantial shareholder[1] of the Manager or a substantial Unitholder;
(iv) has not served on the Board for a continuous period of nine years or longer; and
(v) is not employed by the Manager or BHG Retail REIT or their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or BHG Retail REIT or their related corporations for the past three financial years and whose remuneration is determined by the Board.

The Board has determined that the Independent Directors are independent as defined under the relevant regulations. Each of the Independent Directors has recused himself from reviewing his own independence.

There are no instances where the Board considers a director to be independent where there is the existence of a relationship as stated in the 2012 Code, the Listing Manual of the SGX-ST or Regulation 13E of the SF(LCB)R that would otherwise deem a director not to be independent.

For FY 2018, the NRC has reviewed and determined that the Independent Directors of the Manager are independent according to the 2012 Code, the Listing Manual of the SGX-ST and Regulation 13E of the SF(LCB)R.

1 The term "substantial shareholder" refers to a person who has an interest or interests in one or more voting shares in the Manager and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Manager.

None of the Independent Directors have served the Board beyond nine years from the date of their first appointments.

The Board is confident that the Directors act in good faith and exercise due diligence and care in the exercise of their duties, and is presently of an appropriate size. For FY 2018, the Board is of the opinion that its current Board size and composition is reasonable, effective and efficient considering the nature, size and scope of the Manager's and the REIT's business operation.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their view and opinions provide alternative perspectives to the Manager's business and enable the Board to make informed and balanced decisions. The Non-Executive Directors also work with Management to help shape the strategic process.

When reviewing Management proposals or decisions, the Non-Executive Directors bring their objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors meet without the presence of Management on a need-basis.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities and balance of power and authority

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities between the Chairman and CEO are held by separate individuals. Mr Francis Siu Wai Keung is our Chairman and Ms Chan Iz-Lynn is our CEO. The Chairman brings with him a wealth of experience. He leads the Board and bears responsibility for the working of the Board. Mr Siu is responsible for creating the conditions for the overall effectiveness and direction of the Board, Board Committees and individual Directors. He ensures that the Board receives accurate, timely and clear information and that the Board meetings are held as and when necessary, and sets the agenda of Board meetings in consultation with the other Directors and Management. He assists in ensuring compliance with the guidelines on corporate governance and facilitates the effective contribution of Non-Executive Directors.

The CEO, Ms Chan Iz-Lynn, works with the Board to determine the strategy for the REIT. She also works with the other members of the management team to ensure that the REIT operates in accordance with the Manager's stated investment strategy. Further, she is responsible for the future strategic development, overall day-to-day management and operations of the REIT, and works with the Manager's investment, asset management, financial and compliance personnel in meeting the strategic, investment and operational objectives of the REIT.

In view of the fact that the Chairman of the Board and CEO are not the same person and are not immediate family members; and he is not part of the management team and is an Independent Director, the Company is not required to have a Lead Independent Director.

During FY 2018, the Independent Directors have met at least once in the absence of Management, to discuss matters and provide relevant feedback.

Board Membership

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

The Board is cognizant of the requirements of the 2012 Code, and accordingly the Board has established the NRC, which comprises the following three members, all of whom, including the Chairman, are Independent Directors:

Mr Ben Yeo Chee Seong	Chairman
Mr Francis Siu Wai Keung	Member
Mr Lau Teck Sien	Member

The NRC is regulated by a set of written Terms of Reference and is responsible for making recommendations to the Board on appointment and remuneration matters. The NRC will review and make recommendations on succession plans for the Board and executive officers.

The responsibilities of the NRC as set out in the Terms of Reference include:

- Developing a process for evaluation of the performance of the Board, its Board Committees, and Directors.
- Reviewing the training and professional development programmes for the Board;
- Reviewing and nominating the appointment and re-election of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director;
- Determining annually, and as when circumstances require, if a Director is independent; and
- Deciding if a Director is able to and has been adequately carrying out his duties as a Director of the Manager, taking into consideration the Director's principal commitments.

The NRC reviews the independence of each Director annually. In respect of the Company's Independent Directors, Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien, the Board is of the view that they are independent for the financial year under review, taking into account the circumstances set forth in the 2012 Code, the Listing Manual of the SGX-ST, Regulation 13E of the SF(LCB)R and any other salient factors.

The Independent Directors had also confirmed their independence in accordance with the 2012 Code, the Listing Manual of the SGX-ST and SF(LCB)R.

In appointing a new Director to the Board, the Board considers the needs of the REIT and the relevant expertise of the candidate. Further, the Board considers the principles stated on page 25 of the Annual Report. The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director's competence, commitment, contribution and performance. Candidates with the appropriate profile are shortlisted for nomination and are recommended to the Board for approval. The search for candidates is conducted through referrals, and the NRC may seek advice from external search consultants where necessary. The Board does not appoint alternate directors as recommended by the 2012 Code.

Where a Director has multiple Board representations, the NRC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Manager, taking into consideration the Director's number of listed company board representations and other principal commitments.

The 2012 Code further recommends that the Board should determine the maximum number of listed company board representations, which any Director may hold. The Board has voluntarily and unanimously agreed that with effect from FY 2018, each Director may hold a maximum of six listed company directorships so that they are able to commit time and effort to carry out their duties and responsibilities effectively.

The NRC has evaluated and is satisfied that each Director has provided sufficient time and attention on the affairs of the Manager to fulfil their responsibilities, notwithstanding their other commitments. For FY 2018, the Directors have attended Board meetings and have participated constructively in discussion of the activities of the REIT. The Board is of the view that, despite the external appointments, the Directors are not hindered from carrying out their duties as Directors of the Manager.

The number of meetings held by the Board, the ARC and the NRC and the attendance of Directors at the meetings during FY 2018 are set out as follows:

	Board Meetings	ARC Meetings	NRC Meetings
Francis Siu Wai Keung	4	4	1
Ben Yeo Chee Seong	4	4	1
Lau Teck Sien	4	4	1
Yang Feng	4	N.A.	N.A.
Xiong Zhen	4	N.A.	N.A.
Peng Ge	4	N.A.	N.A.

N.A.- Not applicable

Information in respect of the designations and roles of the Directors, academic and professional qualification, date of first appointment as a director, date of last re-appointment as a director, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, and other principal commitments, is set out in the "Board of Directors" section of the Annual Report.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

The Board has implemented a formal system of evaluating Board's performance, which is carried out by the NRC, for assessing the effectiveness of the Board as a whole, the Board Committees and the individual Directors through the use of a performance assessment checklist. The Board has not engaged any external facilitator to conduct the performance evaluation of the Board, its Board Committees and each individual Directors. Where relevant and when the need arises, the NRC will consider such an engagement.

The evaluation of the Board's performance as a whole deals with matters on Board composition, information, process, accountability, performance benchmark, CEO, key management personnel, risk management and internal controls and standards of conduct. The Board Committees' evaluation deals with the efficiency and effectiveness of each Board Committee in assisting the Board. The criteria for the evaluation of individual Directors include, among others, the Directors' attendance and participation at Board and Board Committees meetings, understanding of business plans and strategies, and ability to articulate thoughts and opinions in a clear and concise manner.

Each Director is required to objectively assess his personal performance and collectively, the performance of the Board as a whole and its Board Committees. For FY 2018, each Director completed the performance assessment checklists and returned them to the Company Secretary. The Company Secretary has compiled the results of the evaluation and tabled the summary at the NRC meeting for the NRC's review. The NRC is satisfied that:

- All performance objectives for FY 2018 have been met for the Board, Board Committees and for each individual Director; and
- Each Independent Director has met and continues to meet the requirements of the 2012 Code.

Pursuant to the NRC's review, the Board is satisfied that it has achieved its performance objectives for FY 2018.

Access To Information

Principle 6: Board members should be provided with complete, adequate and timely information

The Manager provides the Board with complete, adequate and timely information prior to Board meetings, and on an ongoing basis. This includes quarterly financial reports and financial statements from the Manager. The Manager's executives and external consultants may also provide presentations on specific business areas. Further, each Director has separate and independent access to members of the Manager, and this ensures that the Directors are not dependent solely on what is volunteered by the Manager.

Board meetings are scheduled in advance to ensure that each Director has sufficient time to arrange his schedule and commitments. Board papers and related materials are generally circulated at least three days in advance to allow each Director to be fully prepared for a Board meeting. During a Board meeting, executives may be invited as attendees in the event the Directors require further clarification on matters being discussed.

Further, the Company Secretary, who attends all Board meetings, ensures that all relevant rules, regulations and procedures are complied with. Where requested, Directors may have access to professional advice. The ARC also meets with internal and external auditors without the presence of Management and has unfettered access to information.

The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the REIT, at the Manager's expense, subject to approval by the Board.

REMUNERATION MATTERS

Procedure for Developing Remuneration Policies

Principle 7: Formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors

Level and Mix of Remuneration

Principle 8: Level of remuneration of Directors should be appropriate but not excessive

Disclosure on Remuneration

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The REIT is externally managed by the Manager and accordingly has no personnel of its own. Remuneration of all Directors and employees of the Manager are paid by the Manager and not by the REIT. The Manager adopts the principle that remuneration for the Board and Management should be assessed holistically. The remuneration structure supports the continuous development of the management bench strength to ensure robust talent management and succession planning.

While the Manager is not a listed entity, the Board has established the NRC. As regards remuneration policies, the Terms of Reference of the NRC include:

- Reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers; and
- Reviewing the REIT's obligations arising in the event of termination of Executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses.

The NRC recommends a framework of remuneration for the Board and key management personnel to the Board for endorsement. There is a formal and transparent procedure for fixing the remuneration packages of the Directors. No individual Director is involved in fixing his own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis.

The NRC operates on delegated authority from the Board. For FY 2018, the Manager has not engaged a remuneration consultant. The Manager has put in place a remuneration policy with an aim toward retention of talent, building the strength of management, and developing key executives. This ensures that the business of the Manager remains sustainable, and provides a stable environment with room for continual growth and improvement.

The NRC reviews the terms and conditions of service agreements of the CEO and key management personnel before their execution. In the course of such review, the NRC will consider the Manager's obligations arising in the event of termination of the CEO and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

In establishing the remuneration structure of the CEO and key management personnel, the NRC ensures that the level and mix of remuneration is competitively benchmarked against the relevant industry market rates and tied to the performance of the Manager and the individual employee. The remuneration package of the CEO and key management personnel comprises a base fixed cash component, including the base salary and compulsory employer contribution to the key executive's Central Provident Fund ("**CPF**") account, and a variable cash component.

The variable cash component is linked to whether the CEO and key management personnel meet performance targets, both personal and that of the Manager and the REIT. This aligns the achievements of the CEO and key management personnel with that of the Unitholders.

The CEO and key management personnel are paid in cash only and do not receive any remuneration in Units.

The Manager believes the current remuneration framework it has in place allows it to attract sufficiently qualified talent. Each employee's salary comprises a fixed component and a variable component. The fixed component consists of the base salary and compulsory contributions to the employee's CPF account. The variable component consists of an annual bonus plan, which is linked to the performance of the employee across the preceding year. Further, the Manager may grant to each employee an Annual Wage Supplement.

Fees received by each Independent Director consist only of Director's fees component, which is paid in cash. The Non-Executive Directors do not receive any fees as they are salaried employees of other entities of the Beijing Hualian Group. Directors and key management personnel are not paid in Units.

The Directors' fees for Independent Directors for FY 2018 are set out as follows:

Director	**S($)**
Mr Francis Siu Wai Keung	98,000
Mr Ben Yeo Chee Seong	87,000
Mr Lau Teck Sien	85,000

The Manager does not use contractual provisions to allow the Manager to reclaim incentive components of remuneration from the CEO and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Manager. The CEO owes a fiduciary duty to the Manager. The Manager should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

The Board has not included a separate annual remuneration report to the Unitholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the REIT.

The 2012 Code and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management require REIT managers to disclose (1) the remuneration of the CEO and each individual director on a named basis, with a break down (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards and other long-term incentives; and (2) the remuneration of at least the top five key management personnel (who are not Directors or the CEO), on a named basis, in bands of S$250,000.

The Board has assessed and decided against such disclosure of the remuneration of the CEO and top key management personnel and believes that the interests of the Unitholders will not be prejudiced as a result of such non-disclosure, for the following reasons:

- Remuneration matters for the CEO and top key management personnel are sensitive and confidential matters;
- There is competition for talent in the REIT industry, and it is the view of the Manager that it would be in the interests of the Unitholders not to reveal the remuneration in order to maintain continuity of business; and
- Remuneration is paid by the Manager, and all fees payable to the Manager have been detailed in full in this Annual Report.

There were no employees who were immediate family members of a Director or the CEO during FY 2018 and whose remuneration exceeds S$50,000 during the year. Based on the Listing Manual of the SGX-ST, "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

No remuneration or compensation was paid or is to be paid in the form of share options, since the Manager does not currently have any plan to implement share option or share incentive schemes. However, this does not rule out the possibility of the Manager doing so in the future.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects.

The Manager keeps the Unitholders updated on the REIT's financial performance, position and prospects through quarterly and full-year financial reports. In its presentation of the financial results, the Board strives to provide reports that are easily understandable of the REIT's financial position, its results, and its prospects.

The Manager believes in conducting itself in ways that seek to deliver maximum sustainable value to the Unitholders. Best practices are promoted as a means to build an excellent business for the Unitholders and the Manager is accountable to the Unitholders for the REIT's performance. Prompt fulfilment of statutory and regulatory reporting requirements is but one way to maintain the Unitholders' confidence and trust in the capability and integrity of the Manager.

Management is accountable to the Board and provides all members of the Board with financial statements, management accounts and such explanations and information to the ARC and the Board on a timely basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the REIT's performance, financial position and prospects.

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the Unitholders' interests and the REIT's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Manager recognizes the importance of having in place an effective, adequate and sound system of risk management and internal control. Accordingly, Deloitte & Touche Enterprise Risk Services Pte Ltd ("**Deloitte**") was engaged as internal auditors to provide professional input in the assessment of the Manager's existing internal controls.

The Manager has further engaged KPMG Services Pte. Ltd. ("**KPMG**") to conduct quarterly reviews to mitigate the risk of non-compliance with regulatory requirements. The ARC is kept updated on findings reported by Deloitte and KPMG, and the ARC takes these findings into consideration when assessing the Manager's risk appetite. The Manager has also adopted an Enterprise Risk Management ("**ERM**") Framework, which formalises the Manager's risk management and internal controls practice.

For FY 2018, the Manager has conducted two Control Self-Assessment Exercises on itself and on each of the portfolio properties in the REIT to evaluate its ERM Framework. More information on the ERM Framework can be found on the Enterprise and Risk Management section of the Annual Report.

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by Management, the Board with the concurrence of the ARC, is of the opinion that the Manager's internal controls put in place during the financial year, including financial, operational, compliance and information technology controls, risk management systems and sustainability were adequate and effective taking into account the nature, scale and complexity of the Manager's operations. For FY 2018, the Board has received assurances from the CEO and Chief Financial Officer of the Manager that:

- the financial records of the Group (comprising the REIT and its subsidiaries) have been properly maintained and the financial statements for FY 2018 give a true and fair view of the Group's operations and finances, and are prepared in accordance with the relevant accounting standards; and
- the system of risk management and internal controls in place within the Group (including financial, operational, compliance, information technology controls and sustainability) are adequate and effective in addressing the material risks in the Group in its current business environment.

The system of internal controls and risk management provides reasonable, but not absolute, assurance that the REIT will not be severely affected by any event that could be reasonably foreseen as the REIT strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Manager has established the ARC. Further, Management, with the assistance of Deloitte and KPMG, regularly reviews the REIT's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

Audit and Risk Committee

Principle 12: Establishment of Audit and Risk Committee with written terms of reference

The ARC comprises the following three members, all of whom, including the Chairman, are Independent Directors:

Mr Francis Siu Wai Keung	Chairman
Mr Ben Yeo Chee Seong	Member
Mr Lau Teck Sien	Member

The Board is of the opinion that the members of the ARC collectively have experience in audit, accounting and fund management experience. Further, the ARC meets at least once every quarter. During ARC meetings, they may be briefed and updated on any changes to accounting standards and issues which have a direct impact on financial statements. Accordingly, they are qualified to discharge the ARC's responsibilities.

The ARC is authorised by the Board to investigate any matters within its Terms of Reference. Management is required to provide the full cooperation in providing information and resources, and in implementing or carrying out all requests made by the ARC. The ARC has direct access to the internal and external auditors and full discretion to invite any Director or key management personnel to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the ARC.

The ARC is regulated by a set of written Terms of Reference and its principal functions include:

- Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual of the SGX-ST and the provisions of the Property Funds Appendix;
- Monitoring the procedures established to ensure compliance with the provisions of the Listing Manual of the SGX-ST relating to interested person transactions, and the provisions of the Property Funds Appendix relating to interested party transactions (collectively, "**Interested Party Transactions**");
- Reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- Reviewing internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management; and
- Reviewing the appointment, re-appointment and removal of internal and external auditors.

The ARC is responsible for the nomination of internal and external auditors. Further, the ARC is empowered to investigate any matters that fall within its Terms of Reference at any time it deems necessary to do so. Management cooperates fully with the ARC in such circumstances.

The ARC has full access to and the cooperation of Management and reasonable resources to enable it to discharge its functions properly. The ARC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The ARC also meets with the external and internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The ARC had met with the internal and external auditors, Deloitte and Messrs KPMG LLP, in the absence of Management during FY 2018.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2018 and the fees paid for such services. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees paid and payable to the external auditors for FY 2018 in respect of the audit services is approximately S$323,000 and non-audit fees is approximately S$71,250. The ARC confirms that the non-audit services provided by the auditor would not affect their independence.

The Manager confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the Listing Manual of the SGX-ST.

The Manager has established a whistleblowing policy, which is overseen by the ARC. The whistleblowing policy allows for any wrongful act, impropriety or statutory non-compliance by the Manager's Directors, key executives or employees to be reported, and for appropriate follow-up actions to be taken. Pursuant to the whistleblowing programme which has been put in place, the ARC reviews arrangements by which staff of the Manager or any other persons may, in confidence, raise their concerns to the Chairman of the Board and the ARC about possible improprieties in matters of financial reporting or other matters in a responsible and effective manner.

In the review of the Group's financial statements, the ARC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the ARC reviewed, amongst other matters, the key audit matter, as reported by external auditors for the financial year ended 31 December 2018, relating to the valuation of investment properties.

The ARC reviewed the outcome of the established valuation process and discussed the details of the valuation with the Management. The ARC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of investment properties. The ARC is satisfied with the valuation process the methodologies used and the valuation of the investment properties as adopted and disclosed in the financial statements.

The ARC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the external auditors.

None of the members of the ARC were previous partners or directors of the Company's existing auditing firm within the previous 12 months or hold any financial interest in the auditing firm.

Internal Audit

Principle 13: Effective and independent internal audit function

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for safeguarding the Unitholders' investment and the Manager's and the REIT's assets.

The internal audit function has been outsourced to an independent external service provider: Deloitte. To ensure that it performs its function adequately and effectively, Deloitte employs suitably qualified staff with the requisite skill sets and experience. The ARC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The ARC also reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management and the external auditors.

During FY 2018, Deloitte conducted an audit review based on the approved internal audit plan. The results of the review are reported to the ARC. Key findings are highlighted for follow-up action. The ARC has reviewed the internal audit function and has concluded that the internal audit function was independent, effective and adequately resourced. The ARC is satisfied that the appointed internal auditors are adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Manager to discharge its duties effectively and independently. This is evidenced through the unimpeded access to the Manager's documents and records and the access the ARC has to Deloitte without the presence of Management.

The ARC reviews and approves the internal audit plan on an annual basis, to ensure the adequacy and effectiveness of the internal audit function and scope of audit. The ARC also reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management and the external auditors.

UNITHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Unitholder Rights

Principle 15: Communication with Unitholders

Principle 16: Conduct of Unitholder Meetings

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings.

The Manager encourages Unitholders' participation during general meetings. Unitholders are able to engage with the Board and Management on the REIT's business activities, financial performance and other business-related matters during such meetings. Resolutions are passed through a process of voting and Unitholders are entitled to vote in accordance with established voting rules and procedures.

The Trust Deed allows any Unitholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to Unitholders.

The Manager recognises the importance of timely disclosure of information to the Unitholders, and upholds a strong culture of continuous disclosure and transparent communication with the Unitholders and the investment community. As such, disclosures are made on a timely basis through SGXNET, and on the REIT's updated website.

In addition, where possible, the Unitholders are notified in advance of the release of the REIT's financial results. The Manager makes an announcement via SGXNET, and the same may also be found on the REIT's website.

Before and after general meetings, the Chairman and other members of the Board will engage in dialogue with Unitholders, to gather views or inputs, and address Unitholders' concerns.

The Manager has a dedicated Investor Relations Manager who facilitates communication with the Unitholders, members of the investment community and potential investors. In FY 2018, the CEO and Investor Relations Manager have met with potential investors and analysts through meetings and roadshows.

In accordance with the Prospectus for Initial Public Offering of the REIT dated 2 December 2015, the REIT's distribution policy is to distribute 100.0% of the REIT's Distributable Income for the Forecast Period 2015 and the Projection Year 2016. Thereafter, the REIT will distribute at least 90.0% of its Distributable Income for each financial year.

For FY 2018, the Manager had made a distribution of 2.74 Singapore cents per unit for the period from 1 January 2018 to 30 June 2018 on 27 September 2018. A second distribution of 2.42 Singapore cents per unit for the period from 1 July 2018 to 31 December 2018 will be made on 29 March 2019.

For the time being, the Board is of the view that the current provisions in the Trust Deed are adequate to enable the Unitholders to participate in general meetings and is not proposing to amend its Trust Deed to allow votes in absentia.

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolutions passed. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same.

Further, the Manager has established procedures to ensure current Unitholders are informed in advance of meetings. They are encouraged to attend and participate in the process of these meetings, especially if they have questions as regards the resolutions that have been put up to be decided upon. Unitholders who are unable to attend meetings are provided with the option to appoint up to two proxies, who may then vote on behalf of the Unitholder. Representatives of the Trustee, Directors (including the chairpersons of the Board, the ARC and the NRC), the Manager's senior management and the external auditors, are present at general meetings to address any queries that Unitholders may have.

The Manager records minutes of all general meetings and questions and comments from the Unitholders together with the responses of the Board and Management. These are available to the Unitholders at their request.

All resolutions will be voted by way of poll to ensure transparency and better reflect the Unitholders' interest. The Manager will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages via the SGXNET after the conclusion of the general meeting. An independent voting agent is appointed by the Manager for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of Unitholders.

ADDITIONAL INFORMATION

Dealings in BHG Retail REIT Units

The Manager has adopted an internal compliance standard operating policy to provide guidance to its Directors, key officers and employees in respect of dealings in the REIT's Units. The policy permits the Directors and the Manager's key officers and employees to purchase Units, but sets clear limits on the transaction:

- Any officer or employee who wishes to purchase Units must complete a Staff Dealing Application Form and obtain approval from the Compliance Manager, CEO and Chairman of the Manager;
- A blackout period is imposed two weeks prior to quarterly announcements of the REIT's financial results and one month prior to the annual announcement of the REIT's financial results. During the blackout period, Directors, key employees and related companies of the Beijing Hualian Group are strictly prohibited from dealing in Units; and
- Directors, key officers and employees are further prohibited from dealing in Units if they are in possession of insider information.

Directors, officers and employees should not deal in Units on short-term considerations.

Conflict of Interests

The Manager has established the following controls to deal with potential conflicts of interest:

- The Manager will not manage any other REIT which invests in the same type of properties as the REIT;
- All key executive officers will work exclusively for the Manager and will not hold other executive positions in other entities;
- In respect of matters in which a Director or his associates (as defined in the Listing Manual of the SGX-ST) has an interest, direct or indirect, such Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors (excluding such Interested Directors);
- All resolutions in writing of the Directors in relation to matters concerning the REIT must be decided by at least a majority vote of the Directors (excluding any Interested Director), including at least one Independent Director;
- At least one-third of the Board shall comprise Independent Directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly-owned subsidiary of the Sponsor; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to the REIT.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the Manager (including its Independent Directors) will have a duty to ensure that the Manager so complies. Further, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Interested Party Transactions

The Manager has established controls and reporting measures for handling Interested Party Transactions. These ensure that such transactions are conducted on normal commercial terms and do not prejudice the interest of the Unitholders. Further, the Manager maintains a register to record all transactions which may be considered as Interested Party Transactions. The register is subject to regular review by the ARC in ensuring that the Manager conducts itself in accordance with the Listing Manual of the SGX-ST and the Property Funds Appendix of the CIS Code.

Transactions (whether a single transaction or a series of transactions involving the same Interested Party calculated together in aggregate over the course of the financial year) which exceed S$100,000 in value but are below 3% of the REIT's net tangible assets are subject to review by the ARC and the Trustee.

Transactions (whether a single transaction or a series of transactions involving the same Interested Party calculated together in aggregate over the course of a financial year) which are valued between 3% to 5% of the REIT's net tangible assets are subject to an announcement by the Manager on SGXNET, and are further subject to review by the ARC and the Trustee prior to the Manager undertaking the transaction.

Transactions (whether a single transaction or a series of transactions involving the same Interested Party calculated together in aggregate over the course of a financial year) which are valued at 5% and above of the REIT's net tangible assets are subject to an announcement by the Manager on SGXNET, approval from the Unitholders prior to the transaction being entered to, and are further subject to review by the ARC, the Trustee, and an independent financial adviser. The Interested Party Transactions undertaken by the Manager are set out at the Interested Party Transactions section of this Annual Report.

Fees Payable to the Manager

Under the CIS Code, the Manager must justify the fees that are payable out of the deposited property of the fund, detailing the methodology and justification of each type of fee. The methodology for computing each type of fee is documented under Note 1 of the Notes to Financial Statements.

The Manager earns a management fee for the management of the REIT's portfolio. For FY 2018, the Manager has elected to receive 100% of its management fee in the form of Units. The fee comprises two components: the base fee and performance fee, which are detailed as follows:

Base Fee

The base fee is calculated as a percentage of the distributable income and is payable on a quarterly basis. This fee allows the Manager to cover administrative and operation overheads. The Manager is entitled to receive a base fee not exceeding 10.0% per annum (or such lower percentage as the Manager may determine in its absolute discretion) of the annual distributable income. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the base fee shall be payable quarterly in arrears.

Performance Fee

The performance fee is calculated based on an objective which aligns with the interest of Unitholders as a whole – it is payable only if the DPU in any financial year exceeds the DPU in the preceding financial year. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the performance fee shall be payable annually.

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of the REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of the REIT, but exclude one-off income such as income arising from any sale or disposal of real estate (whether directly or indirectly through one or more special purpose vehicle) or any part thereof, and any investments forming part of the deposited property or any part thereof. For the purpose of computation of the performance fee for FY 2018, the DPU for 2018 (being 1 January 2018 to 31 December 2018, both dates inclusive) is compared against the DPU in 2017. This method of computation is provided for in the Trust Deed.

Other Fees – Acquisition Fee

The Manager is also entitled to an acquisition fee under Clause 15.2 of the Trust Deed. This is earned upon the completion of an acquisition. The acquisition fee serves as an incentive and motivation for the Manager, as the Manager will expend a substantial amount of time, effort and resources in locating, reviewing and completing the acquisition process with the aim of growing the REIT's portfolio and providing the Unitholders with regular and stable distributions. The fee is equivalent to 0.75% for acquisitions from Interested Parties and 1.0% for all other cases. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT acquires real estate from an Interested Party, the acquisition fee should be in the form of Units issued by the REIT, and these Units may not be sold within one year from the date of their issuance.

Other Fees – Divestment Fee

The Manager is entitled to a divestment fee under Clause 15.2 of the Trust Deed, and is earned upon the completion of a divestment. The payment of the fee seeks to incentivise and motivate the Manager in actively seeking to maximise the value of the REIT by optimizing its portfolio. The fee is equivalent to 0.50% for divestments. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT divests real estate to an interested party, the divestment fee should be in the form of Units issued by the REIT, and these Units should not be sold within one year from the date of their issuance.

NURTURING

ORGANIC GROWTH

PRESERVING BEST ASSET MANAGEMENT PRACTICES

Our malls' strong success in attracting new retailers while retaining quality tenants, was attributed to proactive leasing activities, tenant engagement.

OPERATIONS REVIEW

OCCUPANCY RATE[1]

BHG Retail REIT recorded a portfolio committed occupancy rate of 98.7% as at 31 December 2018. Occupancy rate for each of the five properties stayed robust year-on-year.

Occupancy Rate (As at 31 December)	2018 (%)	2017 (%)
Beijing Wanliu	100.0	100.0
Chengdu Konggang	97.0	96.8
Hefei Mengchenglu	96.2[2]	100.0
Xining Huayuan	100.0	100.0
Dalian Jinsanjiao	100.0	100.0
Portfolio	**98.7**	**99.7**

1 The assumptions on the rental growth rates and occupancy rates for the five properties in FY 2018 in the IPO properties for the Distributions Undertaking (as defined herein) have been achieved.
2 Net lettable area ("NLA") of ongoing asset enhancement initiative ("AEI") at Hefei Mengchenglu Mall excluded from the computation of occupancy rate and total NLA. AEI expected to be completed around mid-2019.

LEASING ACTIVITIES

Most of the leases are on a model that takes the higher of either base rent or percentage of gross turnover component. For the financial ended 31 December 2018, above 90% of our gross rental income was from fixed rental income, and less than 10% was from variable rental income. While a high proportion of our rental income is fixed in nature, we also receive an upside when our tenants do well. In addition, most leases above a year comes with an inbuilt rental escalation arrangement.

Portfolio rental reversion from the three multi-tenanted malls registered healthy to strong rental uplift in 2018. Overall retention rate remained strong. The malls' strong success in attracting new retailers while retaining quality tenants was attributed to proactive leasing activities, tenant engagement, as well as astute asset management. To stay relevant and to embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. Average passing rents registered positive increase year-on-year in 2018.

In line with our proactive asset management philosophy, a resizing of the supermarket space in Hefei Mengchenglu Mall has been initiated in the third quarter 2018. This allows us to unlock the underlying potential of the newly released space, rejuvenate the cluster, and widen the range of offerings for its customers, while retaining the supermarket's competitive mass to serve its surrounding community residents. In tandem with the resizing of the supermarket, the mall is undergoing asset enhancement works, with the installation of an additional set of escalators underway to significantly enhance access and improve natural traffic circulation to tenants at basement two. This integrated enhancement, slated to complete around mid-2019, is expected to elevate the long-term attractiveness of the anchor tenant and new cluster, as well as to further reinforce Hefei Mengchenglu's position as the mall of choice for the Luyang district community.

TOP TEN TENANTS[2]

No.	Tenant Name	Brand Name	City	Trade Sector	Lease Expiry	% Gross Rental Income
1	北京华联综合超市股份有限公司	BHG Hypermarket	Beijing, Chengdu, Hefei, Xining, Dalian	Supermarket	May 2030 Dec 2033 Dec 2033 Dec 2034 Dec 2034	17.5%
2	绫致时装（天津）有限公司	Only, Jack Jones, Selected, Vero Moda	Beijing, Chengdu, Hefei	Fashion	Oct 2021 Jun 2021 Jan 2021	2.8%
3	成都华联影院管理有限公司	BHG Shuangliu Cinema	Chengdu	Recreation	Dec 2023	1.1%
4	合肥华联影院经营管理有限公司	BHG Hefei Cinema	Hefei	Recreation	Apr 2023	1.0%
5	北京橙天嘉禾万贸影城有限公司	Golden Harvest Cinema	Beijing	Recreation	Aug 2020	1.0%
6	宝盛道吉（北京）贸易有限公司	Nike Kids, Skechers, YYSPORTS, 彪马	Beijing	Fashion	Jul 2019	0.9%
7	拉夏贝尔服饰（太仓）有限公司	La Babite, Candie's, La Chapelle, La Chapelle Sports, 7 Modifier	Hefei	Fashion	Mar 2019	0.9%
8	李治国	Legou Liangfan KTV 乐够量贩	Chengdu	Recreation	Dec 2021	0.8%
9	成都乐微服饰有限公司	La Chapelle Kids, La Chapelle	Chengdu	Fashion	Aug 2020	0.8%
10	永旺幻想（中国）儿童游乐有限公司	Aeon Molly Fantasy 永旺莫莉幻想	Beijing, Chengdu	Recreation	Aug 2021 Feb 2024	0.8%
						27.6%

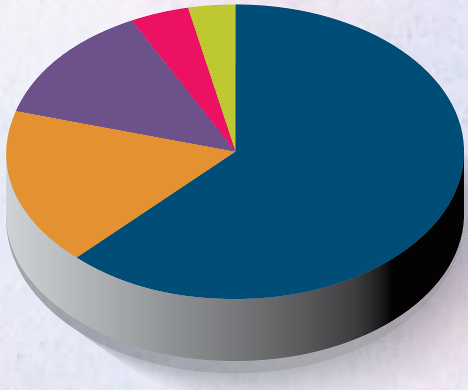
2 The table above sets out information about top ten tenants based on gross rental income for the month of December 2018.

FINANCIAL REVIEW

GROSS REVENUE (FY 2018)

Gross revenue in RMB and SGD was RMB 25.5 million (8.1%) and S$5.2 million (8.0%) higher year-on-year respectively. These were due mainly to strong rental reversion for new and renewed leases.

BREAKDOWN OF GROSS REVENUE BY PROPERTY[1,2]



Beijing Wanliu	**60.9%**
Chengdu Konggang	**17.3%**
Hefei Mengchenglu	**13.6%**
Xining Huayuan	**4.8%**
Dalian Jinsanjiao	**3.4%**

1 Based on FY 2018 results.
2 Based on 100% contribution from Beijing Wanliu.

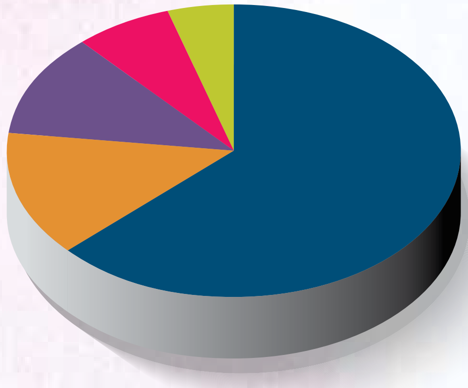
Gross Revenue	RMB '000		Change	S$'000		Change
	FY 2018	FY 2017	%	FY 2018	FY 2017	%
Multi-tenanted malls						
Beijing Wanliu	207,961	188,315	10.4	42,461	38,478	10.4
Chengdu Konggang	59,024	53,844	9.6	12,051	11,002	9.5
Hefei Mengchenglu	46,504	46,148	0.8	9,493	9,430	0.7
	313,489	288,307	8.7	64,005	58,910	8.6
Master-leased malls						
Xining Huayuan	16,303	16,141	1.0	3,330	3,298	1.0
Dalian Jinsanjiao	11,424	11,312	1.0	2,334	2,311	1.0
	27,727	27,453	1.0	5,664	5,609	1.0
Portfolio	**341,216**	**315,760**	**8.1**	**69,669**	**64,519**	**8.0**

NET PROPERTY INCOME (FY 2018)

Net property income in RMB and SGD was RMB 13.4 million (6.4%) and S$2.7 million (6.3%) higher year-on-year respectively. The higher net property income was due mainly to an increase in rental revenue, and partially offset by the higher property operating expenses.

Property operating expenses in FY 2018 was S$2.4 million (11.3%) higher than FY 2017. These were mainly due to higher property tax and property management fees (as a result of higher revenue and higher net property income), as well as staff and marketing-related expenses in FY 2018.

BREAKDOWN OF NET PROPERTY INCOME BY PROPERTY[1,2]



Beijing Wanliu	**61.6%**
Chengdu Konggang	**14.3%**
Hefei Mengchenglu	**12.7%**
Xining Huayuan	**6.7%**
Dalian Jinsanjiao	**4.7%**

1 Based on FY 2018 results.
2 Based on 100% contribution from Beijing Wanliu.

Net Property Income	RMB '000		Change	S$'000		Change
	FY 2018	FY 2017	%	FY 2018	FY 2017	%
Multi-tenanted malls						
Beijing Wanliu	137,818	124,532	10.7	28,139	25,445	10.6
Chengdu Konggang	31,917	31,271	2.1	6,516	6,390	2.0
Hefei Mengchenglu	28,368	29,407	(3.5)	5,791	6,009	(3.6)
	198,103	185,210	7.0	40,446	37,844	6.9
Master-leased malls						
Xining Huayuan	15,044	14,659	2.6	3,073	2,995	2.6
Dalian Jinsanjiao	10,418	10,303	1.1	2,128	2,105	1.1
	25,462	24,962	2.0	5,201	5,100	2.0
Portfolio	**223,565**	**210,172**	**6.4**	**45,647**	**42,944**	**6.3**

FINANCIAL REVIEW

DISTRIBUTION

Based on the closing price of S$0.715 as at 31 December 2018, and aggregated distribution per unit ("**DPU**") for FY 2018 of 5.16 Singapore cents, BHG Retail REIT's annual distribution yield of 7.2% continues to represent an attractive long-term yield-play investment.

DPU (cents)	FY 2018	FY 2017
First Quarter	1.39	1.39
Second Quarter	1.35	1.35
Third Quarter	1.33	1.41
Fourth Quarter	1.09	1.32
Total	**5.16**	**5.47**

Distribution per Unit

5.16

Singapore cents

Annualised Distribution Yield

7.2%

INDEPENDENT VALUATION OF INVESTMENT PROPERTIES[1]

As at 31 December 2018, BHG Retail REIT's investment properties were valued at RMB 4,081.1 million. The valuation represents an increase of RMB 135.1 million, or 3.4%, from the independent valuation as at 31 December 2017 of RMB 3,946.0 million. SGD valuation dipped 0.3% due to less favourable closing SGD:CNY rate of 1:5.049 and 1:4.865 as at 31 December 2018 and 31 December 2017, respectively.

Investment Properties	2018 RMB millions	2017 RMB millions	2018 SGD millions	2017 SGD millions
Beijing Wanliu	2,394.0	2,287.0	474.2	470.1
Chengdu Konggang	640.1	633.0	126.8	130.1
Hefei Mengchenglu	605.0	584.0	119.8	120.0
Xining Huayuan	280.0	280.0	55.4	57.6
Dalian Jinsanjiao	162.0	162.0	32.1	33.3
Portfolio	**4,081.1**	**3,946.0**	**808.3**	**811.1**

1 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018 and 31 December 2017.

FINANCIAL REVIEW

CAPITAL MANAGEMENT

BHG Retail REIT has put in place an offshore secured borrowing facility of S$148 million ("**Facility 1**"), and two onshore secured borrowing facilities of RMB 280 million and RMB 71 million ("**Facility 2**" and "**Facility 3**", respectively). As at 31 December 2018, Facility 1 and Facility 2 were fully drawn down, while RMB 70 million was drawn down from Facility 3.

During 2018, the REIT had repaid RMB 3 million of each of Facility 2 and Facility 3, respectively in accordance with the facility agreements.

Further, a voluntary early repayment of RMB 30 million was made by an onshore subsidiary.

In addition to the above facilities, the REIT has obtained and drawn down from unsecured facilities net of S$1.2 million. The facilities were obtained mainly for the purpose of financing the payment of distribution, repayment of borrowings and interest expenses.

BHG Retail REIT adopts a prudent and proactive capital management strategy. As at 31 December 2018, borrowings drawn down of S$222.5 million represented a gearing of 30.7%. The low gearing is well below the regulator's limit of 45.0%, providing comfortable debt headroom to facilitate any potential acquisition growth. About 70% of borrowings are denominated in Singapore dollars, and of which, close to 50% are hedged via interest rate swaps. Weighted average term to maturity was 0.8 years as at 31 December 2018.

Key Financial Indicators as at 31 December 2018	
Gearing (%)	30.7
Interest cover ratio (times)	4.6
Weighted average term to maturity (years)	0.8
Average cost of debt (%)	4.3

OUTLOOK ON CHINA

China's economy remained broadly stable in 2018, with slight easing in the latter half of 2018. Despite trade tensions in key economies weighing down on global market sentiments, China's economy continued to chart a stable growth momentum. China's gross domestic product grew 6.6%[1] year-on-year to RMB 90.0 trillion for the full year 2018.

The International Monetary Fund ("**IMF**")[2] has warned that escalating trade tensions could undermine global economic growth. IMF expects global growth in 2019 of 3.5%, down from the 3.7% in 2018. IMF also forecasted the US's and China's economic growth to moderate from 3.0% and 6.6% in 2018, respectively, to 2.5% and 6.2% in 2019, respectively[2].

DOMESTIC CONSUMPTION EXPENDITURE AND RESIDENTS' INCOME CONTINUE TO RISE[1]

China's consumption has played an increasing role in the economy, contributing 76.2% of GDP growth in 2018. Amidst US and China trade consultations, the Chinese authorities have pledged an array of fiscal and monetary measures to boost consumption as part of the efforts to secure stable domestic consumption growth in 2019[3,4]. Some of these efforts may include tax cuts[4] for both companies and individuals, stepping up infrastructure[5] and property investment, encouraging consumption of automobiles[5], pushing the implementation of key foreign investment projects[5] (such as the new plant of US electric carmaker Tesla in Shanghai[5]), lowering required reserves[6] for commercial banks to spur lending, and cutting benchmark rates[6].

RURAL-URBAN MIGRATION CONTINUES

China's rural–urban migration continues to grow. Urbanisation rate increased from 58.5% in 2017 to 59.6% in 2018. For retailers in China, the scale of China's urbanization promises substantial new markets and investment opportunities.

"NEW RETAIL" & OMNI-CHANNEL TRENDS

For the full year 2018, China's online sales of physical goods amounted to RMB 7.0 trillion and accounted for 18.4% of total retail sales of consumer goods.

China's consumerism has evolved. Today's consumers are no longer pure offline consumers, and neither are they pure online consumers. They continue to engage with brands both online and offline. According to Boston Consulting Group, physical retail is here to stay. Retailers continue to adapt and to appeal to customers through one or more channels to maintain their relevancy and market share. As a result, e-commerce players and pure-clicks enterprises are increasingly expanding their offline presence; while brick-and-mortar companies are actively pursuing digital expansion to generate more customer traffic and meet the new demands.

One area that physical stores are increasingly trending towards is "retail-tainment". According to Mckinsey's survey of China's internet users, two-thirds of Chinese consumers say that shopping is the best way to spend time with family. Malls – which combine shopping, dining, and entertainment experiences the entire family can enjoy – have benefitted most from this trend.

6.6%
CHINA GDP GROWTH IN 2018 (Y-O-Y)

9.0%
CHINA RETAIL SALES GROWTH IN 2018 (Y-O-Y)

7.8%
DISPOSABLE INCOME PER CAPITA FOR URBAN RESIDENTS IN 2018 (Y-O-Y)

6.8%
EXPENDITURE PER CAPITA FOR URBAN RESIDENT IN 2018 (Y-O-Y)

76.2%
CONSUMPTION EXPENDITURE CONTRIBUTION TO CHINA GDP GROWTH IN 2018

1 Source: National Bureau of Statistics of China.
2 Source: International Monetary Fund.
3 Bloomberg: "China Pledges More Stimulus in 2019 as Economy Seeks Bottom" (21 December 2018).
4 China Daily: "More major tax cuts are on the horizon" (18 December 2018).
5 Xinhua: "China mulls incentives to support consumption, boost investment" (9 January 2019).
6 Reuters: "China signals more stimulus as economic slowdown deepens" (15 January 2019).

OUTLOOK ON CHINA

CONSUMER CONFIDENCE INDEX REMAINS HIGH[7]

China's Consumer Confidence Index, which is commonly used to measure the degree of economic optimism among consumers, stabilized at a high level throughout 2018.

According to Nielson, with the continuous development of China's economic structure, consumption has become an important driving force for the market. Consumption has played an increasingly prominent role in boosting the economy, and Chinese consumers' willingness to spend will continue to rise. According to Nielson, product innovation, consumption upgrades, physical store growth and e-commerce development are still the main driving forces for fast consumer products to maintain their dynamic growth. The contribution rate of new product sales to offline fast-moving goods growth is as high as 41%.

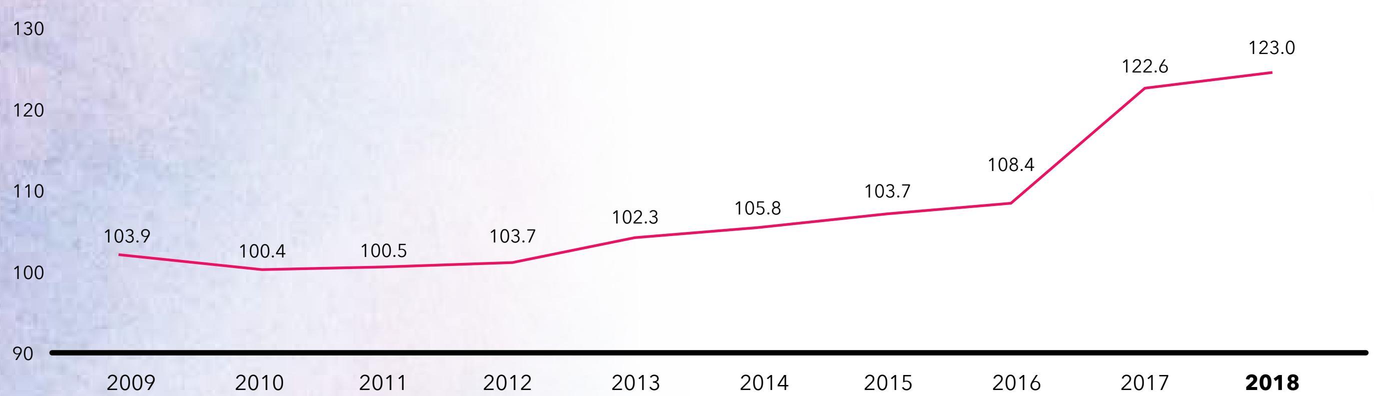
With the continuous progress of structural reforms on the supply side and the further implementation of innovation-driven development strategy, the vitality of consumer innovation will continue to prosper, which will become the main impetus for the long-term sustained and stable growth of China's economy.

BHG RETAIL REIT'S PARTICIPATION IN CHINA'S GROWTH

Against this backdrop, BHG Retail REIT's current portfolio of community-focused retail properties in prudently selected locales with high population density is expected to stay robust. The REIT's multi-tenanted malls which contributed 88.6% of the entire portfolio's net property income in FY 2018, continued to see strong leasing demand, positive increase in average passing rents, and strong rental uplift during the year. This is underpinned by rising domestic consumption, higher disposable income, increasing middle-income population, and rural-urban migration (urbanisation).

7 Source: Nielson "Ten Trends of China's Consumer Market in 2018".

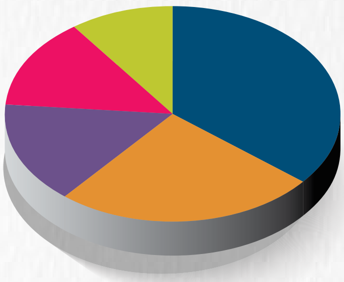
CHINA CONSUMER CONFIDENCE INDEX
(as at 31 December)



PORTFOLIO OVERVIEW

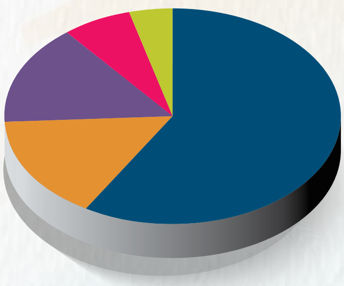
BHG Retail REIT's portfolio consists of five retail properties located in areas surrounded by growing middle or upper-middle income families. Our retail malls serve their communities through their wide range of products, excellent experiential services and popular community engagement activities. Of the five properties, three are multi-tenanted, namely Beijing Wanliu Mall, Chengdu Konggang Mall, and Hefei Mengchenglu Mall. The remaining two properties, Xining Huayuan Mall and Dalian Jinsanjiao Property, are master-leased to BHG Hypermarket Co., Ltd..

BREAKDOWN OF NLA[1] BY PROPERTY (%)



Beijing Wanliu	35.9
Chengdu Konggang	25.3
Hefei Mengchenglu	15.2
Xining Huayuan	13.6
Dalian Jinsanjiao	10.0

BREAKDOWN OF VALUATION[2] BY PROPERTY (%)



Beijing Wanliu	58.7
Chengdu Konggang	15.7
Hefei Mengchenglu	14.8
Xining Huayuan	6.9
Dalian Jinsanjiao	3.9

As at 31 December 2018

GROSS FLOOR AREA
263,688 sqm

NET LETTABLE AREA ("NLA")
153,394 sqm

NO. OF LEASES
602

INDEPENDENT VALUATION[2]
RMB4,081.1 million
(100%)

RMB3,123.5 million
(Based on 60% interest of Beijing Wanliu)

FY 2018 GROSS REVENUE
S$69.7 million

FY 2018 NET PROPERTY INCOME
S$45.6 million

OCCUPANCY RATE
98.7%

WEIGHTED AVERAGE LEASE EXPIRY BY NLA
7.5 years

WEIGHTED AVERAGE BY GROSS RENTAL INCOME
4.0 years

1 As at 31 December 2018.
2 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018.

PORTFOLIO OVERVIEW

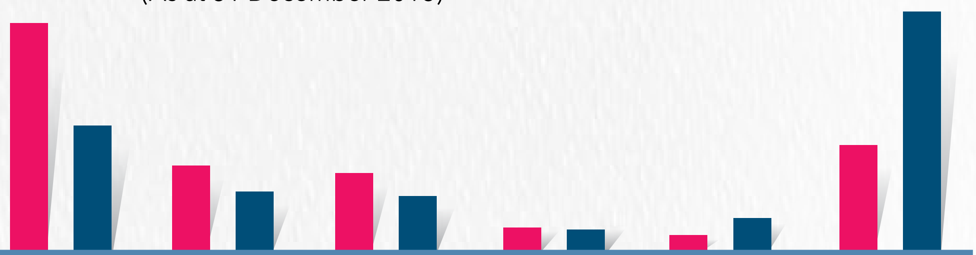
PORTFOLIO LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2018

As at 31 December 2018, the portfolio has a weighted average lease expiry of 4.0 years by gross rental income, and 7.5 years by net lettable area ("NLA"). Most lease terms typically range from one to three years. Certain key or anchor tenants may be offered longer term leases.

For new and renewed leases which commenced in FY 2018, the weighted average lease expiry based on the date of commencement of the leases is 0.4 years (by gross rental income) and accounts for 24.9% of the gross rental income for the month of December 2018.

LEASE EXPIRY PROFILE[1]

(As at 31 December 2018)



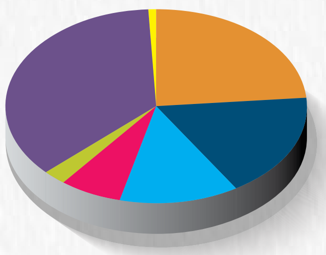
Portfolio Lease Expiry[1]	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 and beyond
By Gross Rental Income[2]	41.6%	15.6%	15.0%	4.6%	3.5%	19.7%
By Committed NLA	23.5%	11.0%	10.4%	3.9%	6.4%	44.8%

TENANTS BY TRADE SECTORS

(As at 31 December 2018)

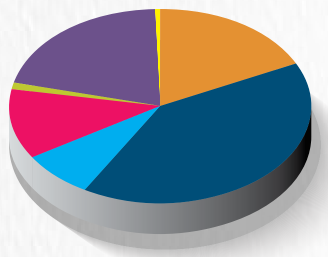
Experiential segment (excluding fashion and specialty stores): Close to 65% of Gross Rental Income and 80% of NLA

BREAKDOWN OF GROSS RENTAL INCOME[2]
by Trade Sector



F&B	**23.8%**
Supermarket	**17.5%**
Services	**12.6%**
Recreation	**6.8%**
Lifestyle	**2.6%**
Fashion	**36.0%**
Specialty Stores	**0.7%**

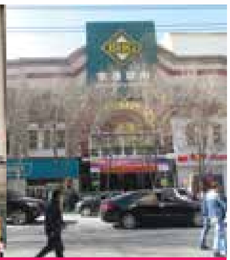
BREAKDOWN OF NLA[3]
by Trade Sector



Supermarket	**40.8%**
F&B	**17.8%**
Recreation	**11.7%**
Services	**7.6%**
Lifestyle	**1.2%**
Fashion	**20.6%**
Specialty Stores	**0.3%**

1 Excludes vacancy.
2 As percentage of the portfolio's gross rental income for the month of December 2018.
3 As percentge of the portfolio's net lettable area as at 31 December 2018.

As at 31 December 2018

Name	Beijing Wanliu	Chengdu Konggang	Hefei Mengchenglu	Xining Huayuan	Dalian Jinsanjiao
Address	No. 2 Bagou Road, Haidian District, Beijing	No. 166 Jinhua Road, Second Section, Shuangliu County, Chengdu	No. 99 Mengcheng Road, Luyang District, Hefei	No. 16-19 Shipo Street, Chengzhong District, Xining	No. 18 Huadong Road, Ganjingzi District, Dalian
Commencement of Operations	Aug 2010	Dec 2013	Feb 2013	Aug 2000	Jul 2000
Gross Floor Area ("GFA")	105,920 sqm	71,917 sqm	49,699 sqm	20,807 sqm	15,345 sqm
Net Lettable Area ("NLA")	55,007 sqm	38,870 sqm	23,365 sqm	20,807 sqm	15,345 sqm
No. of Leases	316	167	117	1	1
Independent Valuation[1] (RMB million)	2,394.0 (100%) 1,436.4 (60%)	640.1	605.0	280.0	162.0
Purchase Price[2] (RMB million)	1,838.6 (100%) 1,103.1 (60%)	602.1	563.5	254.4	135.7
FY 2018 Gross Revenue (S$ million)	42.5	12.1	9.5	3.3	2.3
FY 2018 Net Property Income (S$ million)	28.1	6.5	5.8	3.1	2.1
Occupancy Rate (%)	100.0	97.0	96.2[3]	100.0	100.0
Weighted Average Lease Expiry By NLA (years)	3.4	4.6	4.7	16.0[4]	16.0[4]
Weighted Average Lease Expiry By Gross Rental Income (years)	2.0	2.8	1.8	16.0[4]	16.0[4]
Term of Land Use	Expiring on 29 Aug 2044 (29 Aug 2054 for car park)	Expiring on 23 May 2047	Expiring on 31 Aug 2044	Expiring on 19 Aug 2048	Expiring on 27 Feb 2042

1 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018.
2 Based on purchase price and SGD/RMB exchange rate as disclosed in the IPO prospectus.
3 Net lettable area ("NLA") of ongoing asset enhancement initiative ("AEI") at Hefei Mengchenglu Mall excluded from the computation of occupancy rate and total NLA. AEI expected to be completed around mid-2019.
4 Remaining lease (years).

BEIJING WANLIU MALL

北京华联万柳购物中心

Premium Community Mall in Beijing's High Income Residential District

As at 31 December 2018

INDEPENDENT VALUATION

RMB 2,394.0 million

(100%)

RMB 1,436.4 million

(60%)

NET LETTABLE AREA

55,007 sqm

NO. OF TENANTS

316

OCCUPANCY RATE

100.0%

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

3.4 years

FY 2018 GROSS REVENUE

S$42.5 million

FY 2018 NET PROPERTY INCOME

S$28.1 million

TENANTS INCLUDE

BHG Hypermarket, Golden Harvest Cinema, H&M, Uniqlo, Muji, C&A, Calvin Klein Jeans, Tommy Hilfiger, Adidas Originals, Skechers, Nike Kids, Aeon Molly Fantasy, Element Fresh, Hai Di Lao, Pizza Hut, 江边城外, 旺顺阁, Costa Coffee , Paris Baguette, Innisfree, 唱吧麦颂, Chow Tai Fook 周大福, Happy Pony 快乐小马

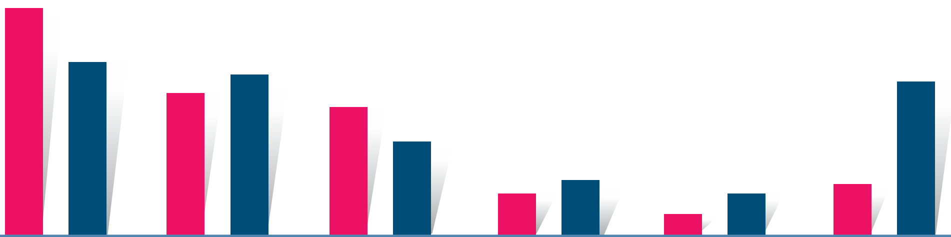
Beijing Wanliu Mall is situated in Haidian District, which is one of the largest urban districts of Beijing by population and its residents have one of the highest per-capita disposable income in Beijing.

Catering to the growing needs of middle-to-high income families and professionals living and working in Wanliu, Beijing Wanliu Mall stands out with six floors of premium retail and quality experiential services.

The multi-tenanted Beijing Wanliu Mall is surrounded by high-end residential communities whose residents enjoy coming to the mall for a wide range of lifestyle options such as fashion, dining, education and entertainment.

Beijing Wanliu Mall is easily accessible via main roads, subway and buses. It is close to China's prestigious Peking University, Tsinghua University and Renmin University, as well as the Summer Palace and Wanliu Golf Club, the only golf club within the Fourth Ring Road of Beijing. The mall is also a short drive to the Zhongguancun technology hub, often referred to as the Silicon Valley of China.

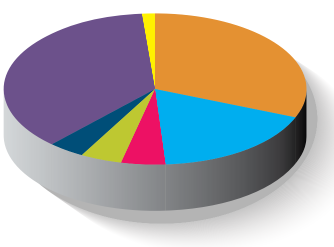
LEASE EXPIRY PROFILE
(As at 31 December 2018)



Portfolio Lease Expiry	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 and beyond
By Gross Rental Income[2]	42.7%	21.8%	20.2%	5.9%	2.9%	6.5%
By Committed NLA	26.5%	24.7%	14.2%	8.1%	5.7%	20.8%

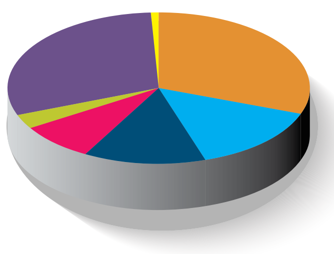
TENANTS BY TRADE SECTORS
(As at 31 December 2018)

BREAKDOWN OF GROSS RENTAL INCOME[1]
by Trade Sector



F&B	31.3%
Services	17.7%
Recreation	4.7%
Lifestyle	4.4%
Supermarket	3.9%
Fashion	36.8%
Specialty Stores	1.2%

BREAKDOWN OF NLA[2]
by Trade Sector



F&B	30.8%
Services	14.2%
Supermarket	13.1%
Recreation	8.1%
Lifestyle	3.1%
Fashion	29.9%
Specialty Stores	0.8%

1 As percentage of the mall's gross rental income for the month of December 2018.
2 As percentage of the mall's net lettable area as at 31 December 2018.

CHENGDU KONGGANG MALL

北京华联成都空港购物中心

Destination Mall for Chengdu's Growing Middle and Upper-Middle Income Families In The Area

As at 31 December 2018

INDEPENDENT VALUATION
RMB 640.1 million

NET LETTABLE AREA
38,870 sqm

NO. OF TENANTS
167

OCCUPANCY RATE
97.0%

WEIGHTED AVERAGE LEASE EXPIRY
(Based on Net Lettable Area)
4.6 years

FY 2018 GROSS REVENUE
S$12.1 million

FY 2018 NET PROPERTY INCOME
S$6.5 million

TENANTS INCLUDE

BHG Hypermarket, BHG Shuangliu Cinema, Watsons, Legou Liangfan KTV, Top Feeling, Only, La Chapelle, La Chapelle Kids, Kappa Kids, Nike, Adidas, Skechers, Jordan, Li-Ning, Burger King, Starbucks, Coco 奶茶, Holiland 好利来, 美航国际健身

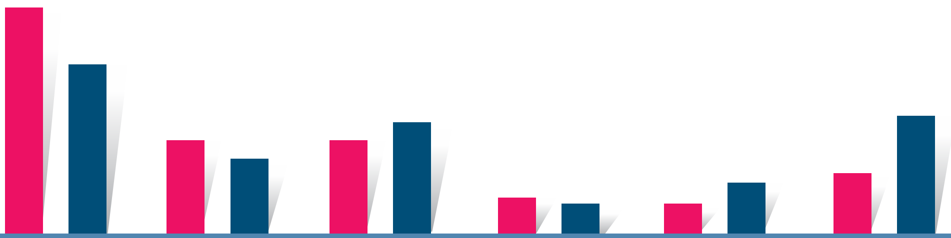
Chengdu Konggang Mall brings quality shopping and experiential lifestyle services to the city's growing middle and upper-middle families. The mall has a diversified tenant base offering residents in the neighbourhood a variety of services including a supermarket, fitness centre, KTV as well as a number of food and beverage outlets, restaurants and international and local brands for the best shopping experience.

Chengdu Konggang Mall sees steady daily traffic due to its strong multi-tenant mix as well as its strategic location. Located in Shuangliu County in Chengdu, Sichuan Province, the mall is served by the Shuangliu railway station and is just a 5 minute drive to Shuangliu International Airport.

Chengdu Konggang Mall serves as the heart of its community providing popular activities and events in celebration of major festivals and community activities for families and young professionals living in the high density residential projects nearby.

LEASE EXPIRY PROFILE[1]

(As at 31 December 2018)



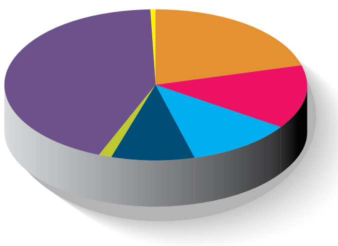
Portfolio Lease Expiry[1]	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 and beyond
By Gross Rental Income[2]	42.2%	16.8%	19.7%	5.6%	4.6%	11.1%
By Committed NLA	30.5%	13.3%	20.5%	4.4%	9.3%	22.0%

TENANTS BY TRADE SECTORS

(As at 31 December 2018)

BREAKDOWN OF GROSS RENTAL INCOME[2]

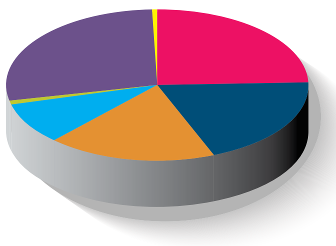
by Trade Sector



F&B	**20.9%**
Recreation	**13.8%**
Services	**11.2%**
Supermarket	**9.0%**
Lifestyle	**1.3%**
Fashion	**43.4%**
Specialty Stores	**0.4%**

BREAKDOWN OF NLA[3]

by Trade Sector



Recreation	**24.5%**
Supermarket	**19.6%**
F&B	**17.9%**
Services	**9.1%**
Lifestyle	**0.8%**
Fashion	**27.8%**
Specialty Stores	**0.3%**

1 Excludes vacancy.
2 As percentage of the mall's gross rental income for the month of December 2018.
3 As percentage of the mall's net lettable area as at 31 December 2018.

HEFEI MENGCHENGLU MALL

北京华联合肥蒙城路购物中心

One of Hefei City's Most Popular Shopping Centres

As at 31 December 2018

INDEPENDENT VALUATION
RMB 605.0 million

NET LETTABLE AREA
23,365 sqm

NO. OF TENANTS
117

OCCUPANCY RATE
96.2%^

WEIGHTED AVERAGE LEASE EXPIRY
(Based on Net Lettable Area)
4.7 years

FY 2018 GROSS REVENUE
S$9.5 million

FY 2018 NET PROPERTY INCOME
S$5.8 million

TENANTS INCLUDE

BHG Hypermarket, BHG Hefei Cinema, Hai Di Lao, Pizza Hut, Starbucks, Popofish 魔石泡泡, ZanKee 詹記, Biowoosoo 百武西, Gymboree, Balabala, Topsport 滔搏运动城, La Chapelle Sport, 7 Modifier, Vero Moda, Only, La Babite, Candie's

^ Net lettable area ("NLA") of ongoing asset enhancement initiative ("AEI") at Hefei Mengchenglu Mall excluded from the computation of occupancy rate and total NLA. AEI expected to be completed around mid-2019.

Hefei Mengchenglu Mall is located in Hefei City, the provincial capital and largest city of Anhui Province in China. With a GDP growth of 73.2% between 2012 and 2017, Hefei City is one of China's fastest growing cities. The mall is also one of Hefei City's first multi-tenanted retail mall, with six levels of diversified retail services to meet the lifestyle needs of the growing middle income population.

Hefei Mengchenglu Mall is located in Hefei's North First Ring retail hub, which comprises several mature residents of communities, high quality office projects and commercial facilities. The mall is frequented by families and professionals for retail goods and services such as fashion, dining and entertainment.

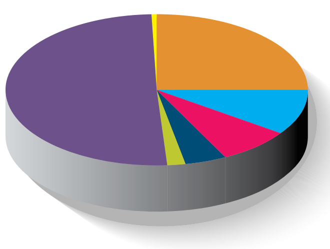
Hefei Mengchenglu Mall is easily accessed via several main roads and is only a 5 minute walk from two bus stations – the North Station of Baishuiba and the West Station of Baishuiba. The mall is located near government organisations such as the Luyang District Government, Luyang Administrative Service Center, and Hefei Justice Bureau. Several commercial buildings such as Fortune Plaza, Xintiandi, Hongda Building, and Zhidi HSBC Plaza are also located in the vicinity.

LEASE EXPIRY PROFILE[1]
(As at 31 December 2018)

Portfolio Lease Expiry[1]	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 and beyond
By Gross Rental Income[2]	70.1%	8.4%	4.8%	3.0%	6.2%	7.5%
By Committed NLA	45.6%	4.8%	5.2%	3.2%	13.1%	28.1%

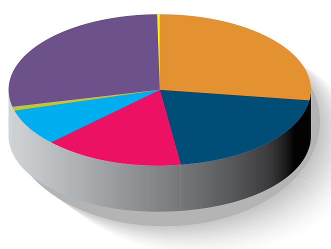
TENANTS BY TRADE SECTORS
(As at 31 December 2018)

BREAKDOWN OF GROSS RENTAL INCOME[2]
by Trade Sector



F&B	**25.0%**
Services	**9.9%**
Recreation	**7.8%**
Supermarket	**4.5%**
Lifestyle	**1.7%**
Fashion	**50.7%**
Specialty Stores	**0.4%**

BREAKDOWN OF NLA[3]
by Trade Sector



F&B	**27.4%**
Supermarket	**20.5%**
Recreation	**15.1%**
Services	**7.6%**
Lifestyle	**1.0%**
Fashion	**28.3%**
Specialty Stores	**0.1%**

1 Excludes vacancy.
2 As percentage of the mall's gross rental income for the month of December 2018.
3 As percentage of the mall's net lettable area as at 31 December 2018.

PROPERTY HIGHLIGHTS

XINING HUAYUAN MALL

北京华联西宁花园店

Popular Retail Hub in Xining, Tibetan Plateau's Largest City

Xining Huayuan Mall is a four-storey retail hub set in the Ximen-Dashizi area, a traditional and core retail hub in Xining. The mall's master lessee is Beijing Hualian Hypermarket which offers a wide range of quality fresh produce, daily necessities and household items sourced locally and internationally.

Xining Huayuan Mall is frequented by the residents living and working in the area. Shoppers love the mall for its convenience and fresh products at reasonable prices.

Easily and conveniently accessible, Xining Huayuan Mall is well connected through several major roads and bus lines in the city.

As at 31 December 2018

INDEPENDENT VALUATION
RMB 280.0 million

……

NET LETTABLE AREA
20,807 sqm

……

LEASE EXPIRY
16 years

……

FY 2018 GROSS REVENUE
S$3.3 million

……

FY 2018 NET PROPERTY INCOME
S$3.1 million

DALIAN JINSANJIAO PROPERTY
北京华联大连金三角店

A Key Destination for Daily Essentials

Situated amidst residential estates in Dalian, Dalian Jinsanjiao Property offers residents and professionals living and working in the area a reliable source of groceries and general merchandise.

Popular with middle income families and professionals living in the surrounding residential projects, this supermarket offers a wide range of products that meet their lifestyle needs.

Dalian Jinsanjiao Property is conveniently located on major transportation networks and close to Dalian's only retail area in the north, Huanan retail hub. The supermarket is easily accessible via main roads and several bus lines in the city.

As at 31 December 2018

INDEPENDENT VALUATION
RMB 162.0 million

......

NET LETTABLE AREA
15,345 sqm

......

LEASE EXPIRY
16 years

......

FY 2018 GROSS REVENUE
S$2.3 million

......

FY 2018 NET PROPERTY INCOME
S$2.1 million

INVESTOR RELATIONS

BHG Retail REIT's investor relations adheres to a high standard of corporate governance and transparency in our communication with stakeholders. The Manager is committed to delivering clear, timely, regular and unbiased information to the investment, research and media communities. All material information such as announcements, press releases, presentation slides, annual reports and publications will be released via SGXNET and our corporate website. Unitholders can sign up for quick access to our announcements and press releases via an available email alert service on our corporate website.

PROACTIVE INVESTORS ENGAGEMENT

The Manager is committed to forging long term relationships with investors, research analysts and the media. We firmly believe in regular face-to-face communication and have actively participated in roadshows and events to introduce the REIT, as well as to keep investors, analysts and media apprised of the REIT's developments.

BHG Retail REIT continued to participate in a range of investor relations events in the last year. These include the SGX-CIMB Investment Seminar, REIT Symposium 2018, and INVESTFair 2018.

Besides regular one-to-one meetings with Singapore investors, the investor relations team also conducted non-deal roadshows in Beijing, Shanghai, Hangzhou, Shenzhen, Hong Kong, and Bangkok to widen our investors outreach.

The REIT's investor relations function also had the opportunity to create further awareness of BHG Retail REIT at events such as the National University of Singapore's "Emerging Trends in Asia-Pacific REIT Markets" Seminar, and 5th REITs Asia Pacific™ Conference 2018. CEO Ms Chan Iz-Lynn and BHG Retail REIT was also featured in the November 2018 publication of the CEO magazine.

The Board and the Manager of BHG Retail REIT encourages Unitholders to attend its Annual General Meeting ("AGM"). The Notice of AGM and related information are made available before the AGM in accordance with regulatory requirements, to provide Unitholders with sufficient advance notice of the event.

ACCOLADES & RECOGNITION

In April 2018, BHG Retail REIT brought home two Bronze awards at The Global Good Governance Awards 2018™. The awards categories were the 'Best Governed and Transparent Company' and the 'Best Corporate Communications and Investor Relations'.

In August 2018, results of the Singapore Governance & Transparency Index ranking was made public. BHG Retail REIT was ranked 10th amongst 43 REITs and Real Estate Business Trusts for our commitment in adhering to exemplary corporate governance practices and disclosure standards. In the same month, BHG Retail REIT also won the Platinum Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2018, under the Retail REITs (market capitalisation of less than US$1 billion) category.

Ms Chan receiving the Platinum Award for the Best Retail REIT (Singapore) at the Asia Pacific Best of The Breeds REITs Award.

FY 2018 INVESTOR RELATIONS CALENDAR

2018	
March	• SGX Hangzhou Investors' Seminar
April	• SGX-CIMB Investment Seminar • NUS "Emerging Trends in Asia-Pacific REIT Markets" Seminar • The Global Good Governance Awards 2018™ BHG Retail REIT received Bronze awards for both the 'Best Governed and Transparent Company' and the 'Best Corporate Communications and Investor Relations' categories • FY 2017 Annual General Meeting
May	• REIT Symposium 2018 (organised by REITAS & Shareinvestor) • Singapore Governance and Transparency Index 2018 BHG Retail REIT was ranked 10th amongst 43 REITs and business trusts by NUS Centre for Governance, Institutions and Organisations ("CGIO")
August	• 5th REITs Asia Pacific™ Conference 2018 • Asia Pacific Best of The Breeds REITs Awards™ 2018 BHG Retail REIT received Platinum Award, under retail REIT category (market capitalisation of less than US$1 billion) • INVESTFair 2018
November	• Beijing Investors' Seminar & Meetings • CEO Magazine: Interview with the CEO, Ms Chan Iz-Lynn, BHG Retail REIT
December	• Extraordinary General Meeting (Resolution in relation to the Proposed Acquisition of Changjiangxilu duly passed by the Unitholders)
2019	
January	• 13th Asia Investment Forum, Shenzhen • Shanghai, Beijing, Hong Kong Investors' Meetings
February	• Bangkok Investors' Meetings

FY 2019 FINANCIAL CALENDAR*

2019	
May	• 1Q 2019 Results Announcement
August	• 2Q 2019 Results Announcement
September	• 1H 2019 Distribution Payment
November	• 3Q 2019 Results Announcement
2020	
February	• 4Q 2019 Results Announcement
March	• 2H 2019 Distribution Payment
April	• FY 2019 Annual General Meeting

* These dates are indicative and subject to change. Please refer to BHG Retail REIT website for the latest updates.

INVESTOR RELATIONS

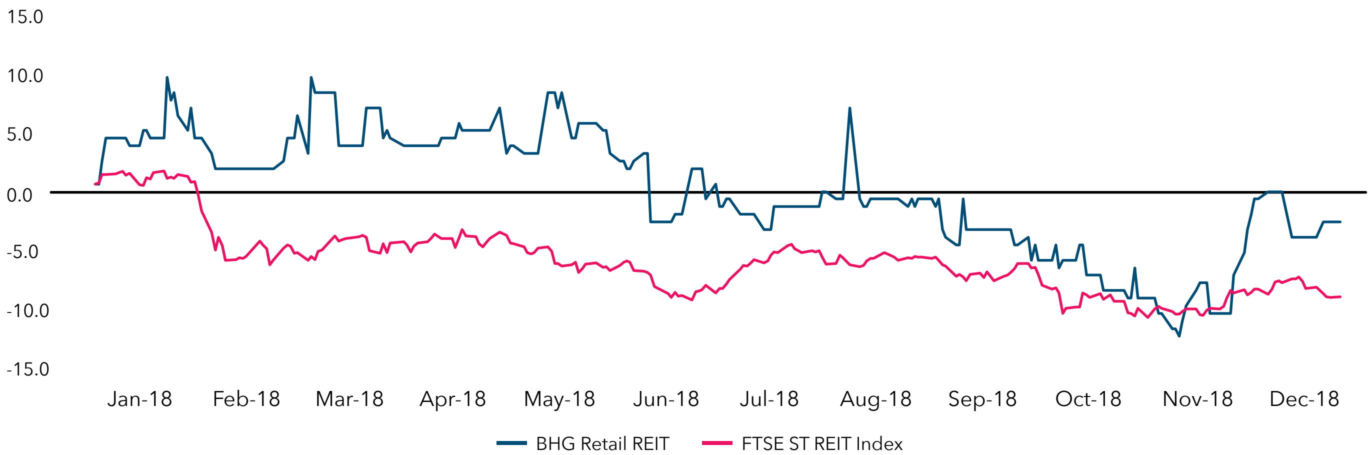
UNIT PRICE PERFORMANCE

BHG Retail REIT's unit price performed favourably against the FTSE ST REIT Index between 2 January 2018[1] and 31 December 2018[1]. Taking into account the FY 2018 full year distribution per unit of 5.16 cents, the total return[2] on investment in BHG Retail REIT was 3.6%, compared to the total return on investment in FTSE ST REIT Index of approximately -4.6%[1]. Total trading volume in 2018 aggregated to 5.6 million units, compared to 121.6 million in 2017.

Key Trading Statistics	2018	2017
Year-end closing unit price (S$)	0.715	0.740
Highest unit price (S$)	0.810	0.780
Lowest unit price (S$)	0.640	0.610

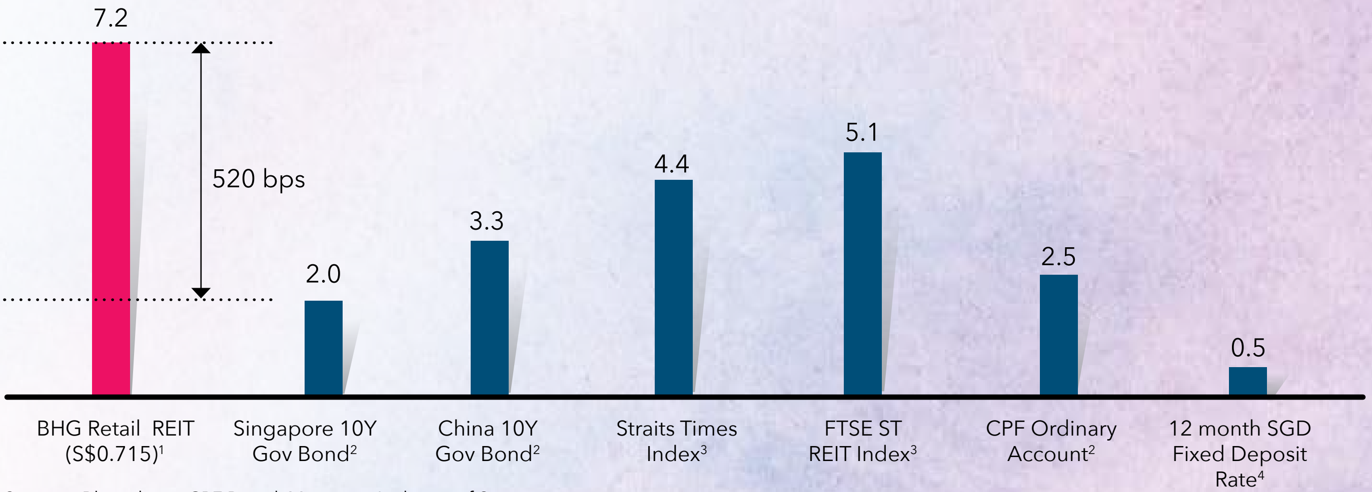
1 2 January 2018 being the first trading day and 31 December 2018 being the last trading day in 2018.
2 Total return on investment assumes distributions paid during the period are reinvested.

BHG RETAIL REIT VS FTSE ST REIT INDEX
Trading Period from 2 January 2018 to 31 December 2018



Source: Bloomberg data for the period between 2 January 2018 and 31 December 2018.

ATTRACTIVE YIELD
(%)



Sources: Bloomberg, CPF Board, Monetary Authority of Singapore.

1 Based on closing price of S$0.715 as at 31 December 2018, and FY 2018 Distribution per Unit.
2 As at 31 December 2018.
3 Based on the average gross dividend yield for the 12 months ended 31 December 2018.
4 Based on the average SGD fixed deposit rate for the 12 months ended 31 December 2018.


50%

PURSUING

SUSTAINABLE GROWTH

LAYING FOUNDATIONS FOR THE NEXT PHASE OF GROWTH

BHG Retail REIT endeavours to deliver sustainable growth via both organic and acquisition growth. We remain focused on pursuing potential DPU yield-accretive acquisition opportunities, through both Right of First Refusal, as well as third-party properties.

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

BHG Retail REIT has progressed into the second year of sustainability reporting and we are delighted to share our sustainability performance for the financial year ended 31 December 2018 ("FY 2018").

As a Retail REIT, we acknowledge the impact of our business operations on the environment and society. In FY 2018, we strengthened our commitment to build a sustainable business with a view towards improving the economic, environmental and social well-being of the communities. The Board of Directors (the "Board") continue to believe that integrating sustainability in our long-term strategies will influence our business success.

We continue to uphold our commitment in managing the material Environmental, Social and Governance ("ESG") issues in our business operations. Through our reporting practices, we have embarked on taking considerable measures to reduce the impacts of these issues. This report outlines our sustainability approach and initiatives to address these ESG issues.

At BHG Retail REIT, we strive to ensure that employees' well-being and performance are always taken care of. In FY 2018, we maintained our average hours of training per employee above 30 hours. Furthermore, we have also achieved our target of ensuring all employees have received career development and performance reviews.

Corporate governance is essential in achieving sustainability goals for our business. We uphold the belief that good corporate governance is important in building a sound corporation and operating in an ethical environment, thereby protecting the interests of all stakeholders. We believe that we can maintain integrity, transparency, accountability and discipline in all of our business activities by implementing a robust governance framework.

Looking ahead, we will progressively integrate sustainability measures into our strategy and operations. This is to be complemented by quality disclosure so as to provide our stakeholders with a holistic view of our business performance.
[102-14]

ABOUT THIS REPORT

BHG Retail REIT is proud to present its second Sustainability Report ("SR") which is in accordance with the Global Reporting Initiative (GRI) Standards: Core option – the international standard for sustainability reporting, and with reference to the Singapore Exchange Securities Trading Limited Listing Rules 711A and 711B.

The scope of this report covers the sustainability performance for the financial year ended 31 December 2018, unless otherwise stated.
[102-01] [102-50] [102-54]

With our inaugural sustainability report published in 2017, we intend to report our sustainability performance and progress annually. We intend to provide a holistic overview of our Environmental, Social and Governance ("ESG") performance across our business operation.
[102-51] [102-52]

In-Scope Properties

The assets covered in this report are our operations in Singapore and three of our malls in the People's Republic of China ("PRC"). As we operate as a REIT, we refer to the activities and performance of the REIT Manager when discussing employee-related performance.

DEFINING REPORT CONTENT AND TOPICS

This report follows GRI-defined reporting principles for defining report content. These principles include:

- **Stakeholder Inclusiveness** - Identifying our key stakeholders and considering their expectation and interest in defining the report content
- **Sustainability Context** - Presenting our performance in the context of the limits and demands of economic, social and environmental conditions at the local, regional, and global level
- **Materiality** - Determining which topics that significantly impact our performance and influence the decisions of the stakeholders, are required to be reported.
- **Completeness** - Reporting covering all aspects of key material topics, where their impacts occur, and in which time period. [102-46]

EXTERNAL ASSURANCE

We have not sought external assurance for this report. However, we may consider doing so in the future as sustainability reporting matures. [102-56]

REPORT QUERIES AND FEEDBACK *[102-53]*

We hope that this report is useful for all our stakeholders, in understanding our sustainability journey, performance, and commitment to sustainable growth. For questions or to deliver feedback about this report, please contact:

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Fax: (65) 6805 8277
E-mail: melvyn.lee@bhgreit.com

ABOUT BHG RETAIL REIT

BHG Retail REIT, listed on Singapore Exchange Security Trading Limited (the "SGX-ST"), is Singapore's first pure-play China Retail REIT sponsored by a China-based group. [102-01] [102-02]

We have a diversified portfolio of five retail properties strategically located in major cities in China, namely Beijing, Chengdu, Hefei, Xining, and Dalian. We significantly operate in these locations with the REIT Manager's Office located in Singapore. [102-02] [102-03] [102-4] [102-06]

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (the "Sponsor"). The Sponsor and Beijing Hualian Hypermarket Co., Ltd are part of Beijing Hualian Group Investment Holding Co., Ltd., one of China's largest retail enterprises with more than 20 years of retail operating experience. [102-5]

All of BHG Retail REIT's malls are located in high population density areas frequented by growing middle-class professionals and families. Designed as lifestyle destinations, each multi-tenanted mall features a compelling mix of shopping, dining, education and entertainment establishments. [102-06]

DRIVING SUSTAINABLE GROWTH

At BHG Retail REIT, our purpose is to serve the community by enhancing our properties and delivering exceptional retail and lifestyle experience. Our strategic focus is to create long-term value and sustainable growth by managing quality assets across the retail spectrum. Our Vision and Mission reinforce our commitment towards this purpose. [102-16]

Vision
A successful and sustainable real estate investment trust with a portfolio of quality, income-producing retail properties that are well-managed.

Mission
To deliver regular and stable distributions to our unitholders; creating value by enhancing our properties through asset management strategies and expanding our portfolio through yield-accretive acquisitions, while working to contribute to the communities we operate in.

Managing Sustainability-related Risks

Managing risks that arise in our operations through a precautionary approach is the first step towards creating long-term value and driving sustainable growth.

The Chief Executive Officer ("CEO") and Compliance Manager, under the oversight of the Board, work together to manage sustainability matters within the REIT. The Board is responsible for overall risk strategy and risk governance of BHG Retail REIT. The Board is supported by the Audit and Risk Committee ("ARC"). BHG's Enterprise Risk Management ("ERM") Framework effectively manages and controls risks in the Manager's governance and operations. The ERM Framework is supplemented by an outsourced Internal Audit function which evaluates the effectiveness of the Framework. [102-18]

Risks are also managed through recovery plans implemented by each portfolio property. These plans manage any unforeseen circumstances that may interrupt the business – such as natural disasters, fire hazards, and equipment failures. The REIT Manager has also set proactive initiatives to ensure the maintenance of the premises and equipment within each portfolio property.

To manage compliance risks, the REIT Manager complies with multiple laws and regulations. The REIT Manager has implemented corporate policies and procedures to provide clear instructions for all staff to abide by in addition to ensuring that all employees are aware of the latest developments in the law through training and attendance of seminars and briefings.

[102-11]

Sustainability in Supply Chain

Introducing sustainability into the supply chain is considered a vital part of the business. Where possible, the Manager and service providers are taking actions to incorporate environmentally-friendly equipment and other green features to enhance the value of the asset.

Our vendors, suppliers and service providers are being assessed regularly with a risk-based approach. As such, due diligence checks are performed in line with the MAS guidelines before or during the course of the engagement. In FY 2018, there has been no significant change to our supply chain, including location and changes of operations, share capital structure, the location of suppliers and structure of the supply chain. [102-9] [102-10]

External Charters and Principles

BHG Retail REIT is regulated by the Securities and Futures Act (Cap 289) ("SFA"), the Code on Collective Investment Schemes ("CIS Code"), the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual"), and other regulations. The REIT Manager is committed to upholding good standards of corporate governance.

The Board of Directors (the "Board") of the Manager has ensured that corporate governance practices are in line with the Code of Corporate Governance 2012 (the "2012 Code"). The Manager has further ensured that it remains in compliance with the other regulations, notices, circulars, and guidelines that may be released by MAS from time to time.

BHG Retail REIT holds membership in the Singapore Business Federation and the REIT's management holds membership of the Investor Relations Professionals Association (Singapore). [102-12] [102-13]

STAKEHOLDER ENGAGEMENT

Strong relationships and effective communication with our stakeholders is vital to the success of our business. BHG Retail REIT recognises that with close collaboration with our stakeholders, we can create a better customer experience, maintain the company's long-term growth, as well as create value for our business and our communities.

Even though our business activities involve a diverse range of stakeholders, we have identified those key stakeholders to be part of our sustainability journey who are instrumental to the success of our business and have the ability to influence our sustainability performance. These stakeholders include investors, suppliers, regulators, management, and employees. We communicate regularly with our stakeholders by providing an open and transparent channel for their concerns, reviewing and considering those concerns, as well as responding in a timely manner. The table below shows our relationship and interaction with stakeholders during the financial year 2018.

[102-40] [102-42] [102-43] [102-44]

Table 1: Stakeholder Groups for BHG Retail REIT

Stakeholders	Mode of Engagement	Frequency of Engagement	Top Sustainability Concerns/Issues
Investors	• Annual General Meeting (AGM) • Analyst Meeting	At least annually At least annually	Economic Performance Anti-Corruption Customer Health and Safety
Suppliers	• Supplier performance feedback	Periodically	Economic Performance Procurement practice Customer Privacy
Regulators	• Electronic communications	Periodically	Market presence Training and Education Anti-Corruption Compliance Customer Privacy
Management	• Board meeting • Management meeting	Quarterly Quarterly	Economic Performance Employment Training and Education Compliance
Employees	• Performance appraisal • Staff meetings • One-to-one engagements	At least annually Monthly At least annually	Occupational Health and Safety Training and Education Equal Remuneration for Women and Men

MATERIALITY ASSESSMENT: MANAGING RISKS AND OPPORTUNITIES

In 2018, we held a Stakeholder Engagement and Materiality Assessment Workshop ("Workshop"). During the Workshop, we engaged our stakeholders to identify and prioritise material sustainability topics that impact our organisation. These topics were then reported in our 2018 SR. In the SR, we highlighted our performance for each of these topics, including how these topics are managed in the organisation and the targets for improvement for 2018. For this year, we wish to disclose our progress in these six key topics. [102-47]

Material Aspects and Indicators Identified

Table 2: Material Aspects and Indicators Identified for SR FY 2018

Category	Topic	Disclosure Sub-topic	Impact of the Sub-topic
Economic	Economic Performance	GRI 201-1: Direct economic value generated and distributed	Within the organisation
	Market Presence	GRI 202-2: Proportion of senior management hired from the local community	Within the organisation
Social	Labour Practices and Decent Work	GRI 404-1: Average hours of training per year per employee by gender, and by employee category.	Within the organisation
	Labour Practices and Decent Work	GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Within the organisation
Environmental	Energy	GRI 302-1: Energy consumption within the organisation	Within the organisation
	Water	GRI 303-1: Total water withdrawal by source	Within the organisation

OUR HUMAN CAPITAL

Management Approach

At BHG Retail REIT, we strongly value our employees. We believe that personal development of individual employees will help enhance and develop human capital within the organisation. Hence, employee training, performance reviews and career development are considered of utmost importance within the firm. Through our internal talent management process, we ensure that there is succession planning for important positions within the organisation.

Strong emphasis is placed on continual training and education to drive staff performance and enhance professional skillsets. We continue to invest in our employees through courses and on-the-job training. Throughout 2018, subject matter experts have been invited to our office to conduct several trainings. BHG Retail REIT's internal talent management process assesses the development of our employees. This is to ensure that the areas of strength and development of key personnel are identified and concurrent plans for employee skill enhancement are drawn up.

We provide refreshers and updates on regulatory compliance matters over the year to mitigate the risk of compliance breaches. These activities were carried out to ensure that employees remain updated with relevant developments and adhere to the laws, regulations, and all applicable internal company policies. [103-1] [103-2] [103-3]

TRAINING AND EDUCATION

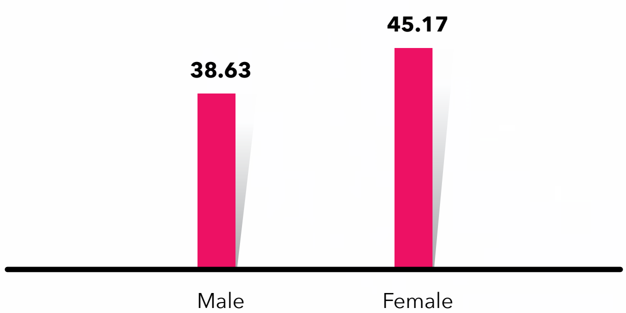
The Manager recognises that people contribute largely to the success of the business. In 2018, BHG Retail REIT provided a total of 291 hours of training; with 124 hours of training received by the management, and 167 hours of training received by the employees. We also ensure easy access to training for both genders, across all job profiles, highlighting the effort to also improve diversity in the workplace. In 2018, our male and female employees received a total of 155 hours of training and 136 hours of training, respectively. [404-1]

TOTAL NUMBER OF PERMANENT FULL-TIME EMPLOYEES[1]

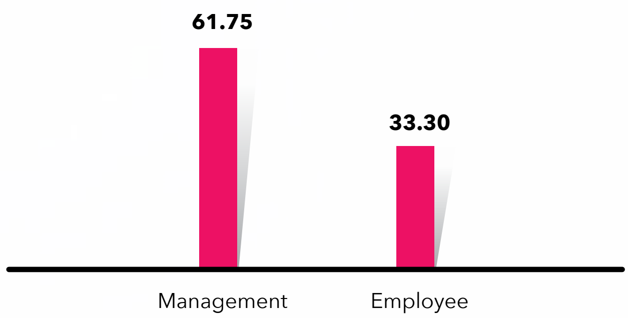
4 FEMALES

5 MALES

AVERAGE TRAINING HOURS PER EMPLOYEE: 41.43



AVERAGE TRAINING HOURS PER EMPLOYEE CATEGORY



[1] All our permanent employees (including our senior management) are hired from the local community [202-2]

Career Development and Performance Reviews

In 2018, we have achieved our target of 100 percent career development and performance reviews provided to all our employees. [404-3]

HIGHLIGHTS OF 2019 TARGETS

Career Development and Performance Reviews
Achieve 100 percent of regular performance and career development review for our employees

Training and Education
Consistently meet our internal target for Continuing Professional Development ("CPD") training.

OUR ENVIRONMENTAL CAPITAL

Management Approach

The built environment accounts for a large proportion of energy and water usage. As Retail REITs, we are conscious of how our business impacts the environment, and are committed to identify, manage and reduce these impacts.

To track our environmental performance, we have put in place a system to track and monitor our energy and water consumption across our three malls in Beijing, Chengdu and Hefei for reporting. [103-1] [103-3]

Energy

We are continuously improving our energy efficiency to mitigate our impacts on the environment. Where possible, we take the opportunity to review and improve the practices throughout the life-cycle of our buildings. In FY 2018, the total energy consumption was recorded at 18,092 megawatt per hour ("MWh").

For energy usage, we seek continuous improvement in energy efficiency by investing in innovative and practical solutions to mitigate our environmental impacts. Our initiatives in good energy management include reducing excessive lighting and air-conditioning to minimise usage of cooling towers during low loading periods for air-conditioning. [302-1] [103-2]

Water

We are committed to reducing water consumption and encouraging the use of treated or recycled water in our daily operations. In FY 2018, the total water consumption was recorded at 182,454 m^3. This year, we take several initiatives to track our water usage to conserve the resource and prevent wastage. Initiatives such as utilizing water-efficient flushing cisterns, installing motion sensor water faucets and reducing the tap flow rate are in place to manage our water consumption. [303-1] [103-2]

We look forward to further our efforts to conserve energy and water conservation in our properties in year 2019.

HIGHLIGHTS OF 2019 TARGETS

Energy
- Maintain energy efficient lighting and equipment.
- Continuous monitoring to optimize usage rate
- Maintaining auto illumination system and LED lightings

Water
- Monitoring water consumption in toilets
- Monitoring water usage in our properties on a monthly basis.

OUR SOCIAL AND RELATIONSHIP CAPITAL

In 2018, several events were held to promote cultural and social inclusivity, and employee well-being.

Floristry Experience Event
Beijing Wanliu Mall hosted a floristry experience event to increase awareness on environmental friendliness and to promote floristry to the public.

Caring for Animals
Beijing Wanliu Mall hosted a "Care for Animals" charity event to increase awareness on interacting with animals for the younger generation who live in cities.

Mother's Day Event
In conjunction with Mother's Day, Hefei Mengchenglu Mall organised a Mother's Day celebration event to foster kindness in young children and improve the cultural life among the community residents.

Mid-autumn Festival Event
In conjunction with the Mid-Autumn Festival, Hefei Mengchenglu Mall organised a cultural festival event, presenting a variety of traditional mid-autumn celebration activities to the community.

Christmas Event

In conjunction with Christmas, Hefei Mengchenglu Mall hosted a kindness flea market charity to foster kindness in young children.

Little Fireman Event

Chengdu Konggang Mall hosted a "Little Fireman" event to promote and increase awareness on health and safety.

Thanksgiving Month – Public Dance Event

Chengdu Konggang Mall hosted a public dance event on March 2018 to foster kindness in young children.

Public Welfare Activities

Chengdu Konggang Mall organised an event to serve the communities around the mall with various public welfare services such as cleaning, repairing household electrical appliances, knife sharpening, haircutting, etc.

GRI CONTENT INDEX

General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
GENERAL DISCLOSURES			
ORGANISATIONAL PROFILE			
GRI 102: General Disclosures 2016	102-1 Name of the organisation	66/67	
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	102-3 Location of headquarters	67	
	102-4 Location of operations	67	
	102-5 Ownership and legal form	67	
	102-6 Markets served	67	
	102-7 Scale of the organisation	70	
	102-8 Information on employees and other workers	70	
	102-9 Supply chain	67	
	102-10 Significant changes to organisation and its supply chain	67	
	102-11 Precautionary principle or approach	67	
	102-12 External initiatives	68	
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STRATEGY			
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	66	
ETHICS AND INTEGRITY			
GRI 102: General Disclosures 2016	102-16 Values, principles, standards, and norms of behaviour	67	
GOVERNANCE			
GRI 102: General Disclosures 2016	102-18 Governance structure	67	
GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	68	
	102-41 Collective bargaining agreements	-	Not Applicable
	102-42 Identifying and selecting stakeholders	68	
	102-43 Approach to stakeholder engagement	68	
	102-44 Key topics and concerns raised	69	

General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
REPORTING PRACTICE			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	-	Refer to Annual Report
	102-46 Defining report content and topic boundaries	66	
	102-47 List of material topics	89	
	102-48 Restatements of information	-	Not Applicable
	102-49 Changes in reporting	-	Not Applicable
	102-50 Reporting period	66	
	102-51 Date of most recent report	66	
	102-52 Reporting cycle	66	
	102-53 Contact point for questions regarding the report	66	
	102-54 Claims of reporting in accordance with the GRI Standards	66	
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CATEGORY: ECONOMIC			
ECONOMIC PERFORMANCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		Refer to Annual Report
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed		
CATEGORY: ECONOMIC			
MARKET PRESENCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		Refer to Annual Report
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	70	
TRAINING AND EDUCATION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	70	
	103-2 The management approach and its components	70	
	103-3 Evaluation of the management approach	70	

General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	70, 71	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	70	
CATEGORY: ENVIRONMENTAL			
ENERGY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	71	
	103-2 The management approach and its components	71	
	103-3 Evaluation of the management approach	71	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	71	
WATER			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	71	
	103-2 The management approach and its components	71	
	103-3 Evaluation of the management approach	71	
GRI 303: Water 2016	303-1 Water withdrawal by source	71	

FINANCIAL STATEMENTS

REPORT OF THE TRUSTEE

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of BHG Retail REIT (the "REIT") in trust for the Unitholders (the "Unitholders"). In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of BHG Retail Trust Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018 and a second supplemental deed dated 20 April 2018) (collectively the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages 84 to 141 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Jane Lim
Director

Singapore
20 March 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of BHG Retail Trust Management Pte. Ltd. (the "Manager"), the accompanying financial statements set out on pages 84 to 141 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in Unitholders' funds of BHG Retail REIT (the "REIT") and its subsidiaries (the "Group"), the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the REIT and the portfolio of the Group as at 31 December 2018, the total return, distributable income and movements in Unitholders' funds of the Group and of the REIT and cash flows of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
BHG Retail Trust Management Pte. Ltd.

Francis Siu Wai Keung
Director

Singapore
20 March 2019

INDEPENDENT AUDITORS' REPORT

Unitholders
BHG Retail REIT
(Constituted under a Trust Deed dated 18 November 2015 (as amended) in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of BHG Retail REIT (the "REIT") and its subsidiaries (the "Group"), which comprise the statement of financial position and the portfolio statement of the Group and the statement of financial position of the REIT as at 31 December 2018, the statement of total return, distribution statement, statement of movements in Unitholders' funds and statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 84 to 141.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT present fairly, in all material respects, the financial position and portfolio holdings of the Group and the financial position of the REIT as at 31 December 2018 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the REIT for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties Refer to Note 4 to the financial statements	
The key audit matter	*How the matter was addressed in our audit*
The Group has investment properties comprising retail malls in the People's Republic of China. These investment properties represent the single largest category of assets on the statement of financial position, at $808.3 million (2017: $811.1 million) as at 31 December 2018. These investment properties are stated at their fair values based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology, and in estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions, including those relating to the discount rates, terminal rates, term yields and reversionary rates and a change in the assumptions will have an impact on the valuation.	We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. We compared the valuation methodologies used, which included the discounted cash flow method and income capitalisation method, against those applied for similar property types by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We assessed the reasonableness of the discount rates, terminal rates, term yields and reversionary rates used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors. We also considered the adequacy of the disclosures in the financial statements. *Our findings* The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are comparable to the methods used for similar property types by other valuers and the key assumptions used are within the range of market data. The disclosures in the financial statements are appropriate in their description of the judgement inherent in the key assumptions used in the valuations and the relationships between the key unobservable inputs and fair values.

Other information

BHG Retail Trust Management Pte. Ltd., the Manager of the REIT (the "Manager"), is responsible for the other information. The other information comprises the Overview, Performance Review, Business Highlights, Sustainability Report and Interested Person Transactions, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditors' report, and the Statistics of Unitholders (the "Report") which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Manager and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trust*s issued by the Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lim Pang Yew, Victor.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		REIT	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current assets					
Investment properties	4	808,303	811,116	–	–
Plant and equipment	5	630	690	–	–
Interests in subsidiaries	6	–	–	524,512	525,088
Trade and other receivables	7	36	123	–	–
Deferred tax assets	8	21	22	–	–
		808,990	811,951	524,512	525,088
Current assets					
Trade and other receivables	7	5,289	4,160	495	189
Cash and cash equivalents	9	55,590	72,081	112	547
		60,879	76,241	607	736
Total assets		869,869	888,192	525,119	525,824
Non-current liabilities					
Loans and borrowings	10	–	215,500	–	147,690
Trade and other payables	11	1,207	1,843	24,939	–
Security deposits		5,157	4,461	–	–
Deferred tax liabilities	8	29,952	24,404	–	–
		36,316	246,208	24,939	147,690
Current liabilities					
Loans and borrowings	10	222,142	25,972	162,548	24,760
Trade and other payables	11	17,698	19,401	1,815	1,334
Security deposits		12,830	11,730	–	–
Current tax liabilities		1,801	1,832	–	–
Derivative liabilities	12	74	–	74	–
		254,545	58,935	164,437	26,094
Total liabilities		290,861	305,143	189,376	173,784
Net assets		579,008	583,049	335,743	352,040
Represented by:					
Unitholders' funds	13	410,423	416,454	335,743	352,040
Non-controlling interests	14	168,585	166,595	–	–
		579,008	583,049	335,743	352,040
Units in issue ('000)	15	504,677	500,934	504,677	500,934
Net asset value per Unit attributable to Unitholders ($)		0.81	0.83	0.67	0.70

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	REIT 2018 $'000	REIT 2017 $'000
Gross rental income		62,530	57,725	–	–
Dividend income		–	–	9,400	8,300
Other income		7,139	6,794	–	–
Gross revenue		69,669	64,519	9,400	8,300
Business tax		(395)	(409)	–	–
Property-related tax		(5,983)	(5,035)	–	–
Property management fees and reimbursables		(2,419)	(2,179)	–	–
Other property operating expenses	17	(15,225)	(13,952)	–	–
Total property operating expenses		(24,022)	(21,575)	–	–
Net property income		45,647	42,944	9,400	8,300
Audit fees		(301)	(289)	(145)	(145)
Manager's management fees					
- Base fee		(1,971)	(2,000)	(1,971)	(2,000)
- Performance fee		–	(282)	–	(282)
Trustee's fees		(135)	(127)	(135)	(127)
Valuation fee		(53)	(62)	(53)	(62)
Other income (non–operating)		309	513	–	–
Other operating expenses	18	(634)	(606)	(386)	(514)
Finance income		647	720	–	–
Finance costs		(9,709)	(8,952)	(6,030)	(4,834)
Net finance costs	19	(9,062)	(8,232)	(6,030)	(4,834)
Total return before change in fair value of investment properties and unrealised foreign exchange gain/(loss)		33,800	31,859	680	336
Change in fair value of investment properties	4	25,664	8,298	–	–
Foreign exchange gain/(loss) - unrealised		73	(1)	748	–
Total return for the year before taxation		59,537	40,156	1,428	336
Taxation	20	(13,889)	(8,683)	–	–
Total return for the year after taxation		45,648	31,473	1,428	336
Attributable to:					
Unitholders		31,157	20,942	1,428	336
Non–controlling interests	14	14,491	10,531	–	–
Total return for the year after taxation		45,648	31,473	1,428	336
Earnings per Unit (cents)	21				
- Basic		6.20	4.20		
- Diluted		6.17	4.18		

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	REIT 2018 $'000	REIT 2017 $'000
Amount available for distribution to Unitholders at beginning of the year		10,126	9,154	10,126	9,154
Total return for the year attributable to Unitholders		31,157	20,942	1,428	336
Distribution adjustments	A	(11,451)	(941)	18,278	19,665
Income for the year available for distribution to Unitholders	B	19,706	20,001	19,706	20,001
Distribution to Unitholders during the year:					
- Distribution of 2.60 cents per Unit for period from 1 July 2016 to 31 December 2016		–	(9,075)	–	(9,075)
- Distribution of 2.74 cents per Unit for period from 1 January 2017 to 30 June 2017		–	(9,954)	–	(9,954)
- Distribution of 2.73 cents per Unit for period from 1 July 2017 to 31 December 2017		(9,976)	–	(9,976)	–
– Distribution of 2.74 cents per Unit for period from 1 January 2018 to 30 June 2018		(10,403)	–	(10,403)	–
		(20,379)	(19,029)	(20,379)	(19,029)
Amount available for distribution to Unitholders at end of the year		9,453	10,126	9,453	10,126
Distribution per unit (cents)	*	5.16	5.47		

* The distribution per unit relates to the distributions in respect of the relevant financial year.

The distribution relating to 1 July 2018 to 31 December 2018 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

The amount of distributions waived, attributable to the strategic investor Units, for the year ended 31 December 2018 and 2017 amounted to approximately S$5.3 million and S$5.4 million respectively.

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

Note A – Distribution adjustments

	Group 2018 $'000	Group 2017 $'000	REIT 2018 $'000	REIT 2017 $'000
Distribution adjustment items:				
- Amortisation of debt establishment costs	376	330	152	110
- Change in fair value of investment properties[1]	(17,510)	(4,369)	–	–
- Deferred taxation[1]	4,413	1,275	–	–
- Manager's management fees paid/payable in Units	1,971	2,212	1,971	2,212
- Net income of subsidiaries not distributed to the REIT[1]	–	–	16,904	17,343
- Property Manager's management fees paid/payable in Units	757	737	–	–
- Transfer to statutory reserve	(1,492)	(1,241)	–	–
- Other adjustments[1]	34	115	(749)	–
Net effect of distribution adjustments	(11,451)	(941)	18,278	19,665

[1] Excludes share attributable to non-controlling interests

Note B – Income for the year available for distribution to Unitholders

	Note	Group 2018 $'000	Group 2017 $'000	REIT 2018 $'000	REIT 2017 $'000
Comprises:					
- from operations		–	–	–	–
- from Unitholders' contribution		19,706	20,001	19,706	20,001
Total Unitholders' distribution	16	19,706	20,001	19,706	20,001

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Unitholders' funds as at beginning of the year	416,454	421,177	352,040	367,784
Operations				
Total return for the year after taxation attributable to Unitholders	31,157	20,942	1,428	336
Transfer to statutory reserve	(1,492)	(1,241)	–	–
Net increase in net assets resulting from operations	29,665	19,701	1,428	336
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(74)	–	(74)	–
Foreign currency translation reserve				
Translation differences from financial statements of foreign operations	(19,463)	(9,585)	–	–
Statutory reserve				
Transfer from operations	1,492	1,241	–	–
Unitholders' transactions				
Creation of Units paid/payable to manager				
- Units issued and to be issued as satisfaction of the portion of Manager's management fees payable in Units	1,971	2,212	1,971	2,212
- Units issued and to be issued as satisfaction of the portion of Property Manager's management fees payable in Units	757	737	757	737
Distributions to Unitholders	(20,379)	(19,029)	(20,379)	(19,029)
	(17,651)	(16,080)	(17,651)	(16,080)
Unitholders' funds as at end of the year	410,423	416,454	335,743	352,040

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENT

As at 31 December 2018

Description of leasehold property	Location	Term of lease (years)	Lease expiry	Valuation as at 2018 RMB'000	Valuation as at 2017 RMB'000	Valuation as at 2018 SGD'000	Valuation as at 2017 SGD'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Group									
Beijing Wanliu	No.2 Bagou Road, Haidian District, Beijing	30	2044	2,394,000	2,287,000	474,156	470,101	115	113
Chengdu Konggang	No. 166 Jinhua Road second section, Shuangliu County, Chengdu	32	2047	640,100	633,000	126,778	130,116	31	31
Hefei Mengchenglu	No.99 Mengcheng Road, Luyang District, Hefei	30	2044	605,000	584,000	119,826	120,044	29	29
Xining Huayuan	Nos.16-19 Shipo street, Chengzhong District, Xining	34	2048	280,000	280,000	55,457	57,555	13	14
Dalian Jinsanjiao	No.18 Huadong Road, Ganjingzi District, Dalian	33	2042	162,000	162,000	32,086	33,300	8	8
Investment properties, at valuation						808,303	811,116	196	195
Other assets and liabilities (net)						(229,295)	(228,067)	(56)	(55)
Net assets						579,008	583,049	140	140
Net assets attributable to non-controlling interests						(168,585)	(166,595)	(40)	(40)
Net assets attributable to Unitholders						410,423	416,454	100	100

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Total return for the year before taxation		59,537	40,156
Adjustments for:			
Finance income		(647)	(720)
Finance costs		9,709	8,952
Loss on disposal of plant and equipment		2	2
Depreciation of plant and equipment		125	135
Manager's management fees paid/payable in Units	(i)	1,971	2,212
Property Manager's management fees paid/payable in Units	(ii)	757	737
Change in fair value of investment properties		(25,664)	(8,298)
Foreign exchange (gain)/loss – unrealised		(73)	1
Operating income before working capital changes		45,717	43,177
Changes in:			
Trade and other receivables		(323)	4,002
Trade and other payables		(38)	1,397
Cash generated from operating activities		45,356	48,576
Tax paid		(7,400)	(5,555)
Net cash generated from operating activities		37,956	43,021
Cash flows from investing activities			
Capital expenditure on investment properties		(1,127)	(3,213)
Purchase of plant and equipment		(92)	(105)
Interest received		647	720
Net cash used in investing activities		(572)	(2,598)
Cash flows from financing activities			
Distribution to Unitholders		(20,379)	(19,029)
Dividend paid to non-controlling interests		(4,120)	(3,719)
Decrease/(Increase) in restricted cash		13,693	(15,433)
Payment of transaction costs related to loans and borrowings		–	(77)
Proceeds from borrowings		37,170	24,760
Repayment of borrowings		(54,379)	(13,026)
Settlement of derivative contracts		(108)	–
Interest paid		(9,246)	(8,345)
Net cash used in financing activities		(37,369)	(34,869)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Increase in cash and cash equivalents		15	5,554
Cash and cash equivalents at 1 January		43,352	38,373
Effect of foreign exchange rate changes on cash balances		(2,176)	(575)
Cash and cash equivalents at 31 December	9	41,191	43,352

Notes:

Significant non-cash transactions

(i) The Manager's management fees for the year was $1,971,000 (2017: $2,282,000). $1,551,000 (2017: $1,512,000) was paid during the year through the issuance of 2,118,000 (2017: 2,103,000) Units. The remaining $420,000 (2017: $770,000) will be paid through the issuance of 585,000 (2017: 939,000) Units and Nil (2017: $70,000) in cash subsequent to the year end.

(ii) The Property Manager's management fees for the year was $757,000 (2017: $737,000). $579,000 (2017: $545,000) was paid during the year through the issuance of 791,000 (2017: 757,000) Units. The remaining $178,000 (2017: $192,000) will be paid through the issuance of 249,000 (2017: 258,000) Units subsequent to the year end.

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 20 March 2019.

1. GENERAL

BHG Retail REIT (the "REIT") is a Singapore–domiciled unit trust constituted pursuant to the trust deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018 and a second supplemental deed dated 20 April 2018) (collectively the "Trust Deed") between BHG Retail Trust Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the REIT held by it or through its subsidiaries (the "Group") in trust for the holders of units ("Units") in the REIT.

The REIT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 11 December 2015 (the "Listing Date").

The principal activities of the REIT are those relating to investment in a diversified portfolio of income–producing properties located primarily in the People's Republic of China ("China") and used primarily for retail purposes.

The principal activities of the subsidiaries are those of investment holding of properties located in China and used for retail purposes.

The Group has entered into several service agreements in relation to the management of the REIT and its property operations. The main fee structures for these services are as follows:

(i) Trustee's fees

Pursuant to Clause 15.5 of the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of deposited property, subject to a minimum of $10,000 per month, excluding out-of-pocket expenses and Goods and Services Tax.

(ii) Manager's management fees

The Manager is entitled under Clauses 15.1 of the Trust Deed to the following management fees:

- a base fee of 10% per annum of the annual distributable income; and
- a performance fee of 25% per annum of the difference in distribution per unit ("DPU") in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.

The Manager may elect to receive the management fees in cash or Units or a combination of cash and/or Units (as it may in its sole discretion determine).

(iii) Property management fees

Under the property management agreement in respect of each property, the property manager ("Property Manager") will provide lease management services, property management services and marketing co–ordination services in relation to the property. The Property Manager is entitled to the following fees:

- 2% per annum of the gross revenue of the property;
- 2.5% per annum of the net property income of the property; and
- a one-time lease-up commission of 2 months of fixed rent for securing of new tenants for a tenancy of at least three years, commencing for new tenancies entered into from 1 January 2018.

The property management fees are payable to the Property Manager in the form of cash and/or Units.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("SFRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the REIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year includes the valuation of investment properties under Note 4 and valuation of financial instruments under Note 26.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 4 – investment properties and Note 26 – financial instruments.

2.5 Changes in accounting policies

The Group has applied the FRSs, amendments to and interpretations of FRSs for annual period beginning on 1 January 2018 for the first time. The adoption of these FRSs, amendments to standards and interpretations did not have a material effect on the Group's and REIT's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group's acquisition of subsidiaries are primarily accounted for as acquisitions of assets as the subsidiaries are special purpose vehicles established for the sole purpose of holding assets.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in statement of total return. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iv) Accounting for subsidiaries by the REIT

Investments in subsidiaries are stated in the REIT's statements of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign exchange rates at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in statement of total return. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to statement of total return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

(iii) Net investment in a foreign operation

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in Unitholders' funds and are presented in the foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

(iv) Hedge of net investment in foreign operation

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognised in Unitholders' funds and presented in the foreign currency translation reserve. Any ineffective portion of the changes in the foreign exchange gains and losses is recognised in statement of total return. The amount recognised in Unitholders' funds is reclassified to statement of total return as a reclassification adjustment on disposal of the foreign operation.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified is measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of total return. Any gain or loss on derecognition is recognised in statement of total return.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables excluding prepayments.

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of total return. These financial liabilities comprised interest-bearing borrowings, security deposits, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantively all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of total return.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

(vi) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

The Group designates certain derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in Unitholders' funds. The effective portion of changes in the fair value of the derivative that is recognised in the hedging reserve in Unitholders' funds is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of total return.

The amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to statement of total return in the same period or periods during which the hedged expected future cash flows affect total return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in Unitholders' funds until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to statement of total return in the same period or periods as the hedged expected future cash flows affect total return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to statement of total return.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting (cont'd)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of total return.

3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of total return.

Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year in accordance with the CIS Code issued by the MAS.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of total return.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

For taxation purposes, the Group and the Trust may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.

3.5 Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains or losses arising from the retirement or disposal of plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the statement of total return on the date of retirement or disposal.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The cost of the day-to-day servicing of plant and equipment are recognised in the statement of total return as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in statement of total return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use. The estimated useful lives for the current and comparative years are as follows:

Plant and machinery	-	5-10 years
Motor vehicles	-	5-10 years
Furniture, fittings and equipment	-	5-10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.6 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss, including interest in joint ventures, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event has occurred after the initial recognition of the asset, and that the loss event(s) had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy or economic conditions that correlate with defaults.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in statement of total return and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through statement of total return.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

Impairment losses recognised in prior periods in respect of assets other than goodwill are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Unitholders' funds

Unitholders' funds represent the residual interests in the Group's net assets upon termination and are classified as equity.

Expenses incurred in connection with the issuance of Units in the REIT are deducted directly against the Unitholders' funds.

3.8 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in statement of total return in the periods during which related services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9 Distribution policy

The REIT's distribution policy is to distribute 100.0% of its amount available for distribution to Unitholders for the financial period from 11 December 2015 ("Listing Date") to 31 December 2016. Thereafter, the Manager will distribute at least 90.0% of the REIT's amount available for distribution with the actual level of distribution to be determined at the discretion of the Board of Directors of the Manager. Distribution to Unitholders will be made semi-annually based on the half-yearly results of the REIT.

3.10 Revenue recognition

(i) Rental income

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period in which they are earned. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue recognition (cont'd)

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.11 Lease payments

Payment made under operating leases are recognised in statement of total return on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.12 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis.

(ii) Manager's management fees, property management fees and Trustee's fees

These are recognised on an accrual basis based on the applicable formula stipulated in Note 1.

3.13 Finance income and finance costs

Finance income comprises interest income recognised in the statement of total return as it accrues, using the effective interest method.

Finance costs which comprise interest expense on borrowings and expense incurred in connection with borrowings are recognised in the statement of total return, using the effective interest method over the period of the borrowings.

3.14 Taxation

Tax expenses comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of total return except to the extent that it relates to items recognised directly in Unitholders' fund.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Taxation (cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, that affects neither accounting nor taxable profit or loss; and

- temporary differences relating to investments in subsidiaries to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

3.15 Earnings per Unit

The Group presents basic and diluted earnings per unit ("EPU") data for its Units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of ordinary Units outstanding during the year. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision–Makers ("CODMs"). The CODMs has been identified as the Chief Executive Officer and the Chief Financial Officer of the Manager.

Segment results that are reported to the CODMs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other receivables, cash and cash equivalents, trade and other payables, and interest-bearing borrowings.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment and capital expenditure on investment properties.

4. INVESTMENT PROPERTIES

	Group	
	2018	2017
	$'000	$'000
At beginning of the year	811,116	810,692
Additions during the year	1,127	3,213
	812,243	813,905
Changes in fair value	25,664	8,298
Translation differences	(29,604)	(11,087)
At end of the year	808,303	811,116

Investment properties comprise retail properties that are held mainly for use by tenants under operating leases. These retail properties form the initial portfolio of the REIT (see Portfolio Statement for details).

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the year amounted to $4.6 million (2017: $4.6 million).

Fair value

Investment properties are stated at fair value based on valuation as at 31 December 2018 performed by independent professional valuers, Cushman & Wakefield, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The Manager reviews the key valuation parameters and underlying data including market-corroborated capitalisation rates, term and reversionary rates and discount rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion.

The valuers have considered valuation techniques including the income capitalisation and discounted cash flows approaches in arriving at the open market value as at the reporting date.

The discounted cash flows method involves the estimation and projection of an income stream over a period and discounting the income stream with a risk adjusted discount rate to arrive at the market value. The income capitalisation approach assesses the value of a property by capitalising the current passing rental income and estimates reversionary rental income of the property.

4. INVESTMENT PROPERTIES (CONT'D)

Level 3 fair values

The following table shows the significant unobservable inputs used in the valuation models:

Valuation methods	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows approach	Discount rates from 7.0% to 8.0% (2017: 7.0% to 8.0%) per annum Terminal capitalisation rates from 3.0% to 5.0% (2017: 3.0% to 5.0%)	The fair value increases as discount rates and terminal capitalisation rates decrease.
Income capitalisation approach	Term yield from 4.5% to 6.0% (2017: 4.5% to 6.0%) Reversionary rates from 5.0% to 6.5% (2017: 5.0% to 6.5%)	The fair value increases as term yield and reversionary rate decrease.

Security

The investment properties are pledged as security to secure credit facilities (Note 10).

5. PLANT AND EQUIPMENT

	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Group				
Cost				
At 1 January 2017	3,631	508	3,239	7,378
Additions during the year	–	–	105	105
Reclassification	205	(237)	32	–
Disposal/written off	–	–	(7)	(7)
Translation difference on consolidation	(52)	(4)	(45)	(101)
At 31 December 2017	3,784	267	3,324	7,375
Additions during the year	3	–	89	92
Disposal/written off	(1)	–	(5)	(6)
Translation difference on consolidation	(138)	(10)	(123)	(271)
At 31 December 2018	3,648	257	3,285	7,190
Accumulated depreciation				
At 1 January 2017	3,449	308	2,888	6,645
Charge for the year	4	–	131	135
Reclassification	188	(51)	(137)	–
Disposal/written off	–	–	(5)	(5)
Translation difference on consolidation	(50)	(3)	(37)	(90)
At 31 December 2017	3,591	254	2,840	6,685
Charge for the year	3	–	122	125
Disposal/written off	–	–	(4)	(4)
Translation difference on consolidation	(131)	(9)	(106)	(246)
At 31 December 2018	3,463	245	2,852	6,560
Carrying amounts				
At 1 January 2017	182	200	351	733
At 31 December 2017	193	13	484	690
At 31 December 2018	185	12	433	630

6. INTERESTS IN SUBSIDIARIES

	REIT 2018 $'000	REIT 2017 $'000
Equity investment, at cost	2,231	1,474
Non-trade amounts due from subsidiaries	522,281	523,614
	524,512	525,088

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity held by the Group 2018 %	Effective equity held by the Group 2017 %
Held by the REIT			
Petra 1 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 2 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 3 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 4 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 6 (China) Mall Pte. Ltd.*	Singapore	100	100
Held through subsidiaries			
Beijing Hualian Wanmao Shopping Mall Management Co., Ltd. **	People's Republic of China	60	60
Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd.**	People's Republic of China	100	100
Qinghai Xinglian Real Property Co., Ltd. **	People's Republic of China	100	100
Chengdu Hairong Xingda Real Property Co., Ltd. **	People's Republic of China	100	100
Dalian Hualian Commercial Facilities Operation Co., Ltd. **	People's Republic of China	100	100

* Audited by KPMG LLP Singapore
** Audited by KPMG China

6. INTERESTS IN SUBSIDIARIES (CONT'D)

(b) The non-trade amounts due from subsidiaries are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. They are stated at amortised cost, less ECL that is measured on the 12-month expected loss which reflects the low credit risk of the exposures. The amount of the allowance on those balances is not material.

7. TRADE AND OTHER RECEIVABLES

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables	37	31	–	–
Other receivables	1,512	1,573	398	97
Impairment losses	(82)	(89)	–	–
	1,430	1,484	398	97
Trade and other receivables	1,467	1,515	398	97
Prepayments	3,858	2,768	97	92
	5,325	4,283	495	189
Current	5,289	4,160	495	189
Non-current	36	123	–	–
	5,325	4,283	495	189

Concentration of credit risk relating to trade and other receivables is limited as the Group has many varied tenants located in several cities in China and a credit policy of obtaining security deposits from tenants for the lease of units in the Group's investment properties. These tenants comprise retailers engaged in a wide variety of consumer trades.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables at the reporting date (by geographical area) is:

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Beijing	304	556	–	–
Chengdu	119	177	–	–
Hefei	643	442	–	–
Qinghai	1	224	–	–
Dalian	2	19	–	–
Singapore	398	97	398	97
	1,467	1,515	398	97

7. TRADE AND OTHER RECEIVABLES (CONT'D)

Comparative information under FRS 39

An analysis of the credit quality of trade and other receivables that were neither past due nor impaired and the ageing of trade and other receivables that were past due but not impaired is as follows:

	Group 2017 $'000	REIT 2017 $'000
Neither past due nor impaired	950	97
Past due but not impaired		
Past due 1 – 30 days	37	–
Past due 31 – 60 days	112	–
Past due 61 – 90 days	109	–
	258	–
Total not impaired trade and other receivables	1,208	97

The Group's impaired trade receivables at 31 December 2017 had a gross amount of $396,000.

Expected credit loss assessment as at 1 January and 31 December 2018

The following table provides information about the exposure to credit risk and ECL's for trade and other receivables as at 31 December 2018:

	Group		
	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Not past due	838	–	No
Past due 1 – 30 days	2	–	No
Past due 31 – 60 days	21	–	No
Past due 61 – 90 days	5	–	No
More than 90 days due	683	(82)	Yes
	1,549	(82)	

The ageing of the other receivables of the REIT is not past due and credit impaired.

7. TRADE AND OTHER RECEIVABLES (CONT'D)

Movements in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year is as follows:

	Group	
	12-month ECL 2018 $'000	2017 $'000
At 1 January	(89)	(87)
Adjustment on initial application of FRS 109	–	–
At 1 January per FRS 109/FRS 39	(89)	(87)
Impairment losses recovered/(recognised)	7	(2)
At 31 December per FRS 109/FRS 39	(82)	(89)

The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances. The Manager believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade and other receivables, based on historical payment behaviours and the security deposits held (if applicable).

8. DEFERRED TAX ASSETS/(LIABILITIES)

The movement in deferred tax assets/(liabilities) during the financial year is as follows:

	At 1 January 2017 $'000	Recognised in statements of total return (Note 20) $'000	Translation difference $'000	At 31 December 2017 $'000	Recognised in statements of total return (Note 20) $'000	Translation difference $'000	At 31 December 2018 $'000
Group							
Deferred tax assets							
Allowance for doubtful receivables and unutilised losses	208	(182)	(4)	22	–	(1)	21
Deferred tax liabilities							
Investment properties	(21,489)	(2,075)	235	(23,329)	(6,897)	946	(29,280)
Tax on unrepatriated profits	(1,075)	–	–	(1,075)	445	(42)	(672)
	(22,564)	(2,075)	235	(24,404)	(6,452)	904	(29,952)

9. CASH AND CASH EQUIVALENTS

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash at banks and in hand	55,590	72,081	112	547
Restricted cash	(14,399)	(28,729)	–	–
Cash and cash equivalents in statement of cash flows	41,191	43,352	112	547

10. LOANS AND BORROWINGS

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Unsecured loan	1,247	–	1,247	–
Secured loans	221,274	242,237	161,460	172,760
Less: Unamortised transaction costs	(379)	(765)	(159)	(310)
	222,142	241,472	162,548	172,450
Current	222,142	25,972	162,548	24,760
Non-current	–	215,500	–	147,690
	222,142	241,472	162,548	172,450

Terms and debt repayment schedule

Terms and conditions of the outstanding loans and borrowings at the reporting date are as follows:

	Nominal interest rate per annum %	Year of maturity	Face value $'000	Carrying amount $'000
2018				
Group				
USD unsecured fixed rate loan	4.50	2019	1,247	1,247
SGD secured floating rate loan	1.77-2.62	2019	9,960	9,960
SGD secured floating rate loan	1.70-2.51	2019	1,000	1,000
SGD secured floating rate loan	1.71-2.51	2019	700	700
SGD secured floating rate loan	1.71-2.51	2019	1,800	1,800
SGD secured floating rate loan	2.87-3.48	2019	77,000	76,961
SGD secured floating rate loan	3.25-3.68	2019	32,000	32,000
SGD secured floating rate loan	3.47-4.11	2019	39,000	38,880
RMB secured floating rate loan	5.08	2019	47,732	47,733
RMB secured floating rate loan	5.08	2019	12,082	11,861
			222,521	222,142

10. LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule (cont'd)

	Nominal interest rate per annum %	Year of maturity	Face value $'000	Carrying amount $'000
2018				
REIT				
USD unsecured fixed rate loan	4.50	2019	1,247	1,247
SGD secured floating rate loan	1.77-2.62	2019	9,960	9,960
SGD secured floating rate loan	1.70-2.51	2019	1,000	1,000
SGD secured floating rate loan	1.71-2.51	2019	700	700
SGD secured floating rate loan	1.71-2.51	2019	1,800	1,800
SGD secured floating rate loan	2.87-3.48	2019	77,000	76,961
SGD secured floating rate loan	3.25-3.68	2019	32,000	32,000
SGD secured floating rate loan	3.47-4.11	2019	39,000	38,880
			162,707	162,548
2017				
Group				
SGD secured floating rate loan	1.49-1.62	2018	500	500
SGD secured floating rate loan	1.24-1.79	2018	9,100	9,100
SGD secured floating rate loan	1.40-1.71	2018	1,700	1,700
SGD secured floating rate loan	1.56-1.77	2018	9,960	9,960
SGD secured floating rate loan	1.70	2018	1,000	1,000
SGD secured floating rate loan	1.71	2018	700	700
SGD secured floating rate loan	1.71	2018	1,800	1,800
SGD secured floating rate loan	2.87	2019	77,000	76,923
SGD secured floating rate loan	3.25-3.38	2019	32,000	32,000
SGD secured floating rate loan	3.41-3.47	2019	39,000	38,767
RMB secured floating rate loan	5.08	2018-2019	56,322	56,322
RMB secured floating rate loan	5.08	2018-2019	13,155	12,700
			242,237	241,472
REIT				
SGD secured floating rate loan	1.49-1.62	2018	500	500
SGD secured floating rate loan	1.24-1.79	2018	9,100	9,100
SGD secured floating rate loan	1.40-1.71	2018	1,700	1,700
SGD secured floating rate loan	1.56-1.77	2018	9,960	9,960
SGD secured floating rate loan	1.70	2018	1,000	1,000
SGD secured floating rate loan	1.71	2018	700	700
SGD secured floating rate loan	1.71	2018	1,800	1,800
SGD secured floating rate loan	2.87	2019	77,000	76,923
SGD secured floating rate loan	3.25-3.38	2019	32,000	32,000
SGD secured floating rate loan	3.41-3.47	2019	39,000	38,767
			172,760	172,450

10. LOANS AND BORROWINGS (CONT'D)

Facilities and securities

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million, and an offshore secured borrowing facility of $148 million. As at 31 December 2018, the RMB 280 million facility and $148 million facility were fully drawn down, while RMB 70 million was drawn down from the RMB 71 million onshore facility. During 2018, the Group had repaid RMB 3 million (2017: RMB 3 million) of each of the onshore facilities, in accordance with the facility agreements, and RMB 30 million of voluntary early repayment by an onshore subsidiary.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the five subsidiaries in China.

The offshore facility is secured by way of a charge on 100% REIT's shareholding in the Singapore holding companies, an equity pledge on Petra 1 (China) Mall Pte. Ltd.'s 60% equity interest in Beijing Hualian Wanmao Shopping Mall Management Co., Ltd., and equity pledges on the remaining four Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

In addition to the above facilities, the REIT has obtained and drawn down from unsecured facilities an amount totalling $14.0 million (2017: Nil) and from other secured bank facilities an amount totalling $23.2 million (2017: $24.8 million). The REIT had repaid $35.9 million of these facilities during the year. The secured facilities were obtained mainly for the purpose of financing the payment of distribution and interest payment of the borrowings. The credit facilities are secured by the restricted cash from the five subsidiaries in China.

Subsequent to the reporting date, the Group and the REIT have finalised the refinancing of the existing onshore and offshore secured borrowing facilities of $148 million and RMB 302 million respectively, secured a new borrowing facility of $67 million and a new revolving credit facility of $25 million. The average interest rate of these facilities is 4.27% per annum and the facilities mature within 3 years.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings $'000	Interest payable $'000	Total $'000
Balance at 1 January 2017	230,462	915	231,377
Changes from financing cash flows			
Payment of transaction costs related to loans and borrowings	(77)	–	(77)
Proceeds from borrowings	24,760	–	24,760
Repayment of borrowings	(13,026)	–	(13,026)
Interest paid	–	(8,345)	(8,345)
	11,657	(8,345)	3,312
Non-cash changes			
Effects of changes in foreign exchange rates	(977)	(153)	(1,130)
Amortisation of borrowing costs	330	–	330
Interest expense	–	8,622	8,622
	(647)	8,469	7,822
Balance at 31 December 2017	241,472	1,039	242,511

10. LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	Loans and borrowings $'000	Interest payables $'000	Total $'000
Balance at 1 January 2018	241,472	1,039	242,511
Changes from financing cash flows			
Proceeds from borrowings	37,170	–	37,170
Repayment of borrowings	(54,379)	–	(54,379)
Interest paid	–	(9,246)	(9,246)
	(17,209)	(9,246)	(26,455)
Non-cash changes			
Effects of changes in foreign exchange rates	(2,497)	179	(2,318)
Amortisation of borrowing costs	376	–	376
Interest expense	–	9,333	9,333
	(2,121)	9,512	7,391
Balance at 31 December 2018	222,142	1,305	223,447

11. TRADE AND OTHER PAYABLES

	Group		REIT	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	8,148	8,983	–	–
Interest payable	1,305	1,039	864	702
Other payables	4,979	4,700	2	72
Accrued operating expenses	2,740	2,562	908	560
Loan from subsidiary	–	–	24,939	–
Amount owing to subsidiary	–	–	41	–
Deposits and advances from tenants	1,733	3,960	–	–
	18,905	21,244	26,754	1,334
Current	17,698	19,401	1,815	1,334
Non-current	1,207	1,843	24,939	–
	18,905	21,244	26,754	1,334

The loan from subsidiary is non-trade in nature, unsecured, interest-bearing and repayable within 4 years.

12. FINANCIAL DERIVATIVES

	Group and REIT	
	2018	2017
	$'000	$'000
Derivative liabilities		
Interest rate swaps used for hedging	74	–

Interest rate swaps

The Group and the REIT use interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing term loans by swapping the interest expense on a proportion of these term loans from floating rates to fixed rates.

Interest rate swaps of the Group and the REIT with a total notional amount of $77.0 million (2017: Nil) and $77.0 million (2017: Nil) respectively, have been entered into at the reporting date to provide fixed rate funding for average terms of 2 years (2017: Nil) at an average interest rate of 1.96% (2017: Nil) per annum. These interest rate swaps are designated as hedging instruments in cash flow hedges.

13. UNITHOLDERS' FUNDS

		Group		REIT	
	Note	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
At 1 January		416,454	421,177	352,040	367,784
Net assets resulting from operations		29,665	19,701	1,428	336
Statutory reserve	(a)	1,492	1,241	–	–
		447,611	442,119	353,468	368,120
Foreign currency translation reserve	(b)	(19,463)	(9,585)	–	–
Hedging reserve	(c)	(74)	–	(74)	–
Unitholders' distributions		(17,651)	(16,080)	(17,651)	(16,080)
At 31 December		410,423	416,454	335,743	352,040

(a) Statutory reserve

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China to the statutory reserve until the reserve balance reaches 50% of registered capital. The transfer to this reserve must be made before distribution of dividends to its shareholders.

Statutory reserve can be used to make good previous years' losses, if any, and may be converted to registered capital in proportion to the existing interests of the shareholders, provided that the balance after such conversion is not less than 25% of the registered capital.

13. UNITHOLDERS' FUNDS (CONT'D)

(b) The foreign currency translation reserve comprises:

(i) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the REIT; and

(ii) the foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecast hedged transactions.

14. NON-CONTROLLING INTERESTS

One of the subsidiaries of the REIT, Beijing Hualian Wanmao Shopping Mall Management Co., Ltd has 40% non-controlling interests ("NCI") that is material to the Group.

The following summarised financial information for the subsidiary are prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2018 $'000	2017 $'000
Non-current assets	478,222	478,670
Current assets	39,596	38,340
Non-current liabilities	(29,356)	(79,690)
Current liabilities	(67,000)	(20,831)
Net assets	421,462	416,489
Net assets attributable to NCI	168,585	166,595
Revenue	42,461	38,478
Total return after taxation	36,229	26,328
Total return after taxation attributable to NCI	14,491	10,531
Cash flows from operating activities	20,232	14,156
Cash flows from investing activities	941	591
Cash flows used in financing activities	(18,825)	(10,562)
Net increase in cash and cash equivalents	2,348	4,185

15. UNITS IN ISSUE

	2018 Number of Units '000	2017 Number of Units '000
Issue of new Units relating to:		
- as at beginning of the year	499,737	495,560
- payment of Manager's management fees	3,057	3,149
- payment of Property Manager's management fees	1,049	1,028
	503,843	499,737
Units to be issued:		
- payment of Manager's management base fees	585	561
- payment of Manager's management performance fees	–	378
- payment of Property Manager's management fees	249	258
	834	1,197
Total Units in issue and to be issued at the end of year	504,677	500,934

Units issued during the year ended 31 December 2018 are as follows:

(a) On 6 March 2018, the REIT issued 561,000 and 378,000 new Units at an issue price of $0.7450 per Unit as payment of the base component of the Manager's management fee for the period from 1 October 2017 to 31 December 2017 and as payment of the performance component of the Manager's management fees for the period from 1 January 2017 to 31 December 2017 respectively. The REIT also issued 258,000 new Units at an issue price of $0.7450 per Unit as payment of the Property Manager's management fees for the period from 1 October 2017 to 31 December 2017.

(b) On 8 June 2018, the REIT issued 681,000 and 255,000 new Units at an issue price of $0.7764 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 January 2018 to 31 March 2018.

(c) On 21 August 2018, the REIT issued 710,000 and 271,000 new Units at an issue price of $0.7205 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 April 2018 to 30 June 2018.

(d) On 3 December 2018, the REIT issued 727,000 and 265,000 new Units at an issue price of $0.7030 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 July 2018 to 30 September 2018.

15. UNITS IN ISSUE (CONT'D)

Units issued during the year ended 31 December 2017 are as follows:

(a) On 9 March 2017, the REIT issued 720,000 and 326,000 new Units at an issue price of $0.6425 per Unit as payment of the base component of the Manager's management fee for the period from 1 October 2016 to 31 December 2016 and as payment of the performance component of the Manager's management fees for the period from 1 January 2016 to 31 December 2016 respectively. The REIT also issued 271,000 new Units at an issue price of $0.6425 per Unit as payment of the Property Manager's management fees for the period from 1 October 2016 to 31 December 2016.

(b) On 15 June 2017, the REIT issued 724,000 and 248,000 new Units at an issue price of $0.6981 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 January 2017 to 31 March 2017.

(c) On 4 September 2017, the REIT issued 680,000 and 250,000 new Units at an issue price of $0.7240 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 April 2017 to 30 June 2017.

(d) On 12 December 2017, the REIT issued 699,000 and 259,000 new Units at an issue price of $0.7365 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 July 2017 to 30 September 2017.

The issue prices were determined based on the volume weighted average traded price for all trades done on the SGX–ST in the ordinary course of trading for the last 10 business days of the relevant periods in which the management fees accrue.

Each Unit in the REIT represents an undivided interest in the REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- one vote per Unit;
- receive income and other distributions attributable to the Units held;

  The Strategic Investor has entered into a deed of distributions undertaking (the "Distributions Undertaking") dated 23 November 2015 with the Trustee and the Manager, pursuant to which the Strategic Investor has irrevocably and unconditionally undertaken and acknowledged that notwithstanding the provisions of the Trust Deed, the following Strategic Investor Units shall not be entitled to any distributions in accordance with the Distributions Undertaking:

Distribution Period	**Aggregate number of Strategic Investor Units not entitled to Distributions**	**% of total number of units on Listing Date**
Listing Date – 31 December 2016	147,817,500	30.0
1 January 2017 – 31 December 2017	135,499,375	27.5
1 January 2018 – 31 December 2018	123,181,250	25.0
1 January 2019 – 31 December 2019	73,908,750	15.0
1 January 2020 – 31 December 2020	24,636,250	5.0

- participate in the termination of the REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of the REIT less any liabilities, in accordance with their proportionate interests in the REIT. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the REIT and is not entitled to the transfer of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of the REIT; and

15. UNITS IN ISSUE (CONT'D)

- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10.0% of the issued Units) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of the REIT in accordance with the provisions of the Trust Deed; and

- a Unitholder has no right to request the Manager to redeem his Units while the Units are listed on the SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Unit in the REIT. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of the REIT exceed its assets.

16. TOTAL UNITHOLDERS' DISTRIBUTION

Unitholders' distribution for the year is accounted for as distribution from Unitholders' contributions:

This refers to the amount of distribution made by the REIT for the financial year where the underlying cash is not, or may not be, received or receivable as income by the REIT during that year. Such distribution comprises mainly the following:

- profits from operations arising from the investment properties which are declared as dividend income after the financial year, as the case may be, and accordingly also received as dividends by the REIT after that year;

- adjustment for changes in fair value and the related deferred taxation of investment properties;

- adjustment for amortisation of debt establishment costs;

- adjustment for statutory reserve transferred from subsidiaries' profits; and

- adjustments for REIT expenses that are paid in Units and certain unrealised expenses.

Income available for distribution to Unitholders at end of the year

Distributions are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each period for the six–month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions within 90 days from the end of each distribution period. Distributions, when paid, will be in Singapore dollars.

Distributions for the period from 1 January 2018 to 30 June 2018 had been paid on 27 September 2018. Distributions for the period from 1 July 2018 to 31 December 2018 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

17. OTHER PROPERTY OPERATING EXPENSES

	Group	
	2018	2017
	$'000	$'000
Advertising and promotion	2,160	1,315
Depreciation of plant and equipment	125	135
Impairment losses (recovered)/recognised on trade and other receivables	(7)	2
Repair and maintenance	3,231	3,128
Staff costs	818	229
Utilities	8,454	8,561
Others	444	582
	15,225	13,952

Included in staff costs is contribution to defined contribution plans of $113,000 (2017: $30,000).

18. OTHER OPERATING EXPENSES

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Professional fees	316	305	291	281
Others	318	301	95	233
	634	606	386	514

19. FINANCE INCOME AND FINANCE COSTS

	Group		REIT	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Finance income:				
- financial institutions	647	720	–	–
Finance costs:				
- loans and borrowings	(9,709)	(8,952)	(6,030)	(4,834)
Net finance costs recognised in statement of total return	(9,062)	(8,232)	(6,030)	(4,834)

20. TAXATION

	Note	Group 2018 $'000	Group 2017 $'000	REIT 2018 $'000	REIT 2017 $'000
Current taxation					
Current year		6,894	5,913	–	–
Withholding tax		543	513	–	–
		7,437	6,426	–	–
Deferred taxation					
Origination of temporary differences	8	6,452	2,257	–	–
Income tax expense		13,889	8,683	–	–
Reconciliation of effective tax rate					
Total return for the year before taxation		59,537	40,156	1,428	336

	Note	Group 2018 $'000	Group 2017 $'000	REIT 2018 $'000	REIT 2017 $'000
Tax calculated using Singapore tax rate of 17%		10,121	6,827	243	57
Adjustments:					
Effect of different tax rates in foreign jurisdictions		4,256	2,614	–	–
Income not subject to tax		(2,412)	(2,639)	(1,598)	(1,411)
Expenses not deductible for tax purposes		16	4	–	–
Tax losses not allowed to be carried forward		1,365	1,364	1,355	1,354
Withholding tax		543	513	–	–
		13,889	8,683	–	–

21. EARNINGS PER UNIT

Basic earnings per Unit

The calculation of basic earnings per Unit is based on weighted average number of Units during the year and total return for the year after taxation and non-controlling interests.

	Group	
	2018	2017
	$'000	$'000
Total return for the year after taxation and non-controlling interests	31,157	20,942

	Group	
	2018	2017
	Number of units '000	Number of units '000
Issued Units		
- As at beginning of the year	500,934	496,877
- Manager's management fees paid/payable in Units	1,062	1,073
- Property Manager's management fees paid/payable in Units	398	381
Weighted average number of issued and issuable Units at end of the year	502,394	498,331

Diluted earnings per Unit

The calculation of diluted earnings per Unit is based on weighted average number of Units during the year and total return for the year after taxation and non-controlling interests.

	Group	
	2018	2017
	$'000	$'000
Total return for the year after taxation and non-controlling interests	31,157	20,942

	Number of Units '000	Number of Units '000
Issued Units		
- As at beginning of the year	500,934	496,877
- Manager's management fees paid/payable in Units	2,703	3,042
- Property Manager's management fees paid/payable in Units	1,040	1,015
Weighted average number of issued and issuable Units at end of the year	504,677	500,934

22. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager, being BHG Retail Trust Management Pte. Ltd. is an indirect wholly-owned subsidiary of the Sponsor of the REIT. The Property Manager, being BHG Mall (Singapore) Property Management Pte Ltd is an indirect wholly–owned subsidiary of the Sponsor of the REIT.

In the normal course of the operations of the REIT, the Manager's management fees and the Trustee's fees have been paid or are payable to the Manager and Trustee respectively. The property management fees and reimbursables have been paid or are payable to the Property Manager.

The Group and the REIT has a USD unsecured loan of $1.2 million from a Unitholder of the REIT as at 31 December 2018.

23. FINANCIAL RATIOS

	Group	
	2018	**2017**
	%	**%**
Ratio of expenses to average net asset value [1]		
- including performance component of Manager's management fees	0.71	0.79
- excluding performance component of Manager's management fees	0.71	0.72
Ratio of expenses to net asset value [2]	4.68	4.28
Portfolio turnover rate [3]	Not applicable	Not applicable

Notes:

(1) The annualised ratio is computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses and borrowing costs.

(2) The annualised ratio is computed based on total operating expenses, including all fees and charges paid to the Manager and related parties for the financial year (2018: $27,117,000 and 2017: $24,941,000) and as a percentage of net asset value as at the financial year end.

(3) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. There is no purchase or sale of the investment properties during the year.

24. OPERATING SEGMENTS

The Group has 5 reportable segments, as described below, which are the Group's investment properties. The investment properties are managed separately because they require different operating and marketing strategies. For each of the investment properties, the CODMs review internal management reports on a monthly basis.

All of the Group's reportable segments are investment properties located in China used primarily for retail purposes. The reporting segments are as follows:

- Beijing Hualian Wanmao Shopping Mall Management Co., Ltd. ("Beijing Wanliu")
- Chengdu Hairong Xingda Real Property Co., Ltd. ("Chengdu Konggang")
- Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd. ("Hefei Mengchenglu")
- Qinghai Xinglian Real Property Co., Ltd. ("Xining Huayuan")
- Dalian Hualian Commercial Facilities Operation Co., Ltd. ("Dalian Jinsanjiao")

24. OPERATING SEGMENTS (CONT'D)

Segment revenue comprises mainly income generated from its tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the CODMs for the purpose of assessment of segment performance. In addition, the CODMs monitor the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the REIT's financial assets and liabilities and its expenses. Segment capital expenditure is the total cost incurred during the year to improve segment assets that are expected to be used for more than one year.

Information regarding the Group's reportable segments is presented in the tables in the following pages.

For the purpose of monitoring segment performance, the Group's CODMs monitor the non-financial assets as well as financial assets attributable to each segment.

Information about reportable segments

	Beijing Wanliu $'000	Chengdu Konggang $'000	Hefei Mengchenglu $'000	Xining Huayuan $'000	Dalian Jinsanjiao $'000	Total $'000
2018						
External revenues:						
- Gross rental income	38,610	10,213	8,043	3,330	2,334	62,530
- Others	3,851	1,838	1,450	–	–	7,139
- Gross revenue	42,461	12,051	9,493	3,330	2,334	69,669
Segment net property income	28,139	6,516	5,791	3,073	2,128	45,647
Finance income	226	173	483	32	49	963
Finance costs	2,779	–	1,218	–	–	3,997
Reportable segment total return before taxation	46,072	7,062	9,145	3,082	2,148	67,509
Segment assets	517,939	158,164	144,244	60,963	37,271	918,581
Segment liabilities	294,182	154,665	135,122	56,780	32,335	673,084
Other segment items:						
Depreciation	47	68	10	–	–	125
Net change in fair value of investment properties	20,384	1,150	4,130	–	–	25,664
Capital expenditure	833	342	44	–	–	1,219

24. OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Beijing Wanliu $'000	Chengdu Konggang $'000	Hefei Mengchenglu $'000	Xining Huayuan $'000	Dalian Jinsanjiao $'000	Total $'000
2017						
External revenues:						
- Gross rental income	34,962	9,251	7,903	3,298	2,311	57,725
- Others	3,516	1,751	1,527	–	–	6,794
- Gross revenue	38,478	11,002	9,430	3,298	2,311	64,519
Segment net property income	25,445	6,390	6,009	2,995	2,105	42,944
Finance income	198	79	508	32	36	853
Finance costs	2,907	–	1,346	–	–	4,253
Reportable segment total return before taxation	32,694	4,793	5,121	3,396	2,116	48,120
Segment assets	512,842	145,328	153,934	61,980	37,708	911,792
Segment liabilities	300,187	142,063	147,516	57,021	32,522	679,309
Other segment items:						
Depreciation	56	51	28	–	–	135
Impairment losses on loans and receivables, net	–	(6)	(4)	12	–	2
Net change in fair value of investment properties	9,822	(1,925)	(10)	411	–	8,298
Capital expenditure	867	2,436	15	–	–	3,318

24. OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment revenue, total return, assets and liabilities and other material items (cont'd)

	2018 $'000	2017 $'000
Revenue		
Total revenue for reporting segments	69,669	64,519
Total return		
Total return for reportable segments before taxation	67,509	48,120
Unallocated amounts:		
- Other corporate expenses	(7,972)	(7,964)
Total return before taxation	59,537	40,156
Assets		
Total assets for reportable segments	918,581	911,792
Other unallocated amounts	(48,712)	(23,600)
Consolidated assets	869,869	888,192
Liabilities		
Total liabilities for reportable segments	673,084	679,309
Other unallocated amounts	(382,223)	(374,166)
Consolidated liabilities	290,861	305,143

	Reportable segment totals $'000	Unallocated amounts $'000	Consolidated totals $'000
Other material items 31 December 2018			
Finance income	963	(316)	647
Finance costs	3,997	5,712	9,709
Other material items 31 December 2017			
Finance income	853	(133)	720
Finance costs	4,253	4,699	8,952

Geographical segments

All of the Group's investment properties are used for retail purposes and are located in China.

Major tenant

Revenue from one tenant of the Group, which is a related party of the Sponsor, contributed approximately $8.8 million (2017: $8.4 million) of the Group's total revenue.

25. COMMITMENTS

The Group leases out its investment properties. Operating lease rentals are receivable as follows:

	Group 2018 $'000	Group 2017 $'000
Receivable:		
- within 1 year	51,436	44,949
- after 1 year but within 5 years	79,699	56,605
- after 5 years	90,589	104,671
	221,724	206,225

26. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Group's objectives when managing capital are to optimise Unitholders' value through the combination of available capital sources which include debt and equity instruments whilst complying with statutory and constitutional capital and distribution requirements, maintaining aggregate leverage and interest service coverage ratio within approved limits. As a key part of the Group's overall strategy, the Board of the Manager reviews the Group's and the REIT's debt and capital management cum financing policy regularly so as to optimise the Group's and the REIT's funding structure. The Board also monitors the Group's and the REIT's exposure to various risk elements by closely adhering to clearly established management policies and procedures.

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Fund Appendix"). The Property Fund Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 45.0% (2017: 45.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 45.0% (2017: 45.0%) during the year, and was 30.7% (2017: 32.2%) as at 31 December 2018.

There were no changes in the Group's approach to capital management during the financial year.

Financial risk management

Overview

The Group's returns are primarily from net operating income and capital appreciation of its assets. However, these returns are exposed to financial risks including credit, liquidity, interest rate and foreign currency risks.

Financial risk management is integral to the whole business of the Group. The Group adopts an integrated approach to manage the financial risks arising in the normal course of the Group's business. The Group has written risk management policies and guidelines, and established processes to monitor and manage significant exposures. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group adheres to standardised accounting and financial policies and exercises effective controls over the financial affairs of its subsidiaries. This is achieved by ensuring group-wide adherence to a comprehensive set of guidelines covering contracts, policies and procedures and other requirements. Adequate measures are in place to ensure that the reliability and integrity of financial information compiled from subsidiaries are kept intact.

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

While it is necessary to assume a certain level of tenant credit risks to remain competitive in China, the Group has established credit limits for tenants and monitors their balances on an ongoing basis. Risks associated with credit limits are reflected in the level of security deposits and bank guarantees placed as collateral in respect of the leases. Appropriate risk mitigating actions are in place to manage trade receivables.

In monitoring tenant credit risk, tenants are grouped according to their credit characteristics, including their geographical location, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

The derivatives are entered into with bank and financial institution counterparties, which are rated Aa1, based on Moody's ratings.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations.

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The following are the contractual maturities of non–derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flow $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
31 December 2018					
Group					
Non-derivative financial liabilities					
Loans and borrowings	222,142	231,060	231,060	–	–
Trade and other payables	18,905	18,905	17,698	1,207	–
Security deposits	17,987	17,987	12,830	3,544	1,613
	259,034	267,952	261,588	4,751	1,613
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	74	74	74	–	–
	259,108	268,026	261,662	4,751	1,613
REIT					
Non-derivative financial liabilities					
Loans and borrowings	162,548	167,930	167,930	–	–
Trade and other payables	26,754	26,754	1,815	24,939	–
	189,302	194,684	169,745	24,939	–
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	74	74	74	–	–
	189,376	194,758	169,819	24,939	–
31 December 2017					
Group					
Loans and borrowings	241,472	257,651	34,639	223,012	–
Trade and other payables	21,244	21,244	19,401	1,843	–
Security deposits	16,191	16,191	11,730	2,703	1,758
	278,907	295,086	65,770	227,558	1,758
REIT					
Loans and borrowings	172,450	183,160	29,943	153,217	–
Trade and other payables	1,334	1,334	1,334	–	–
	173,784	184,494	31,277	153,217	–

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The maturity analyses show the contractual undiscounted cash flows of the Group's and the REIT's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group and the REIT's floating rate loans.

In addition, the Group maintains the following debt facilities and programme as at 31 December 2018:

Chinese Renminbi ("RMB") denominated facility:
- RMB 351 million four-year secured term loan facilities

$ denominated facilities:
- $77 million four-year secured term loan facilities
- $32 million three-year secured term loan facilities
- $39 million four-year secured term loan facilities
- $54.1 million credit facilities

The Group also monitors and observes the Property Fund Appendix issued by the MAS concerning limits on total borrowings.

Interest rate risk

The Manager adopts a proactive interest rate management policy to manage the risk associated with changes in interest rates on the Group's loan facilities while also seeking to ensure that the ongoing cost of debt remains competitive.

The Manager proactively seeks to minimise the level of interest rate risk by locking a portion of the Group's borrowings at fixed rates. As at 31 December 2018, the Group has entered into interest rate swaps with a total notional amount of $77.0 million (2017: nil) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured term loans.

Effects of a 100 basis point ("bp")* movement in interest rate at the reporting date would increase/(decrease) statement of total return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

* *100 basis point is equivalent to 1 percentage point*

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

	Statements of total return		Unitholders' funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group and REIT				
31 December 2018				
Variable rate instruments	(2,209)	2,209	–	–
Interest rate swaps	41	(41)	378	(378)
Cash flow sensitivity (net)	(2,168)	2,168	378	(378)
31 December 2017				
Variable rate instruments	(2,415)	2,415	–	–
Cash flow sensitivity (net)	(2,415)	2,415	–	–

Foreign 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. The currencies giving rise to this risk are primarily RMB.

As the REIT intends to be a long-term investor in China, the Manager has taken a view not to hedge the RMB equity exposure arising from its investments in China unless certain risks are specifically identified. The Manager's strategy is to achieve a natural hedge through local RMB financing and any non–RMB denominated loan will be hedged into RMB where possible, to protect the going concern of the REIT in the event of large currency fluctuation. However, the Manager will hedge the RMB cash flow from operations if it is determined with certainty that they are to be remitted back to Singapore for distribution purposes.

The Group exposures to foreign currency are as follows:

	RMB $'000	Total $'000
Group		
31 December 2018		
Cash and cash equivalents	55,150	55,150
31 December 2017		
Cash and cash equivalents	70,655	70,655

The REIT is not exposed to significant foreign currency risks.

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of Singapore dollar against RMB at the reporting date would increase/(decrease) total return after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Statements of total return	
	Group	REIT
	$'000	$'000
31 December 2018		
RMB	(5,515)	–
31 December 2017		
RMB	(7,066)	–

A 10% weakening of Singapore dollar against RMB would have had equal but opposite effect on RMB to the amounts shown above, on the basis that all other variables remain constant.

Hedge accounting

Cash flow hedges

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity		
	1-6 months	6-12 months	More than one year
Group			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of SGD)	–	77,000	–
Average fixed interest rate	–	1.96%	–

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Change in value used for calculating hedge ineffective hedge ineffectiveness $'000	Cash flow hedge reserve $'000	Costs of hedging reserve $'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'000
Group				
Interest rate risk				
Variable-rate instruments	–	74	–	–

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2018				During the period - 2018						
	Nominal amount	Carrying amount - assets	Carrying amount - liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffective-ness recognised in profit or loss	Line item in profit or loss that includes hedge ineffective-ness	Costs of hedging recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from costs of hedging reserve to profit or loss	Line item in profit or loss affected by the reclassifi-cation
	$'000	$'000	$'000		$'000	$'000		$'000	$'000	$'000	
Interest rate risk											
Interest rate swaps	77,000	–	74	Derivative liabilities	74	–	–	–	–	–	–

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Group	
	Hedging reserve	Cost of hedging reserve
	$'000	$'000
Balance at 1 January 2018	–	–
Cash flow hedges		
Change in fair value:		
Interest rate risk	74	–
Amount reclassified to profit or loss:		
Interest rate risk	–	–
Tax on movements on reserves during the year	–	–
Balance at 31 December 2018	74	–

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting (cont'd)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Fair value hedging instruments $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group								
31 December 2018								
Financial assets not measured at fair value								
Trade and other receivables	–	1,467	–	1,467				
Cash and cash equivalents	–	55,590	–	55,590				
	–	57,057	–	57,057				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	74	–	–	74	74	–	–	74
Financial liabilities not measured at fair value								
Trade and other payables	–	–	18,905	18,905				
Security deposits	–	–	17,987	17,987	–	17,343	–	17,343
Loans and borrowings	–	–	222,142	222,142				
	–	–	259,034	259,034				

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting (cont'd)

Accounting classifications and fair values

	Carrying amount				Fair value			
	Fair value hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
REIT								
31 December 2018								
Financial assets not measured at fair value								
Trade and other receivables	–	398	–	398				
Cash and cash equivalents	–	112	–	112				
	–	510	–	510				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	74	–	–	74	74	–	–	74
Financial liabilities not measured at fair value								
Trade and other payables	–	–	26,754	26,754	–	21,036	–	21,036
Loans and borrowings	–	–	162,548	162,548				
	–	–	189,302	189,302				

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount			Fair value			
	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group							
31 December 2017							
Financial assets not measured at fair value							
Trade and other receivables	1,515	–	1,515				
Cash and cash equivalents	72,081	–	72,081				
	73,596	–	73,596				
Financial liabilities not measured at fair value							
Trade and other payables	–	21,244	21,244				
Security deposits	–	16,191	16,191	–	15,674	–	15,674
Loans and borrowings	–	241,472	241,472				
	–	278,907	278,907				

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting (cont'd)

Accounting classifications and fair values **(cont'd)**

	Carrying amount			Fair value			
	Loans and receivables $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
REIT							
31 December 2017							
Financial assets not measured at fair value							
Trade and other receivables	97	–	97				
Cash and cash equivalents	547	–	547				
	644	–	644				
Financial liabilities not measured at fair value							
Trade and other payables	–	1,334	1,334				
Loans and borrowings	–	172,450	172,450				
	–	173,784	173,784				

Estimation of fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and REIT.

Interest-bearing borrowings

The carrying amounts of the floating rate loans approximates its fair value as these amounts are interest-bearing of market interest rates that reprice every quarter.

The carrying amounts of the fixed rate loans approximates its fair value because of the short period to maturity.

Interest rate swaps

Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities (including non-trade amounts due from subsidiaries, trade and other receivables, cash and cash equivalents, trade and other payables and current security deposits) are assumed to approximate their fair values because they are either short term in nature, or effect of discounting is immaterial. All other financial assets and liabilities (non-current security deposits) are discounted to determine their fair values.

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Estimation of fair value (cont'd)

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve as at 31 December 2018 plus an adequate constant credit spread, and are as follows:

	Group		REIT	
	2018	**2017**	**2018**	**2017**
	% p.a.	**% p.a.**	**% p.a.**	**% p.a.**
Security deposits	4.35	3.71	–	–
Trade and other payables	–	–	435	–

Transfer between Level 1 and 2

During the financial year ended 31 December 2018, there were no transfers between Level 1 and Level 2.

27. SUBSEQUENT EVENTS

On 23 February 2019, the Manager declared a distribution of 2.42 cents per Unit to Unitholders in respect of the period from 1 July 2018 to 31 December 2018.

The proposed acquisition of Hefei Changjiangxilu Mall from an individual unrelated to the BHG Group of Companies (Guok Chin Huat Samuel), which was approved by Unitholders on the Extraordinary General Meeting dated 18 December 2018 has yet to be completed as at the date of these financial statements. Independent valuers, Knight Frank Petty Limited and Cushman & Wakefield Limited were commissioned by the Trustee and REIT Manager respectively. Both valuers have conducted the valuation based on the discounted cash flow method and the income capitalisation method, and have valued Hefei Changjiangxilu Mall at RMB 481.5 million and RMB 490.0 million respectively. The Manager will be paid an acquisition fee of approximately RMB 2.5 million, which is 0.75% of the transaction amount, upon completion of the acquisition of the Changjiangxilu Mall. Such acquisition fee has not yet been paid out as the acquisition of the Changjiangxilu Mall has not been completed.

28. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- FRS 16 *Leases*
- INT FRS 123 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28)
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109)
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and 111)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

28. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

Applicable to 2021 financial statements

- FRS 117 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to FRS 110 and FRS 28).

The Group has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Group's assessment of FRS 116, which is expected to have a more significant impact on the Group, is as described below.

FRS 116

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the REIT plan to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the REIT plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

i. The Group and the REIT as lessee

No significant impact is expected for leases in which the Group and the REIT are a lessee.

ii. The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

INTERESTED PERSONS TRANSACTIONS

The transactions entered into with interested persons for the financial year ending 31 December 2018, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") and Appendix 6 of the Code on Collective Investment Schemes (excluding transactions of less than $100,000 each) are as follows:

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than $100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) $'000	Aggregate value of all interested person transactions during the financial period under review under unitholders' mandate pursuant to Rule 920 (excluding transactions of less than $100,000) $'000
Beijing Hualian Group Investment Holding Co., Ltd and its subsidiaries or associates		
• Management fees		
- base component	1,971	–
- reimbursables	251	–
• Property management fees	2,932	–
DBS Trustee Limited		
- Trustee's fees	135	–

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than $100,000 each) or other material transactions entered into during the financial period under review.

The fees and charges payable by BHG Retail REIT to the Manager under the Trust Deed, and to the Property Manager under the Master Property Management Agreement and the Individual Property Management Agreements, each of which constitutes an interested person transaction, are deemed to have been specifically approved by the Unitholder upon purchase of the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will affect BHG Retail REIT. However, any renewal of the agreements will be subject to Rules 905 and 906 of the Listing Manual.

SUBSCRIPTION OF BHG RETAIL REIT UNITS

An aggregate of 4,106,000 Units were issued in relation to the base component of the Manager's management fees and partial Property Manager's management fees paid during the year. As at 31 December 2018, 834,000 Units were in issue and outstanding. In the first quarter of 2019, 585,000 Units will be issued to the Manager as payment for the base component of its management fee for the fourth quarter of 2018. 249,000 Units will be issued to the Property Manager for its management fees for the fourth quarter of 2018.

STATISTICS OF UNITHOLDINGS

As at 11 March 2019

DISTRIBUTION OF UNITHOLDINGS

Issued and fully paid-up Units: 504,676,609 (Voting rights: 1 vote per Unit)
There is only one class of Units.
There are no treasury Units in BHG Retail REIT.

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	0	0.00	0	0.00
100 - 1,000	106	12.60	81,600	0.02
1,001 - 10,000	505	60.05	2,757,100	0.55
10,001 - 1,000,000	221	26.28	9,740,700	1.93
1,000,001 AND ABOVE	9	1.07	492,097,209	97.50
TOTAL	**841**	**100.00**	**504,676,609**	**100.00**

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	BEIJING HUA LIAN GRP (S'PORE) INTERNATIONAL TRADING PTE LTD	148,310,300	29.39
2	CITIBANK NOMINEES SINGAPORE PTE LTD	137,477,500	27.24
3	HSBC (SINGAPORE) NOMINEES PTE LTD	84,572,800	16.76
4	DBS NOMINEES (PRIVATE) LIMITED	70,605,700	13.99
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	23,391,700	4.63
6	BEIJING HUALIAN MALL (S) COMMERCIAL MANAGEMENT PTE LTD	9,972,200	1.98
7	BEIJING HUALIAN HYPERMARKET (SINGAPORE) PURCHASING PTE LTD	8,125,000	1.61
8	BHG RETAIL TRUST MANAGEMENT PTE LTD	6,523,240	1.29
9	BHG MALL (SINGAPORE) PROPERTY MANAGEMENT PTE LTD	3,118,769	0.62
10	SIU WAI KEUNG	625,000	0.12
11	RAFFLES NOMINEES (PTE.) LIMITED	518,900	0.10
12	MERRILL LYNCH (SINGAPORE) PTE. LTD.	451,100	0.09
13	LIM CHIN GUAN	394,500	0.08
14	LAU TECK SIEN LIU DEXIAN	375,000	0.07
15	BAN HONG KEE INVESTMENTS PTE LTD	300,000	0.06
16	XU ZHE	187,600	0.04
17	PHILLIP SECURITIES PTE LTD	171,100	0.03
18	JOSEPH ONG SENG HONG	150,600	0.03
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	136,700	0.03
20	LEE KENG HOON	132,700	0.03
	TOTAL	**495,540,409**	**98.19**

STATISTICS OF UNITHOLDINGS

As at 11 March 2019

SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

	Direct Interest		Deemed Interest	
Name	**No. of Units**	**%**	**No. of Units**	**%**
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd	148,310,300	29.39	-	-
Beijing Hualian Group Investment Holding Co. Ltd.(1)	-	-	176,049,509	34.88
Hainan Hong Ju Industrial Co. Ltd.(2)	-	-	176,049,509	34.88
Hainan Hong Ju Culture Media Group Limited(3)	-	-	176,049,509	34.88
China Merchants Bank Assets Management	84,475,000	16.74	-	-
China Citic Bank Asset Management	68,125,000	13.50	-	-
Chanchai Ruayrungruang(4)	-	-	67,660,600	13.41
Bank of Communications	46,219,000	9.16	-	-

Notes:

(1) Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ("**BHG SIT**") and is deemed interested in the 148,310,300 Units held by BHG SIT.

Beijing Hualian Group holds 29.17% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. ("**BHH**") which in turn wholly owns Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd. ("**BHH SPP**") and is deemed interested in the 8,125,000 Units held by BHH SPP.

Beijing Hualian Group holds 25.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("**BHDS**"), which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("**BHM SCM**"). Accordingly, Beijing Hualian Group is deemed interested in the 9,972,200 Units owned by BHM SCM.

BHM SCM in turn wholly-owned BHG Mall (Singapore) Property Management Pte Ltd ("**PM**") and BHG Retail Trust Management Pte Ltd ("**RM**"). Accordingly, Beijing Hualian Group is deemed interested in the 3,118,769 Units owned by the PM and the 6,523,240 Units owned by the RM. Beijing Hualian Group is deemed interested in an aggregate of 176,049,509 Units, representing 34.88% of the total issued Units.

(2) Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of Beijing Hualian Group and is deemed interested in the Units that Beijing Hualian Group is deemed interested in.

(3) Hainan Hong Ju Culture Media Group Limited holds 51% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd and is deemed interested in the Units that Hainan Hong Ju Industrial Co., Ltd is deemed interested in.

(4) Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,660,600 Units held through his nominee, DBS Private Bank.

STATISTICS OF UNITHOLDINGS

As at 11 March 2019

THE MANAGER'S DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2019

	No. of Units	
Name	**Direct Interest**	**Deemed Interest**
Francis Siu Wai Keung	625,000	-
Ben Yeo Chee Seong	-	-
Lau Teck Sien	375,000	-
Yang Feng	-	-
Xiong Zhen	125,000	-
Peng Ge	125,000	-
	1,250,000	-

PERCENTAGE OF UNITHOLDINGS IN PUBLIC'S HANDS

Based on the information made available to the Manager as at 11 March 2019, approximately 12.04% of the issued Units in BHG Retail REIT are held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

BHG RETAIL REIT

(A real estate investment trust constituted on 18 November 2015 in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the holders of units of BHG Retail REIT (the "**Unitholders**") will be held at InterContinental Singapore, Level 2, Ballroom 3, 80 Middle Road, Singapore 188966, on Friday, 26 April 2019, at 10.00 a.m., to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of BHG Retail REIT (the "**Trustee**"), the Statement by BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the "**Manager**") and the Audited Financial Statements of BHG Retail REIT for the financial year ended 31 December 2018 and the Auditors' Report thereon.

(Ordinary Resolution 1)

2. To re-appoint Messrs KPMG LLP as the Auditors of BHG Retail REIT to hold office until the conclusion of the next AGM of BHG Retail REIT, and to authorise the Manager to fix their remuneration.

(Ordinary Resolution 2)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution with or without modifications:

3. **General mandate for the issue of new units and/or convertible securities**

That authority be and is hereby given to the Manager, to:

(a) (i) issue units in BHG Retail REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

(b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro-rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:

(a) any new Units arising from the conversion or exercise of the Instruments or any convertible securities which are outstanding or subsisting at the time this Resolution is passed; and

(b) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting BHG Retail REIT (as amended) (the "**Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

(4) unless revoked or varied by Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of BHG Retail REIT; or (ii) the date by which the next AGM of BHG Retail REIT is required by applicable laws or regulations to be held, whichever is earlier;

(5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

(6) the Manager, any director of the Manager ("**Director**") and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interest of BHG Retail REIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note) **(Ordinary Resolution 3)**

BY ORDER OF THE BOARD
BHG Retail Trust Management Pte. Ltd.
(Company Registration No. 201504222D)
as Manager of BHG Retail REIT

Kiar Lee Noi
Secretary
Singapore, 8 April 2019

Explanatory Note:

Ordinary Resolution 3 above, if passed, will empower the Manager from the date of the AGM until (i) the conclusion of the next AGM of BHG Retail REIT; or (ii) the date by which the next AGM of BHG Retail REIT is required by the applicable laws and regulations or the Trust Deed to be held, whichever is earlier, unless such authority is earlier revoked or varied by the Unitholders in a general meeting, to issue Units and to make or grant instruments (such as securities, warrants or debentures) convertibles into Units and to issue Units in pursuance of such instruments, up to a number not exceeding fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any) with a sub-limit of twenty per cent (20%) for issues other than on pro-rata basis to Unitholders.

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of the Instruments or any convertible securities which are outstanding at the time this Ordinary Resolution 3 is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

Notes:

1. (a) A Unitholder who is not a relevant intermediary (as defined below) entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote at the AGM in the Unitholder's stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one (1) proxy, the appointment shall be invalid unless the Unitholder specifies the proportion of the holdings (expressed as a percentage of the whole) to be represented by each proxy.

   (b) A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies in the Proxy Form the number of Units in relation to which each proxy has been appointed.

   "**Relevant Intermediary**" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (ii) a person holding a capital market services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or

   (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

2. The Proxy Form must be deposited at the office of Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time set for the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of BHG Retail REIT and/or adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM of BHG Retail REIT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of BHG Retail REIT (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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BHG RETAIL REIT
(A real estate investment trust constituted in the Republic of Singapore pursuant to a Trust Deed dated 18 November 2015)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. A relevant intermediary may appoint more than two (2) proxies to attend and vote at the Annual General Meeting (Please see Note 2 for the definition of "relevant intermediary").
2. For investor who holds units under Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investor should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data Privacy
By submitting an instrument appointing proxy or proxies and/or representative(s), a Unitholder of BHG Retail REIT accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2019.

*I/We, ______________________ (Name) ______________________ (NRIC/Passport/Company Registration Number)

of ____ (Address)

being a *Unitholder/Unitholders of BHG Retail REIT, hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Unitholdings**	
		No. of Units	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Unitholdings**	
		No. of Units	**%**
Address			

or failing *him/her/them, the Chairman of the Annual General Meeting (the "**AGM**") as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the AGM of BHG Retail REIT to be held at InterContinental Singapore, Level 2, Ballroom 3, 80 Middle Road, Singapore 188966 on Friday, 26 April 2019, at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion as *he/she/they may on any other matter arising at the AGM.

No.	**Ordinary Resolutions**	**Number of Votes For#**	**Number of Votes Against#**
1	To receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of BHG Retail REIT for the financial year ended 31 December 2018 and the Auditors' Report thereon.		
2	To re-appoint KPMG LLP as Auditors of BHG Retail REIT and authorise the Manager to fix the Auditors' remuneration.		
3	To authorise the Manager to issue Units and make or grant convertible instruments.		

* Delete accordingly
\# If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________day of ____________2019

Total number of Units in:	**No. of Units**
(a) CDP Register	
(b) Register of Unitholders	

____
Signature(s) of Unitholder(s)
or, Common Seal of Corporate Unitholder

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Notes:

1. A unitholder of BHG Retail REIT ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two (2) proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one (1) proxy, the appointment shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital market services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of BHG Retail REIT, he/she should insert that number of Units. If the Unitholders has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.

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4. The Proxy Form must be deposited at the office of the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time set for the AGM.

5. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointments of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the AGM.

6. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing where the Proxy Form is executed by a corporation, it must be executed under the common seal or under the hand of an officer or attorney so authorised. The Manager and the Trustee shall be entitled and be bound, in determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, to have regard to any instructions and/or notes set out in the Proxy Form.

7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

8. The Manager and the Trustee shall have the right to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, each of the Trustee and the Manager: (a) may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the AGM, as certified by CDP to the Manager.

9. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

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Postage
Stamp

BHG RETAIL TRUST MANAGEMENT PTE. LTD.
(As Manager of BHG Retail REIT)

c/o Boardroom Corporate & Advisory Services Pte. Ltd.,
50 Raffles Place,
#32-01 Singapore Land Tower,
Singapore 048623

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CORPORATE DIRECTORY

BHG RETAIL REIT

Registered Address
DBS Trustee Limited
12 Marina Boulevard
Marina Bay Financial Centre
Singapore 018982
Telephone: +65 6878 8888
Fax: +65 6878 3977

Stockcode: BMGU
ISIN Code: SG1CD7000009
Email: ir@bhgreit.com
Website: www.bhgreit.com

Trustee
DBS Trustee Limited
12 Marina Boulevard
Marina Bay Financial Centre
Singapore 018982
Telephone: +65 6878 8888
Fax: +65 6878 3977

Auditor
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Telephone: +65 6213 3388
Fax: +65 6225 0984
Partner-in-charge:
Mr Lim Pang Yew, Victor
Appointed: 17 June 2016

Unit Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower,
Singapore 048623
Telephone: +65 6536 5355
Fax: +65 6536 1360

THE MANAGER

Registered Address
BHG Retail Trust Management Pte. Ltd.
100 Beach Road
Shaw Tower #25-11
Singapore 189702
Telephone: +65 6805 8288
Fax: +65 6805 8277

Board of Directors

Mr Francis Siu Wai Keung
Chairman & Independent Director

Mr Ben Yeo Chee Seong
Independent Director

Mr Lau Teck Sien
Independent Director

Mr Yang Feng
Non-Executive Director

Mr Xiong Zhen
Non-Executive Director

Mr Peng Ge
Non-Executive Director

Audit and Risk Committee
Mr Francis Siu Wai Keung (Chairman)
Mr Ben Yeo Chee Seong
Mr Lau Teck Sien

Nominating and Remuneration Committee
Mr Ben Yeo Chee Seong (Chairman)
Mr Francis Siu Wai Keung
Mr Lau Teck Sien

Company Secretary
Ms Kiar Lee Noi

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