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 2001, 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, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020) (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 109 to 175 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

Chan Kim Lim
Director

Singapore
28 March 2022

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 109 to 175 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in unitholders' (the "**Unitholders**") funds of BHG Retail REIT (the "**REIT**") and its subsidiaries (the "**Group**") and of the REIT, 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 2021, 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 dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020). 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
28 March 2022

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS
BHG RETAIL REIT
(Constituted under a Trust Deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020) 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 2021, 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 109 to 175.

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 2021 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.

INDEPENDENT AUDITORS' REPORT

VALUATION OF INVESTMENT PROPERTIES

(Refer to Portfolio Statement and Note 4 to the financial statements)

Risk

Investment properties represent the single largest category of assets on the consolidated statement of financial position of the Group at S$992.7 million (2020: S$943.2 million) as at 31 December 2021.

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 to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied and a small change in the assumptions can have a significant impact to the valuation.

Our response

We evaluated the qualifications, competence and objectivity of the external valuers and held discussions with the valuers to understand their valuation methodologies and assumptions used.

We considered the valuation methodologies used against those applied by other valuers for similar property types and the requirements under the listing rules and property fund guidelines. We tested the integrity of the inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the key assumptions used in the valuations, which included discount rates, terminal growth rates, term yield and reversionary rates by comparing them against historical rates and available industry data, taking into consideration comparability and market factors as well as understand how the implications of the Covid-19 pandemic were considered in the valuations.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings

The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work.

The valuation methodologies adopted by the valuers are in line with generally accepted market practices and meet the requirements under the listing rules and property fund guidelines. The key assumptions used in the valuations, including the projected cash flows, discount rates and terminal capitalisation rates were supported by the evidence available and are within the range of industry and market data. The disclosures in the financial statements are appropriate.

INDEPENDENT AUDITORS' REPORT

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 Unitholdings (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 Trusts* 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.

INDEPENDENT AUDITORS' REPORT

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.

INDEPENDENT AUDITORS' REPORT

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 Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 S$'000	Group 2020 S$'000	REIT 2021 S$'000	REIT 2020 S$'000
Non-current assets					
Investment properties	4	992,686	943,187	–	–
Plant and equipment	5	672	702	–	–
Interests in subsidiaries	6	–	–	590,995	591,646
Deferred tax assets	7	58	47	–	–
		993,416	943,936	590,995	591,646
Current assets					
Trade and other receivables	8	2,689	2,947	375	589
Cash and cash equivalents	9	48,483	48,272	2,666	4,159
		51,172	51,219	3,041	4,748
Total assets		1,044,588	995,155	594,036	596,394
Non-current liabilities					
Loans and borrowings	10	–	282,320	–	232,595
Trade and other payables	11	1,902	2,077	59,162	54,276
Security deposits		4,910	6,298	–	–
Deferred tax liabilities	7	41,085	39,157	–	–
Derivative liabilities	12	–	3,302	–	3,302
		47,897	333,154	59,162	290,173
Current liabilities					
Loans and borrowings	10	295,454	9,315	243,267	8,101
Trade and other payables	11	22,795	26,049	12,809	9,394
Security deposits		16,971	12,913	–	–
Current tax liabilities		3,640	1,281	–	–
Derivative liabilities	12	993	–	993	–
		339,853	49,558	257,069	17,495
Total liabilities		387,750	382,712	316,231	307,668
Net assets		656,838	612,443	277,805	288,726
Represented by:					
Unitholders' funds	13	471,154	439,256	277,805	288,726
Non-controlling interests	14	185,684	173,187	–	–
		656,838	612,443	277,805	288,726
Units in issue ('000)	15	512,451	510,995	512,451	510,995
Net asset value per Unit attributable to Unitholders (S$)		0.92	0.86	0.54	0.56

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

STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 S$'000	Group 2020 S$'000	REIT 2021 S$'000	REIT 2020 S$'000
Gross rental income		65,456	56,218	–	–
Dividend income		–	–	18,030	4,200
Other income		5,184	4,343	–	–
Gross revenue		70,640	60,561	18,030	4,200
Business tax		(460)	(350)	–	–
Property-related tax		(6,524)	(5,679)	–	–
Property management fees and reimbursables		(2,575)	(2,163)	–	–
Other property operating expenses	17	(19,276)	(15,981)	–	–
Total property operating expenses		(28,835)	(24,173)	–	–
Net property income		41,805	36,388	18,030	4,200
Manager's management fees					
- Base fee		(1,456)	(1,118)	(1,456)	(1,118)
- Performance fee		(752)	–	(752)	–
Trustee's fees		(161)	(156)	(161)	(156)
Valuation fee		(27)	(42)	(27)	(42)
Other income (non-operating)		931	389	–	–
Other operating expenses	18	(881)	(920)	(556)	(635)
Foreign exchange gain/(loss) – realised		246	(19)	(20)	(49)
Finance income		128	156	–	–
Finance costs		(14,378)	(14,994)	(14,217)	(15,998)
Net finance costs	19	(14,250)	(14,838)	(14,217)	(15,998)
Total return before change in fair value of investment properties and unrealised foreign exchange (loss)/gain		25,455	19,684	841	(13,798)
Change in fair value of investment properties	4	(311)	(15,036)	–	–
Foreign exchange (loss)/gain - unrealised		(1,151)	1,047	(3,906)	(1,158)
Total return for the year before taxation		23,993	5,695	(3,065)	(14,956)
Taxation	20	(9,003)	(1,973)	(87)	(119)
Total return for the year after taxation		14,990	3,722	(3,152)	(15,075)
Attributable to:					
Unitholders		7,510	(1,070)	(3,152)	(15,075)
Non-controlling interests	14	7,480	4,792	–	–
Total return for the year after taxation		14,990	3,722	(3,152)	(15,075)
Earnings per Unit (cents)	21				
- Basic		1.47	(0.21)		
- Diluted		1.46	(0.21)		

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 S$'000	Group 2020 S$'000	REIT 2021 S$'000	REIT 2020 S$'000
Amount available for distribution to Unitholders at beginning of the year		5,336	7,957	5,336	7,957
Total return for the year attributable to Unitholders		7,510	(1,070)	(3,152)	(15,075)
Distribution adjustments	A	4,839	11,610	15,501	25,615
Income for the year available for distribution to Unitholders		12,349	10,540	12,349	10,540
Amount retained [1]		(1,235)	(1,054)	(1,235)	(1,054)
Income for the year to be distributed to Unitholders		11,114	9,486	11,114	9,486
Distribution to Unitholders during the year:					
- Distribution of 1.79 cents per Unit for period from 1 July 2019 to 31 December 2019		–	(7,778)	–	(7,778)
- Distribution of 0.89 cents per Unit for period from 1 January 2020 to 30 June 2020		–	(4,329)	–	(4,329)
- Distribution of 1.06 cents per Unit for period from 1 July 2020 to 31 December 2020		(5,163)	–	(5,163)	–
- Distribution of 1.12 cents per Unit for period from 1 January 2021 to 30 June 2021		(5,739)	–	(5,739)	–
		(10,902)	(12,107)	(10,902)	(12,107)
Amount available for distribution to Unitholders at end of the year		5,548	5,336	5,548	5,336
Distribution per unit (cents) [2]		2.17	1.95		

[1] For the year ended 31 December 2021, approximately S$1.2 million (2020: S$1.1 million) of the amount available for distribution has been retained for operational expenses and working capital requirements of the REIT.

[2] The distribution per unit relates to the distributions in respect of the relevant financial year.

The distribution relating to 1 July 2021 to 31 December 2021 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 2020 amounted to approximately S$1.4 million.

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2021

Note A – Distribution adjustments

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Distribution adjustment items:				
- Amortisation of debt establishment costs	2,493	2,507	2,493	2,507
- Change in fair value of investment properties [1]	155	13,335	–	–
- Deferred taxation [1]	91	(3,396)	–	–
- Manager's management fees paid/payable in Units	–	480	–	480
- Net income of subsidiaries not distributed to the REIT [1]	–	–	9,101	21,470
- Property Manager's management fees paid/payable in Units	824	761	–	–
- Transfer to statutory reserve	(1,461)	(1,155)	–	–
- Other adjustments [1]	2,737	(922)	3,907	1,158
Net effect of distribution adjustments	4,839	11,610	15,501	25,615

[1] Excludes share attributable to non-controlling interests

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2021

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Unitholders' funds as at beginning of the year	439,256	422,517	288,726	316,922
Operations				
Total return for the year after taxation attributable to Unitholders	7,510	(1,070)	(3,152)	(15,075)
Transfer to statutory reserve	(1,461)	(1,155)	–	–
Net increase /(decrease) in net assets resulting from operations	6,049	(2,225)	(3,152)	(15,075)
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	2,309	(2,255)	2,309	(2,255)
Foreign currency translation reserve				
Translation differences from financial statements of foreign operations	32,157	30,930	–	–
Statutory reserve				
Transfer from operations	1,461	1,155	–	–
Unitholders' transactions				
Creation of Units paid/payable to manager				
- Units to be issued as satisfaction of the portion of Manager's management fees payable in Units	–	480	–	480
- Units issued and to be issued as satisfaction of the portion of Property Manager's management fees payable in Units	824	761	824	761
Distributions to Unitholders	(10,902)	(12,107)	(10,902)	(12,107)
	(10,078)	(10,866)	(10,078)	(10,866)
Unitholders' funds as at end of the year	471,154	439,256	277,805	288,726

Non-controlling interest

	Group	
	2021 S$'000	2020 S$'000
At beginning of the year	173,187	165,618
Total return attributable to non-controlling interests	7,480	4,792
Distributions to non-controlling interests	(7,721)	(1,601)
Translation differences from financial statements of foreign operations	12,738	4,378
At end of the year	185,684	173,187

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

PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2021

Group Description of leasehold property	Location	Term of lease (years)	Remaining term of lease (years)	Valuation as at 2021 RMB'000	Valuation as at 2020 RMB'000	Valuation as at 2021 S$'000	Valuation as at 2020 S$'000	Percentage of Unitholders' funds 2021 %	Percentage of Unitholders' funds 2020 %
Beijing Wanliu	No.2 Bagou Road, Haidian District, Beijing	30	23 [1]	2,511,500	2,502,000	532,948	506,515	113	115
Chengdu Konggang	No. 166 Jinhua Road second section, Shuangliu County, Chengdu	32	25	663,000	661,000	140,691	133,816	31	30
Hefei Mengchenglu	No.99 Mengcheng Road, Luyang District, Hefei	30	23	584,000	582,000	123,927	117,822	26	27
Hefei Changjiangxilu	No. 639 Changjiangxilu Road, Shushan District, Hefei	30	21	480,500	475,000	101,963	96,161	22	22
Xining Huayuan	Nos.16-19 Shipo street, Chengzhong District, Xining	34	27	274,000	274,000	58,144	55,470	12	13
Dalian Jinsanjiao	No.18 Huadong Road, Ganjingzi District, Dalian	33	20	165,000	165,000	35,013	33,403	7	8
Investment properties, at valuation						992,686	943,187	211	215
Other assets and liabilities (net)						(335,848)	(330,744)	(71)	(75)
Net assets						656,838	612,443	140	140
Net assets attributable to non-controlling interests						(185,684)	(173,187)	(40)	(40)
Net assets attributable to Unitholders						471,154	439,256	100	100

[1] 33 years of remaining term lease for underground car parking use.

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

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 S$'000	Group 2020 S$'000
Cash flows from operating activities			
Total return for the year before taxation		23,993	5,695
Adjustments for:			
Finance income	19	(128)	(156)
Finance costs	19	14,378	14,994
Loss on disposal of plant and equipment		4	1
Depreciation of plant and equipment	5	111	107
Manager's management fees payable in Units		–	480
Property Manager's management fees paid/payable in Units		824	761
Change in fair value of investment properties	4	311	15,036
Foreign exchange loss/(gain) – unrealised		1,151	(1,047)
Operating income before working capital changes		40,644	35,871
Changes in:			
Trade and other receivables		203	(2,303)
Trade and other payables		(3,958)	(9,010)
Security deposits		2,160	1,734
Cash generated from operating activities		39,049	26,292
Tax paid		(6,697)	(5,775)
Net cash generated from operating activities		32,352	20,517
Cash flows from investing activities			
Capital expenditure on investment properties		(2,687)	(5,249)
Purchase of plant and equipment		(52)	(101)
Interest received		128	156
Net cash used in investing activities		(2,611)	(5,194)
Cash flows from financing activities			
Distribution to Unitholders		(10,902)	(12,107)
Dividend paid to non-controlling interests		(7,721)	(1,601)
Decrease/(increase) in restricted cash		2,121	(1,115)
Proceeds from borrowings		7,000	12,459
Repayment of borrowings		(8,250)	(3,199)
Interest paid		(9,493)	(10,380)
Net settlement of derivative contracts		(2,297)	(1,349)
Net cash used in financing activities		(29,542)	(17,292)

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

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 S$'000	Group 2020 S$'000
Increase/(decrease) in cash and cash equivalents		199	(1,969)
Cash and cash equivalents at 1 January		44,227	44,103
Effect of foreign exchange rate changes on cash balances		2,133	2,093
Cash and cash equivalents at 31 December	9	46,559	44,227

Notes:

Significant non-cash transactions

(i) The Manager's management fees for the year ended 31 December 2020 was S$1,118,000, out of which, S$480,000 was paid through the issuance of 842,000 Units subsequent to the year end.

(ii) The Property Manager's management fees for the year were S$824,000 (2020: S$761,000). S$407,000 (2020: S$353,000) was paid during the year through the issuance of 732,000 (2020: 663,000) Units and the remaining S$417,000 (2020: S$408,000) will be paid through the issuance of 735,000 (2020: 723,000) Units subsequent to the year end.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 28 March 2022.

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, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020) (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 S$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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. GENERAL (CONT'D)

(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 Going concern

The Group and the REIT have net current liabilities of S$288.7 million and S$254.0 million respectively as at 31 December 2021. Notwithstanding the net current liabilities position as at reporting date, the Manager has prepared the financial statements on a going concern basis, having assessed the sources of liquidity and funding available to the Group and the REIT. These include the ability to obtain refinancing for the S$294.0 million borrowings due in March 2022 and funds from operations to the Group and the REIT as at 31 December 2021. As of the date of this report, the Group and the REIT have finalised the refinancing of the existing offshore and onshore secured borrowing facilities of S$240.0 million and RMB232.0 million respectively, secured new offshore and onshore borrowing facilities of S$12.0 million and RMB65.0 million respectively. The facilities mature in March 2025 as described in note 10. The Group and the REIT can continue as a going concern for the foreseeable future.

2.2 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"). The changes to significant accounting policies are described in note 2.6.

2.3 Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.4 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.

2.5 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 prospectively.

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).

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 – capital and financial risk management.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.6 Changes in accounting policies

New standards and amendments

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions (Amendments to FRS 116)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39 and FRS 107, FRS 104 and FRS 116)*

The application of these amendments to standards and interpretations does not have a material effect on the 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, except as explained in note 2.6, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

(ii) 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 is primarily accounted for as an acquisition of assets as the subsidiaries are special purpose vehicles established for the sole purpose of holding assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(ii) Subsidiaries (cont'd)

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.

(iii) 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.

(iv) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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 Unitholders' Funds:

- 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.

3.3 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(i) Recognition and initial measurement (cont'd)

Non-derivative financial assets and financial liabilities (cont'd)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, or minus, 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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(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 either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - 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.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(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 the 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 the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment

(i) Non-derivative financial assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

(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 inflows 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(ii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 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.

3.12 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.

3.13 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (cont'd)

(i) As a lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (cont'd)

(ii) As a lessor (cont'd)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.14 Taxation

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

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.

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. Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3.4, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities, using tax rates enacted of substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Taxation (cont'd)

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.

3.17 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 New standards and interpretations not adopted (cont'd)

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- FRS 117 *Insurance Contracts* and Amendments to *FRS 117 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to FRS 116)
- *Reference to the Conceptual Framework* (Amendments to FRS 103)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to FRS 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to FRS 37)
- *Annual Improvements to FRSs 2018 – 2020*
- *Disclosure of Accounting Policies* (Amendments to FRS 1 and FRS Practice Statement 2)
- *Definition of Accounting Estimates* (Amendments to FRS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to FRS 12)

4. INVESTMENT PROPERTIES

	Group	
	2021 S$'000	**2020 S$'000**
At beginning of the year	943,187	909,021
Additions during the year	2,687	5,249
	945,874	914,270
Changes in fair value	(311)	(15,036)
Translation differences	47,123	43,953
At end of the year	992,686	943,187

Investment properties comprise retail properties that are held mainly for use by tenants under operating leases. (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 S$3.0 million (2020: S$3.0 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. INVESTMENT PROPERTIES (CONT'D)

Fair value

Investment properties are stated at fair value based on valuation as at 31 December 2021 performed by independent professional valuers 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 valuation reports obtained from the independent valuers for our properties contain the "material valuation uncertainty" clause due to the ongoing market disruption caused by the COVID-19 pandemic. Given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. This clause does not invalidate the valuations, but implies that there is substantially more uncertainty than under normal market conditions. As explained under Note 3.4, valuation of investment properties is performed in accordance with the Trust Deed. The Manager reviews the key valuation parameters and underlying data including discount rates, terminal growth rates, term yield and reversionary 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 discounted cash flow method, and capitalisation approach. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The capitalisation approach capitalises an income stream into a present value using single-year capitalisation rates.

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% (2020: 7.5% to 8.0%) per annum	The fair value increases as discount rate decreases.
	Terminal growth rates 3.0% (2020: 3.0%)	The fair value increases as terminal growth rate increases.
Income capitalisation approach	Term yield from 4.5% to 5.5% (2020: 4.5% to 5.5%)	The fair value increases as term yield decrease.
	Reversionary rates from 5.0% to 6.0% (2020: 5.0% to 6.0%)	The fair value increases as reversionary rate decrease

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. INVESTMENT PROPERTIES (CONT'D)

Security

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

5. PLANT AND EQUIPMENT

	Plant and machinery S$'000	Motor vehicles S$'000	Furniture, fittings and equipment S$'000	Total S$'000
Group				
Cost				
At 1 January 2020	3,584	255	3,295	7,134
Additions during the year	71	–	30	101
Disposal/written off	–	–	(9)	(9)
Translation difference on consolidation	174	46	155	375
At 31 December 2020	3,829	301	3,471	7,601
Additions during the year	26	–	26	52
Disposal/written off	–	(54)	(10)	(64)
Translation difference on consolidation	191	20	430	641
At 31 December 2021	4,046	267	3,917	8,230
Accumulated depreciation				
At 1 January 2020	3,379	207	2,870	6,456
Charge for the year	13	8	86	107
Disposal/written off	–	–	(8)	(8)
Translation difference on consolidation	164	45	135	344
At 31 December 2020	3,556	260	3,083	6,899
Charge for the year	26	9	76	111
Disposal/written off	–	(51)	(9)	(60)
Translation difference on consolidation	171	16	421	608
At 31 December 2021	3,753	234	3,571	7,558
Carrying amounts				
At 1 January 2020	205	48	425	678
At 31 December 2020	273	41	388	702
At 31 December 2021	293	33	346	672

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

6. INTERESTS IN SUBSIDIARIES

	REIT	
	2021 S$'000	2020 S$'000
Equity investment, at cost	5,510	4,686
Non-trade amounts due from subsidiaries	585,485	586,960
	590,995	591,646

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity held by the Group	
		2021 %	2020 %
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
Fuchsia (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
Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd.**	People's Republic of China	100	100

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

6. INTERESTS IN SUBSIDIARIES (CONT'D)

(b) The non-trade amounts due from subsidiaries are unsecured. 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.

Impairment of investment in subsidiaries

The REIT recognised impairment losses at a level considered adequate to provide for potential non-recoverability of investments in subsidiaries. The level of allowance is evaluated by the REIT on the basis of factors that affect the recoverability of the investments. These factors include, but not limited to, the activities and financial position of the entities and market factors. The REIT reviews and identifies balances that are to be impaired on a continuous basis. The amount and timing of recorded expenses for any period would differ if the REIT made different judgement or utilised different estimates.

The REIT assessed the carrying amount of its investments in subsidiaries for indicators of impairment or reversal of impairment. The recoverable amount of the subsidiary was estimated taking into consideration the fair value of the underlying assets and liabilities of the subsidiary. No impairment was recognised in relation to the investments in the subsidiaries for the financial year ended 31 December 2021.

7. DEFERRED TAX ASSETS/(LIABILITIES)

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

Group	At 1 January 2020 S$'000	Recognised in statements of total return (Note 20) S$'000	Translation difference S$'000	At 31 December 2020 S$'000	Recognised in statements of total return (Note 20) S$'000	Translation difference S$'000	At 31 December 2021 S$'000
Deferred tax assets							
Allowance for doubtful receivables and unutilised losses	18	28	1	47	8	3	58
Deferred tax liabilities							
Investment properties	(40,438)	3,759	(2,223)	(38,902)	78	(1,591)	(40,415)
Tax on unrepatriated profits	(757)	34	468	(255)	(138)	(277)	(670)
	(41,195)	3,793	(1,755)	(39,157)	(60)	(1,868)	(41,085)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the Statement of Financial Position as follows:

	Group	
	2021 S$'000	2020 S$'000
Deferred tax assets	58	47
Deferred tax liabilities	(41,085)	(39,157)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2021 S$'000	2020 S$'000
Unutilised tax losses	2,076	–

Deferred tax assets have not been recognised within respect of the above as it is not probable that future taxable profits will be available and/or sufficient to allow the related tax benefits to be realised.

8. TRADE AND OTHER RECEIVABLES

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Trade receivables	151	510	–	–
Impairment losses	(8)	(29)	–	–
	143	481	–	–
Other receivables	2,345	2,165	348	441
Impairment losses	(119)	(59)	–	–
	2,226	2,106	348	441
Trade and other receivables	2,369	2,587	348	441
Prepayments	320	360	27	148
	2,689	2,947	375	589

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

8. TRADE AND OTHER RECEIVABLES (CONT'D)

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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Beijing	687	652	–	–
Chengdu	504	400	–	–
Hefei	132	388	–	–
Dalian	1	1	–	–
Singapore	1,045	1,146	348	441
	2,369	2,587	348	441

Expected credit loss assessment

The following table provides information about the exposure to credit risk and ECL's for trade and other receivables as at 31 December 2021:

	Gross carrying amount S$'000	Group impairment loss allowance S$'000	Credit impaired
2021			
Not past due	1,225	–	No
Past due 1 – 30 days	22	–	No
Past due 31 – 60 days	1	–	No
Past due 61 – 90 days	8	–	No
More than 90 days due	1,240	(127)	Yes
	2,496	(127)	
2020			
Not past due	1,206	–	No
Past due 1 – 30 days	91	–	No
Past due 31 – 60 days	116	–	No
Past due 61 – 90 days	104	–	No
More than 90 days due	1,158	(88)	Yes
	2,675	(88)	

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

8. 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	
	Individually impaired 2021 S$'000	Individually impaired 2020 S$'000
At 1 January per FRS 109	88	55
Impairment losses recognised	39	33
At 31 December per FRS 109	127	88

Impairment allowance is recognised for other receivables that are individually determined to be impaired at the reporting date due to debtors that are in significant financial difficulties.

The Group and the REIT'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 and the REIT's trade and other receivables, based on historical payment behaviours and the security deposits held (if applicable).

9. CASH AND CASH EQUIVALENTS

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Cash at banks and in hand	48,483	48,272	2,666	4,159
Restricted cash	(1,924)	(4,045)	(1,924)	(4,045)
Cash and cash equivalents in statement of cash flows	46,559	44,227	742	114

10. LOANS AND BORROWINGS

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Unsecured loan	5,000	1,101	5,000	1,101
Secured loans	291,106	293,741	238,904	242,726
Less: Unamortised transaction costs	(652)	(3,207)	(637)	(3,131)
	295,454	291,635	243,267	240,696
Current	295,454	9,315	243,267	8,101
Non-current	–	282,320	–	232,595
	295,454	291,635	243,267	240,696

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. LOANS AND BORROWINGS (CONT'D)

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 S$'000	Carrying amount S$'000
2021				
Group				
SGD unsecured floating rate loan	3.94-3.95	2022	5,000	5,000
SGD secured floating rate loan	2.37-2.56	2022	177,775	177,301
USD secured floating rate loan	2.35-2.47	2022	59,129	58,966
SGD secured floating rate loan	2.92-2.97	2022	2,000	2,000
RMB secured floating rate loan	5.70	2022	40,849	40,849
RMB secured floating rate loan	5.70	2022	11,353	11,338
			296,106	295,454
REIT				
SGD unsecured floating rate loan	3.94-3.95	2022	5,000	5,000
SGD secured floating rate loan	2.37-2.56	2022	177,775	177,301
USD secured floating rate loan	2.35-2.47	2022	59,129	58,966
SGD secured floating rate loan	2.92-2.97	2022	2,000	2,000
			243,904	243,267
2020				
Group				
SGD unsecured interest free loan	Nil	2021	1,101	1,101
SGD secured floating rate loan	2.37-3.89	2022	177,775	175,448
USD secured floating rate loan	2.44-4.26	2022	57,951	57,147
SGD secured floating rate loan	2.92-4.37	2021	2,000	2,000
SGD secured floating rate loan	3.70-4.03	2021	5,000	5,000
RMB secured floating rate loan	5.70	2021-2022	39,577	39,577
RMB secured floating rate loan	5.70	2021-2022	11,438	11,362
			294,842	291,635
REIT				
SGD unsecured interest free loan	Nil	2021	1,101	1,101
SGD secured floating rate loan	2.37-3.89	2022	177,775	175,448
USD secured floating rate loan	2.44-4.26	2022	57,951	57,147
SGD secured floating rate loan	2.92-4.37	2021	2,000	2,000
SGD secured floating rate loan	3.70-4.03	2021	5,000	5,000
			243,827	240,696

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. LOANS AND BORROWINGS (CONT'D)

Facilities and securities

The Group has put in place two onshore secured borrowing facilities of RMB241.0 million and RMB61.0 million, and an offshore secured borrowing facility of S$240.0 million. As at 31 December 2021, both onshore and offshore secured facilities were fully drawn. During 2021, the Group repaid RMB6.0 million (2020: RMB6.0 million) of the onshore facilities, in accordance with the facility agreements.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the six (2020: six) 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 five (2020: five) Singapore holding companies' 100% equity interest in the respective subsidiaries in China and restricted cash amounting to S$1,924,000 (2020: S$4,045,000) was set aside.

Subsequently to the reporting date, the Group and the REIT finalised the refinancing of offshore and onshore secured borrowing facilities of S$240.0 million and RMB232.0 million respectively, secured new offshore and onshore borrowing facilities of S$12.0 million and RMB65.0 million respectively. The facilities mature in March 2025.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. LOANS AND BORROWINGS (CONT'D)

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

	Loans and borrowings S$'000	Interest payable (Note 11) S$'000	Total S$'000
Balance at 1 January 2021	291,635	3,425	295,060
Changes from financing cash flows			
Proceeds from borrowings	7,000	–	7,000
Repayment of borrowings	(8,250)	–	(8,250)
Interest paid	–	(9,493)	(9,493)
	(1,250)	(9,493)	(10,743)
Non-cash changes			
Effects of changes in foreign exchange rates	2,576	249	2,825
Amortisation of borrowing costs	2,493	–	2,493
Interest expense	–	11,885	11,885
	5,069	12,134	17,203
Balance at 31 December 2021	295,454	6,066	301,520
Balance at 1 January 2020	278,584	2,643	281,227
Changes from financing cash flows			
Proceeds from borrowings	12,459	–	12,459
Repayment of borrowings	(3,199)	–	(3,199)
Interest paid	–	(10,380)	(10,380)
	9,260	(10,380)	(1,120)
Non-cash changes			
Effects of changes in foreign exchange rates	1,284	(1,325)	(41)
Amortisation of borrowing costs	2,507	–	2,507
Interest expense	–	12,487	12,487
	3,791	11,162	14,953
Balance at 31 December 2020	291,635	3,425	295,060

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

11. TRADE AND OTHER PAYABLES

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Trade payables	9,153	7,370	–	–
Interest payables	6,066	3,425	9,565	6,578
Other payables	3,645	10,090	63	33
Accrued operating expenses	2,217	3,903	408	823
Management fees payable to the Manager	1,113	351	1,113	351
Loan from subsidiaries	–	–	59,162	54,276
Amount owing to subsidiaries	–	–	1,660	1,609
Deposits and advances from tenants	2,503	2,987	–	–
	24,697	28,126	71,971	63,670
Current	22,795	26,049	12,809	9,394
Non-current	1,902	2,077	59,162	54,276
	24,697	28,126	71,971	63,670

The loan from subsidiaries are non-trade in nature, unsecured, interest-bearing at 4.75% (2020: 4.75%) per annum and repayable within 1 to 4 years (2020: 2 to 4 years).

12. FINANCIAL DERIVATIVES

	Group and REIT	
	2021 S$'000	2020 S$'000
Derivative liabilities		
Interest rate swaps used for hedging	993	3,302

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 S$145.2 million (2020: S$144.3 million) and S$145.2 million (2020: S$144.3 million) respectively, have been entered into to provide fixed rate funding for average terms of 3 years (2020: 3 years) at an average interest rate of 1.84% (2020: 1.84%) per annum. These interest rate swaps are designated as hedging instruments in cash flow hedges. The fair value of financial derivatives represented 0.15% (2020: 0.54%) of the net assets of the Group as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

13. UNITHOLDERS' FUNDS

	Note	Group 2021 S$'000	Group 2020 S$'000	REIT 2021 S$'000	REIT 2020 S$'000
At 1 January		439,256	422,517	288,726	316,922
Net assets/(liabilities) resulting from operations		8,971	(2,225)	(3,152)	(15,075)
Statutory reserve	(a)	(1,461)	1,155	–	–
		446,766	421,447	285,574	301,847
Foreign currency translation reserve	(b)	32,157	30,930	–	–
Hedging reserve	(c)	2,309	(2,255)	2,309	(2,255)
Unitholders' distributions		(10,078)	(10,866)	(10,078)	(10,866)
At 31 December		471,154	439,256	277,805	288,726

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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 SFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2021 S$'000	2020 S$'000
Non-current assets	533,083	506,654
Current assets	29,060	28,433
Non-current liabilities	(34,300)	(72,675)
Current liabilities	(63,634)	(29,446)
Net assets	464,209	432,966
Net assets attributable to NCI	185,684	173,187
Revenue	38,682	31,802
Total return after taxation	18,700	11,980
Total return after taxation attributable to NCI	7,480	4,792
Cash flows from operating activities	22,318	11,750
Cash flows used in investing activities	(687)	(4,124)
Cash flows used in financing activities (dividends to NCI: S$7,721,000, 2020: S$1,601,000)	(22,364)	(7,214)
Net (decrease)/increase in cash and cash equivalents	(733)	412

15. UNITS IN ISSUE

	2021 Number of Units '000	2020 Number of Units '000
Issue of new Units relating to:		
- as at beginning of the year	510,995	508,458
- payment of Manager's management base fees	–	1,480
- payment of Property Manager's management fees	1,456	1,057
	512,451	510,995
Units to be issued:		
- payment of Property Manager's management fees	735	723
Total Units in issue and to be issued at the end of year	513,186	511,718

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

15. UNITS IN ISSUE (CONT'D)

Units issued during the year ended 31 December 2021 are as follows:

(a) On 9 March 2021, the REIT issued 378,000 new Units at an issue price of S$0.5512 per Unit as payment of the Property Manager's management fees, for the period from 1 July 2020 to 30 September 2020.

(b) On 9 March 2021, the REIT issued 345,000 new Units at an issue price of S$0.5785 per Unit as payment of the Property Manager's management fees, for the period from 1 October 2020 to 31 December 2020.

(c) On 10 September 2021, the REIT issued 374,000 new Units at an issue price of S$0.5565 per Unit as payment of the Property Manager's management fees, for the period from 1 January 2021 to 31 March 2021.

(d) On 10 September 2021, the REIT issued 359,000 new Units at an issue price of S$0.5565 per Unit as payment of the Property Manager's management fees, for the period from 1 April 2021 to 30 June 2021.

Units issued during the year ended 31 December 2020 are as follows:

(a) On 13 March 2020, the REIT issued 638,000 and 394,000 new Units at an issue price of S$0.6873 per Unit as payment of the base component of the Manager's management fee and Property Manager's management fees respectively, for the period from 1 October 2019 to 31 December 2019.

(b) On 7 September 2020, the REIT issued 254,000 and 328,000 new Units at an issue price of S$0.4324 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 2020 to 31 March 2020.

(c) On 7 September 2020, the REIT issued 588,000 and 335,000 new Units at an issue price of S$0.6294 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 2020 to 30 June 2020.

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;

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

15. UNITS IN ISSUE (CONT'D)

Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. (the "Strategic Investor"), has entered into a deed of distributions undertaking (the "Distributions Undertaking") dated 23 November 2015 with the Trustee and the Manager, which has expired as of 1 January 2021, 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

- 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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 2021 to 30 June 2021 had been paid on 28 September 2021. Distributions for the period from 1 July 2021 to 31 December 2021 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	
	2021 S$'000	**2020 S$'000**
Advertising and promotion	2,493	2,265
Depreciation of plant and equipment	111	107
Impairment losses recognised on trade and other receivables	39	33
Repair and maintenance	6,217	5,036
Staff costs	2,049	1,724
Utilities	8,054	6,444
Others	313	372
	19,276	15,981

Included in staff costs is contribution to defined contribution plans of S$256,000 (2020: S$170,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

18. OTHER OPERATING EXPENSES

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Audit fees	380	353	158	152
Professional fees	313	215	279	185
Others	188	352	119	298
	881	920	556	635

19. FINANCE INCOME AND FINANCE COSTS

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Finance income:				
- financial institutions	128	156	–	–
Finance costs:				
- amortisation of borrowing costs	(2,493)	(2,507)	(2,493)	(2,507)
- interest expenses on loans and borrowings	(11,885)	(12,487)	(11,724)	(13,491)
	(14,378)	(14,994)	(14,217)	(15,998)
Net finance costs recognised in statement of total return	(14,250)	(14,838)	(14,217)	(15,998)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

20. TAXATION

	Group		REIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Current taxation				
Current year	8,322	5,087	–	–
Withholding tax	629	707	87	119
	8,951	5,794	87	119
Deferred taxation				
Origination of temporary differences	52	(3,821)	–	–
Income tax expense	9,003	1,973	87	119
Reconciliation of effective tax rate				
Total return for the year before taxation	23,993	5,695	(3,065)	(14,956)
Tax calculated using Singapore tax rate of 17% (2020: 17%)	4,079	968	(521)	(2,542)
Adjustments:				
Effect of different tax rates in foreign jurisdictions	1,936	411	–	–
Income not subject to tax	(3,619)	(4,075)	(3,066)	(715)
Expenses not deductible for tax purposes	1,722	728	–	–
Effect of taxable distributions from subsidiaries	138	(35)	–	–
Deferred tax not recognised during the year	519	–	–	–
Tax losses not allowed to be carried forward	3,599	3,269	3,587	3,257
Withholding tax	629	707	87	119
	9,003	1,973	87	119

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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	
	2021 S$'000	2020 S$'000
Total return for the year after taxation and non-controlling interests	7,510	(1,070)
	Number of Units '000	Number of Units '000
Issued Units		
- As at beginning of the year	511,718	509,490
- Manager's management fees paid/payable in Units	–	489
- Property Manager's management fees paid/payable in Units	565	514
Weighted average number of issued and issuable Units at end of the year	512,283	510,493
Basic earnings per Unit (cents)	1.47	(0.21)

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	
	2021 S$'000	2020 S$'000
Total return for the year after taxation and non-controlling interests	7,510	(1,070)
	Number of Units '000	Number of Units '000
Issued Units		
- As at beginning of the year	511,718	509,490
- Manager's management fees paid/payable in Units	–	842
- Property Manager's management fees paid/payable in Units	1,468	1,386
Weighted average number of issued and issuable Units at end of the year	513,186	511,718
Diluted earnings per Unit (cents)	1.46	(0.21)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

22. RELATED PARTY TRANSACTIONS

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.

23. FINANCIAL RATIOS

	Group	
	2021 %	2020 %
Ratio of expenses to average net asset value [1]	0.72	0.52
Ratio of expenses to net asset value [2]	4.89	4.32

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 (2021: S$32,114,000 and 2020: S$26,428,000) and as a percentage of net asset value as at the financial year end.

24. OPERATING SEGMENTS

The Group has 6 (2020: 6) 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")
- Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. ("Hefei Changjiangxilu")
- Qinghai Xinglian Real Property Co., Ltd. ("Xining Huayuan")
- Dalian Hualian Commercial Facilities Operation Co., Ltd. ("Dalian Jinsanjiao")

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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 S$'000	Chengdu Konggang S$'000	Hefei Mengchenglu S$'000	Hefei Changjiangxilu S$'000	Xining Huayuan S$'000	Dalian Jinsanjiao S$'000	Total S$'000
2021							
External revenues:							
- Gross rental income	36,190	12,026	4,091	7,197	3,499	2,453	65,456
- Others	2,492	1,312	643	737	–	–	5,184
Gross revenue	38,682	13,338	4,734	7,934	3,499	2,453	70,640
Segment net property income	25,017	6,929	942	3,446	3,232	2,239	41,805
Finance income	91	1,554	1,380	615	294	170	4,104
Finance costs	(2,331)	(657)	(973)	(194)	–	–	(4,155)
Reportable segment total return before taxation	23,071	8,174	2,732	5,189	3,484	2,379	45,029
Segment assets	575,484	184,609	159,457	120,012	68,471	43,749	1,151,782
Segment liabilities	296,159	157,532	140,685	82,247	56,367	32,436	765,426
Other segment items:							
Depreciation	(24)	(43)	(14)	(30)	–	–	(111)
Net change in fair value of investment properties	(390)	(946)	374	651	–	–	(311)
Capital expenditure	(778)	(1,346)	(86)	(529)	–	–	(2,739)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

24. OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Beijing Wanliu S$'000	Chengdu Konggang S$'000	Hefei Mengchenglu S$'000	Hefei Changjiangxilu S$'000	Xining Huayuan S$'000	Dalian Jinsanjiao S$'000	Total S$'000
2020							
External revenues:							
- Gross rental income	29,824	9,547	4,729	6,594	3,246	2,278	56,218
- Others	1,978	1,138	583	644	–	–	4,343
Gross revenue	31,802	10,685	5,312	7,238	3,246	2,278	60,561
Segment net property income	20,205	5,345	2,399	3,340	2,997	2,102	36,388
Finance income	133	2,952	1,743	400	392	270	5,890
Finance costs	(2,281)	(1,392)	(944)	(113)	–	–	(4,730)
Reportable segment total return before taxation	13,949	7,624	(772)	119	2,147	1,743	24,810
Segment assets	547,831	172,987	150,876	110,618	64,022	40,801	1,087,135
Segment liabilities	294,406	156,076	139,453	80,033	56,406	32,359	758,733
Other segment items:							
Depreciation	(20)	(45)	(12)	(30)	–	–	(107)
Net change in fair value of investment properties	(4,253)	(522)	(4,795)	(3,644)	(1,215)	(607)	(15,036)
Capital expenditure	(4,258)	(322)	(561)	(209)	–	–	(5,350)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

24. OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment revenue, total return, assets and liabilities and other material items

	2021 S$'000	2020 S$'000
Revenue		
Total revenue for reporting segments	70,640	60,561
Total return		
Total return for reportable segments before taxation	45,029	24,810
Unallocated amounts:		
- Other corporate expenses	(21,095)	(14,956)
Elimination of intercompany revenue	59	(4,159)
Total return before taxation	23,993	5,695
Assets		
Total assets for reportable segments	1,151,782	1,087,135
Other unallocated amounts	594,036	596,394
Elimination of intercompany balances	(701,230)	(688,374)
Consolidated assets	1,044,588	995,155
Liabilities		
Total liabilities for reportable segments	765,426	758,733
Other unallocated amounts	316,231	307,668
Elimination of intercompany balances	(693,907)	(683,689)
Consolidated liabilities	387,750	382,712

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

24. OPERATING SEGMENTS (CONT'D)

	Reportable segment totals S$'000	Other unallocated amounts S$'000	Elimination of intercompany balances S$'000	Consolidated totals S$'000
Other material items 31 December 2021				
Finance income	4,104	–	(3,976)	128
Finance costs	(4,155)	(14,217)	3,994	(14,378)
Other material items 31 December 2020				
Finance income	5,890	–	(5,734)	156
Finance costs	(4,730)	(15,998)	5,734	(14,994)

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 S$8.7 million (2020: S$9.1 million) of the Group's total revenue.

25. COMMITMENTS

The Group leases out its investment property consisting of its owned commercial properties (see Note 4). All leases are classified as operating leases from a lessor perspective. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group 2021 S$'000	Group 2020 S$'000
Operating leases under FRS 116		
- within 1 year	49,995	21,351
- 1 to 2 years	30,765	21,178
- 2 to 3 years	19,554	18,947
- 3 to 4 years	14,788	16,523
- 4 to 5 years	10,496	15,880
- after 5 years	61,216	68,078
	186,814	161,957

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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 50.0% (2020: 50.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 50.0% (2020: 50.0%) during the year, and was 34.1% (2020: 35.7%) as at 31 December 2021. The interest coverage ratio is 2.8 times (2020: 2.3) at of 31 December 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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 from Baa2 to 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

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.

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount S$'000	Contractual cash flow S$'000	Within 1 year S$'000	After 1 year but within 5 years S$'000	After 5 years S$'000
31 December 2021					
Group					
Non-derivative financial liabilities					
Loans and borrowings	295,454	300,548	300,548	–	–
Trade and other payables	24,697	24,697	22,795	1,902	–
Security deposits	21,881	21,881	16,971	4,910	–
	342,032	347,126	340,314	6,812	–
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	993	993	993	–	–
	343,025	348,119	341,307	6,812	–
REIT					
Non-derivative financial liabilities					
Loans and borrowings	243,267	245,370	245,370	–	–
Trade and other payables	71,971	76,266	15,490	60,776	–
	315,238	321,636	260,860	60,776	–
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	993	993	993	–	–
	316,231	322,629	261,853	60,776	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount S$'000	Contractual cash flow S$'000	Within 1 year S$'000	After 1 year but within 5 years S$'000	After 5 years S$'000
31 December 2020					
Group					
Non-derivative financial liabilities					
Loans and borrowings	291,635	305,715	16,941	288,774	–
Trade and other payables	28,126	28,126	26,049	2,077	–
Security deposits	19,211	19,211	12,913	6,298	–
	338,972	353,052	55,903	297,149	–
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	3,302	3,302	3,302	–	–
	342,274	356,354	59,205	297,149	–
REIT					
Non-derivative financial liabilities					
Loans and borrowings	240,696	251,115	14,034	237,081	–
Trade and other payables	63,670	70,135	11,875	58,260	–
	304,366	321,250	25,909	295,341	–
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	3,302	3,302	3,302	–	–
	307,668	324,552	29,211	295,341	–

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 flows 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

In addition, the Group maintains the following debt facilities and programme as at 31 December 2021:

Chinese Renminbi ("RMB") denominated facility:
- RMB302.0 million three-year secured term loan facilities

S$ denominated facilities:
- S$177.8 million three-year secured term loan facilities
- S$7.0 million credit facilities

US$ denominated facilities:
- US$43.8 million three-year secured term loan facilities

The Group also monitors and observes the Property Fund Appendix issued by the MAS concerning limits on total borrowings.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group enters financial derivatives in order to manage market risks. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

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 2021, the Group has entered into interest rate swaps with a total notional amount of S$145.2 million (2020: S$144.3 million) 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.

The Manager determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from interest rate benchmark reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group does not anticipate that IBOR reform will impact its risk management strategy and hedge accounting.

The Group's main IBOR exposure at 31 December 2021 was indexed to swap offer rate (SOR) and London interbank offered rate (LIBOR). In Singapore, the Steering Committee for SOR and Singapore interbank offered rate (SIBOR) transition to Singapore Overnight Rate Average (SORA) (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has recommended the discontinuation of SOR and SIBOR and a shift towards the use of SORA as the alternative interest rate benchmark in Singapore. The timeline for SORA to replace SOR and SIBOR is by the end of June 2023 and December 2024 respectively. On 5 March 2021, ICE Benchmark Administrator and Financial Conduct Authority (FCA) confirmed that all LIBOR settings will either cease to be provided by an administrator or will no longer be representative:

- Immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings, and the 1-week and 2-month US dollar (USD) LIBOR settings; and
- Immediately after 30 June 2023, in the case of the remaining USD LIBOR settings.

Derivatives

The Group holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to SOR and LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting

As at 31 December 2021, the Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates which are SOR and LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

Subsequent to the reporting date, the Group obtained new loan facilities in Singapore which are indexed to SORA. The Group will enter into the hedging instruments with underlying SORA indices to hedge its interest rates risk.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group Notional amount		REIT Notional amount	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Variable rate instruments				
Interest rate swaps	145,200	144,300	145,200	144,300
Loans and borrowings	(296,106)	(294,842)	(243, 904)	(243,827)
	(150,906)	(150,542)	(98,704)	(99,527)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Cash flow sensitivity analysis for variable rate instruments

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

	Statements of total return		Unitholders' funds	
	100 bp increase S$'000	100 bp decrease S$'000	100 bp increase S$'000	100 bp decrease S$'000
31 December 2021				
Group				
Variable rate instruments	(2,961)	2,961	–	–
Interest rate swaps	1,452	(1,452)	(81)	(85)
Cash flow sensitivity (net)	(1,509)	1,509	(81)	(85)
REIT				
Variable rate instruments	(2,439)	2,439	–	–
Interest rate swaps	1,452	(1,452)	(81)	(85)
Cash flow sensitivity (net)	(987)	987	(81)	(85)
31 December 2020				
Group				
Variable rate instruments	(2,948)	2,948	–	–
Interest rate swaps	1,443	(1,443)	642	(162)
Cash flow sensitivity (net)	(1,505)	1,505	642	(162)
REIT				
Variable rate instruments	(2,438)	2,438	–	–
Interest rate swaps	1,443	(1,443)	642	(162)
Cash flow sensitivity (net)	(995)	995	642	(162)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

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 USD.

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 currencies are as follows:

	USD S$'000	RMB S$'000	Total S$'000
31 December 2021			
Group			
Cash and cash equivalents	25	–	25
Loans and borrowings	(59,130)	–	(59,130)
	(59,105)	–	(59,105)
REIT			
Cash and cash equivalents	22	–	22
Loans and borrowings	(59,130)	–	(59,130)
Trade and other payables	–	(59,162)	(59,162)
	(59,108)	(59,162)	(118,270)
31 December 2020			
Group			
Cash and cash equivalents	30	–	30
Loans and borrowings	(57,951)	–	(57,951)
	(57,921)	–	(57,921)
REIT			
Cash and cash equivalents	26	–	26
Loans and borrowings	(57,951)	–	(57,951)
Trade and other payables	–	(54,276)	(54,276)
	(57,925)	(54,276)	(112,201)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies 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 S$'000	REIT S$'000
31 December 2021		
RMB	–	5,916
USD	5,911	5,911
	5,911	11,827
31 December 2020		
RMB	–	5,428
USD	5,792	5,793
	5,792	11,221

A 10% weakening of Singapore dollar against the above currencies 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 2021, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity		
Group	1-6 months	6-12 months	More than one year
2021			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of SGD)	145,200	–	–
Average fixed interest rate	1.84%	–	–
2020			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of SGD)	–	–	144,300
Average fixed interest rate	–	–	1.84%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

The amounts at the reporting date relating to items designated as hedged items were as follows:

Group	Change in value used for calculating hedge ineffective hedge ineffectiveness S$'000	Cash flow hedge reserve S$'000	Costs of hedging reserve S$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied S$'000
2021				
Interest rate risk				
Variable-rate instruments	–	993	–	–
2020				
Interest rate risk				
Variable-rate instruments	–	3,302	–	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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.

	2021				2020			
	Nominal amount S$'000	Carrying amount – assets S$'000	Carrying amount – liabilities S$'000	Line item in the statement of financial position where the hedging instrument is included	Nominal amount S$'000	Carrying amount – assets S$'000	Carrying amount – liabilities S$'000	Line item in the statement of financial position where the hedging instrument is included
Interest rate risk								
Interest rate swaps	145,200	–	993	Derivative liabilities	144,300	–	3,302	Derivative liabilities

The following table provides a reconciliation by risk category of components of Unitholders' Funds, net of tax, resulting from cash flow hedge accounting.

	Group	
	Hedging reserve S$'000	Cost of hedging reserve S$'000
Balance at 1 January 2021	3,302	–
Cash flow hedges		
Change in fair value:		
Interest rate risk	(2,309)	
Balance at 31 December 2021	993	–
Balance at 1 January 2020	1,047	–
Cash flow hedges		
Change in fair value:		
Interest rate risk	2,255	–
Balance at 31 December 2020	3,302	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (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 S$'000	Financial assets at amortised cost S$'000	Other financial liabilities S$'000	Total carrying amount S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group								
31 December 2021								
Financial assets not measured at fair value								
Trade and other receivables	–	2,369	–	2,369				
Cash and cash equivalents	–	48,483	–	48,483				
	–	50,852	–	50,852				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	993	–	–	993	–	993	–	993
Financial liabilities not measured at fair value								
Trade and other payables	–	–	24,697	24,697				
Security deposits	–	–	21,881	21,881	–	21,352	–	21,352
Loans and borrowings	–	–	296,106	296,106				
	–	–	342,684	342,684				
REIT								
31 December 2021								
Financial assets not measured at fair value								
Trade and other receivables	–	348	–	348				
Cash and cash equivalents	–	2,666	–	2,666				
	–	3,014	–	3,014				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	993	–	–	993	–	993	–	993
Financial liabilities not measured at fair value								
Trade and other payables	–	–	71,971	71,971	–	70,228	–	70,228
Loans and borrowings	–	–	243,267	243,267				
	–	–	315,238	315,238				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair value			
	Fair value hedging instruments S$'000	Financial assets at amortised cost S$'000	Other financial liabilities S$'000	Total carrying amount S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group								
31 December 2020								
Financial assets not measured at fair value								
Trade and other receivables	–	2,587	–	2,587				
Cash and cash equivalents	–	48,272	–	48,272				
	–	50,859	–	50,859				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	3,302	–	–	3,302	–	3,302	–	3,302
Financial liabilities not measured at fair value								
Trade and other payables	–	–	28,126	28,126				
Security deposits	–	–	19,211	19,211	–	18,586	–	18,586
Loans and borrowings	–	–	291,635	291,635				
	–	–	338,972	338,972				
REIT								
31 December 2020								
Financial assets not measured at fair value								
Trade and other receivables	–	441	–	441				
Cash and cash equivalents	–	4,159	–	4,159				
	–	4,600	–	4,600				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	3,302	–	–	3,302	–	3,302	–	3,302
Financial liabilities not measured at fair value								
Trade and other payables	–	–	63,670	63,670	–	61,342	–	61,342
Loans and borrowings	–	–	240,696	240,696				
	–	–	304,366	304,366				

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

26. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

Security deposits and trade and other payables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Interest rate swaps

Market comparison technique: The fair values are based on valuations provided by the financial institutions that are the counterparties to the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

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.

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 2021 plus an adequate constant credit spread, and are as follows:

	Group		REIT	
	2021 % p.a.	2020 % p.a.	2021 % p.a.	2020 % p.a.
Security deposits	4.73	4.98	–	–
Trade and other payables	–	–	4.73	4.98

Transfer between Level 1 and 2

During the financial year ended 31 December 2021, there were no transfers between Level 1 and Level 2

27. SUBSEQUENT EVENTS

On 25 February 2022, the Manager declared a distribution of 1.05 cents per Unit to Unitholders in respect of the period from 1 July 2021 to 31 December 2021.

The Russia-Ukraine crisis that erupted on 24 February 2022, and still ongoing as of the date of this report, is expected to cause some volatility in the global economy and financial markets. The crisis is set to exacerbate economic concerns over rising electricity and petrol prices, and supply chain bottlenecks resulting from shipping disruptions. The uncertainty to near-term global economic prospects may impact the Group's operations subsequent to the financial year end, the extent of which will depend on how the crisis evolves and countries' adaptation to the crisis. The Manager will closely monitor these developments.