

## **FINANCIAL STATEMENTS**

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# 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 114 to 181 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**  
24 March 2023

# 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 114 to 181 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 2022, 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**  
24 March 2023

# 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 2022, 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 114 to 181.

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 2022 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\$912.2 million (2021: S\$992.7 million) as at 31 December 2022.

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. 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, terminal growth, term yield and reversionary rates by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

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*

We are satisfied with the competency and objectivity of the external valuers. 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. The key assumptions used in the valuations, including the projected cash flows, discount, terminal growth, term yield and reversionary rates were supported by the evidence available and are within the range of industry and market data. Where the assumptions were outside the expected range, the additional factors considered by the valuers were consistent with other corroborative evidence. 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. Other information is defined as all information in the annual report other than the financial statements and our auditors' report hereon.

We have obtained all other information prior to the date of this auditors' report.

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**

24 March 2023



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

|   | Note | Group           |                  | REIT            |                 |
|---|------|-----------------|------------------|-----------------|-----------------|
|   |      | 2022<br>S\$'000 | 2021<br>S\$'000  | 2022<br>S\$'000 | 2021<br>S\$'000 |
| <b>Non-current assets</b>   |      |                 |                  |                 |                 |
| Investment properties   | 4    | 912,241         | 992,686          | -               | -               |
| Plant and equipment   | 5    | 532             | 672              | -               | -               |
| Interests in subsidiaries   | 6    | -               | -                | 584,993         | 590,995         |
| Deferred tax assets   | 7    | 55              | 58               | -               | -               |
| Derivative assets   | 8    | 1,509           | -                | 1,509           | -               |
|   |      | <u>914,337</u>  | <u>993,416</u>   | <u>586,502</u>  | <u>590,995</u>  |
| <b>Current assets</b>   |      |                 |                  |                 |                 |
| Trade and other receivables                                       | 9    | 8,397           | 2,689            | 1,015           | 375             |
| Cash and cash equivalents   | 10   | 36,442          | 48,483           | 2,130           | 2,666           |
|   |      | <u>44,839</u>   | <u>51,172</u>    | <u>3,145</u>    | <u>3,041</u>    |
| <b>Total assets</b>   |      | <u>959,176</u>  | <u>1,044,588</u> | <u>589,647</u>  | <u>594,036</u>  |
| <b>Non-current liabilities</b>                                    |      |                 |                  |                 |                 |
| Loans and borrowings  | 11   | 284,814         | -                | 241,980         | -               |
| Trade and other payables  | 12   | 1,739           | 1,902            | 6,828           | 59,162          |
| Security deposits   |      | 6,182           | 4,910            | -               | -               |
| Deferred tax liabilities  | 7    | 37,879          | 41,085           | -               | -               |
| Derivative liabilities  | 8    | 135             | -                | 135             | -               |
|   |      | <u>330,749</u>  | <u>47,897</u>    | <u>248,943</u>  | <u>59,162</u>   |
| <b>Current liabilities</b>  |      |                 |                  |                 |                 |
| Loans and borrowings  | 11   | 6,925           | 295,454          | 4,500           | 243,267         |
| Trade and other payables  | 12   | 22,503          | 22,795           | 71,882          | 12,809          |
| Security deposits   |      | 11,983          | 16,971           | -               | -               |
| Current tax liabilities   |      | 3,075           | 3,640            | -               | -               |
| Derivative liabilities  | 8    | -               | 993              | -               | 993             |
|   |      | <u>44,486</u>   | <u>339,853</u>   | <u>76,382</u>   | <u>257,069</u>  |
| <b>Total liabilities</b>  |      | <u>375,235</u>  | <u>387,750</u>   | <u>325,325</u>  | <u>316,231</u>  |
| <b>Net assets</b>   |      | <u>583,941</u>  | <u>656,838</u>   | <u>264,322</u>  | <u>277,805</u>  |
| <b>Represented by:</b>  |      |                 |                  |                 |                 |
| Unitholders' funds  | 13   | 411,087         | 471,154          | 264,322         | 277,805         |
| Non-controlling interests   | 14   | 172,854         | 185,684          | -               | -               |
|   |      | <u>583,941</u>  | <u>656,838</u>   | <u>264,322</u>  | <u>277,805</u>  |
| <b>Units in issue ('000)</b>                                      | 15   | <u>517,485</u>  | <u>512,451</u>   | <u>517,485</u>  | <u>512,451</u>  |
| <b>Net asset value per Unit attributable to Unitholders (S\$)</b> |      | <u>0.79</u>     | <u>0.92</u>      | <u>0.51</u>     | <u>0.54</u>     |

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

# STATEMENTS OF TOTAL RETURN

Year ended 31 December 2022

|   | Note | Group           |                 | REIT            |                 |
|---|------|-----------------|-----------------|-----------------|-----------------|
|   |      | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Gross rental income   |      | 61,764          | 65,456          | -               | -               |
| Dividend income   |      | -               | -               | 4,400           | 18,030          |
| Other income  |      | 4,668           | 5,184           | -               | -               |
| <b>Gross revenue</b>  |      | <b>66,432</b>   | <b>70,640</b>   | <b>4,400</b>    | <b>18,030</b>   |
| Business tax  |      | (363)           | (460)           | -               | -               |
| Property-related tax  |      | (6,037)         | (6,524)         | -               | -               |
| Property management fees and reimbursables  |      | (2,361)         | (2,575)         | -               | -               |
| Other property operating expenses   | 17   | (19,944)        | (19,276)        | -               | -               |
| <b>Total property operating expenses</b>  |      | <b>(28,705)</b> | <b>(28,835)</b> | <b>-</b>        | <b>-</b>        |
| <b>Net property income</b>  |      | <b>37,727</b>   | <b>41,805</b>   | <b>4,400</b>    | <b>18,030</b>   |
| Manager's management fees   |      |                 |                 |                 |                 |
| - Base fee  |      | (739)           | (1,456)         | (739)           | (1,456)         |
| - Performance fee   |      | -               | (752)           | -               | (752)           |
| Trustee's fees  |      | (157)           | (161)           | (157)           | (161)           |
| Valuation fee   |      | (78)            | (27)            | (78)            | (27)            |
| Other income (non-operating)  |      | 1,444           | 931             | -               | -               |
| Other operating expenses  | 18   | (1,940)         | (881)           | (1,248)         | (556)           |
| Foreign exchange (loss)/gain - realised   |      | (835)           | 246             | (766)           | (20)            |
| Finance income  |      | 245             | 128             | -               | -               |
| Finance costs   |      | (16,026)        | (14,378)        | (15,793)        | (14,217)        |
| Net finance costs   | 19   | (15,781)        | (14,250)        | (15,793)        | (14,217)        |
| <b>Total return before changes in fair value of investment properties and unrealised foreign exchange (loss)/gain</b> |      | <b>19,641</b>   | <b>25,455</b>   | <b>(14,381)</b> | <b>841</b>      |
| Changes in fair value of investment properties  | 4    | 1,411           | (311)           | -               | -               |
| Foreign exchange (loss)/gain - unrealised   |      | (48)            | (1,151)         | 5,680           | (3,906)         |
| <b>Total return for the year before taxation</b>  |      | <b>21,004</b>   | <b>23,993</b>   | <b>(8,701)</b>  | <b>(3,065)</b>  |
| Taxation  | 20   | (7,047)         | (9,003)         | (40)            | (87)            |
| <b>Total return for the year after taxation</b>   |      | <b>13,957</b>   | <b>14,990</b>   | <b>(8,741)</b>  | <b>(3,152)</b>  |
| <b>Attributable to:</b>   |      |                 |                 |                 |                 |
| Unitholders   |      | 6,101           | 7,510           | (8,741)         | (3,152)         |
| Non-controlling interests   | 14   | 7,856           | 7,480           | -               | -               |
| <b>Total return for the year after taxation</b>   |      | <b>13,957</b>   | <b>14,990</b>   | <b>(8,741)</b>  | <b>(3,152)</b>  |
| <b>Earnings per Unit (cents)</b>  | 21   |                 |                 |                 |                 |
| - Basic   |      | 1.19            | 1.47            |                 |                 |
| - Diluted   |      | 1.18            | 1.46            |                 |                 |

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

# DISTRIBUTION STATEMENTS

Year ended 31 December 2022

|   | Note | Group           |                 | REIT            |                 |
|---|------|-----------------|-----------------|-----------------|-----------------|
|   |      | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| <b>Amount available for distribution to Unitholders at beginning of the year</b>      |      | 5,548           | 5,336           | 5,548           | 5,336           |
| Total return for the year attributable to Unitholders                                 |      | 6,101           | 7,510           | (8,741)         | (3,152)         |
| Distribution adjustments  | A    | 550             | 4,839           | 15,392          | 15,501          |
| Income for the year available for distribution to Unitholders                         |      | 6,651           | 12,349          | 6,651           | 12,349          |
| Amount retained <sup>(1)</sup>  |      | (665)           | (1,235)         | (665)           | (1,235)         |
| Income for the year to be distributed to Unitholders                                  |      | 5,986           | 11,114          | 5,986           | 11,114          |
| <b>Distribution to Unitholders during the year:</b>                                   |      |                 |                 |                 |                 |
| - 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)         |
| - Distribution of 1.05 cents per Unit for period from 1 July 2021 to 31 December 2021 |      | (5,388)         | -               | (5,388)         | -               |
| - Distribution of 0.76 cents per Unit for period from 1 January 2022 to 30 June 2022  |      | (3,901)         | -               | (3,901)         | -               |
|   |      | (9,289)         | (10,902)        | (9,289)         | (10,902)        |
| <b>Amount available for distribution to Unitholders at end of the year</b>            |      | 2,245           | 5,548           | 2,245           | 5,548           |
| <b>Distribution per unit (cents) <sup>(2)</sup></b>                                   |      | 1.17            | 2.17            |                 |                 |

<sup>(1)</sup> For the year ended 31 December 2022, approximately S\$0.7 million (2021: S\$1.2 million) of the amount available for distribution has been retained for operational expenses and working capital requirements of the REIT.

<sup>(2)</sup> The distribution per unit relates to the distributions in respect of the relevant financial year.

The distribution relating to 1 July 2022 to 31 December 2022 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

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

# DISTRIBUTION STATEMENTS

Year ended 31 December 2022

## Note A - Distribution adjustments

|   | Group           |                 | REIT            |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| <b>Distribution adjustment items:</b>                                   |                 |                 |                 |                 |
| - Amortisation of debt establishment costs                              | 2,417           | 2,493           | 2,298           | 2,493           |
| - Changes in fair value of investment properties <sup>(1)</sup>         | (659)           | 155             | -               | -               |
| - Deferred taxation <sup>(1)</sup>                                      | 127             | 91              | -               | -               |
| - Net income of subsidiaries not distributed to the REIT <sup>(1)</sup> | -               | -               | 18,774          | 9,101           |
| - Property Manager's management fees paid/payable in Units              | -               | 824             | -               | -               |
| - Transfer to statutory reserve   | (1,268)         | (1,461)         | -               | -               |
| - Other adjustments <sup>(1)</sup>                                      | (67)            | 2,737           | (5,680)         | 3,907           |
| <b>Net effect of distribution adjustments</b>                           | <b>550</b>      | <b>4,839</b>    | <b>15,392</b>   | <b>15,501</b>   |

<sup>(1)</sup> 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 2022

|   | Group           |                 | REIT            |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| <b>Unitholders' funds as at beginning of the year</b>   | 471,154         | 439,256         | 277,805         | 288,726         |
| <b>Operations</b>   |                 |                 |                 |                 |
| Total return for the year after taxation attributable to Unitholders  | 6,101           | 7,510           | (8,741)         | (3,152)         |
| Transfer to statutory reserve   | (1,268)         | (1,461)         | -               | -               |
| <b>Net increase/(decrease) in net assets resulting from operations</b>  | <b>4,833</b>    | <b>6,049</b>    | <b>(8,741)</b>  | <b>(3,152)</b>  |
| <b>Hedging reserve</b>  |                 |                 |                 |                 |
| Effective portion of changes in fair value of cash flow hedges  | 2,367           | 2,309           | 2,367           | 2,309           |
| <b>Foreign currency translation reserve</b>   |                 |                 |                 |                 |
| Translation differences from financial statements of foreign operations   | (61,426)        | 32,157          | -               | -               |
| <b>Statutory reserve</b>  |                 |                 |                 |                 |
| Transfer from operations  | 1,268           | 1,461           | -               | -               |
| <b>Unitholders' transactions</b>  |                 |                 |                 |                 |
| Creation of Units paid/payable to manager   |                 |                 |                 |                 |
| - Units issued and to be issued as satisfaction of the portion of Property Manager's management fees payable in Units | -               | 824             | -               | 824             |
| Units issued in respect of the distribution reinvestment plan   | 2,180           | -               | 2,180           | -               |
| Distributions to Unitholders  | (9,289)         | (10,902)        | (9,289)         | (10,902)        |
|   | (7,109)         | (10,078)        | (7,109)         | (10,078)        |
| <b>Unitholders' funds as at end of the year</b>   | <b>411,087</b>  | <b>471,154</b>  | <b>264,322</b>  | <b>277,805</b>  |

## Non-controlling interest

|   | Group           |                 |
|---|-----------------|-----------------|
|   | 2022<br>S\$'000 | 2021<br>S\$'000 |
| <b>At beginning of the year</b>   | 185,684         | 173,187         |
| Total return attributable to non-controlling interests                  | 7,856           | 7,480           |
| Distributions to non-controlling interests                              | (4,767)         | (7,721)         |
| Translation differences from financial statements of foreign operations | (15,919)        | 12,738          |
| <b>At end of the year</b>   | <b>172,854</b>  | <b>185,684</b>  |

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

# PORTFOLIO STATEMENT

As at 31 December 2022

| Group  | Description of leasehold property                             | Location | Term of lease (years) | Remaining term of lease (years) | Valuation as at |           | Valuation as at |           | Percentage of Unitholders' funds |      |
|--|---|----------|-----------------------|---------------------------------|-----------------|-----------|-----------------|-----------|----------------------------------|------|
|  |   |          |                       |                                 | 2022            | 2021      | 2022            | 2021      | 2022                             | 2021 |
|  |   |          |                       |                                 | RMB'000         | RMB'000   | SS\$'000        | SS\$'000  | %                                | %    |
| Beijing Wanliu                                       | No.2 Bagou Road, Haidian District, Beijing                    |          | 30                    | 22 <sup>(1)</sup>               | 2,527,000       | 2,511,500 | 490,162         | 532,948   | 119                              | 113  |
| Chengdu Konggang                                     | No. 166 Jinhua Road second section, Shuangliu County, Chengdu |          | 32                    | 24 <sup>(2)</sup>               | 667,000         | 663,000   | 129,378         | 140,691   | 30                               | 31   |
| Hefei Mengchenglu                                    | No.99 Mengcheng Road, Luyang District, Hefei                  |          | 30                    | 22                              | 587,000         | 584,000   | 113,860         | 123,927   | 28                               | 26   |
| Hefei Changjiangxilu                                 | No. 639 Changjiangxilu Road, Shushan District, Hefei          |          | 30                    | 20                              | 483,000         | 480,500   | 93,688          | 101,963   | 22                               | 22   |
| Xining Huayuan                                       | Nos.16-19 Shipo street, Chengzhong District, Xining           |          | 34                    | 26                              | 274,000         | 274,000   | 53,148          | 58,144    | 13                               | 12   |
| Dalian Jinsanjiao                                    | No.18 Huadong Road, Ganjingzi District, Dalian                |          | 33                    | 19                              | 165,000         | 165,000   | 32,005          | 35,013    | 8                                | 7    |
| Investment properties, at valuation                  |   |          |                       |                                 |                 |           | 912,241         | 992,686   | 220                              | 211  |
| Other assets and liabilities (net)                   |   |          |                       |                                 |                 |           | (328,300)       | (335,848) | (80)                             | (71) |
| Net assets   |   |          |                       |                                 |                 |           | 583,941         | 656,838   | 140                              | 140  |
| Net assets attributable to non-controlling interests |   |          |                       |                                 |                 |           | (172,854)       | (185,684) | (40)                             | (40) |
| Net assets attributable to Unitholders               |   |          |                       |                                 |                 |           | 411,087         | 471,154   | 100                              | 100  |

<sup>(1)</sup> 32 years of remaining term lease for underground car parking use.

<sup>(2)</sup> 54 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 2022

|  | Note | Group           |                 |
|--|------|-----------------|-----------------|
|  |      | 2022<br>S\$'000 | 2021<br>S\$'000 |
| <b>Cash flows from operating activities</b>                  |      |                 |                 |
| Total return for the year before taxation                    |      | 21,004          | 23,993          |
| Adjustments for:   |      |                 |                 |
| Finance income   | 19   | (245)           | (128)           |
| Finance costs  | 19   | 16,026          | 14,378          |
| Loss on disposal of plant and equipment                      |      | 57              | 4               |
| Depreciation of plant and equipment                          | 5    | 99              | 111             |
| Property Manager's management fees paid/payable in Units     |      | –               | 824             |
| Changes in fair value of investment properties               | 4    | (1,411)         | 311             |
| Foreign exchange loss – unrealised                           |      | 48              | 1,151           |
| <b>Operating income before working capital changes</b>       |      | <b>35,578</b>   | <b>40,644</b>   |
| <b>Changes in:</b>   |      |                 |                 |
| Trade and other receivables                                  |      | (5,149)         | 203             |
| Trade and other payables                                     |      | 763             | (3,958)         |
| Security deposits  |      | (3,716)         | 2,160           |
| <b>Cash generated from operating activities</b>              |      | <b>27,476</b>   | <b>39,049</b>   |
| Tax paid   |      | (6,992)         | (6,697)         |
| <b>Net cash generated from operating activities</b>          |      | <b>20,484</b>   | <b>32,352</b>   |
| <b>Cash flows from investing activities</b>                  |      |                 |                 |
| Capital expenditure on investment properties                 |      | (3,638)         | (2,687)         |
| Purchase of plant and equipment                              |      | (12)            | (52)            |
| Interest received  |      | 245             | 128             |
| <b>Net cash used in investing activities</b>                 |      | <b>(3,405)</b>  | <b>(2,611)</b>  |
| <b>Cash flows from financing activities</b>                  |      |                 |                 |
| Distribution to Unitholders                                  |      | (7,109)         | (10,902)        |
| Dividend paid to non-controlling interests                   |      | (4,767)         | (7,721)         |
| (Increase)/decrease in restricted cash                       |      | (1,685)         | 2,121           |
| Proceeds from borrowings                                     | 11   | 16,877          | 7,000           |
| Repayment of borrowings                                      | 11   | (12,305)        | (8,250)         |
| Payment of transaction costs related to loans and borrowings | 11   | (7,202)         | (25)            |
| Interest paid  | 11   | (10,535)        | (9,468)         |
| Net settlement of derivative contracts                       | 11   | (596)           | (2,297)         |
| <b>Net cash used in financing activities</b>                 |      | <b>(27,322)</b> | <b>(29,542)</b> |

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

# STATEMENT OF CASH FLOWS

Year ended 31 December 2022

|  | Note | Group<br>2022<br>S\$'000 | 2021<br>S\$'000 |
|--|------|--------------------------|-----------------|
| <b>(Decrease)/increase in cash and cash equivalents</b>  |      | (10,243)                 | 199             |
| Cash and cash equivalents at 1 January                   |      | 46,559                   | 44,227          |
| Effect of foreign exchange rate changes on cash balances |      | (3,483)                  | 2,133           |
| <b>Cash and cash equivalents at 31 December</b>          | 10   | 32,833                   | 46,559          |

**Notes:**

**Significant non-cash transactions**

- (i) For the financial year ended 31 December 2021, the Property Manager's management fees for the year was S\$824,000. S\$407,000 was paid during the year through the issuance of 732,000 Units and the remaining S\$417,000 was paid through the issuance of 735,000 Units subsequent to the year end.
- (ii) For the financial year ended 31 December 2022, the REIT issued 4,299,000 (2021: Nil) new Units at an issue price of S\$0.5070 per Unit as payment of distribution under the distribution reinvestment plan for the period from 1 January 2022 to 30 June 2022.

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 24 March 2023.

## 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 2022

## 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 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 Financial Reporting Standards ("FRS"). The changes to significant accounting policies are described in note 2.5.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 2. BASIS OF PREPARATION (CONT'D)

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year includes the valuation of investment properties under Note 4.

#### 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).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements (cont'd)

#### Measurement of fair values (cont'd)

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

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

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

### 2.5 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 2022:

- Amendment to FRS 116: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to FRS 103: *Reference to the Conceptual Framework*
- Amendments to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to FRSs 2018-2020

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 2.5, 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of consolidation (cont'd)

#### (i) Business combinations (cont'd)

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.

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 (except for foreign currency transaction gains or losses) 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Foreign currency

#### (i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign exchange rates at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in statement of total return. However, foreign currency differences arising from the translation of the following items are recognised in Unitholders' Funds:

- An equity investment designated as at FVOCI
- 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 significant influence or joint control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

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 and are recognised in Unitholders' funds and are presented in the foreign currency translation reserve in equity.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments

(i) Recognition and initial measurement

***Non-derivative financial assets and financial liabilities***

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, 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 2022

## 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.

##### *Interest rate benchmark reform*

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. No immediate gain or loss is recognised.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications to the additional changes.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments (cont'd)

#### (iv) Offsetting

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

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

#### (vi) Derivative financial instruments and hedge accounting

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments (cont'd)

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

##### *Cash flow hedges (cont'd)*

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.

##### *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 Code on Collective Investment Schemes (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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Plant and equipment

#### (i) Recognition and measurement

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

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

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

#### (ii) Subsequent costs

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

#### (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 2022

## 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 2022

## 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (cont'd)

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to disposal. 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

On 12 August 2022, the Manager announced the implementation of the Distribution Reinvestment Plan ("DRP"), which provides eligible Unitholders with the option to elect to receive the REIT's Units in respect of all or part only (where applicable) in lieu of the cash amount of any distribution to which the DRP applies. The Manager may, in its absolute discretion, determine when to implement a DRP.

### 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Leases (cont'd)

#### (i) As a lessee (cont'd)

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.

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. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Taxation (cont'd)

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, that affects neither accounting nor taxable profit or loss; and
- temporary differences relating to investments in subsidiaries to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

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 or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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 and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

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 REIT's statement of financial position.

- Amendments to FRS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to FRS 1: Classification of Liabilities as Current or Non-Current
- FRS 117 Insurance Contracts and Amendments to FRS 117 Insurance Contracts
- Amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to FRS 8: Definition of Accounting Estimates

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 4 INVESTMENT PROPERTIES

|                           | Group    |         |
|---------------------------|----------|---------|
|                           | 2022     | 2021    |
|                           | S\$'000  | S\$'000 |
| At beginning of the year  | 992,686  | 943,187 |
| Additions during the year | 3,638    | 2,687   |
|                           | 996,324  | 945,874 |
| Changes in fair value     | 1,411    | (311)   |
| Translation differences   | (85,494) | 47,123  |
| At end of the year        | 912,241  | 992,686 |

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\$2.9 million (2021: S\$3.0 million).

### *Fair value*

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4). Investment properties are stated at fair value based on valuation as at 31 December 2022 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. 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 4 INVESTMENT PROPERTIES

### *Fair value (cont'd)*

#### *Level 3 fair values*

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

| <b>Valuation methods</b>       | <b>Significant unobservable inputs</b>                          | <b>Inter-relationship between key unobservable inputs and fair value measurement</b> |
|--------------------------------|---|--|
| Discounted cash flows approach | Discount rates from 6.9% to 8.0% (2021: 7.0% to 8.0%) per annum | The fair value increases as discount rate decreases.                                 |
|                                | Terminal growth rates 3.0% (2021: 3.0%)                         | The fair value increases as terminal growth rate increases.                          |
| Income capitalisation approach | Term yield from 5.0% to 6.6% (2021: 4.5% to 5.5%)               | The fair value increases as term yield decrease.                                     |
|                                | Reversionary rates from 5.5% to 7.1% (2021: 5.0% to 6.0%)       | The fair value increases as reversionary rate decrease.                              |

### *Security*

The investment properties are pledged as security to secure credit facilities (Note 11).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 5. PLANT AND EQUIPMENT

|   | Plant and machinery<br>S\$'000 | Motor vehicles<br>S\$'000 | Furniture, fittings and equipment<br>S\$'000 | Total<br>S\$'000 |
|---|--------------------------------|---------------------------|--|------------------|
| <b>Group</b>                            |                                |                           |  |                  |
| <b>Cost</b>                             |                                |                           |  |                  |
| At 1 January 2021                       | 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            |
| Additions during the year               | 4                              | -                         | 8  | 12               |
| Disposal/written off                    | (55)                           | -                         | (34)   | (89)             |
| Translation difference on consolidation | (291)                          | (23)                      | (334)  | (648)            |
| At 31 December 2022                     | 3,704                          | 244                       | 3,557  | 7,505            |
| <b>Accumulated depreciation</b>         |                                |                           |  |                  |
| At 1 January 2021                       | 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            |
| Charge for the year                     | 26                             | 8                         | 65   | 99               |
| Disposal/written off                    | -                              | -                         | (32)   | (32)             |
| Translation difference on consolidation | (324)                          | (20)                      | (308)  | (652)            |
| At 31 December 2022                     | 3,455                          | 222                       | 3,296  | 6,973            |
| <b>Carrying amounts</b>                 |                                |                           |  |                  |
| At 1 January 2021                       | 273                            | 41                        | 388  | 702              |
| At 31 December 2021                     | 293                            | 33                        | 346  | 672              |
| At 31 December 2022                     | 249                            | 22                        | 261  | 532              |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 6. INTERESTS IN SUBSIDIARIES

|   | REIT            |                 |
|---|-----------------|-----------------|
|   | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Equity investment, at cost              | 5,510           | 5,510           |
| Non-trade amounts due from subsidiaries | 579,483         | 585,485         |
|   | <u>584,993</u>  | <u>590,995</u>  |

(a) Details of the subsidiaries are as follows:

| Name of subsidiaries | Place of incorporation/<br>business | Effective equity held by the Group |           |
|----------------------|-------------------------------------|------------------------------------|-----------|
|                      |                                     | 2022<br>%                          | 2021<br>% |

### 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 2022

## 6. INTERESTS IN SUBSIDIARIES (CONT'D)

- (b) The non-trade amounts due from subsidiaries are unsecured, interest-free, have no fixed term on repayment and are not expected to be repaid within the next 12 months. 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 2022.

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

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

| Group  | Recognised in statements of total return |                           |                        | Recognised in statements of total return |                           |                        | At 31 December |
|--|--|---------------------------|------------------------|--|---------------------------|------------------------|----------------|
|  | At 1 January 2021                        | of total return (Note 20) | Translation difference | At 31 December 2021                      | of total return (Note 20) | Translation difference | December 2022  |
|  | S\$'000                                  | S\$'000                   | S\$'000                | S\$'000                                  | S\$'000                   | S\$'000                | S\$'000        |
| <b>Deferred tax assets</b>                               |  |                           |                        |  |                           |                        |                |
| Allowance for doubtful receivables and unutilised losses | 47                                       | 8                         | 3                      | 58                                       | 2                         | (5)                    | 55             |
| <b>Deferred tax liabilities</b>                          |  |                           |                        |  |                           |                        |                |
| Investment properties                                    | (38,902)                                 | 78                        | (1,591)                | (40,415)                                 | (353)                     | 3,480                  | (37,288)       |
| Tax on unrepatriated profits                             | (255)                                    | (138)                     | (277)                  | (670)                                    | 36                        | 43                     | (591)          |
|  | (39,157)                                 | (60)                      | (1,868)                | (41,085)                                 | (317)                     | 3,523                  | (37,879)       |
|  | (39,110)                                 | (52)                      | (1,865)                | (41,027)                                 | (315)                     | 3,518                  | (37,824)       |



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 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    |          |
|--------------------------|----------|----------|
|                          | 2022     | 2021     |
|                          | S\$'000  | S\$'000  |
| Deferred tax assets      | 55       | 58       |
| Deferred tax liabilities | (37,879) | (41,085) |

### *Unrecognised deferred tax assets*

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

|                       | Group   |         |
|-----------------------|---------|---------|
|                       | 2022    | 2021    |
|                       | S\$'000 | S\$'000 |
| Unutilised tax losses | 4,441   | 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.

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the country in which the subsidiaries operate. These tax losses can be carried forward up to five consecutive years and will expire on the fifth year from which the tax losses arise.

## 8. FINANCIAL DERIVATIVES

|                                      | Group and REIT |         |
|--------------------------------------|----------------|---------|
|                                      | 2022           | 2021    |
|                                      | S\$'000        | S\$'000 |
| <b>Derivative assets</b>             |                |         |
| Interest rate swaps used for hedging | 1,509          | -       |
| Non-current                          | 1,509          | -       |
| <b>Derivative liabilities</b>        |                |         |
| Interest rate swaps used for hedging | 135            | 993     |
| Current                              | -              | 993     |
| Non-current                          | 135            | -       |
|                                      | 135            | 993     |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 8. FINANCIAL DERIVATIVES (CONT'D)

### *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\$104.0 million (2021: S\$145.2 million) and S\$104.0 million (2021: S\$145.2 million) are entered respectively, to provide fixed rate funding for average terms of 3 years (2021: 3 years) at an average interest rate of 2.85% (2021: 1.84%) per annum. These interest rate swaps are designated as hedging instruments in cash flow hedges. The fair value of financial derivatives represented 0.24% (2021: 0.15%) of the net assets of the Group as at 31 December 2022.

## 9. TRADE AND OTHER RECEIVABLES

|                             | Group           |                 | REIT            |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|                             | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Trade receivables           | 3,887           | 151             | -               | -               |
| Impairment losses           | (99)            | (8)             | -               | -               |
|                             | <u>3,788</u>    | <u>143</u>      | <u>-</u>        | <u>-</u>        |
| Other receivables           | 3,840           | 2,345           | 988             | 348             |
| Impairment losses           | (48)            | (119)           | -               | -               |
|                             | <u>3,792</u>    | <u>2,226</u>    | <u>988</u>      | <u>348</u>      |
| Trade and other receivables | 7,580           | 2,369           | 988             | 348             |
| Prepayments                 | 817             | 320             | 27              | 27              |
|                             | <u>8,397</u>    | <u>2,689</u>    | <u>1,015</u>    | <u>375</u>      |

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 2022

## 9. 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            |                 |
|-----------|-----------------|-----------------|-----------------|-----------------|
|           | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Beijing   | 3,821           | 687             | -               | -               |
| Chengdu   | 1,004           | 504             | -               | -               |
| Hefei     | 757             | 132             | -               | -               |
| Qinghai   | 109             | -               | -               | -               |
| Dalian    | 817             | 1               | -               | -               |
| Singapore | 1,072           | 1,045           | 988             | 348             |
|           | <u>7,580</u>    | <u>2,369</u>    | <u>988</u>      | <u>348</u>      |

### *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 2022:

|                       | Gross<br>carrying<br>amount<br>S\$'000 | Group<br>impairment<br>loss<br>allowance<br>S\$'000 | Credit<br>impaired |
|-----------------------|--|---|--------------------|
| <b>2022</b>           |  |   |                    |
| Not past due          | 1,291                                  | -   | No                 |
| Past due 1 – 30 days  | 4,031                                  | -   | No                 |
| Past due 31 – 60 days | 1,258                                  | -   | No                 |
| Past due 61 – 90 days | 630                                    | -   | No                 |
| More than 90 days due | 517                                    | (147)   | Yes                |
|                       | <u>7,727</u>                           | <u>(147)</u>  |                    |
| <b>2021</b>           |  |   |                    |
| 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                |
|                       | <u>2,496</u>                           | <u>(127)</u>  |                    |

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 2022

## 9. 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:

|                              | <b>Group</b>                 |                |
|------------------------------|------------------------------|----------------|
|                              | <b>Individually impaired</b> |                |
|                              | <b>2022</b>                  | <b>2021</b>    |
|                              | <b>S\$'000</b>               | <b>S\$'000</b> |
| At 1 January per FRS 109     | 127                          | 88             |
| Impairment losses recognised | 20                           | 39             |
| At 31 December per FRS 109   | 147                          | 127            |

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).

## 10. CASH AND CASH EQUIVALENTS

|  | <b>Group</b>   |                | <b>REIT</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2022</b>    | <b>2021</b>    | <b>2022</b>    | <b>2021</b>    |
|  | <b>S\$'000</b> | <b>S\$'000</b> | <b>S\$'000</b> | <b>S\$'000</b> |
| Cash at banks and in hand                            | 36,442         | 48,483         | 2,130          | 2,666          |
| Restricted cash                                      | (3,609)        | (1,924)        | (2,018)        | (1,924)        |
| Cash and cash equivalents in statement of cash flows | 32,833         | 46,559         | 112            | 742            |

## 11. LOANS AND BORROWINGS

|                                     | <b>Group</b>   |                | <b>REIT</b>    |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | <b>2022</b>    | <b>2021</b>    | <b>2022</b>    | <b>2021</b>    |
|                                     | <b>S\$'000</b> | <b>S\$'000</b> | <b>S\$'000</b> | <b>S\$'000</b> |
| Unsecured loan                      | -              | 5,000          | -              | 5,000          |
| Secured loans                       | 297,161        | 291,106        | 251,647        | 238,904        |
| Less: Unamortised transaction costs | (5,422)        | (652)          | (5,167)        | (637)          |
|                                     | 291,739        | 295,454        | 246,480        | 243,267        |
| Current                             | 6,925          | 295,454        | 4,500          | 243,267        |
| Non-current                         | 284,814        | -              | 241,980        | -              |
|                                     | 291,739        | 295,454        | 246,480        | 243,267        |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 11. 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<br>interest rate<br>per annum<br>% | Year of<br>maturity | Face<br>value<br>S\$'000 | Carrying<br>amount<br>S\$'000 |
|----------------------------------|--|---------------------|--------------------------|-------------------------------|
| <b>2022</b>                      |  |                     |                          |                               |
| <b>Group</b>                     |  |                     |                          |                               |
| SGD secured floating rate loan   | 3.58-5.56                                  | 2025                | 249,647                  | 244,480                       |
| SGD secured floating rate loan   | 2.97-6.72                                  | 2023                | 2,000                    | 2,000                         |
| RMB secured floating rate loan   | 4.90-5.20                                  | 2025                | 33,867                   | 33,867                        |
| RMB secured floating rate loan   | 4.90-5.20                                  | 2025                | 11,647                   | 11,392                        |
|                                  |  |                     | 297,161                  | 291,739                       |
| <b>REIT</b>                      |  |                     |                          |                               |
| SGD secured floating rate loan   | 3.58-5.56                                  | 2025                | 249,647                  | 244,480                       |
| SGD secured floating rate loan   | 2.97-6.72                                  | 2023                | 2,000                    | 2,000                         |
|                                  |  |                     | 251,647                  | 246,480                       |
| <b>2021</b>                      |  |                     |                          |                               |
| <b>Group</b>                     |  |                     |                          |                               |
| 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                       |
| <b>REIT</b>                      |  |                     |                          |                               |
| 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                       |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 11. LOANS AND BORROWINGS (CONT'D)

### *Facilities and securities*

The Group has put in place two onshore secured borrowing facilities of RMB192.5 million and RMB104.5 million respectively which in total is equivalent to S\$63.4 million, and an offshore secured borrowing facility of S\$252.0 million. As at 31 December 2022, the S\$252.0 million offshore facility was fully drawn down, while RMB178.5 million and RMB62.1 million were drawn down from RMB192.5 million and RMB104.5 million onshore facilities respectively. For the year ended 31 December 2022, the Group had repaid RMB6.0 million (2021: 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 (2021: 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 (2021: five) Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

In addition to the above facilities, the REIT has obtained and drawn down from unsecured facilities an amount totalling S\$1.2 million (2021: Nil) and from other secured bank facility an amount totalling S\$2.0 million (2021: S\$2.0 million). The REIT had repaid S\$8.2 million (2021: S\$7.0 million) of these facilities during the year.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 11. LOANS AND BORROWINGS (CONT'D)

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

|   | Liabilities                     |  | Derivatives (assets)/liabilities held to hedge long-term borrowings |  | Total<br>S\$'000 |
|---|---------------------------------|--|---|--|------------------|
|   | Loans and borrowings<br>S\$'000 | Interest payable<br>(Note 12)<br>S\$'000 | Interest rate swap used for hedging - assets<br>S\$'000             | Interest rate swap used for hedging - liabilities<br>S\$'000 |                  |
| <b>Balance at 1 January 2022</b>                              | 295,454                         | 6,066                                    | -   | 993  | 302,513          |
| <b>Changes from financing cash flows</b>                      |                                 |  |   |  |                  |
| Net settlement of derivative contracts                        | -                               | -  | -   | 596  | 596              |
| Proceeds from borrowings                                      | 16,877                          | -  | -   | -  | 16,877           |
| Repayment of borrowings                                       | (12,305)                        | -  | -   | -  | (12,305)         |
| Payment of transaction costs relating to loans and borrowings | (7,202)                         | -  | -   | -  | (7,202)          |
| Interest paid   | -                               | (10,535)                                 | -   | -  | (10,535)         |
|   | (2,630)                         | (10,535)                                 | -   | 596  | (12,569)         |
| <b>Non-cash changes</b>                                       |                                 |  |   |  |                  |
| Effect of changes in foreign exchange rates                   | (3,502)                         | (459)                                    | -   | -  | (3,961)          |
| Amortisation of borrowing costs                               | 2,417                           | -  | -   | -  | 2,417            |
| Interest expense  | -                               | 13,609                                   | -   | -  | 13,609           |
| Fair value gain   | -                               | -  | (1,509)   | (1,454)  | (2,963)          |
|   | (1,085)                         | 13,150                                   | (1,509)   | (1,454)  | 9,102            |
| <b>Balance at 31 December 2022</b>                            | 291,739                         | 8,681                                    | (1,509)   | 135  | 299,046          |
| <b>Balance at 1 January 2021</b>                              | 291,635                         | 3,425                                    | -   | 3,302  | 298,362          |
| <b>Changes from financing cash flows</b>                      |                                 |  |   |  |                  |
| Net settlement of derivative contracts                        | -                               | -  | -   | 2,297  | 2,297            |
| Proceeds from borrowings                                      | 7,000                           | -  | -   | -  | 7,000            |
| Repayment of borrowings                                       | (8,250)                         | -  | -   | -  | (8,250)          |
| Interest paid   | -                               | (9,493)                                  | -   | -  | (9,493)          |
|   | (1,250)                         | (9,493)                                  | -   | 2,297  | (8,446)          |
| <b>Non-cash changes</b>                                       |                                 |  |   |  |                  |
| Effect 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           |
| Fair value gain   | -                               | -  | -   | (4,606)  | (4,606)          |
|   | 5,069                           | 12,134                                   | -   | (4,606)  | 12,597           |
| <b>Balance at 31 December 2021</b>                            | 295,454                         | 6,066                                    | -   | 993  | 302,513          |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 12. TRADE AND OTHER PAYABLES

|  | Group           |                 | REIT            |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Trade payables                         | 7,390           | 9,153           | -               | -               |
| Interest payables                      | 8,681           | 6,066           | 14,126          | 9,565           |
| Other payables                         | 1,692           | 3,645           | 67              | 63              |
| Accrued operating expenses             | 3,513           | 2,217           | 986             | 408             |
| Management fees payable to the Manager | 521             | 1,113           | 521             | 1,113           |
| Loan from subsidiaries                 | -               | -               | 60,829          | 59,162          |
| Amount owing to subsidiaries           | -               | -               | 2,181           | 1,660           |
| Deposits and advances from tenants     | 2,445           | 2,503           | -               | -               |
|  | <u>24,242</u>   | <u>24,697</u>   | <u>78,710</u>   | <u>71,971</u>   |
| Current                                | 22,503          | 22,795          | 71,882          | 12,809          |
| Non-current                            | 1,739           | 1,902           | 6,828           | 59,162          |
|  | <u>24,242</u>   | <u>24,697</u>   | <u>78,710</u>   | <u>71,971</u>   |

The loan from subsidiaries are non-trade in nature, unsecured, interest-bearing at 4.75% (2021: 4.75%) per annum and repayable within 1 to 4 years (2021: 1 to 4 years).

## 13. UNITHOLDERS' FUNDS

|  | Note | Group           |                 | REIT            |                 |
|--|------|-----------------|-----------------|-----------------|-----------------|
|  |      | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| At 1 January                                       |      | 471,154         | 439,256         | 277,805         | 288,726         |
| Net assets/(liabilities) resulting from operations |      | 7,369           | 8,971           | (8,741)         | (3,152)         |
| Statutory reserve                                  | (a)  | (1,268)         | (1,461)         | -               | -               |
|  |      | <u>477,255</u>  | <u>446,766</u>  | <u>269,064</u>  | <u>285,574</u>  |
| Foreign currency translation reserve               | (b)  | (61,426)        | 32,157          | -               | -               |
| Hedging reserve                                    | (c)  | 2,367           | 2,309           | 2,367           | 2,309           |
| Unitholders' distributions                         |      | (7,109)         | (10,078)        | (7,109)         | (10,078)        |
| At 31 December                                     |      | <u>411,087</u>  | <u>471,154</u>  | <u>264,322</u>  | <u>277,805</u>  |

### (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.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 13. UNITHOLDERS' FUNDS (CONT'D)

(b) The foreign currency translation reserve comprises:

- (i) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the REIT; and
- (ii) the foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(c) Hedging reserve

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

## 14. NON-CONTROLLING INTERESTS

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

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

|   | 2022<br>S\$'000 | 2021<br>S\$'000 |
|---|-----------------|-----------------|
| Non-current assets  | 490,265         | 533,083         |
| Current assets  | 24,498          | 29,060          |
| Non-current liabilities   | (63,845)        | (34,300)        |
| Current liabilities   | (18,783)        | (63,634)        |
| <b>Net assets</b>   | <b>432,135</b>  | <b>464,209</b>  |
| <b>Net assets attributable to NCI</b>   | <b>172,854</b>  | <b>185,684</b>  |
| <b>Revenue</b>  | <b>37,136</b>   | <b>38,682</b>   |
| <b>Total return after taxation</b>  | <b>19,641</b>   | <b>18,700</b>   |
| <b>Total return after taxation attributable to NCI</b>  | <b>7,856</b>    | <b>7,480</b>    |
| Cash flows from operating activities  | 12,205          | 22,318          |
| Cash flows used in investing activities   | (1,113)         | (687)           |
| Cash flows used in financing activities<br>(dividends to NCI: S\$4,767,000, 2021: S\$7,721,000) | (17,133)        | (22,364)        |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(6,041)</b>  | <b>(733)</b>    |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 15. UNITS IN ISSUE

|   | 2022<br>Number<br>of Units<br>'000 | 2021<br>Number<br>of Units<br>'000 |
|---|------------------------------------|------------------------------------|
| <b>Issue of new Units relating to:</b>                          |                                    |                                    |
| - as at beginning of the year                                   | 512,451                            | 510,995                            |
| - payment of Property Manager's management fees                 | 735                                | 1,456                              |
| - units issued in respect of the distribution reinvestment plan | 4,299                              | -                                  |
|   | 517,485                            | 512,451                            |
| <b>Units to be issued:</b>                                      |                                    |                                    |
| - payment of Property Manager's management fees                 | -                                  | 735                                |
|   | 517,485                            | 513,186                            |

Units issued during the year ended 31 December 2022 are as follows:

- (a) On 9 March 2022, the REIT issued 391,000 new Units at an issue price of S\$0.5329 per Unit as payment of the Property Manager's management fees, for the period from 1 July 2021 to 30 September 2021.
- (b) On 9 March 2022, the REIT issued 344,000 new Units at an issue price of S\$0.6039 per Unit as payment of the Property Manager's management fees, for the period from 1 October 2021 to 31 December 2021.
- (c) On 28 September 2022, the REIT issued 4,299,000 new Units at an issue price of S\$0.5070 per Unit as payment of distribution under the distribution reinvestment plan for the period from 1 January 2022 to 30 June 2022.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 15. UNITS IN ISSUE (CONT'D)

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;
- 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 16. TOTAL UNITHOLDERS' DISTRIBUTION (CONT'D)

### *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 2022 to 30 June 2022 had been paid on 28 September 2022. Distributions for the period from 1 July 2022 to 31 December 2022 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

|   | <b>Group</b>   |                |
|---|----------------|----------------|
|   | <b>2022</b>    | <b>2021</b>    |
|   | <b>S\$'000</b> | <b>S\$'000</b> |
| Advertising and promotion                                   | 2,294          | 2,493          |
| Depreciation of plant and equipment                         | 99             | 111            |
| Impairment losses recognised on trade and other receivables | 20             | 39             |
| Repair and maintenance                                      | 6,842          | 6,217          |
| Staff costs   | 1,568          | 2,049          |
| Utilities   | 8,682          | 8,054          |
| Others  | 439            | 313            |
|   | <b>19,944</b>  | <b>19,276</b>  |

Included in staff costs is contribution to defined contribution plans of S\$214,000 (2021: S\$256,000).

## 18. OTHER OPERATING EXPENSES

|                   | <b>Group</b>   |                | <b>REIT</b>    |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | <b>2022</b>    | <b>2021</b>    | <b>2022</b>    | <b>2021</b>    |
|                   | <b>S\$'000</b> | <b>S\$'000</b> | <b>S\$'000</b> | <b>S\$'000</b> |
| Audit fees        | 390            | 380            | 158            | 158            |
| Professional fees | 1,266          | 313            | 846            | 279            |
| Others            | 284            | 188            | 244            | 119            |
|                   | <b>1,940</b>   | <b>881</b>     | <b>1,248</b>   | <b>556</b>     |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 19. FINANCE INCOME AND FINANCE COSTS

|   | Group    |          | REIT     |          |
|---|----------|----------|----------|----------|
|   | 2022     | 2021     | 2022     | 2021     |
|   | S\$'000  | S\$'000  | S\$'000  | S\$'000  |
| Finance income:   |          |          |          |          |
| - financial institutions                                  | 245      | 128      | -        | -        |
| Finance costs:  |          |          |          |          |
| - amortisation of borrowing costs                         | (2,417)  | (2,493)  | (2,298)  | (2,493)  |
| - interest expenses on loans and borrowings               | (13,609) | (11,885) | (13,495) | (11,724) |
|   | (16,026) | (14,378) | (15,793) | (14,217) |
| Net finance costs recognised in statement of total return | (15,781) | (14,250) | (15,793) | (14,217) |

## 20. TAXATION

|                                      | Group   |         | REIT    |         |
|--------------------------------------|---------|---------|---------|---------|
|                                      | 2022    | 2021    | 2022    | 2021    |
|                                      | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <b>Current taxation</b>              |         |         |         |         |
| Current year                         | 6,159   | 8,322   | -       | -       |
| Withholding tax                      | 573     | 629     | 40      | 87      |
|                                      | 6,732   | 8,951   | 40      | 87      |
| <b>Deferred taxation</b>             |         |         |         |         |
| Origination of temporary differences | 315     | 52      | -       | -       |
| <b>Income tax expense</b>            | 7,047   | 9,003   | 40      | 87      |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 20. TAXATION (CONT'D)

### Reconciliation of effective tax rate

|  | Group           |                 | REIT            |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2022<br>S\$'000 | 2021<br>S\$'000 | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Total return for the year before taxation                  | 21,004          | 23,993          | (8,701)         | (3,065)         |
| Tax calculated using Singapore tax rate of 17% (2021: 17%) | 3,571           | 4,079           | (1,479)         | (521)           |
| Adjustments:   |                 |                 |                 |                 |
| Effect of different tax rates in foreign jurisdictions     | 1,818           | 1,936           | -               | -               |
| Income not subject to tax                                  | (1,826)         | (3,619)         | (748)           | (3,066)         |
| Expenses not deductible for tax purposes                   | 50              | 1,722           | -               | -               |
| Effect of taxable distributions from subsidiaries          | (36)            | 138             | -               | -               |
| Deferred tax not recognised during the year                | 591             | 519             | -               | -               |
| Tax losses not allowed to be carried forward               | 2,306           | 3,599           | 2,227           | 3,587           |
| Withholding tax  | 573             | 629             | 40              | 87              |
|  | <u>7,047</u>    | <u>9,003</u>    | <u>40</u>       | <u>87</u>       |

## 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           |                 |
|---|-----------------|-----------------|
|   | 2022<br>S\$'000 | 2021<br>S\$'000 |
| Total return for the year after taxation and non-controlling interests  | <u>6,101</u>    | <u>7,510</u>    |
| Issued Units  |                 |                 |
| As at beginning of the year   | 512,451         | 511,718         |
| - Property Manager's management fees paid/payable in Units              | 600             | 565             |
| - Distribution Reinvestment plan paid in Units                          | 1,131           | -               |
| Weighted average number of issued and issuable Units at end of the year | <u>514,182</u>  | <u>512,283</u>  |
| Basic earnings per Unit (cents)   | <u>1.19</u>     | <u>1.47</u>     |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 21. EARNINGS PER UNIT (CONT'D)

### 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                      |                            |
|--|----------------------------|----------------------------|
|  | 2022                       | 2021                       |
|  | S\$'000                    | S\$'000                    |
| Total return for the year after taxation and non-controlling interests     | 6,101                      | 7,510                      |
|  | Number<br>of Units<br>'000 | Number<br>of Units<br>'000 |
| Issued Units   |                            |                            |
| As at beginning of the year  | 512,451                    | 511,718                    |
| - Property Manager's management fees paid/payable in Units                 | 735                        | 1,468                      |
| - Distribution Reinvestment plan paid in Units                             | 4,299                      | -                          |
| Weighted average number of issued and issuable Units<br>at end of the year | 517,485                    | 513,186                    |
| Diluted earnings per Unit (cents)  | 1.18                       | 1.46                       |

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 23. FINANCIAL RATIOS

|  | Group |      |
|--|-------|------|
|  | 2022  | 2021 |
|  | %     | %    |
| Ratio of expenses to average net asset value <sup>(1)</sup>    |       |      |
| - excluding performance component of Manager's management fees | 0.65  | 0.72 |
| - including performance component of Manager's management fees | 0.65  | 0.56 |
| Ratio of expenses to net asset value <sup>(2)</sup>            | 5.41  | 4.89 |
| Portfolio turnover rate <sup>(3)</sup>                         | -     | -    |

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 (2022: S\$31,567,000 and 2021: S\$32,114,000) and as a percentage of net asset value as at the financial year end.

<sup>(3)</sup> The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. There was no purchase or sale of the investment properties in 2022 and 2021.

## 24. OPERATING SEGMENTS

The Group has 6 (2021: 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")

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.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

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<br>Wanliu<br>S\$'000 | Chengdu<br>Konggang<br>S\$'000 | Hefei<br>Mengchenglu<br>S\$'000 | Hefei<br>Changjiangxilu<br>S\$'000 | Xining<br>Huayuan<br>S\$'000 | Dalian<br>Jinsanjiao<br>S\$'000 | Total<br>S\$'000 |
|--|------------------------------|--------------------------------|---------------------------------|------------------------------------|------------------------------|---------------------------------|------------------|
| <b>2022</b>  |                              |                                |                                 |                                    |                              |                                 |                  |
| <b>External revenues:</b>                              |                              |                                |                                 |                                    |                              |                                 |                  |
| - Gross rental income                                  | 34,973                       | 11,038                         | 3,605                           | 6,333                              | 3,375                        | 2,440                           | 61,764           |
| - Others   | 2,163                        | 1,178                          | 605                             | 722                                | -                            | -                               | 4,668            |
| Gross revenue  | 37,136                       | 12,216                         | 4,210                           | 7,055                              | 3,375                        | 2,440                           | 66,432           |
| <b>Segment net property income</b>                     | 23,293                       | 5,926                          | 510                             | 2,698                              | 3,090                        | 2,210                           | 37,727           |
| <b>Finance income</b>                                  | 77                           | 1,416                          | 1,289                           | 644                                | 468                          | 198                             | 4,092            |
| <b>Finance costs</b>                                   | (2,126)                      | (691)                          | (899)                           | (245)                              | (138)                        | -                               | (4,099)          |
| <b>Reportable segment total return before taxation</b> | 23,730                       | 4,206                          | (1,373)                         | 2,388                              | 2,905                        | 2,377                           | 34,233           |
| <b>Segment assets</b>                                  | 526,867                      | 173,887                        | 148,532                         | 111,786                            | 70,161                       | 41,857                          | 1,073,090        |
| <b>Segment liabilities</b>                             | 275,644                      | 155,422                        | 139,624                         | 80,759                             | 62,548                       | 32,320                          | 746,317          |
| <b>Other segment items:</b>                            |                              |                                |                                 |                                    |                              |                                 |                  |
| Depreciation   | (24)                         | (34)                           | (14)                            | (27)                               | -                            | -                               | (99)             |
| Net change in fair value of investment properties      | (1,881)                      | 150                            | 593                             | (273)                              | -                            | -                               | (1,411)          |
| Capital expenditure                                    | (1,191)                      | (983)                          | (1,246)                         | (230)                              | -                            | -                               | (3,650)          |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

|  | Beijing<br>Wanliu<br>S\$'000 | Chengdu<br>Konggang<br>S\$'000 | Hefei<br>Mengchenglu<br>S\$'000 | Hefei<br>Changjiangxilu<br>S\$'000 | Xining<br>Huayuan<br>S\$'000 | Dalian<br>Jinsanjiao<br>S\$'000 | Total<br>S\$'000 |
|--|------------------------------|--------------------------------|---------------------------------|------------------------------------|------------------------------|---------------------------------|------------------|
| <b>2021</b>  |                              |                                |                                 |                                    |                              |                                 |                  |
| <b>External revenues:</b>                              |                              |                                |                                 |                                    |                              |                                 |                  |
| - 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           |
| <b>Segment net property income</b>                     | 25,017                       | 6,929                          | 942                             | 3,446                              | 3,232                        | 2,239                           | 41,805           |
| <b>Finance income</b>                                  | 91                           | 1,554                          | 1,380                           | 615                                | 294                          | 170                             | 4,104            |
| <b>Finance costs</b>                                   | (2,331)                      | (657)                          | (973)                           | (194)                              | -                            | -                               | (4,155)          |
| <b>Reportable segment total return before taxation</b> | 23,071                       | 8,174                          | 2,732                           | 5,189                              | 3,484                        | 2,379                           | 45,029           |
| <b>Segment assets</b>                                  | 575,484                      | 184,609                        | 159,457                         | 120,012                            | 68,471                       | 43,749                          | 1,151,782        |
| <b>Segment liabilities</b>                             | 296,159                      | 157,532                        | 140,685                         | 82,247                             | 56,367                       | 32,436                          | 765,426          |
| <b>Other segment items:</b>                            |                              |                                |                                 |                                    |                              |                                 |                  |
| 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 2022

## 24. OPERATING SEGMENTS (CONT'D)

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

|  | 2022<br>S\$'000 | 2021<br>S\$'000 |
|--|-----------------|-----------------|
| <b>Revenue</b>                                       |                 |                 |
| Total revenue for reporting segments                 | 66,432          | 70,640          |
| <b>Total return</b>                                  |                 |                 |
| Total return for reportable segments before taxation | 34,233          | 45,029          |
| Unallocated amounts:                                 |                 |                 |
| - Other corporate expenses                           | (13,102)        | (21,095)        |
| Elimination of intercompany revenue                  | (127)           | 59              |
| Total return before taxation                         | 21,004          | 23,993          |
| <b>Assets</b>  |                 |                 |
| Total assets for reportable segments                 | 1,073,090       | 1,151,782       |
| Other unallocated amounts                            | 589,647         | 594,036         |
| Elimination of intercompany balances                 | (703,561)       | (701,230)       |
| Consolidated assets                                  | 959,176         | 1,044,588       |
| <b>Liabilities</b>                                   |                 |                 |
| Total liabilities for reportable segments            | 746,317         | 765,426         |
| Other unallocated amounts                            | 325,325         | 316,231         |
| Elimination of intercompany balances                 | (696,407)       | (693,907)       |
| Consolidated liabilities                             | 375,235         | 387,750         |

|  | Reportable<br>segment<br>totals<br>S\$'000 | Other<br>unallocated<br>amounts<br>S\$'000 | Elimination of<br>intercompany<br>balances<br>S\$'000 | Consolidated<br>totals<br>S\$'000 |
|--|--|--|---|-----------------------------------|
|--|--|--|---|-----------------------------------|

### Other material items 31 December 2022

|                |         |          |         |          |
|----------------|---------|----------|---------|----------|
| Finance income | 4,092   | -        | (3,847) | 245      |
| Finance costs  | (4,099) | (15,794) | 3,867   | (16,026) |

### Other material items 31 December 2021

|                |         |          |         |          |
|----------------|---------|----------|---------|----------|
| Finance income | 4,104   | -        | (3,976) | 128      |
| Finance costs  | (4,155) | (14,217) | 3,994   | (14,378) |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

### 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\$8.1 million (2021: S\$8.7 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          |                |
|--------------------------------|----------------|----------------|
|                                | 2022           | 2021           |
|                                | S\$'000        | S\$'000        |
| Operating leases under FRS 116 |                |                |
| - within 1 year                | 52,565         | 49,995         |
| - 1 to 2 years                 | 19,061         | 30,765         |
| - 2 to 3 years                 | 13,994         | 19,554         |
| - 3 to 4 years                 | 11,073         | 14,788         |
| - 4 to 5 years                 | 10,056         | 10,496         |
| - after 5 years                | 53,413         | 61,216         |
|                                | <u>160,162</u> | <u>186,814</u> |

## 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 Funds Appendix"). The Property Funds Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 45.0% (2021: 50.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 45.0% (2021: 50.0%) during the year, and was 37.7% (2021: 34.1%) as at 31 December 2022. The interest coverage ratio is 2.2 times (2021: 2.8 times) at of 31 December 2022.

There were no changes in the Group's approach to capital management during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *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.

#### *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 2022

## 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 financial instruments, including estimated interest payments and excluding the impact of netting agreements:

|  | Carrying amount<br>S\$'000 | Contractual cash flow<br>S\$'000 | Within 1 year<br>S\$'000 | After 1 year but within 5 years<br>S\$'000 | After 5 years<br>S\$'000 |
|--|----------------------------|----------------------------------|--------------------------|--|--------------------------|
| <b>31 December 2022</b>                            |                            |                                  |                          |  |                          |
| <b>Group</b>                                       |                            |                                  |                          |  |                          |
| <b>Non-derivative financial liabilities</b>        |                            |                                  |                          |  |                          |
| Loans and borrowings                               | 291,739                    | (332,848)                        | (18,186)                 | (314,662)                                  | -                        |
| Trade and other payables                           | 24,242                     | (24,242)                         | (22,503)                 | (1,739)                                    | -                        |
| Security deposits                                  | 18,165                     | (18,165)                         | (11,983)                 | (5,754)                                    | (428)                    |
|  | 334,146                    | (375,255)                        | (52,672)                 | (322,155)                                  | (428)                    |
| <b>Derivative financial instruments</b>            |                            |                                  |                          |  |                          |
| Interest rate swaps used for hedging (net-settled) | (1,509)                    | 1,580                            | 811                      | 769  | -                        |
| Interest rate swaps used for hedging (net-settled) | 135                        | (195)                            | (17)                     | (178)                                      | -                        |
|  | 332,772                    | (373,870)                        | (51,878)                 | (321,564)                                  | (428)                    |
| <b>REIT</b>  |                            |                                  |                          |  |                          |
| <b>Non-derivative financial liabilities</b>        |                            |                                  |                          |  |                          |
| Loans and borrowings                               | 246,480                    | (282,270)                        | (15,887)                 | (266,383)                                  | -                        |
| Trade and other payables                           | 78,710                     | (77,044)                         | (70,924)                 | (6,120)                                    | -                        |
|  | 325,190                    | (359,314)                        | (86,811)                 | (272,503)                                  | -                        |
| <b>Derivative financial instruments</b>            |                            |                                  |                          |  |                          |
| Interest rate swaps used for hedging (net-settled) | (1,509)                    | 1,580                            | 811                      | 769  | -                        |
| Interest rate swaps used for hedging (net-settled) | 135                        | (195)                            | (17)                     | (178)                                      | -                        |
|  | 323,816                    | (357,929)                        | (86,017)                 | (271,912)                                  | -                        |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Liquidity risk (cont'd)

|  | Carrying amount<br>S\$'000 | Contractual cash flow<br>S\$'000 | Within 1 year<br>S\$'000 | After 1 year but within 5 years<br>S\$'000 | After 5 years<br>S\$'000 |
|--|----------------------------|----------------------------------|--------------------------|--|--------------------------|
| <b>31 December 2021</b>                            |                            |                                  |                          |  |                          |
| <b>Group</b>                                       |                            |                                  |                          |  |                          |
| <b>Non-derivative financial liabilities</b>        |                            |                                  |                          |  |                          |
| 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)                                    | -                        |
| <b>Derivative financial liabilities</b>            |                            |                                  |                          |  |                          |
| Interest rate swaps used for hedging (net-settled) | 993                        | (993)                            | (993)                    | -  | -                        |
|  | 343,025                    | (348,119)                        | (341,307)                | (6,812)                                    | -                        |
| <b>REIT</b>  |                            |                                  |                          |  |                          |
| <b>Non-derivative financial liabilities</b>        |                            |                                  |                          |  |                          |
| 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)                                   | -                        |
| <b>Derivative financial liabilities</b>            |                            |                                  |                          |  |                          |
| Interest rate swaps used for hedging (net-settled) | 993                        | (993)                            | (993)                    | -  | -                        |
|  | 316,231                    | (322,629)                        | (261,853)                | (60,776)                                   | -                        |

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 2022

## 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 2022:

Chinese Renminbi ("RMB") denominated facility:

- RMB 297.0 million three-year secured term loan facilities

S\$ denominated facilities:

- S\$252.0 million three-year secured term loan facilities
- S\$2.0 million credit facilities

The Group also monitors and observes the Property Funds 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 2022, the Group has entered into interest rate swaps with a total notional amount of S\$104.0 million (2021: S\$145.2 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 2022

## 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').

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. All the loan facility in Singapore undertaken by the Group have been reformed and are indexed to SORA.

#### 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. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

#### Hedge accounting

As at 31 December 2022, the Group's hedged items and hedging instruments are to be indexed to SORA. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

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

|                                  | <b>Group</b>           |                  | <b>REIT</b>            |                 |
|----------------------------------|------------------------|------------------|------------------------|-----------------|
|                                  | <b>Notional amount</b> |                  | <b>Notional amount</b> |                 |
|                                  | <b>2022</b>            | <b>2021</b>      | <b>2022</b>            | <b>2021</b>     |
|                                  | <b>S\$'000</b>         | <b>S\$'000</b>   | <b>S\$'000</b>         | <b>S\$'000</b>  |
| <b>Variable rate instruments</b> |                        |                  |                        |                 |
| Interest rate swaps              | 104,000                | 145,200          | 104,000                | 145,200         |
| Loans and borrowings             | (297,161)              | (296,106)        | (251,647)              | (243,904)       |
|                                  | <u>(193,161)</u>       | <u>(150,906)</u> | <u>(147,647)</u>       | <u>(98,704)</u> |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Managing interest rate benchmark reform and associated risks (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<br>increase<br>S\$'000 | 100 bp<br>decrease<br>S\$'000 | 100 bp<br>increase<br>S\$'000 | 100 bp<br>decrease<br>S\$'000 |
| <b>31 December 2022</b>     |                               |                               |                               |                               |
| <b>Group</b>                |                               |                               |                               |                               |
| Variable rate instruments   | (2,972)                       | 2,972                         | -                             | -                             |
| Interest rate swaps         | 1,040                         | (1,040)                       | 1,021                         | (1,080)                       |
| Cash flow sensitivity (net) | (1,932)                       | 1,932                         | 1,021                         | (1,080)                       |
| <b>REIT</b>                 |                               |                               |                               |                               |
| Variable rate instruments   | (2,516)                       | 2,516                         | -                             | -                             |
| Interest rate swaps         | 1,040                         | (1,040)                       | 1,021                         | (1,080)                       |
| Cash flow sensitivity (net) | (1,476)                       | 1,476                         | 1,021                         | (1,080)                       |
| <b>31 December 2021</b>     |                               |                               |                               |                               |
| <b>Group</b>                |                               |                               |                               |                               |
| 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)                          |
| <b>REIT</b>                 |                               |                               |                               |                               |
| Variable rate instruments   | (2,439)                       | 2,439                         | -                             | -                             |
| Interest rate swaps         | 1,452                         | (1,452)                       | (81)                          | (85)                          |
| Cash flow sensitivity (net) | (987)                         | 987                           | (81)                          | (85)                          |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 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<br>S\$'000 | RMB<br>S\$'000 | Total<br>S\$'000 |
|---------------------------|----------------|----------------|------------------|
| <b>31 December 2022</b>   |                |                |                  |
| <b>Group</b>              |                |                |                  |
| Cash and cash equivalents | 11             | -              | 11               |
| <b>REIT</b>               |                |                |                  |
| Cash and cash equivalents | 10             | -              | 10               |
| Trade and other payables  | -              | (60,829)       | (60,829)         |
|                           | 10             | (60,829)       | (60,819)         |
| <b>31 December 2021</b>   |                |                |                  |
| <b>Group</b>              |                |                |                  |
| Cash and cash equivalents | 25             | -              | 25               |
| Loans and borrowings      | (59,130)       | -              | (59,130)         |
|                           | (59,105)       | -              | (59,105)         |
| <b>REIT</b>               |                |                |                  |
| 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)        |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 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.

|                         | <b>Statements of total return</b> |                |
|-------------------------|-----------------------------------|----------------|
|                         | <b>Group</b>                      | <b>REIT</b>    |
|                         | <b>S\$'000</b>                    | <b>S\$'000</b> |
| <hr/>                   |                                   |                |
| <b>31 December 2022</b> |                                   |                |
| RMB                     | -                                 | 6,083          |
| <hr/>                   |                                   |                |
| <b>31 December 2021</b> |                                   |                |
| RMB                     | -                                 | 5,916          |
| USD                     | 5,911                             | 5,911          |
|                         | <hr/>                             | <hr/>          |
|                         | 5,911                             | 11,827         |

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Hedge accounting

#### Cash flow hedges

At 31 December 2022, the Group held the following instruments to hedge exposures to changes in interest rates.

| Group                              | Maturity   |             |                    |
|------------------------------------|------------|-------------|--------------------|
|                                    | 1-6 months | 6-12 months | More than one year |
| <b>2022</b>                        |            |             |                    |
| <b>Interest rate risk</b>          |            |             |                    |
| <b>Interest rate swaps</b>         |            |             |                    |
| Net exposure (in thousands of SGD) | -          | -           | 104,000            |
| Average fixed interest rate        | -          | -           | 2.85%              |
| <b>2021</b>                        |            |             |                    |
| <b>Interest rate risk</b>          |            |             |                    |
| <b>Interest rate swaps</b>         |            |             |                    |
| Net exposure (in thousands of SGD) | 145,200    | -           | -                  |
| Average fixed interest rate        | 1.84%      | -           | -                  |

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 |
|---------------------------|--|---------------------------------|----------------------------------|--|
| <b>2022</b>               |  |                                 |                                  |  |
| <b>Interest rate risk</b> |  |                                 |                                  |  |
| Variable-rate instruments | -  | (1,374)                         | -                                | -  |
| <b>2021</b>               |  |                                 |                                  |  |
| <b>Interest rate risk</b> |  |                                 |                                  |  |
| Variable-rate instruments | -  | 993                             | -                                | -  |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 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:

|                           | 2022              |                                |                                     | Line item<br>in the statement<br>of financial<br>position where<br>the hedging<br>instrument<br>is included | 2021              |                                |                                     | Line item<br>in the statement<br>of financial<br>position where<br>the hedging<br>instrument<br>is included |
|---------------------------|-------------------|--------------------------------|-------------------------------------|---|-------------------|--------------------------------|-------------------------------------|---|
|                           | Nominal<br>amount | Carrying<br>amount -<br>assets | Carrying<br>amount -<br>liabilities |   | Nominal<br>amount | Carrying<br>amount -<br>assets | Carrying<br>amount -<br>liabilities |   |
|                           | S\$'000           | S\$'000                        | S\$'000                             |   | S\$'000           | S\$'000                        | S\$'000                             |   |
| <b>Interest rate risk</b> |                   |                                |                                     |   |                   |                                |                                     |   |
| Interest rate swaps       | 20,000            | -                              | 135                                 | Derivative liabilities  | 145,200           | -                              | 993                                 | Derivative liabilities  |
| Interest rate swaps       | 84,000            | (1,509)                        | -                                   | Derivative assets   | -                 | -                              | -                                   | Derivative assets   |

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

|                                    | Group<br>Hedging<br>reserve<br>S\$'000 | Cost of<br>hedging<br>reserve<br>S\$'000 |
|------------------------------------|--|--|
| <b>Balance at 1 January 2022</b>   | 993                                    | -  |
| <b>Cash flow hedges</b>            |  |  |
| Change in fair value:              |  |  |
| Interest rate risk                 | (2,367)                                | -  |
| <b>Balance at 31 December 2022</b> | <u>(1,374)</u>                         | <u>-</u>                                 |
| <b>Balance at 1 January 2021</b>   | 3,302                                  | -  |
| <b>Cash flow hedges</b>            |  |  |
| Change in fair value:              |  |  |
| Interest rate risk                 | (2,309)                                | -  |
| <b>Balance at 31 December 2021</b> | <u>993</u>                             | <u>-</u>                                 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Hedge accounting (cont'd)

#### *Climate-related risks*

The Group has identified climate risk as emerging risk that has a growing impact on the Group's activities.

'Climate-related risks' are potential negative impacts on the Group arising from climate change which have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as a result of acute weather events such as flooding, earthquake, and longer-term shifts in climate patterns, such as sustained higher temperatures and heat waves. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and changes in consumer behaviour and investors' demand.

The Manager is responsible for developing group-wide policies, processes and controls to identify risk factors and its potential impact on the Group's financial statements. For physical risks, the Group has put in place business continuity plan as well as insurance coverage against natural disasters. The Group is also constantly exploring better alternatives to existing energy sources and supplies, so as to reduce energy costs in the long term. For transition risk, the Group is closely monitoring the carbon related regulatory developments.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 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.

| Group   | Carrying amount                |                                    |                             |                       | Fair value |         |         |         |
|---|--------------------------------|------------------------------------|-----------------------------|-----------------------|------------|---------|---------|---------|
|   | Fair value hedging instruments | Financial assets at amortised cost | Other financial liabilities | Total carrying amount | Level 1    | Level 2 | Level 3 | Total   |
|   | S\$'000                        | S\$'000                            | S\$'000                     | S\$'000               | S\$'000    | S\$'000 | S\$'000 | S\$'000 |
| <b>31 December 2022</b>                                 |                                |                                    |                             |                       |            |         |         |         |
| <b>Financial assets not measured at fair value</b>      |                                |                                    |                             |                       |            |         |         |         |
| Trade and other receivables <sup>(1)</sup>              | -                              | 7,580                              | -                           | 7,580                 |            |         |         |         |
| Cash and cash equivalents                               | -                              | 36,442                             | -                           | 36,442                |            |         |         |         |
| Interest rate swaps used for hedging                    | 1,509                          | -                                  | -                           | 1,509                 | -          | 1,509   | -       | 1,509   |
|   | <u>1,509</u>                   | <u>44,022</u>                      | <u>-</u>                    | <u>45,531</u>         |            |         |         |         |
| <b>Financial liabilities measured at fair value</b>     |                                |                                    |                             |                       |            |         |         |         |
| Interest rate swaps used for hedging                    | 135                            | -                                  | -                           | 135                   | -          | 135     | -       | 135     |
| <b>Financial liabilities not measured at fair value</b> |                                |                                    |                             |                       |            |         |         |         |
| Trade and other payables                                | -                              | -                                  | 24,242                      | 24,242                |            |         |         |         |
| Security deposits                                       | -                              | -                                  | 18,165                      | 18,165                | -          | 17,121  | -       | 17,121  |
| Loans and borrowings                                    | -                              | -                                  | 291,739                     | 291,739               |            |         |         |         |
|   | <u>-</u>                       | <u>-</u>                           | <u>334,146</u>              | <u>334,146</u>        |            |         |         |         |

<sup>(1)</sup> Excluding prepayments



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Accounting classifications and fair values (cont'd)

| REIT  | Carrying amount                |                                    |                             |                       | Fair value |         |         |         |
|---|--------------------------------|------------------------------------|-----------------------------|-----------------------|------------|---------|---------|---------|
|   | Fair value hedging instruments | Financial assets at amortised cost | Other financial liabilities | Total carrying amount | Level 1    | Level 2 | Level 3 | Total   |
|   | S\$'000                        | S\$'000                            | S\$'000                     | S\$'000               | S\$'000    | S\$'000 | S\$'000 | S\$'000 |
| <b>31 December 2022</b>                                 |                                |                                    |                             |                       |            |         |         |         |
| <b>Financial assets not measured at fair value</b>      |                                |                                    |                             |                       |            |         |         |         |
| Trade and other receivables <sup>(1)</sup>              | -                              | 988                                | -                           | 988                   |            |         |         |         |
| Cash and cash equivalents                               | -                              | 2,130                              | -                           | 2,130                 |            |         |         |         |
| Interest rate swaps used for hedging                    | 1,509                          | -                                  | -                           | 1,509                 | -          | 1,509   | -       | 1,509   |
|   | <u>1,509</u>                   | <u>3,118</u>                       | <u>-</u>                    | <u>4,627</u>          |            |         |         |         |
| <b>Financial liabilities measured at fair value</b>     |                                |                                    |                             |                       |            |         |         |         |
| Interest rate swaps used for hedging                    | 135                            | -                                  | -                           | 135                   | -          | 135     | -       | 135     |
| <b>Financial liabilities not measured at fair value</b> |                                |                                    |                             |                       |            |         |         |         |
| Trade and other payables                                | -                              | -                                  | 78,710                      | 78,710                | -          | 78,549  | -       | 78,549  |
| Loans and borrowings                                    | -                              | -                                  | 246,480                     | 246,480               |            |         |         |         |
|   | <u>-</u>                       | <u>-</u>                           | <u>325,190</u>              | <u>325,190</u>        |            |         |         |         |

<sup>(1)</sup> Excluding prepayments

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Accounting classifications and fair values (cont'd)

| Group   | Carrying amount                |                                    |                             |                       | Fair value |         |         |         |
|---|--------------------------------|------------------------------------|-----------------------------|-----------------------|------------|---------|---------|---------|
|   | Fair value hedging instruments | Financial assets at amortised cost | Other financial liabilities | Total carrying amount | Level 1    | Level 2 | Level 3 | Total   |
|   | S\$'000                        | S\$'000                            | S\$'000                     | S\$'000               | S\$'000    | S\$'000 | S\$'000 | S\$'000 |
| <b>31 December 2021</b>                                 |                                |                                    |                             |                       |            |         |         |         |
| <b>Financial assets not measured at fair value</b>      |                                |                                    |                             |                       |            |         |         |         |
| Trade and other receivables <sup>(1)</sup>              | -                              | 2,369                              | -                           | 2,369                 |            |         |         |         |
| Cash and cash equivalents                               | -                              | 48,483                             | -                           | 48,483                |            |         |         |         |
|   | -                              | 50,852                             | -                           | 50,852                |            |         |         |         |
| <b>Financial liabilities measured at fair value</b>     |                                |                                    |                             |                       |            |         |         |         |
| Interest rate swaps used for hedging                    | 993                            | -                                  | -                           | 993                   | -          | 993     | -       | 993     |
| <b>Financial liabilities not measured at fair value</b> |                                |                                    |                             |                       |            |         |         |         |
| Trade and other payables                                | -                              | -                                  | 24,697                      | 24,697                |            |         |         |         |
| Security deposits                                       | -                              | -                                  | 21,881                      | 21,881                | -          | 21,352  | -       | 21,352  |
| Loans and borrowings                                    | -                              | -                                  | 295,454                     | 295,454               |            |         |         |         |
|   | -                              | -                                  | 342,032                     | 342,032               |            |         |         |         |

<sup>(1)</sup> Excluding prepayments

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Accounting classifications and fair values (cont'd)

| REIT  | Carrying amount                |                                    |                             |                       | Fair value |         |         |         |
|---|--------------------------------|------------------------------------|-----------------------------|-----------------------|------------|---------|---------|---------|
|   | Fair value hedging instruments | Financial assets at amortised cost | Other financial liabilities | Total carrying amount | Level 1    | Level 2 | Level 3 | Total   |
|   | S\$'000                        | S\$'000                            | S\$'000                     | S\$'000               | S\$'000    | S\$'000 | S\$'000 | S\$'000 |
| <b>31 December 2021</b>                                 |                                |                                    |                             |                       |            |         |         |         |
| <b>Financial assets not measured at fair value</b>      |                                |                                    |                             |                       |            |         |         |         |
| Trade and other receivables <sup>(1)</sup>              | -                              | 348                                | -                           | 348                   |            |         |         |         |
| Cash and cash equivalents                               | -                              | 2,666                              | -                           | 2,666                 |            |         |         |         |
|   | -                              | 3,014                              | -                           | 3,014                 |            |         |         |         |
| <b>Financial liabilities measured at fair value</b>     |                                |                                    |                             |                       |            |         |         |         |
| Interest rate swaps used for hedging                    | 993                            | -                                  | -                           | 993                   | -          | 993     | -       | 993     |
| <b>Financial liabilities not measured at fair value</b> |                                |                                    |                             |                       |            |         |         |         |
| Trade and other payables                                | -                              | -                                  | 71,971                      | 71,971                | -          | 70,228  | -       | 70,228  |
| Loans and borrowings                                    | -                              | -                                  | 243,267                     | 243,267               |            |         |         |         |
|   | -                              | -                                  | 315,238                     | 315,238               |            |         |         |         |

<sup>(1)</sup> Excluding prepayments

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *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.

### *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 2022 plus an adequate constant credit spread, and are as follows:

|                          | Group  |        | REIT   |        |
|--------------------------|--------|--------|--------|--------|
|                          | 2022   | 2021   | 2022   | 2021   |
|                          | % p.a. | % p.a. | % p.a. | % p.a. |
| Security deposits        | 5.25   | 4.73   | -      | -      |
| Trade and other payables | -      | -      | 5.25   | 4.73   |

### **Transfer between Level 1 and 2**

During the financial year ended 31 December 2022, there were no transfers between Level 1 and Level 2.

## 27. SUBSEQUENT EVENTS

On 24 February 2023, the Manager declared a distribution of 0.41 cents per Unit to Unitholders in respect of the period from 1 July 2022 to 31 December 2022.

# INTERESTED PERSON TRANSACTIONS

## INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons for the financial year ended 31 December 2022, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and Appendix 6 of the Code on Collective Investment Schemes (excluding transactions of less than S\$100,000 each) are as follows:

| Name of Interested Person  | Nature of Relationship  | Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S\$100,000 and transactions conducted under unitholders’ mandate pursuant to Rule 920)<br>S\$’000 | Aggregate value of all interested person transactions during the financial period under review under unitholders mandate pursuant to Rule 920 (excluding transactions of less than S\$100,000)<br>S\$’000 |
|--|---|---|---|
| <b>Beijing Hualian Group Investment Holding Co., Ltd. and its subsidiaries or associates</b> | <b>Controlling shareholder of the Manager and Controlling Unitholder, and its subsidiaries and associates</b> |   |   |
| ▪ Management fees  |   | 741   | -   |
| – base component   |   | 65  | -   |
| – reimbursables  |   | 445   | -   |
| ▪ Rental rebates   |   | 2,366   | -   |
| ▪ Property management fees and reimbursables   |   |   |   |
| <b>DBS Trustee Limited</b>   | <b>Trustee</b>  |   |   |
| ▪ Trustee’s fees   |   | 157   | -   |

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than S\$100,000 each) entered into during the financial year under review nor any material contracts entered into by BHG Retail REIT and its subsidiaries involving the interests of the Chief Executive Officer or each Director or the controlling Unitholder of BHG Retail REIT, either still subsisting at the end of FY 2022 or if not then subsisting, entered into since the end of FY 2022.

The fees and charges payable by BHG Retail REIT to the Manager under the Trust Deed, and to the Property Manager under the Master Property Management Agreement and the Individual Property Management Agreements, each of which constitutes an interested person transaction, are deemed to have been specifically approved by the Unitholder upon purchase of the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will affect BHG Retail REIT. However, any renewal of the agreements will be subject to Rules 905 and 906 of the Listing Manual of the SGX-ST.

## SUBSCRIPTION OF BHG RETAIL REIT UNITS

4,299,152 Units were issued in relation to the distribution reinvestment plan on 28 September 2022. As at 31 December 2022, the total number of BHG Retail REIT Units in issue and outstanding was 517,484,953.

# STATISTICS OF UNITHOLDINGS

As at 31 March 2023

## ISSUED AND FULLY PAID UNITS

517,484,953 (Voting rights: one vote per Unit)

There is only one class of Units.

There are no treasury Units in BHG Retail REIT.

## DISTRIBUTION OF UNITHOLDINGS

| Size of Unitholdings | Number of Unitholders | %      | Number of Units | %      |
|----------------------|-----------------------|--------|-----------------|--------|
| 1 - 99               | 1                     | 0.12   | 50              | 0.00   |
| 100 - 1,000          | 112                   | 13.93  | 74,437          | 0.01   |
| 1,001 - 10,000       | 446                   | 55.48  | 2,384,037       | 0.46   |
| 10,001 - 1,000,000   | 233                   | 28.98  | 8,611,402       | 1.67   |
| 1,000,001 and above  | 12                    | 1.49   | 506,415,027     | 97.86  |
|                      | 804                   | 100.00 | 517,484,953     | 100.00 |

## TWENTY LARGEST UNITHOLDERS

| No. | Name of Unitholders   | Number of Units    | %            |
|-----|---|--------------------|--------------|
| 1.  | BEIJING HUA LIAN GRP (S'PORE) INTERNATIONAL TRADING PTE LTD | 150,533,491        | 29.09        |
| 2.  | DBS NOMINEES (PRIVATE) LIMITED                              | 89,711,730         | 17.34        |
| 3.  | ABN AMRO CLEARING BANK N.V.                                 | 67,689,800         | 13.08        |
| 4.  | DBSN SERVICES PTE. LTD.                                     | 67,062,900         | 12.96        |
| 5.  | CITIBANK NOMINEES SINGAPORE PTE LTD                         | 55,561,798         | 10.74        |
| 6.  | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD                  | 23,393,400         | 4.52         |
| 7.  | BEIJING HUALIAN MALL (S) COMMERCIAL MANAGEMENT PTE LTD      | 20,422,120         | 3.95         |
| 8.  | KGI SECURITIES (SINGAPORE) PTE. LTD                         | 8,526,481          | 1.65         |
| 9.  | BEIJING HUALIAN HYPERMARKET (SINGAPORE) PURCHASING PTE LTD  | 8,246,794          | 1.59         |
| 10. | BHG MALL (SINGAPORE) PROPERTY MANAGEMENT PTE LTD            | 7,550,151          | 1.46         |
| 11. | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED             | 6,499,462          | 1.26         |
| 12. | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.                   | 1,216,900          | 0.24         |
| 13. | RAFFLES NOMINEES (PTE.) LIMITED                             | 452,000            | 0.09         |
| 14. | LIM CHIN GUAN   | 394,500            | 0.08         |
| 15. | LAU TECK SIEN LIU DEXIAN                                    | 375,000            | 0.07         |
| 16. | BAN HONG KEE HOLDINGS PTE LTD                               | 341,900            | 0.07         |
| 17. | HUANG SHU HUA   | 285,100            | 0.06         |
| 18. | IFAST FINANCIAL PTE. LTD.                                   | 223,198            | 0.04         |
| 19. | XU ZHE  | 187,600            | 0.04         |
| 20. | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD          | 149,000            | 0.03         |
|     | <b>Total</b>  | <b>508,823,325</b> | <b>98.36</b> |

# STATISTICS OF UNITHOLDINGS

As at 31 March 2023

## SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

| Name  | Direct Interest | %     | Deemed Interest | %     | Total       | %     |
|---|-----------------|-------|-----------------|-------|-------------|-------|
| Beijing Hua Lian Group (Singapore) International Trading Pte Ltd                | 150,533,491     | 29.09 | -               | -     | 150,533,491 | 29.09 |
| Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup>                | -               | -     | 195,045,337     | 37.69 | 195,045,337 | 37.69 |
| Beijing Hualian Department Store Co., Ltd. <sup>(2)</sup>                       | -               | -     | 36,265,052      | 7.01  | 36,265,052  | 7.01  |
| Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. <sup>(2)</sup> | 20,188,420      | 3.90  | 16,076,632      | 3.11  | 36,265,052  | 7.01  |
| Hainan Hong Ju Industrial Co. Ltd. <sup>(3)</sup>                               | -               | -     | 195,045,337     | 37.69 | 195,045,337 | 37.69 |
| Hainan Hong Ju Culture Media Group Limited <sup>(4)</sup>                       | -               | -     | 195,045,337     | 37.69 | 195,045,337 | 37.69 |
| Qianhai International Holdings Co., Limited <sup>(5)</sup>                      | 67,623,500      | 13.07 | -               | -     | 67,623,500  | 13.07 |
| Chanchai Ruayrungruang <sup>(6)</sup>   | -               | -     | 67,062,900      | 12.96 | 67,062,900  | 12.96 |
| Zhang Chongyu <sup>(7)</sup>  | 60,817,140      | 11.75 | -               | -     | 60,817,140  | 11.75 |

### Notes:

<sup>(1)</sup> Beijing Hualian Group Investment Holding Co., Ltd. ("Beijing Hualian Group") wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ("BHG SIT") and is deemed interested in the 150,533,491 Units held by BHG SIT.

Beijing Hualian Group holds more than 20% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. ("BHH") which in turn wholly owns Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd. ("BHH SPP") and is deemed interested in the 8,246,794 Units held by BHH SPP.

Beijing Hualian Group more than 20% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("BHDS"), which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("BHM SCM"). Accordingly, Beijing Hualian Group is deemed interested in the 36,265,052 Units deemed interested by BHDS.

Accordingly, Beijing Hualian Group is deemed interested in an aggregate of 195,045,337 Units.

<sup>(2)</sup> Beijing Hualian Department Store Co., Ltd. ("BHDS") wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("BHM SCM") and is deemed interested in the 20,188,420 Units owned by BHM SCM.

BHM SCM in turn wholly-owned BHG Mall (Singapore) Property Management Pte Ltd ("PM") and BHG Retail Trust Management Pte Ltd ("RM"). Accordingly, BHDS is deemed interested in the 7,550,151 Units owned by the PM and the 8,526,481 Units owned by the RM.

<sup>(3)</sup> Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of Beijing Hualian Group and is deemed interested in the Units that Beijing Hualian Group is deemed interested in.

<sup>(4)</sup> Hainan Hong Ju Culture Media Group Limited holds 51.0% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd. and is deemed to be interested in the Units that Hainan Hong Ju Industrial Co., Ltd. is deemed interested in.

<sup>(5)</sup> Qianhai International Holdings Co., Limited is deemed to have an interest in the 67,623,500 Units held through its nominee.

<sup>(6)</sup> Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,062,900 Units held through his nominee.

<sup>(7)</sup> Mr Zhang Chongyu has a direct interest in the 60,817,140 Units held through his nominee.

## THE MANAGER'S DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2023

| Name                  | Direct Interest | Deemed Interest |
|-----------------------|-----------------|-----------------|
| Francis Siu Wai Keung | -               | -               |
| Ben Yeo Chee Seong    | -               | -               |
| Lau Teck Sien         | 375,000         | -               |
| Xiong Zhen            | 125,000         | -               |
| Peng Ge               | 125,000         | -               |
|                       | 625,000         | -               |

## PERCENTAGE OF UNITHOLDINGS IN PUBLIC'S HANDS

Based on the information made available to the Manager as at 8 March 2023, approximately 24.38% of the issued Units in BHG Retail REIT are held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

## BHG RETAIL REIT

(A real estate investment trust constituted on 18 November 2015 in the Republic of Singapore)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of the holders of units of BHG Retail REIT (the “**Unitholders**”) will be convened and held by way of electronic means on **Thursday, 27 April 2023 at 11.00 a.m.** (Singapore Time), to transact the following businesses:

### AS ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of BHG Retail REIT (the “**Trustee**”), the Statement by BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the “**Manager**”), and the Audited Financial Statements of BHG Retail REIT for the financial year ended 31 December 2022 and the Auditors’ Report thereon.

**(Ordinary Resolution 1)**

2. To re-appoint Messrs KPMG LLP as the Auditors of BHG Retail REIT to hold office until the conclusion of the next annual general meeting of BHG Retail REIT, and to authorise the Manager to fix their remuneration.

**(Ordinary Resolution 2)**

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:

#### **3. GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES**

That authority be and is hereby given to the Manager, to:

- (a) (i) issue units in BHG Retail REIT (“**Units**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options that might or would require Units to be issued, (collectively, “**Instruments**”) including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),



# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of Units that maybe issued under sub-paragraph (1) above, the total number of issued Units shall be based on the total number of issued Units at the time this Resolution is passed, after adjusting for:
  - any new Units arising from the conversion or exercise of the Instruments or any convertible securities or Unit options or vesting of Unit awards which were issued and are outstanding or subsisting at the time this Resolution is passed; and
  - any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed dated 18 November 2015 constituting BHG Retail REIT (as amended) (the "**Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next annual general meeting of BHG Retail REIT; or (ii) the date by which the next annual general meeting of BHG Retail REIT is required by applicable laws and regulations (including the Listing Manual of the SGX-ST) or the Trust Deed to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager, any director of the Manager ("**Director**") and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interest of BHG Retail REIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note)

**(Ordinary Resolution 3)**

# NOTICE OF ANNUAL GENERAL MEETING

## BY ORDER OF THE BOARD

BHG Retail Trust Management Pte. Ltd.  
(company Registration No. 201504222D)  
as Manager of BHG Retail REIT

**Zhan Aijuan**  
Secretary

Singapore  
5 April 2023

### EXPLANATORY NOTE:

Ordinary Resolution 3 above if passed, will empower the Manager from the date of the AGM until (i) conclusion of the next annual general meeting of BHG Retail REIT; or (ii) the date by which the next annual general meeting of BHG Retail REIT is required by the applicable laws and regulations (including the Listing Manual of the SGX-ST) or the Trust Deed to be held, whichever is earlier, unless such authority is earlier revoked or varied by the Unitholders in a general meeting, to issue Units, to make or grant instruments (such as securities, warrants or debentures) convertible into Units, and to issue Units in pursuance of such instruments, up to a number not exceeding fifty percent (50%) of the total number of issued Units with a sub-limit of twenty per cent (20%) for issues other than on pro rata basis to Unitholders.

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time Ordinary Resolution 3 above is passed, after adjusting for (i) new Units arising from the conversion or exercise of the Instruments or any convertible securities or Unit options or vesting of Unit awards which were issued and are outstanding or subsisting at the time Ordinary Resolution 3 above is passed and (ii) any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

### NOTES:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID -19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM dated 5 April 2023 (the "Notice") will not be sent to Unitholders. Instead, this Notice will be sent to Unitholders by electronic means via publication on BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html> and will also be made available on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements>.
2. **As the AGM will be convened and held by way of electronic means, a Unitholder will not be able to attend the AGM in person.**

Alternative arrangements relating to the conduct of the AGM, including:

- (a) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream);
- (b) submission of questions relating to the resolutions to be tabled for approval at the AGM, to the Chairman of the AGM in advance of, or "live" at, the AGM, and addressing of substantial and relevant questions in advance of, or "live" at, the AGM; and
- (c) voting at the AGM (i) "live" by the Unitholder or his/her/its duly appointed proxy(ies) or corporate representative(s) (where applicable) (other than the Chairman of the AGM) via electronic means, or (ii) by appointing the Chairman of the AGM as proxy to vote on the Unitholder's behalf at the AGM,

are set out below and in the accompanying BHG Retail REIT's announcement dated 5 April 2023.

Any reference to a time of day is made by reference to Singapore time.

# NOTICE OF ANNUAL GENERAL MEETING

3. Unitholders, including CPF and SRS investors, will be able to observe and/or listen to the AGM proceedings through a live audio-visual webcast or live audio-only stream via their mobile phones, tablets or computers. In order to do so, Unitholders, including CPF and SRS investors, or, where applicable, their duly appointed proxy(ies) or corporate representative(s), must pre-register at BHG Retail REIT's pre-registration website at the URL <https://bhgreit.listedcompany.com/agm2023/register> from now till **11.00 a.m. on 25 April 2023** to enable the Manager to verify their status as Unitholders.

Following the verification, authenticated Unitholders, including CPF and SRS investors, or, where applicable, their duly appointed proxy(ies) or corporate representative(s), who have pre-registered, will receive an email, which will contain user ID and password details as well as instructions on how to access the live audio-visual webcast and live audio-only stream of the AGM proceedings, by **5.00 p.m. on 26 April 2023**. Unitholders, including CPF and SRS investors, or, where applicable, their duly appointed proxy(ies) or corporate representative(s), who do not receive an email by **5.00 p.m. on 26 April 2023** but have pre-registered by the 25 April 2023 deadline should contact BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at +65 6536 5355, during its operating hours from Monday to Friday at 9.00 a.m. to 5.30 p.m., or via email at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).

4. Unitholders, including CPF and SRS investors, may submit questions relating to the resolutions to be tabled for approval at the AGM, to the Chairman of the AGM, in advance of the AGM. In order to do so, their questions must be submitted in the following manner by **11.00 a.m. on 13 April 2023**.

- (a) if submitted electronically, be submitted:
- (i) via the pre-registration website at the URL <https://bhgreit.listedcompany.com/agm2023/register>; or
  - (ii) via email to BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com),
- (b) if submitted by post, be deposited at the office of BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

Unitholders, including CPF and SRS investors, who submit questions via email or by post to BHG Retail REIT's Unit Registrar must provide the following information:

- (1) the Unitholder's full name;
- (2) the Unitholder's address; and
- (3) the manner in which the Unitholder holds Units in BHG Retail REIT (e.g., via CDP, scrip, CPF or SRS).

Unitholders (including CPF and SRS investors) or where applicable, their appointed proxy(ies) or corporate representative(s), can also ask the Chairman of the AGM substantial and relevant questions related to the resolutions to be tabled for approval at the AGM, "live" at the AGM, by typing in and submitting their questions through the "live" chat function via the audio-visual webcast platform. Unitholders (including CPF and SRS investors) or where applicable, their appointed proxy(ies) or corporate representative(s), who wish to ask questions "live" at the AGM must pre-register at the pre-registration website which is accessible at the URL: <https://bhgreit.listedcompany.com/agm2023/register>, so that an email containing unique user credentials and instructions on how to (inter alia) ask questions through "live" chat at the AGM via the audio-visual webcast platform can be sent to them following verification. Unitholders, including CPF and SRS investors, or, where applicable, their duly appointed proxy(ies) or corporate representative(s) must access the AGM proceedings via the live audio-visual webcast in order to ask questions "live" at the AGM, and will not be able to ask questions "live" at the AGM via the audio-only stream of the AGM proceedings.

The Manager's Chairman, Mr Francis Siu Wai Keung, and Chief Executive Officer, Ms Chan Iz-Lynn, will conduct the proceedings of the AGM, and will address the substantial and relevant questions raised during the AGM which are related to the resolutions to be tabled for approval at the AGM. The Manager will endeavour to address all substantial and relevant questions submitted in advance of the AGM, prior to or during the AGM, and the Manager will publish the responses to those questions which the Manager will not be addressing during the AGM on BHG Retail REIT's corporate website and on SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements> prior to the AGM, latest by **21 April 2023**. Where substantially similar questions are received, the Manager will consolidate such questions and consequently not all questions may be individually addressed. The Manager will publish the minutes of the AGM on BHG Retail REIT's corporate website and on SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements> and the minutes will include the responses to the substantial and relevant questions if these questions are addressed during the AGM.

5. A Unitholder who wishes to exercise his/her/its voting rights at the AGM may:
- (a) (where the Unitholder is an individual) vote "live" via electronic means at the AGM, or (whether the Unitholder is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on his/her/its behalf; or

# NOTICE OF ANNUAL GENERAL MEETING

- (b) (where the Unitholder is a corporate) appoint corporate representative(s) to vote “live” via electronic means at the AGM on its behalf; or
- (c) (where the Unitholder is an individual or a corporate) appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.

Unitholders or, where applicable, their appointed proxy(ies) or corporate representative(s), must access the AGM proceedings via the live audio-visual webcast in order to vote “live” at the AGM, and will not be able to do so via the audio-only stream of the AGM proceedings. The instrument of proxy (the “**Proxy Form**”) is available on BHG Retail REIT’s corporate website and on the SGX-ST’s website at the URLs <http://bhgreit.listedcompany.com/newsroom.html> and <https://www.sgx.com/securities/company-announcements>, respectively. Printed copies of the Proxy Form will not be sent to Unitholders.

Unitholders may also vote at the AGM by appointing the Chairman of the AGM as their proxy to vote on their behalf.

- 6. The Proxy Form must be submitted to BHG Retail REIT’s Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., by **11.00 a.m. on 25 April 2023** being forty-eight (48) hours before the time fixed for the AGM in the following manner:
  - (a) if submitted by post, be lodged at the office of BHG Retail REIT’s Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - (b) if submitted electronically, be submitted via email to BHG Retail REIT’s Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).

A Unitholder who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

- 7. Persons who hold Units through relevant intermediaries (as defined below), other than CPF and SRS investors, and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of, or live at, the AGM; and/or (c) voting at the AGM (i) live via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to vote on their behalf at the AGM, should contact the relevant intermediary through which they hold such Units as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

For the avoidance of doubt, CPF and SRS investors who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through live audio-visual webcast or live audio-only stream and/or (b) submitting questions in advance of, or live at, the AGM should refer to notes 3 and 4 above respectively. CPF and SRS investors:

- (i) may vote live via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators as soon as practicable if they have any queries regarding their appointment as proxies; or
- (ii) (as an alternative to (i) above) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 17 April 2023**, being seven clear working days before the date of the AGM. For the avoidance of doubt, CPF and SRS investors will not be able to appoint third party proxy(ies) (i.e., persons other than the Chairman of the AGM) to vote live at the AGM on their behalf.

“**relevant intermediary**” means:

- (i) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore, and who holds Units in that capacity; or
- (iii) the Central Provident Fund Board (“CPF Board”) established by the Central Provident Fund Act 1953 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

A Unitholder who is not a relevant intermediary (as defined above), is entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his/her/its stead. A proxy need not be a Unitholder. Where such Unitholder’s Proxy Form appoints more than one proxy, the proportion of his/her/its unitholding to be represented by each proxy must be specified in the Proxy Form. Where a Unitholder (whether individual or corporate) appoints two proxies and does not specify the number of Units to be represented by each proxy, then the Units held

# NOTICE OF ANNUAL GENERAL MEETING

by the Unitholder are deemed to be equally divided between the proxies.

A Unitholder, who is a relevant intermediary (as defined above), is entitled to appoint more than two proxies to attend, speak and vote at the AGM instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than two proxies, the proportion of unitholdings held in relation to which each proxy has been appointed must be specified in the Proxy Form.

8. A proxy or the Chairman of the AGM, as proxy, need not be a Unitholder of BHG Retail REIT.
9. Live voting will be conducted during the AGM. Please note that:-
  - (a) it is important for authenticated Unitholders to ensure that their own web-browser enabled devices are ready for voting during the AGM; and
  - (b) authenticated Unitholders may cast their votes in real time for each resolution to be tabled via the live audio-visual webcast through the login credentials that they have received.
10. The Annual Report 2022 may be accessed at BHG Retail REIT's website at the URL <http://bhgreit.listedcompany.com/ar.html> and on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements> by clicking on the link for "Annual Report 2022". Printed copies of the Annual Report 2022 will not be sent to Unitholders.
11. The Manager may be required to change the arrangements for the AGM at short notice. Unitholders should check BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html> for the latest updates on the status of the AGM.

## PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing a proxy(ies) to attend, speak and vote at the AGM and/or any adjournment thereof; (b) submitting the details for the registration to observe and/or listen to the AGM proceedings through a live audio-visual webcast or live audio-only stream in accordance with this Notice; and/or (c) submitting any questions to the Chairman of the AGM in advance of, or "live" at the AGM in accordance with this Notice, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the following purposes (collectively, "**Purposes**"); (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees to provide the Manager with written evidence of such prior consent upon reasonable request:

- (1) the processing, administration and analysis by the Manager and the Trustee (or their agents) of instruments appointing a proxy(ies) for the AGM (including any adjournment thereof);
- (2) the processing of the registration for purposes of verifying the status of Unitholders, granting access to Unitholders (or their appointed proxy(ies)) to observe and/or listen to the proceedings of the AGM via live audio-visual webcast or live audio-only stream and providing them with any technical assistance where necessary;
- (3) the addressing of substantial and relevant questions received from Unitholders prior to or during the AGM (where applicable) and, if necessary, following up with the relevant Unitholders in relation to such questions;
- (4) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (5) enabling the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

In the case of a Unitholder who is a relevant intermediary, by submitting a consolidated list of participants for the "live" broadcast of the AGM, the Unitholder warrants that it has obtained the prior consent of such participant(s) for the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of the "live" broadcast of the AGM (including any adjournment thereof), the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Photographic, sound and/or video recordings of the AGM may be made by the Manager and the Trustee (or their agents) for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a Unitholder may be recorded by the Manager and the Trustee (or their agents) for such Purposes.

**BHG RETAIL REIT**

(A real estate investment trust constituted in the Republic of Singapore pursuant to a Trust Deed dated 18 November 2015 (as supplemented))

# PROXY FORM

## ANNUAL GENERAL MEETING

**IMPORTANT:**

- The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM dated 5 April 2023 (the "Notice of AGM") will not be sent to the holders of units of BHG Retail REIT (the "Unitholders", and the units in BHG Retail REIT, the "Units"). Instead, the Notice of AGM will be sent to Unitholders by electronic means via publication on BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html>, and will also be made available on Singapore Exchange Securities Trading Limited's (the "SGX-ST") website at the URL <https://www.sgx.com/securities/company-announcements>.
- Alternative arrangements relating to:
  - attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream);
  - submission of questions relating to the resolutions to be tabled for approval at the AGM, to the Chairman of the AGM in advance of, or "live" at, the AGM, and addressing of substantial and relevant questions in advance of, or "live" at, the AGM; and
  - voting at the AGM (i) "live" by the Unitholder or his/her/its duly appointed proxy(ies) or corporate representative(s) (where applicable) (other than the Chairman of the AGM) via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to vote on the Unitholder's behalf at the AGM; are set out in the Notice of AGM and in the accompanying BHG Retail REIT's announcement dated 5 April 2023.
- As the AGM will be convened and held by way of electronic means, a Unitholder will not be able to attend the AGM in person. A Unitholder who wishes to exercise his/her/its voting rights at the AGM may:**
  - (where the Unitholder is an individual) vote "live" via electronic means at the AGM, or (whether the Unitholder is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on his/her/its behalf;**
  - (where the Unitholder is a corporate) appoint corporate representative(s) to vote "live" via electronic means at the AGM on its behalf; or**
  - (whether the Unitholder is an individual or corporate) appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.**
- CPF and SRS investors:
  - may vote live via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators as soon as practicable if they have any queries regarding their appointment as proxies; or
  - (as an alternative to (i) above) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 17 April 2023**, being seven clear working days before the date of the AGM. For the avoidance of doubt, CPF and SRS investors will not be able to appoint third party proxy(ies) (i.e., persons other than the Chairman of the AGM) to vote live at the AGM on their behalf.
- This Proxy Form may be accessed at BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html>, and will be made available on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of this Proxy Form will **not** be sent to Unitholders.
- Personal Data Privacy:** By submitting an instrument appointing proxy(ies), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
- Please read the notes overleaf which contain instructions on, inter alia, the appointment of proxy(ies) to attend, speak and vote on his/her/its behalf at the AGM.**

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Company Registration Number)

of \_\_\_\_\_ (address)

being a \*Unitholder/Unitholders of BHG Retail REIT, hereby appoint:

| Name    | NRIC/Passport No. | Proportion of Unitholdings |   |
|---------|-------------------|----------------------------|---|
|         |                   | No. of Units               | % |
| Address |                   |                            |   |

\*and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Unitholdings |   |
|---------|-------------------|----------------------------|---|
|         |                   | No. of Units               | % |
| Address |                   |                            |   |

or failing whom, the Chairman of the AGM as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the AGM of BHG Retail REIT to be convened and held by way of electronic means on **Thursday, 27 April 2023, at 11.00 a.m.** (Singapore Time) and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for, against or abstain from the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion as \*he/she/they may on any other matter arising at the AGM. In the event the Unitholder does not indicate any name above or the individual named by the Unitholder does not turn up at the AGM, the Chairman of the AGM will be the proxy and will vote or abstain from voting based on the directions indicated hereunder.

| No. | Ordinary Resolutions  | For <sup>#</sup> | Against <sup>#</sup> | Abstain <sup>#</sup> |
|-----|---|------------------|----------------------|----------------------|
| 1   | To receive and adopt the Report of DBS Trustee Limited, as trustee of BHG Retail REIT, the Statement by BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the "Manager"), and the Audited Financial Statements of BHG Retail REIT for the financial year ended 31 December 2022 and the Auditors' Report thereon. |                  |                      |                      |
| 2   | To re-appoint Messrs KPMG LLP as Auditors of BHG Retail REIT and authorise the Manager to fix the Auditors' remuneration.   |                  |                      |                      |
| 3   | To authorise the Manager to issue Units and make or grant convertible instruments.  |                  |                      |                      |

\* Delete accordingly.

# If you wish to exercise all your votes "For", "Against" or to "Abstain", please indicate with a "✓" within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

\_\_\_\_\_  
Signature(s) of Unitholder(s)  
or Common Seal of Corporate Unitholder

| Total number of Units in:   | No. of Units |
|-----------------------------|--------------|
| (a) CDP Register            |              |
| (b) Register of Unitholders |              |

**Notes:**

1. **As the AGM will be convened and held by way of electronic means, a Unitholder will not be able to attend the AGM in person.** A Unitholder who wishes to exercise his/her/its voting rights at the AGM may: (a) (where the Unitholder is an individual) vote "live" via electronic means at the AGM, or (whether the Unitholder is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on his/her/its behalf; (b) (where the Unitholder is a corporate) appoint corporate representative(s) to vote "live" via electronic means at the AGM on its behalf; or (c) (whether the Unitholder is an individual or a corporate) appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.
2. This Proxy Form may be accessed at BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html>, and will also be made available on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements>. Where a Unitholder who is not a relevant intermediary (as defined in the Notice of AGM) appoints two proxies and does not specify the number of Units to be represented by each proxy, then the Units held by the Unitholder are deemed to be equally divided between the proxies.
3. CPF and SRS investors:
  - (i) may vote live via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators as soon as practicable if they have any queries regarding their appointment as proxies; or
  - (ii) (as an alternative to (i) above) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 17 April 2023**, being seven clear working days before the date of the AGM. For the avoidance of doubt, CPF and SRS investors will not be able to appoint third party proxy(ies) (i.e., persons other than the Chairman of the AGM) to vote live at the AGM on their behalf.
4. A proxy or the Chairman of the AGM, as proxy, need not be a Unitholder of BHG Retail REIT.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against the Unitholder's name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), the Unitholder should insert that number of Units. If the Unitholder has Units registered in the Unitholder's name in the Register of Unitholders of BHG Retail REIT, the Unitholder should insert that number of Units. If the Unitholder has Units entered against the Unitholder's name in the said Depository Register and registered in the Unitholder's name in the Register of Unitholders of BHG Retail REIT, the Unitholder should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.

6. The Proxy Form must be submitted to BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., by **11.00 a.m. on 25 April 2023**, being forty-eight (48) hours before the time fixed for the AGM, in the following manner:
  - a. if submitted by post, be lodged at the office of BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - b. if submitted electronically, be submitted via email to BHG Retail REIT's Unit Registrar at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).

A Unitholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

7. The Proxy Form is not valid for use by persons who hold Units through relevant intermediaries (as defined in the Notice of AGM) (including CPF and SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. Persons who hold Units through relevant intermediaries, other than CPF and SRS investors, who wish to vote should instead approach his/her relevant intermediary through which they hold such Units as soon as possible to specify voting instructions.
8. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
9. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager), if the Proxy Form is submitted by post, be lodged with the Proxy Form, or, if the Proxy Form is submitted electronically via email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.
10. Any reference to a time of day is made by reference to Singapore time.

**General**

The Manager shall be entitled to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form (including any related attachment). In addition, in the case of Unitholders whose Units are entered against their names in the Depository Register, the Manager may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against the Unitholder's name in the Depository Register not less than forty-eight (48) hours before the time appointed for holding the AGM, as certified by CDP to the Manager.

**Affix  
Postage  
Stamp**

**BHG RETAIL TRUST MANAGEMENT PTE. LTD.**  
(As Manager of BHG Retail REIT)

c/o Boardroom Corporate & Advisory Services Pte. Ltd.,  
1 Harbourfront Avenue  
#14-07 Keppel Bay Tower, Singapore 098632