



BHG RETAIL REIT
ANNUAL REPORT 2020

Anchoring Foundations Staying Resilient



BHG RETAIL REIT

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

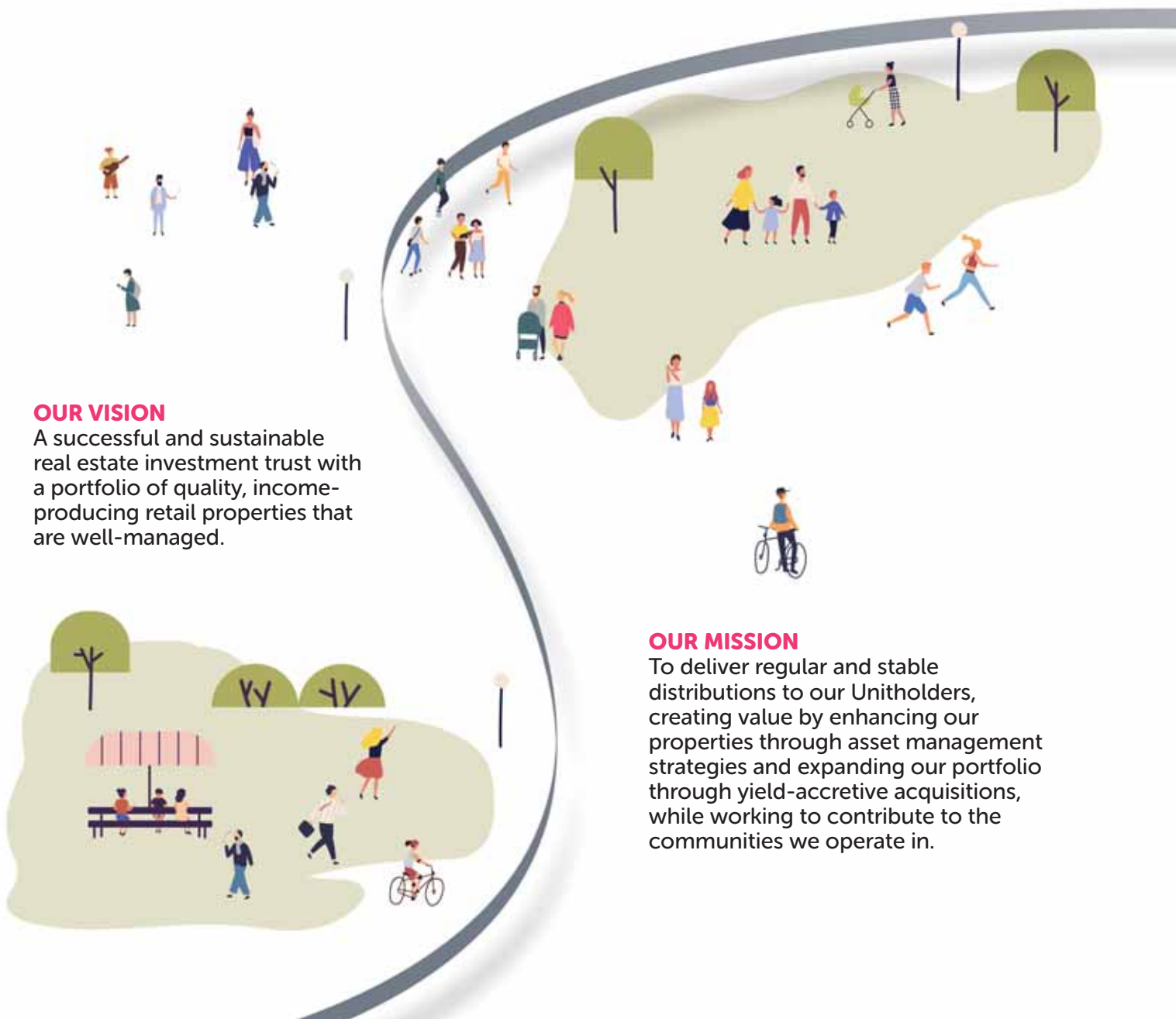
Poised to capitalise on the steady rise of a consumer segment that clamours for good retail spaces and compelling retail experiences, we aspire to grow with our markets – creating desirable retail destinations, building strong tenant relationships and bringing lasting benefits to our communities.

OUR VISION

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

OUR MISSION

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



Singapore's First Pure-Play China Retail REIT Sponsored by a China-Based Group

CORPORATE PROFILE

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

As of 31 December 2020, BHG Retail REIT's portfolio comprises:

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

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

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

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PROPERTY PORTFOLIO

MULTI-TENANTED

BEIJING WANLIU
Beijing

CHENGDU KONGGANG
Chengdu

HEFEI MENGCHENGLU
Hefei

HEFEI CHANGJIANGXILU
Hefei



6

STRATEGICALLY LOCATED PROPERTIES

311,691

GROSS FLOOR AREA (sqm)

MASTER-LEASED

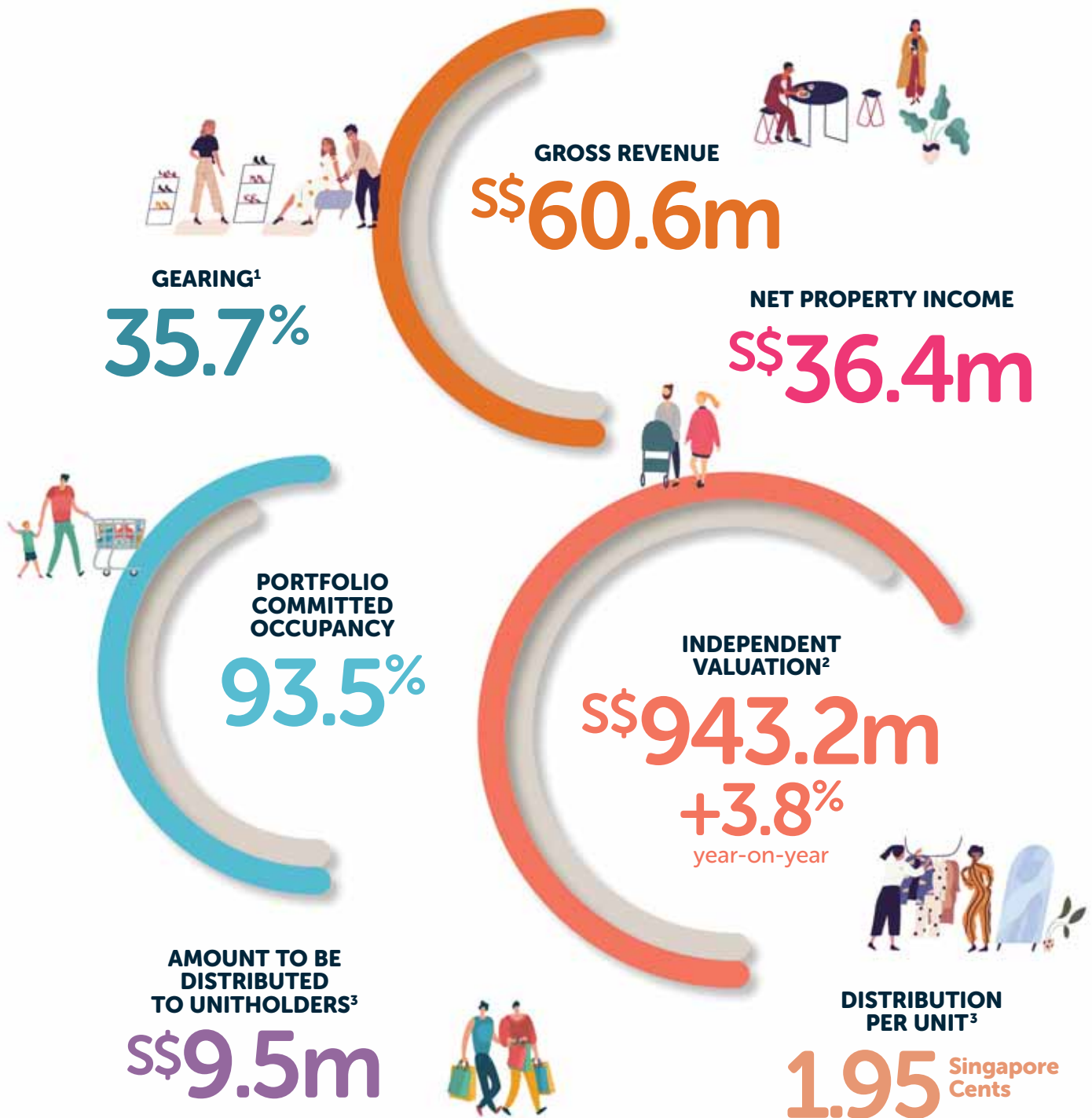
XINING HUAYUAN
Xining

DALIAN JINSANJIAO
Dalian



KEY HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2020



1 Based on total loans and borrowings principal attributable to Unitholdings divided by total assets attributable to Unitholders. MAS gearing ratio was raised from 45% to 50% on 16 April 2020, to provide Singapore Real Estate Investment Trusts greater flexibility to manage their capital structure and to raise debt financing.

2 Based on independent valuation from Knight Frank Petty Limited as at 31 December 2020.

3 In FY 2020, approximately S\$1.1 million of the amount available for distribution had been retained in anticipation of higher operational expenses and working capital requirements of the REIT.

YEAR AT A GLANCE

2020

JANUARY
Beijing Investors'
Meetings

FEBRUARY
FY 2019 Results Announcement
Gross revenue and
net property income for FY 2019
increased 13.5%
and 10.6%
respectively year-on-year

MAY
1Q 2020 Business Updates
Committed occupancy
rate remains high at
94.7%
(as at 31 March 2020)

MARCH
2H 2019 Distribution payment of
1.79 Singapore cents per Unit
for the period from 1 July 2019
to 31 December 2019

JUNE
FY 2019 Annual
General Meeting



AUGUST
1H 2020 Results Announcement
Gross revenue and
net property income were
S\$27.8 million
and S\$16.5 million
respectively

Committed occupancy rate
remained healthy at
92.9% amid pandemic
(as at 30 June 2020)



SEPTEMBER

The Global Good Governance Awards™ 2020

BHG Retail REIT received **Platinum award** for the **'Best Corporate Communications and Investor Relations'** and **Gold award** for the **'Best Governed and Transparent Company'** categories

Asia Pacific Best of The Breeds REITs Awards™ 2020

BHG Retail REIT received **Gold Award**, under **Retail REIT category** (market capitalisation of less than US\$1 billion)

1H 2020 Distribution payment of **0.89** Singapore cents per Unit for the period from 1 January 2020 to 30 June 2020



DECEMBER

Beijing Wanliu received the **"Digital Innovation Collaboration Awards"** from Alipay



NOVEMBER

3Q 2020 Business Updates

Committed occupancy rate remains healthy at **91.5%** (as at 30 September 2020)

2021



FEBRUARY

Phillip Securities Research "Initiates Coverage" of BHG Retail REIT

FY 2020 Results Announcement

Gross revenue and net property income were **S\$60.6 million** and **S\$36.4 million** respectively

High committed occupancy rate of **93.5%**



MARCH

2H 2020 Distribution payment of **1.06** Singapore cents per Unit for the period from 1 July 2020 to 31 December 2020



Photo of Costa Coffee & RDV Collaboration @ Beijing Wanliu - December 2020



Staying Ahead of the Consumption Uptrend



GROWING RESIDENTS' INCOME AND CONSUMER SPENDING

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



LETTER TO UNITHOLDERS



MR FRANCIS SIU WAI KEUNG
Chairman

MS CHAN IZ-LYNN
Chief Executive Officer

With prudence, expertise and commitment of the Manager, BHG Retail REIT shall continue to position itself as an attractive yield-play investment, and deliver long-term sustainable growth to our Unitholders.

Anchoring Foundations. Staying Resilient.



Dear Unitholders,

On behalf of the Board of Directors and the management team of BHG Retail Trust Management Pte. Ltd. (as Manager of BHG Retail REIT or the “**Manager**”), we are pleased to present to you BHG Retail REIT’s annual report for the financial year ended 31 December 2020 (“**FY 2020**”).

2020 was a year of anchoring foundations, and staying resilient. Faced with the unprecedented COVID-19 pandemic, countries cascaded into turmoil, global economies tipped into recessions. Yet, as with most crises, it brought with it change, hope, and opportunities for the resolute. China exhibited admirable tenacity in their pandemic management. China’s outbreak was curbed swiftly and effectively, albeit being first to front the battle. This set them up as one of the earliest countries to stem the wave of infections.

We would like to commend our local property teams, for standing strong and resilient in spite of the challenges. We are also deeply encouraged by tenants’ loyalty and partnership amidst adversities. Despite a difficult start to 2020, overall occupancy levels held strong throughout the year. Save for temporary disruptions in January and February, all six malls resumed usual operating hours by the end of first quarter of 2020.

Tenants’ businesses were nevertheless affected. As an operator and owner of community malls, our teams worked tirelessly with valued tenants to help them tide over this disruption. These efforts cemented stronger relationship between our partners and us.

Notwithstanding these impediments, our mission towards delivering sustainable returns to Unitholders shall remain constant through ebbs and flows of our business.

FY 2020 PERFORMANCE AMIDST COVID-19

Occupancy rate remained high throughout the year, with an overall commitment of 93.5% as at year end. The management team continued to seek opportunities for organic growth amid headwind from COVID-19. Through dedicated efforts to retain existing tenants, introduce fresh brands and concepts, and reinventing offerings, our malls continued to observe good demand for our leasing space.

On the financial front, FY 2020 gross revenue of S\$60.6 million was 76.6% of the corresponding period last year. FY 2020 net property income (“**NPI**”) of S\$36.4 million was 72.1% of FY 2019. The moderated performance was largely attributed to rental reliefs extended to selected tenants whose businesses were affected by COVID-19.

Multi-tenanted malls contributed about 86.0% of the entire portfolio’s NPI in FY 2020. The key contributors, namely Beijing Wanliu, Chengdu Konggang, Hefei Changjiangxilu, and Hefei Mengchenglu, accounted for 55.5%, 14.7%, 9.2% and 6.6% respectively of FY 2020’s NPI.

FY 2020 amount to be distributed to Unitholders of S\$9.5 million translated to a distribution per unit (“**DPU**”) of 1.95 Singapore cents. Based on the year-end closing price of S\$0.550, BHG Retail REIT delivered an annual distribution yield of 3.5%.

STRONG FINANCIAL POSITION

As of 31 December 2020, BHG Retail REIT’s appraised independent valuation was S\$943.2 million. The portfolio valuation represents an increase of S\$34.2 million (3.8%) from the independent valuation as at 31 December 2019 of S\$909.0 million.

LETTER TO UNITHOLDERS

The Manager remains prudent in its capital management strategy. As at 31 December 2020, total borrowings drawn down aggregated to S\$294.8 million, with above 80% of borrowings denominated in Singapore dollars and US dollars, and the remaining 20% denominated in Renminbi. In addition to the natural hedge provided by the Renminbi-denominated debt to the matching revenue stream, about 60% of the offshore debt has been hedged from a floating to fixed rate via interest rate swap instruments. Gearing remained healthy at 35.7%. This allows a comfortable debt headroom for future inorganic growth.

REINVENT. SEIZE OPPORTUNITIES.

The phrase, “Never let a good crisis go to waste” resonated deeply with us. Several developments were forged amid the pandemic.

One of the first initiatives rolled out following the outbreak was the increased use of live broadcasts. Through these sessions (which could be singly or jointly organised by retailers and/or our malls), customers were kept apprised of latest developments including safety measures and promotional events. Our property managers proactively facilitated the conduct of live broadcasts, which encouraged interactions between retailers and customers.

Over at Chengdu Konggang, in response to the Chinese government’s guidance to boost its night economy, the mall launched an outdoor night market adjacent to the container-style food lane. This increased the mall’s lettable space, and injected further vibrancy in the evening hours.

At Beijing Wanliu, we seized the opportunity to reduce the size of its supermarket, unlocking the underlying potential of the recovered space; and elevated overall rents. As a result of this initiative, we increased the variety of F&B and retail offerings, and brought further vibrancy to the cluster.

The Sponsor also launched its very own e-commerce platform amid the pandemic to widen our outreach to omni-channel shoppers. Sharing this online capability across all BHG Malls in various Chinese cities, the platform provided a respite to inconveniences

PORTFOLIO COMMITTED OCCUPANCY

93.5%



caused by precautionary measures (at the peak of the outbreak), and enabled shoppers to remain on top of the malls’ and retailers’ offerings.

DEFENSIVE STRATEGY. RESILIENT FOUNDATIONS.

BHG Retail REIT’s strength stems from its defensive community mall strategy. Situated in high population density neighbourhoods, our malls benefit from recurring visits by shoppers from its immediate surrounding precinct. The strategy also augurs well with the aspiring Chinese’s income growth and consumption upgrade.

These suburban malls continue to leverage on Beijing Hualian Group’s wealth of knowledge and substantial footprint in retail mall management, supermarket operation and international retail partnerships. The Group’s strong understanding of Chinese consumption patterns enabled the REIT to be well-positioned to support the increasingly discerning needs of customers.

ACCOLADES & RECOGNITION

We are proud to have received a few accolades during the year. BHG Retail REIT clinched the Gold Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2020, under the Retail REITs (small capitalisation) category.

The REIT also received two awards at The Global Good Governance Awards™ 2020. They include a Platinum award for the ‘Best Corporate Communications and Investor Relations’ and a Gold award for the ‘Best Governed and Transparent Company’ categories.

These accolades serve as an affirmation of our efforts to pursue value for our Unitholders. They will also provide inspiration for us to remain focused on our mission to deliver sustainable returns to our Unitholders, and to be committed to good corporate governance practices.



Photo of
Beijing Wanliu Façade

MACRO ENVIRONMENT IN 2020

Despite most major economies being in the red for the full year of 2020, China's gross domestic product ("GDP") grew 2.3% year-on-year to RMB 101.6 trillion in 2020. With stringent precautionary measures in the first quarter of 2020, the nation's GDP was down 6.8% in the same period. Thereafter, with the pandemic largely under control, the economy experienced a V-shaped recovery. China GDP registered year-on-year growth of 3.2%, 4.9% and 6.5%, in the second, third, and fourth quarters of 2020, respectively.

China retail sales of consumer goods and consumer confidence bottomed-out a tad later compared to its GDP performance, around mid-2020. Retail sales of consumer goods were up 4.6% year-on-year for the fourth quarter of 2020, and down 3.9% year-on-year for the full year. We are also seeing the recovery of urban residents' disposable income and expenditure.

LOOKING AHEAD

Progressive global inoculation efforts are underway but any resurgence of infections may potentially hinder economies' recovery efforts. Notwithstanding this, the management team will remain cautious and sensitive to evolving consumer behaviour and spending patterns, so as to maintain the malls' relevancy going forward.

Our portfolio's healthy leasing demand is largely underpinned by its defensive strategy, which focuses on non-discretionary offerings to the malls' surrounding residential population.

Going forward, these retail assets continue to be well-positioned to leverage on China's domestic consumption upgrade.

To build upon our existing portfolio, and to generate consistent returns for our Unitholders, we will take further steps to invest beyond the present portfolio. We are confident of BHG Retail REIT's progress in the years ahead.

With prudence, expertise and commitment of the Manager, BHG Retail REIT shall continue to position itself as an attractive yield-play investment, and deliver long-term sustainable growth to our Unitholders.

WITH APPRECIATION

In closing, we extend our sincere appreciation to the Board members, the management team and staff, for their leadership, deep business acumen, and dedication in overcoming many challenges in 2020. We would also like to express our appreciation to business partners, tenants, and shoppers for their continuous support. Last but not least, we offer our sincere gratitude to our Unitholders for their unwavering support and confidence in us. Together, let us look forward to a better year ahead.

MR FRANCIS SIU WAI KEUNG
Chairman

MS CHAN IZ-LYNN
Chief Executive Officer

18 March 2021

致信托单位 持有人之信函

巩固坚实基础 保持韧性



尊敬的信托单位持有人：

我们很荣幸代表北京华联商业信托管理有限公司（作为北京华联商业信托管理人，以下简称“管理人”）的董事会及管理层，公布北京华联商业信托（以下简称“本信托”）的2020财政年度（以下简称“2020财年”）业绩报告。

2020年是巩固基础、保持韧劲的一年。面对史无前例的新型冠状病毒，各国纷纷陷入动荡，全球经济陷入衰退。然而，

与大多数危机一样，对那些处事果断的人而言，它也带来了更新、希望和机会。中国在防疫管理方面表现出令人钦佩的坚韧。尽管中国是最早爆发疫情的国家，但情况却得到了迅速有效的控制，从而成为最早阻断感染潮的国家之一。

在此我们要赞扬我们当地的物业团队，尽管面临种种挑战，依然坚韧不拔。此外，租户在逆境中表现出来的忠诚度和合作精神也

令我们深受鼓舞。尽管2020年开局不易，但全年总体出租率保持强劲。除了1月和2月临时中断营业，至2020年一季度末，六家商场均已恢复正常营业。

不过，租户的生意还是受到了影响。作为社区型购物中心的运营者和所有者，我们的团队重视租户利益并与他们不懈合作，帮助他们共度难关，从而使我们与合作伙伴的关系更加牢固。



合肥蒙城路外场社区活动

我们的管理团队将秉持审慎、专业和奉献的态度，坚守本信托在收益导向型投资中的位置，为信托单位持有人带来长期可持续性的增长。



北京万柳周边住宅区

尽管遇到这些障碍，我们的使命依然不变，那就是妥善应对业务发展中的顺境和逆境，向信托单位持有人提供可持续的回报。

面对疫情2020财年取得的业绩

出租率全年保持在高位，年末整体承诺出租率达到93.5%。尽管遭遇新冠疫情，管理团队仍继续寻求内生性增长的机会，通过努力留住现有租户，引入新的品牌和概念，重新改造等举措，市场对我们的租赁空间的需求持续保持强劲。

财务数据方面，2020财年的总收入为6060万新元，是去年同期的76.6%。2020财年的净资产收入（NPI）为3640万新元，是2019财年的72.1%。业绩放缓的主要原因，是向部分业务受到疫情影响的租户提供了租金减免。

2020财年，多租户商场贡献了旗下商场净资产收入的约86.0%。主要创收者为北京万柳购物中心、成都空港购物中心、合肥长江西路购物中心和

合肥蒙城路购物中心，在2020财年净资产收入中的占比分别为55.5%、14.7%、9.2%和6.6%。

2020财年本信托将为信托单位持有人派发的金额为950万新元，约等于每单位派息（DPU）0.0195新元。以年终闭市价0.550新元计算，本信托的年度派息收益率为3.5%。

强健的财务状况

经独立机构评估，截至2020年12月31日，本信托旗下商场的估值总额为9.432亿新元，比2019年12月31日的独立估值结果——9.090亿新元提升3420万新元（3.8%）。

管理人在资本管理策略方面继续谨慎以对。截至2020年12月31日，已提取的借贷总额为2.948亿新元，其中80%以上是以新元和美元计值的借款，余下约20%是以人民币计值的借款。除了以人民币计值债务为匹配收入来源进行自然对冲外，约60%的境外债务已通过利率互换，将浮动利率转换成固定

利率进行对冲。负债率维持在35.7%的健康水平，为未来的非内生性增长保留了充裕的负债空间。

抓住重塑的机遇

有句名言叫做“不要浪费一场好的危机”，对此我们深有共鸣，并在疫情期间推出多项举措。

疫情爆发后，我们采取的措施之一是增加“直播”跟消费者沟通。通过直播（可由商场单独举办或与零售商家共同进行），消费者可随时了解包括安全措施和促销活动在内的最新情况。我们的物业管理团队积极为现场直播创造条件，以促进零售商家和消费者之间的互动。

此外，为了响应中国政府“发展夜间经济”的号召，成都空港购物中心在用集装箱改造的“食来巷”旁边，推出了一个露天夜市，从而增加商场的可出租空间，并为晚间注入更多活力。

北京万柳方面，我们抓住机会缩小了超市的规模，以充分释放

致信托单位 持有人之信函

回收空间的潜能，并提高了整体租金。采取上述举措后，餐饮和零售空间的种类变得更加丰富，并为租户群注入了更多活力。

此外，本信托的发起人还在疫情期间推出了自己的电子商务平台，以为消费者带来全渠道购物的便利。中国各城市的旗下商场均可共享该网上平台，它极大地缓解了封闭式管理（疫情高峰时）带来的不便，并使购物者能随时了解商场和零售商家的动态。

防守为主保持韧性

本信托的优势在于其以防御性社区型商场为本的策略。我们的购物中心位于人口密度较高的街区，可吸引周边的购物者经常光顾。这一策略也与中国收入增长和消费升级的前景环环相扣。

这些城郊商场持续得益于北京华联集团在零售商场管理、超市运营及国际零售合作等方面的丰富知识和雄厚根基。此外，集团对中国消费模式的深刻理解，也使本信托能很好地满足消费者日益挑剔的需求。

荣誉认证

在这一年里，本信托获得了多项荣誉并为此感到自豪。首先，我们荣获了2020亚洲最佳房地产投资信托奖(Asia Pacific Best of the Breeds REITs Awards)零售房地产投资(小市值)组别的金奖。

此外，本信托还获颁两项全球优秀治理(The Global Good Governance Awards™)奖。

它们分别是“最佳企业传播和投资者关系”白金奖和“最佳治理及最透明公司”组别的金奖。

这些荣誉是对我们为信托单位持有人追求价值而作出的努力的肯定。它们将激励我们继续专注于为信托单位持有人提供可持续回报的使命，并致力于良好的公司治理与实践。

2020年的宏观环境

尽管绝大多数主要经济体在2020年出现负增长，中国的国内生产总值却同比增长2.3%，至101.6万亿元人民币。由于在一季度采取了严格的防疫措施，同期国内生产总值下降6.8%。此后，随着疫情基本得到控制，经济经历了V型复苏。2020年第二、第三和第四季度，中国的国内生产总值同比分别增长3.2%、4.9%和6.5%。

与国内生产总值的表现相比，中国消费品零售额和消费者信心指数的恢复略迟一点，但也于年中触底回升。至2020年第四季度，消费品零售额的同比增长幅度更是达到4.6%，而全年同比则下降3.9%。城镇居民可支配收入和支出也有所回升。

展望

虽然全球的疫苗接种工作正在逐步展开，但任何的疫情反复都会对经济复苏造成阻碍。管理团队将对不断变化的消费者行为和消费模式保持谨慎和敏感，以确保旗下商场与时俱进。

本信托旗下商场之所以拥有强劲的租赁需求，在很大程度上

得益于其以防御性为主的策略，即侧重于向周边居民提供必需品。展望未来，这些零售商场将能继续因中国国内消费升级而获益。

为更好地发挥现有物业的优势，并为信托单位持有人创造稳定的回报，我们将采取进一步措施，在当前资产组合外寻求投资机会。我们对本信托未来几年的发展充满信心。

我们的管理团队将秉持审慎、专业和奉献的态度，坚守本信托在收益导向型投资中的位置，为信托单位持有人带来长期可持续性的增长。

鸣谢

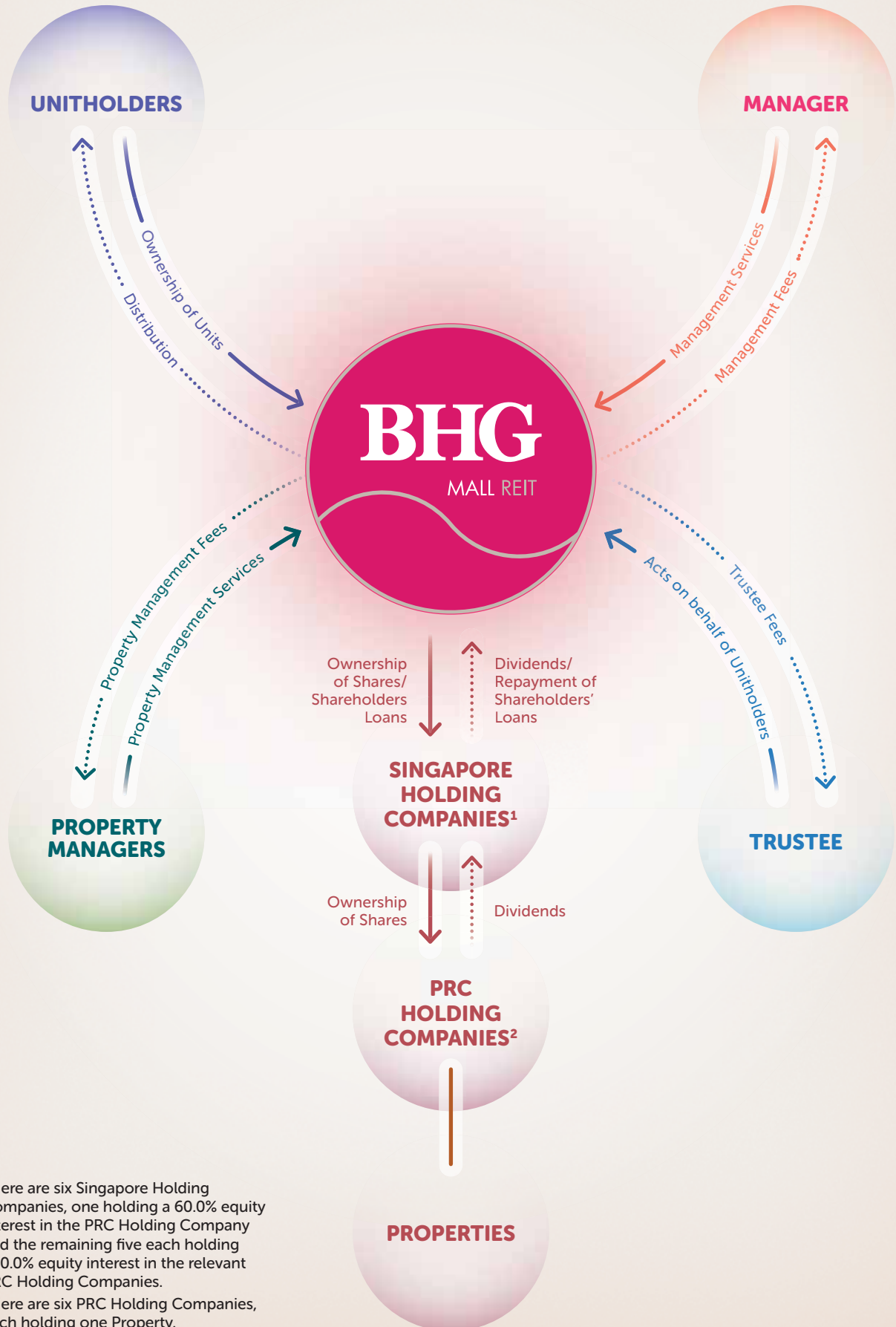
最后，我们诚挚的向董事会成员、管理层和全体员工表达由衷的感谢。感谢他们在充满挑战的2020年，所展现出来的领导力、商业头脑和敬业精神。同时，我们也要感谢业务合作伙伴、租户及购物者锲而不舍的支持。此外，我们也真诚地感谢信托单位持有人给予我们的坚定支持和强大信心。让我们一起展望未来，期待来年有更好的表现。

主席
萧伟强

首席执行官
陈懿璘

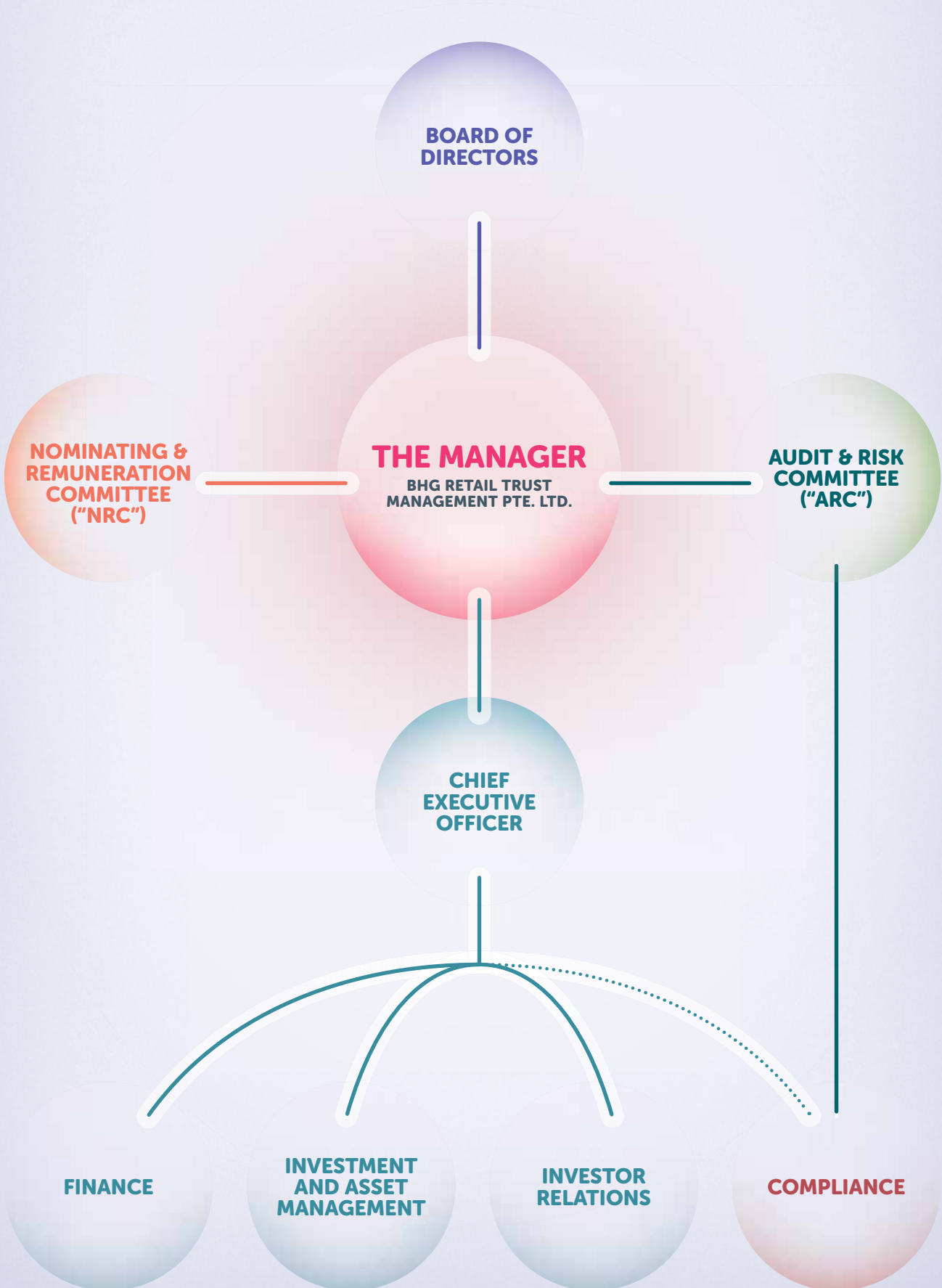
2021年3月18日

TRUST STRUCTURE



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

ORGANISATION STRUCTURE



BOARD OF DIRECTORS

MR FRANCIS SIU WAI KEUNG | 66

Chairman & Independent Director

Date of first appointment as a director

12 November 2015

Date of last re-election as a director

15 June 2020

Board committees served on

- Audit and Risk Committee (Chairman)
- Nominating and Remuneration Committee (Member)

Present directorships in other listed companies

- China International Capital Corporation Limited
- CITIC Limited
- China Communication Services Corporation Limited

Past directorships in other listed companies over the preceding 3 years

- Guocoland Limited
- CGN Power Co. Ltd.

Other principal commitments

- Board Member of Financial Reporting Council, Hong Kong
- Board Member of Beijing Gao Hua Securities Co., Ltd.

Background and working experience

- Senior Partner of KPMG Beijing, Northern Region
- Senior Partner of KPMG Shanghai
- Audit Partner of KPMG Hong Kong

Academic and professional qualifications

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

MR BEN YEO CHEE SEONG | 69

Independent Director

Date of first appointment as a director

12 February 2015

Date of last re-election as a director

15 June 2020

Board committees served on

- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Chairman)

Present directorships in other listed companies

- RE&S Holdings Ltd

Past directorships in other listed companies over the preceding 3 years

Nil

Other principal commitments

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

Background and working experience

- Group Managing Director of Guthrie GTS Limited

Academic and professional qualifications

- Institute of Singapore Chartered Accountants (Member)
- Institute of Chartered Accountants in England and Wales
- Association of Chartered Certified Accountants (UK)

BOARD OF DIRECTORS

MR LAU TECK SIEN | 49

Independent Director

Date of first appointment as a director

12 November 2015

Date of last re-election as a director

8 May 2019

Board committees served on

- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)

Present directorships in other listed companies

Nil

Past directorships in other listed companies over the preceding 3 years

Nil

Other principal commitments

- Director of HOPU (Singapore) Services Pte. Ltd.
- Director of HOPU (Hong Kong) Investment Consultancy Company Limited
- Partner/Chief Executive Officer of HOPU Investments

Background and working experience

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

Academic and professional qualifications

- Nanyang Technological University of Singapore (Bachelor of Business)

MR XIONG ZHEN | 46

Non-Executive Director

Date of first appointment as a director

12 November 2015

Date of last re-election as a director

18 April 2018

Board committees served on

Nil

Present directorships in other listed companies

Nil

Past directorships in other listed companies over the preceding 3 years

Nil

Other principal commitments

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

Background and working experience

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

Academic and professional qualifications

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

MR PENG GE | 49

Non-Executive Director

Date of first appointment as a director

12 November 2015

Date of last re-election as a director

8 May 2019

Board committees served on

Nil

Present directorships in other listed companies

Nil

Past directorships in other listed companies over the preceding 3 years

Nil

Other principal commitments

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

Background and working experience

- Vice General Manager of Beijing Hualian Department Store Co., Ltd.
- Vice General Manager of Beijing Hualian Hypermarket Co., Ltd.
- General Manager of Beijing Hualian Hypermarket Co., Ltd., South West Regional Office

Academic and professional qualifications

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



MANAGEMENT TEAM

MS CHAN IZ-LYNN

Chief Executive Officer & Head of Investor Relations

Iz-Lynn is the Chief Executive Officer of the Manager. She is responsible for steering BHG Retail REIT's strategic direction alongside the Board, and delivering the overall business plans with the support of the management team.

Prior to driving the REIT's listing, Iz-Lynn headed Beijing Hualian Department Store Co., Ltd's (the "**Sponsor**") Mall Management Operations and was based in Beijing. In this capacity, Iz-Lynn oversaw active mall management of this Shenzhen-listed group's nation-wide portfolio of properties. She was also part of the senior management team responsible for directing the Sponsor's future strategic development.

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

international new-to-market brands to the retail portfolio. In the Hospitality Business Group, comprising hotels and serviced residences, she was responsible for the delivery of the business unit's operational and service excellence. During her tenure, Iz-Lynn also concurrently held the position of the Head of Service Quality at the group's corporate level.

Iz-Lynn began her career with Singapore Airlines where she had varied roles which enhanced her exposure to different aspects of airline operations. She became Singapore Airline's first female Station Manager and was entrusted to manage overseas stations' airport operations in Frankfurt, Copenhagen, New York and Hong Kong.

Iz-Lynn holds a Bachelor of Arts (Honours) in English from the University of Leicester, United Kingdom and she completed the General Management Programme at Harvard Business School. Iz-Lynn was also the case protagonist in Harvard Business School Case Study "Iz-Lynn at Far East Organization".

MR VICTOR TEN

Chief Financial Officer

With more than 25 years of expertise in corporate management, finance, investment, accounting, and project management, Victor serves BHG Retail REIT and its Manager as Chief Financial Officer ("**CFO**"). He leads the finance team and maintains oversight on the REIT's financial accounting & reporting, financing, internal controls, treasury, and tax matters. As CFO, Victor also actively guides the overall operating strategies and processes of the REIT.

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

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

Victor holds a Bachelor of Arts (Honours) in Accountancy from University of Bolton, United Kingdom and attended the Asia Strategy Management Programme for CFOs at the NUS-Chicago Booth Business School. Victor is Fellow member of both the Institute of Public Accountants, Australia and the Institute of Financial Accountants, United Kingdom.

MR CHEAH KOK YONG

Senior Finance Manager

Kok Yong joined the Manager of BHG Retail REIT as a Senior Finance Manager in April 2019. He brings along more than 15 years of experience in the accounting and finance industry. Reporting directly to the CFO, he oversees finance matters of both the REIT and Manager, in areas including financial reporting, taxation, capital management, and treasury. Kok Yong supports the Compliance team by providing relevant financial data for its onward reporting.

Prior to joining BHG Retail REIT, Kok Yong served as a Finance Manager in ARA Asset Management (Singapore) Limited. As a part of the ARA Group, the private real estate fund's assets under management aggregated to US\$3.0 billion, and the assets are situated primarily in the main cities of China, Singapore,

Hong Kong and Malaysia. Onboarded as an Assistant Finance Manager, and promoted to a Finance Manager, he supported various functions of the fund, including that of finance, administrative & operations, and financial reporting.

Prior to his service in ARA Group, Kok Yong held a managerial role in Jardine Cycle & Carriage Limited's Group Finance team. He actively supported the Finance General Manager in the Group's financial reporting, and was responsible for the review of the subsidiaries' financial reports. He also held positions at Autron Corporation Limited and Foo, Kon & Tan.

Kok Yong is a member of CPA Australia. He holds a Bachelor of Commerce in Accounting from Curtin University of Technology, Australia.

MR ERIC LIU

Investment and Asset Management Manager

With more than 10 years of valuable experience in the investments and financial services space under his belt, Eric is responsible for the value creation of BHG Retail REIT through acquisitions, asset recycling, asset enhancement and active asset management.

Prior to joining BHG Retail REIT, Eric was an Asset Manager in Straits Real Estate Pte. Ltd. where he provided direction and oversight of the company's business plan and strategy with regard to the company's asset portfolio in the Asia Pacific region. Prior to Straits Real Estate Pte. Ltd., he was the Investment and Asset Manager of Bright Ruby Resources Pte. Ltd. where he provided market research,

deal sourcing, and strategic direction for real estate investments for their global portfolio. In addition, Eric also actively led and managed transaction procedures from concept through to completion.

Eric began his career as an independent market researcher at Nexus Link Pte. Ltd. in 2009, where he provided advisory-related services, including that of merger & acquisitions and risk management, based on market analysis and research, for various sectors.

Eric holds a Bachelor of Science (Honours), in Finance and Accounting from the University of Bradford, United Kingdom.

MANAGEMENT TEAM

MR NIGEL NAI ZI

Investor Relations Manager

With more than 12 years of experience in investor relations, financial & management reporting, auditing, and regulatory reporting, Nigel currently manages investor relation matters of BHG Retail REIT. His responsibilities include strategic targeting, building and reinforcing relationships with investors as well as the research and media community. Nigel is also actively involved in the crafting of corporate communications across various platforms, and facilitating capital market requirements for the REIT.

Prior to the current role, Nigel held a managerial role in SPH REIT and was instrumental in building the finance and investor relations functions in the REIT's initial years. He was called upon to join SPH REIT from the Singapore Press Holding ("SPH")'s Group Finance, when the

REIT announced its listing in July 2013. Before joining SPH, Nigel was a consultant in JP Morgan Singapore's finance, where he was involved in the bank's financial control and regulatory reporting.

Nigel's professional career began as an external auditor in Ernst & Young LLP. In his fourth year, as a Senior Auditor, he actively oversaw audit engagements, spanning multiple industries and geographies including China, India, Indonesia, and Singapore.

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

MR JEFF TAN

Compliance Manager

Jeff reports directly to the CEO and is responsible for Regulatory and Operational Compliance, Legal, Corporate Governance, Sustainability Reporting and Enterprise Risk Management matters. He oversees all regulatory submissions and communications on behalf of the Manager and BHG Retail REIT, and assists the Manager and BHG Retail REIT in complying with the applicable rules and regulations of the SFA, SGX and all other relevant agencies.

He is also in charge of BHG Retail REIT's annual sustainability report as the Manager's Sustainability Officer. In addition, Jeff maintains an indirect reporting line to the Audit and Risk Committee and facilitates communications between the Manager and the Board of Directors.

Prior to joining the Manager, Jeff was an Assistant Manager at Surbana Jurong Private

Limited, where he supported the company on compliance and risk management matters. Prior to joining Surbana Jurong, Jeff was an internal auditor at Far East Organization where he performed internal audits on a number of retail malls across the company's retail portfolio.

Jeff's professional career began as an internal auditor at Boustead Singapore Limited where he was involved in internal audit engagements spanning across different sectors and geographies including UK, Australia, China, India, Indonesia, Malaysia and Singapore.

Jeff is a Chartered Accountant of Singapore with ISCA and graduated from the University of Western Australia, Perth, with a Bachelor of Commerce in Financial Accounting, Investment Finance, and Corporate Finance.

ENTERPRISE RISK MANAGEMENT

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

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

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

ERM FRAMEWORK

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

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

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

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

Further, the ERM Framework is supplemented by an outsourced Internal Audit function, which

measures and evaluates the effectiveness of the procedures in place under the Framework. An internal audit exercise is conducted annually. In 2020, the exercise was conducted at the REIT’s portfolio property, Hefei Changjiangxilu.

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

KEY RISKS IN FY 2020

Real Estate Risks

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

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

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

Investment Risks

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

Further, transactions related to acquisitions or divestments of real estate assets are monitored

ENTERPRISE RISK MANAGEMENT

closely to ensure compliance with the requirements in the Property Funds Appendix, and the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

Disaster and Business Interruption Risk

The Manager is cognisant that unforeseen circumstances may interrupt the business of each portfolio property. These circumstances may include natural disasters, fire, equipment failures and global pandemics.

Accordingly, each portfolio property has in place sufficient insurance coverage against such occurrences. Each portfolio property has implemented recovery plans, which are tested at intervals throughout the year to ensure staff and tenant familiarity. These tests, and the staff and tenants’ familiarity with them were put into play during the COVID-19 outbreak, when safe distancing measures were implemented by local government.

Further, the Manager has put in place proactive initiatives to ensure the upkeep and maintenance of the premises and equipment contained within each portfolio property. In relation to the COVID-19 outbreak, our portfolio properties (i) provided face masks to employees; (ii) set up temperature screening at all entrances; (iii) increased frequency on the cleaning and disinfecting of facilities and public areas; (iv) limited activities with mass gatherings; and (v) implemented contact tracing procedures to monitor the well-being of employees, tenants and visitors.

Financial and Interest Rate Risk

The Manager ensures that financial market risks are closely monitored and reported to the Board. The Manager adopts a proactive strategy to manage the risks associated with the changes in interest rates on any loan facilities. As at 31 December 2020, the REIT has entered approximately 60% of its offshore loan into interest rate swap transactions.

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

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

Where feasible, BHG Retail REIT also adopts a natural hedging by borrowing in RMB. This matches the revenue stream generated from its investment, balancing the interest rate and foreign exchange risk. As at 31 December 2020, about 20% of the Group’s borrowings is RMB-denominated.

Compliance Risks

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

In ensuring that it complies with the myriad of regulations, the Manager has implemented corporate policies and procedures to provide clear instructions for all staff to abide by. This would minimise the likelihood of contravention of any regulation or rule, ensuring the least disruption to the business activities conducted by the Manager. Further, the Manager ensures all employees are aware of the latest developments in the law through training and attending seminars and briefings conducted by professionals and internal memorandums. The Board is also kept apprised of new rules and regulations affecting the Manager and BHG Retail REIT during Board meetings.

Technology Risks

The Manager is aware of the modern-day risks associated with Information Technology. In accordance with the MAS Notice on Technology Risk Management and MAS Notice on Cyber Hygiene, the Manager conducts periodic reviews of its technology risks, with a view towards minimising the risk of downtime caused by information technology system failures and risk of cyber threat on critical information technology systems.

CORPORATE GOVERNANCE

INTRODUCTION

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

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

The board of directors (the “**Board**” or “**Director**”) of the Manager has ensured corporate governance practices in line with the Code of Corporate Governance 2018 (the “**2018 Code**”) were implemented. The Manager has further ensured that it remains in compliance with the other regulations, notices, circulars and guidelines that may be released by the Monetary Authority of Singapore (“**MAS**”) from time to time.

This corporate governance report (“**Report**”) describes the corporate governance practices with specific reference to the 2018 Code. Where there are deviations from the principles and provisions of the 2018 Code, explanations are provided within this Annual Report. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the 2018 Code.

THE MANAGER

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

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

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

CORPORATE GOVERNANCE

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board, which is responsible for the long-term success of the REIT, is entrusted with overall responsibility for the corporate governance of the Manager. The Board is also responsible for the strategic business direction and risk management of the REIT. To this end, the Board has set in place a framework of internal controls for effective management of risks within the business. All Directors exercise reasonable diligence and independent judgment when making decisions and are obliged to act honestly and consider the interests of the Manager and the REIT at all times. The Board recognises that Directors owe fiduciary duties to the Manager and should act objectively in the best interests of the Manager and hold the management team of the Manager ("**Management**") accountable for performance.

As part of providing overall leadership to the REIT and its subsidiaries (the "**Group**"), the Board sets the appropriate tone from the top, desired organisational culture, and ensures proper accountability within the Manager. The Board also advises Management on the desired culture of the Group and monitors Management's implementation of such culture. The Board and Management are guided by a Code of Conduct and Ethics which provides that every Director and member of Management is expected to, among other things, adhere to the highest standards of ethical conduct.

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of the REIT. The Manager requires that its Directors disclose their interests in transactions and any conflicts of interests. The Directors must recuse themselves from any discussions and decisions concerning a matter in which they may be in a conflict of interest situation. Each of the Directors has complied with the above.

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

- Material transactions, such as acquisitions and divestments;
- Annual budgets;
- Periodic financial reports; and
- Appointment of Directors and key management personnel of the Manager ("**KMP**").

The Manager has established internal guidelines setting forth matters that require the Board's approval including business strategies and proposals, investment acquisitions and disposals, borrowings and financing arrangements, budgets, project development and capital, and operating expenditures. Such matters which have been approved by the Board are clearly communicated to Management in writing. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board committees and Management to optimise operational efficiency.

All Directors exercise reasonable diligence and independent judgment when making decisions and are obliged to act honestly and consider the interests of the Manager at all times.

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

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

The Board Committee members are appointed from within the ranks of the Board, and operate on delegated authority from the Board. The Board Committees have been constituted with clear written terms of reference approved by the Board and may decide on matters within its terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees set out their compositions, authorities and duties, including reporting back to the Board. All terms of reference are reviewed and updated when necessary to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests with the Board as a whole. The composition of the various Board Committees, the terms of reference, any delegation of the Board's authority to make decisions and a summary of each committee's activities are set out in this Corporate Governance section of the Annual Report.

The Board and the ARC meet on a semi-annual basis to review key business activities. The NRC meets at least annually¹. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, videoconferencing, or other similar means of telecommunication. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board attend and actively participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval. A Director with multiple directorships is expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of the REIT for the benefit of Unitholders. Two Board meetings were held during the financial year ended 31 December 2020 ("FY 2020"). The number of such meetings and the attendance of each of the Directors at Board meetings and Board Committee meetings are set out at page 33 of this Annual Report.

Provision 1.5 of the 2018 Code requires Directors to attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

No NRC meeting was held during FY 2020 due to the COVID-19 pandemic which resulted in logistical issues in holding the NRC meeting, which previously was held once in every financial year. Instead, the NRC members communicated via email correspondences to discharge the NRC's responsibilities as set out in the NRC's terms of reference, and passed the relevant resolutions in writing (which were circulated via email to the NRC) to resolve the NRC matters in lieu of holding a NRC meeting during FY 2020. The NRC will revert to meeting at least once in the financial year ending 31 December 2021 ("FY 2021").

The Manager is accordingly of the view that despite this partial deviation from Provision 1.5 of the 2018 Code, its practice is consistent with the intent of Principle 1 of the 2018 Code as a whole.

The Manager provides the Board with complete, adequate and timely information prior to Board meetings, and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. This includes periodic business updates, financial reports and financial statements from the Manager. The Manager's executives and external consultants may also provide presentations on specific business areas. Further, the Board has separate and independent access to Management and the company secretary of the Manager ("**Company Secretary**") at the Manager's expense, at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board and Board Committee meetings. The Board also has access to external advisers where necessary and when requested at the Manager's expense.

1 No NRC meeting was held during FY 2020 due to the COVID-19 pandemic which resulted in logistical issues in holding the NRC meeting. The NRC will revert to meeting at least once in FY 2021.

CORPORATE GOVERNANCE

The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole. This ensures that the Directors are not dependent solely on what is volunteered by the Manager.

At each Board meeting, the Chief Executive Officer (“**CEO**”) provides updates on the REIT’s business and operations, as well as financial performance. Presentations in relation to specific business areas are also made by key executives and external consultants or experts. This allows the Directors to understand the Manager’s business as well as their directorship duties (including their roles as non-executive and independent directors) and also promotes active engagement between the Board and the key executives of the Manager.

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

Induction, training and development programmes are provided to new and existing Directors. These programmes aim to familiarise the new Director with his or her duties as a director and how to discharge those duties, the laws and regulations that govern the operation of a REIT, and to familiarise the new Director with the REIT’s business and organisation structure and governance practices. Following their appointment, Directors are provided with opportunities for developing and maintaining their skills and knowledge at the Manager’s expense and continuing education in areas such as Director’s duties and responsibilities, changes to laws, regulations, accounting standards, and industry-related matters so as to be updated on matters that may affect or enhance their performance as Directors of the Board, or of the Board Committees. In FY 2020, Directors were briefed and updated on new notices and guidelines issued by MAS and changes to the Listing Manual of the SGX-ST.

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

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

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board presently comprises five (5) members, all of whom are Non-Executive Directors such that Non-Executive Directors make up a majority of the Board and of which three (3) are Independent Directors:

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

Although the majority of the Board comprises Independent Directors, the Manager is not required to have the majority of the Board as Independent Directors as the Chairman is independent.

Each Director is a respected individual with the appropriate experience to act as the Directors of the Manager. The profiles of the Directors may be found from pages 17 to 19 of this Annual Report. The Board is headed by Mr Francis Siu Wai Keung, who presides as Chairman. The Board reviews from time to time the size and composition of the Board, with a view to ensuring the Board has the appropriate mix of expertise and experience and that the size of the Board is appropriate in facilitating effective decision making and constructive debate, taking into account the scope and nature of the operations of the Group, and that the Board has a strong independent element. The Board, through the NRC, also aims to maintain an appropriate balance and diversity of experience, skills, knowledge, gender, age, perspectives, qualifications and other attributes in the relevant areas among the Directors in order to build an effective and cohesive Board. Any potential conflicts of interest are also taken into consideration.

In view of the principles and provisions set out in the 2018 Code, the Board has adopted a Board Diversity Policy from 2020 onwards as the REIT recognises that board diversity is an essential element contributing to the sustainable development of the Manager. The main objective of the Board Diversity Policy is to foster an inclusive and diverse culture that introduces different perspectives and experiences that will ultimately promote better corporate governance. The key selection criteria for Director candidates is based on the right blend of competencies, skills, ability to contribute effectively and experience in the context of the REIT's business operations. The Board Diversity Policy provides that the NRC will consider all aspects of diversity in reviewing the Board composition and succession planning. The Board has made good progress in achieving its objectives under the Board Diversity Policy.

The assessment of a Director's independence takes into account the enhanced independence requirements and the definition of "independent director" as set out in both the 2018 Code and the Securities and Futures (Licencing and Conduct of Business) Regulations. An independent director is one who: (i) is independent in conduct, character and judgment, and has no relationship with the Manager, its related corporations, shareholders who hold 5.0% or more of the voting shares (the "**Substantial Shareholders**") of the Manager, or Unitholders who hold 5.0% or more of the Units (the "**Substantial Unitholders**") in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independence business judgment, in the best interests of the Unitholders; (ii) is independent from any management and business relationship with the Manager and the REIT, and from every Substantial Shareholder of the Manager and every Substantial Unitholder; (iii) is not a Substantial Shareholder of the Manager or a Substantial Unitholder; (iv) has not served on the Board for a continuous period of nine (9) years or longer; and (v) is not employed or has been employed by the Manager or the REIT or any of their related corporations in the current or any of the past three (3) financial years and does not have an immediate family member who is employed or has been employed by the Manager or the REIT or any of their related corporations in the current or any of the past three (3) financial years and whose remuneration is or was determined by the Board.

Mr Xiong Zhen and Mr Peng Ge are salaried employees of other entities within the Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") and accordingly are treated as Non-Independent Directors. The independence of Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien are assessed against the requirements of the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations. There are no instances where the Board considers a director to be independent where there is the existence of a relationship as stated in the 2018 Code and the Listing Manual of the SGX-ST that would otherwise deem a director not to be independent. For FY 2020, the NRC has reviewed and determined that the Independent Directors of the Manager are independent according to the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations. None of the Independent Directors have served the Board beyond nine (9) years from the date of their first appointments. The following further sets out the assessment of each Director's independence against the requirements under the Securities and Futures (Licencing and Conduct of Business) Regulations.

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	Francis Siu	Ben Yeo	Lau Teck Sien	Peng Ge	Xiong Zhen
had been independent from the management of the Manager and BHG Retail REIT during FY 2020	X	X	X		
had been independent from any business relationship with the Manager and BHG Retail REIT during FY 2020	X	X	X	X	X
had been independent from every Substantial Shareholder of the Manager and every Substantial Unitholder of BHG Retail REIT during FY 2020	X	X	X		
had not been a Substantial Shareholder of the Manager or a Substantial Unitholder of BHG Retail REIT during FY 2020	X	X	X	X	X
has not served as a Director of the Manager for a continuous period of nine (9) years or longer as at the last day of FY 2020	X	X	X	X	X

Note:

Each of Mr Peng Ge and Mr Xiong Zhen is currently employed by a related corporation of the Manager. As such, during FY 2020, each of them is deemed (a) to have a management relationship with the Manager and the REIT; and (b) connected to a Substantial Shareholder of the Manager and substantial Unitholder. The Board of the Manager is satisfied that, as at the last day of FY 2020, each of Mr Peng Ge and Mr Xiong Zhen was able to act in the best interests of all Unitholders as a whole. As at the last day of FY 2020, each of Mr Peng Ge and Mr Xiong Zhen was able to act in the best interests of all Unitholders as a whole.

The Board is confident that the Directors act in good faith and exercise due diligence and care in the exercise of their duties, and is presently of an appropriate size. For FY 2020, the Board is of the opinion that its current Board size and composition is reasonable, effective and efficient considering the nature, size and scope of the Manager's and the REIT's business operation.

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

When reviewing Management's proposals or decisions, the Non-Executive Directors bring their objective judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors and/or the REIT Independent Directors, led by the independent Chairman of the Board or other Independent Directors of the REIT as required, meet regularly without the presence of Management. The Chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

Provision 3.3 of the 2018 Code requires the Board to have a Lead Independent Director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The Lead Independent Director would be available to Unitholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. Currently, no Lead Independent Director has been appointed as there are sufficient measures in place in the event of a conflict by the Chairman. The Manager is of the view that despite the deviation from Provision 3.3 of the 2018 Code, the risk of conflict by the Chairman is mitigated given that the Chairman is not part of the Management and is an Independent Director, and the roles of the Chairman and CEO are held by separate individuals who are not immediate family members and have no close family ties. Moreover, the Board has a strong independent element as three (3) out of five (5) directors (including the Chairman) are Non-Executive Independent Directors. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 3 of the 2018 Code as a whole.

During FY 2020, the Independent Directors have met at least once in the absence of Management, to discuss matters. Such meetings are led by the Independent Chairman, and feedback is provided to the Board and/or the Chairman as appropriate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Board is cognisant of the requirements of the 2018 Code, and accordingly the Board has established the NRC, which comprises the following three (3) members, all of whom, including the Chairman, are Non-Executive Independent Directors:

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

The NRC is regulated by a set of written terms of reference and is responsible for making recommendations to the Board on appointment and remuneration matters. The NRC will review and make recommendations on succession plans for the Board and executive officers, in particular the appointment and/or replacement of the Chairman, the CEO and KMP.

The other responsibilities of the NRC as set out in the terms of reference include:

- Developing a process and criteria for evaluation of the performance of the Board, its Board Committees, and Directors;
- Reviewing the training and professional development programmes for the Board and its Directors;
- Reviewing and nominating the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board, including taking into account the leadership needs of the Manager and the REIT and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director;

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- Determining annually, and as when circumstances require, if a Director is independent having regard to the circumstances set forth in page 29 of this Annual Report;
- Recommending to the Board the objective performance criteria and process for the purpose of evaluating the effectiveness of the Board as a whole and that of each of its Board Committees separately, as well as the contribution by the Chairman and each individual Director;
- Assess whether each Director continues to contribute effectively and demonstrates commitment to the role, taking into account factors such as commitment of time for meetings of the Board and Board Committees and any other duties;
- Review other directorship held by each Director and deciding if a Director is able to and has been adequately carrying out his or her duties as a Director of the Manager, taking into consideration the Director's number of listed company directorship and principal commitments; propose and recommend to the Chairman of the Board, where appropriate, new members to be appointed to the Board and/or to seek the resignation of existing Directors;
- Determine who should be given the responsibility of conducting the evaluation, i.e. whether it should be done internally by another committee, by the NRC, by self-evaluation, or by an external consultant, as well as whether the process is intended to be conducted through a written questionnaire or via oral interview;
- Determine how the Manager's record retention policies and practices should be applied to the data gathered in the course of the evaluation process and it should ensure that such record retention procedures are strictly adhered to;
- Reviewing the REIT's obligations arising in the event of termination of Executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses; and
- Keep up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Manager and the industry it operates.

The NRC has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

- The NRC reviews the independence of each Director annually.
- In appointing a new Director to the Board, the Board considers the needs of the REIT and the relevant expertise of the candidate. Further, the Board refers to the Board Diversity Policy and considers the principles stated on page 29 of this Annual Report.
- The NRC ensures that a new Director is aware of his or her duties and obligations. A newly appointed Director receives a formal appointment letter which sets out his or her relevant duties and obligations. The NRC also decides if a Director is able to and has been adequately carrying out his or her duties as a Director of the Manager.
- The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. Candidates with the appropriate profile are shortlisted for nomination and are recommended to the Board for approval. The search for candidates is conducted through referrals, and the NRC may seek advice from external search consultants where necessary.

In respect of the Manager's Independent Directors, Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien, the Board is of the view that they are independent for the financial year under review, taking into account the circumstances set forth in the 2018 Code, the Listing Manual of the SGX-ST, Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations and any other salient factors. The Independent Directors had also confirmed their independence in accordance with the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations.

Where a Director has multiple Board representations, the NRC also considers whether or not the Director is able to and has adequately carried out his or her duties as a Director of the Manager, taking into consideration the Director's number of listed entity board representations and other principal commitments which are set out on pages 17 to 19 of this Annual Report. The Board has voluntarily and unanimously agreed that with effect from the financial year ended 31 December 2018, each Director may hold a maximum of six (6) listed entity directorships.

Procedures and control mechanisms are also in place to ensure that independence of the Directors is actively monitored. Please refer to Principle 2 under Board Composition and Guidance.

The NRC has evaluated and is satisfied that each Director has provided sufficient time and attention on the affairs of the Manager to fulfil their responsibilities, notwithstanding their other commitments. For FY 2020, the Directors have attended Board meetings and have participated constructively in discussion of the activities of the REIT. The Board is of the view that, despite the external appointments, the Directors are not hindered from diligently discharging his or her duties as Directors of the Manager.

The number of meetings held by the Board and the ARC, and the attendance of Directors at the meetings during FY 2020 are set out as follows:

	Board Meetings	ARC Meetings	General Meetings
Francis Siu Wai Keung	2	2	1 ⁽¹⁾
Ben Yeo Chee Seong	2	2	1 ⁽¹⁾
Lau Teck Sien	2	2	1 ⁽¹⁾
Xiong Zhen	2	N.A. ⁽²⁾	1 ⁽¹⁾
Peng Ge	2	N.A. ⁽²⁾	1 ⁽¹⁾

Notes:

⁽¹⁾ The annual general meeting for the financial year ended 31 December 2019 was convened and held by way of electronic means. These Directors were in attendance via electronic means.

⁽²⁾ N.A. – Not applicable

Information in respect of the designations and roles of the Directors, academic and professional qualification, date of first appointment as a Director, date of last re-appointment as a Director, and directorship or chairmanship, both present and those held over the preceding three (3) years in other listed companies, and other principal commitments, is set out on pages 17 to 19 of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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

CORPORATE GOVERNANCE

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

Each Director is required to objectively assess his or her personal performance and collectively, the performance of the Board as a whole and its Board Committees. For FY 2020, each Director completed the performance assessment checklists and returned them to the Company Secretary. The Company Secretary has compiled the results of the evaluation and tabled the summary for the NRC's review. The NRC is satisfied that:

- All performance objectives for FY 2020 have been met for the Board, Board Committees and for each individual Director; and
- Each Independent Director has met and continues to meet the requirements of the 2018 Code.

Pursuant to the NRC's review, the Board is satisfied that it has achieved its performance objectives for FY 2020.

The Manager believes that the Board's performance is reflected in the long-term success of the REIT. The Board's performance is reviewed once a year by the NRC.

REMUNERATION MATTERS

Procedure for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

While the Manager is not a listed entity, the Board has established the NRC to review and make recommendations to the Board on (i) a framework of remuneration for the Board and KMP; and (ii) the specific remuneration packages for each Director and KMP to ensure that the remuneration payable is in line with the objectives of its remuneration guidelines.

The NRC comprises at least three (3) Directors. All members of the NRC are Non-Executive Directors, all of whom, including the NRC Chairman, are independent.

The NRC assists in reviewing and recommending to the Board a general framework of remuneration for the Board and KMP of the Manager that is market competitive and a compensation strategy that helps to support the Manager's objective of attracting, rewarding and retaining performing employees. The NRC also assists in reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the KMP, and employees related to the Directors, the CEO or Substantial Shareholders or employees who are Substantial Shareholders themselves. The NRC considers all aspects of remuneration, including termination terms, to ensure they are fair.

No remuneration consultants were engaged in FY 2020.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The REIT is externally managed by the Manager and accordingly has no personnel of its own. Remuneration of all Directors and employees of the Manager are paid by the Manager and not by the REIT. The Manager adopts the principle that remuneration for the Board and Management should be assessed holistically. The remuneration structure supports the continuous development of the management bench strength to ensure robust talent management and succession planning. While the Manager is not a listed entity, the Board has established the NRC. As regards remuneration policies, the terms of reference of the NRC include:

- Reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers;
- Reviewing the REIT's obligations arising in the event of termination of Executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses;
- Developing an assessment matrix to review the performance, consider and recommend to the Board on the appropriate quantum of remuneration in view of a Director's level of contributions, taking into account his or her responsibilities and time spent;
- Setting the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and KMP;
- Monitoring the level and structure of remuneration for KMP relative to the internal and external peers and competitors;
- Reviewing the remuneration of employees related to the Directors, CEO or Substantial Shareholders or employees who are Substantial Shareholders, if any, to ensure that their remuneration packages are in line with employee remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subject to the review and approval of the NRC;
- Obtaining reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information at the expense of the Manager, subject to the budgetary constraints imposed by the Board;
- Overseeing any major changes in employee benefits or remuneration structures; and
- Reviewing the design of all long-term and short-term incentive plans for approval by the Board and Unitholders.

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

The NRC operates on delegated authority from the Board. The Manager has put in place a remuneration policy with an aim toward retention of talent, building the strength of management, and developing key executives. This ensures that the business of the Manager remains sustainable, and provides a stable environment with room for continual growth and improvement.

CORPORATE GOVERNANCE

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

In establishing the remuneration structure of the CEO and KMP, the NRC ensures that the level and mix of remuneration is competitively benchmarked against the relevant industry market rates and tied to the performance of the Manager and the individual employee. The NRC also exercises independent judgment in ensuring that a significant and appropriate proportion of the KMP's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration is aligned with the interests of Unitholders and other stakeholders and promotes long-term success and sustainable growth of the REIT. The remuneration package of the CEO and KMP comprises a base fixed cash component, including the base salary and compulsory employer contribution to the key executive's Central Provident Fund ("**CPF**") account, and a variable cash component.

The variable cash component is linked to whether the CEO and KMP meet performance targets. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, both in terms of short and long-term quantifiable objectives, as well as to support the ongoing enhancement of Unitholder value.

The CEO and KMP are paid in cash only and do not receive any remuneration in Units.

The Manager believes the current remuneration framework it has in place allows it to attract sufficiently qualified talent. While the approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain high performing and high potential directors in their respective field of expertise to provide good stewardship of the Manager and KMP to successfully manage the REIT for the long term. Each employee's salary comprises a fixed component and a variable component. The fixed component consists of the base salary and compulsory contributions to the employee's CPF account. The variable component consists of an annual bonus plan, which is linked to the performance of the employee across the preceding year. Further, the Manager may grant to each employee an Annual Wage Supplement.

Fees received by each Independent Director consist only of Director's fees component, which is paid in cash. Such fees are appropriate to their level of contribution, taking into account factors such as effort, time spent, and responsibilities. In addition, the Manager also conducted a benchmarking process to ensure that the Directors' fees are in line with the market. Provision 7.2 of the 2018 Code on the remuneration of the Non-Executive Non-Independent Directors does not apply to the Manager as the Non-Executive Non-Independent Directors of the Manager do not receive any fees. They are salaried employees of other entities of the Beijing Hualian Group. The Manager is accordingly of the view that despite this deviation from Provision 7.2 of the 2018 Code, its practice is consistent with the intent of Principle 7 of the 2018 Code as a whole. Directors and KMP are not paid in Units.

The Directors' fees for Independent Directors for FY 2020 are set out as follows:

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

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

The Board has not included a separate annual remuneration report to the Unitholders in the Annual Report on the remuneration of Directors and the top five (5) KMP (who are not Directors or the CEO of the Manager) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Report and in the financial statements of the Manager.

Provision 8.1 of the 2018 Code and the MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA4-N14) require REIT managers to disclose (1) the remuneration of the CEO and each individual Director on a named basis, with a break down (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/ fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards and other long-term incentives; and (2) the remuneration of at least the top five (5) KMP (who are not also Directors or the CEO), on a named basis, in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these KMP.

The Manager is of the view that despite the deviation from Provision 8.1 of the 2018 Code and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (Notice No: SFA4-N14), the disclosures in this Annual Report would provide sufficient information to Unitholders on the Manager's remuneration policies and the level and mix of remuneration accorded to such personnel, while balancing the confidential and commercial sensitivities associated with remuneration matters. Further, the Board has assessed and decided against such disclosure of the remuneration of the CEO and top five (5) KMP and believes that the interests of the Unitholders will not be prejudiced as a result of such non-disclosure, for the following reasons:

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

The Manager is accordingly of the view that despite this partial deviation from Provision 8.1 of the 2018 Code, its practice is consistent with the intent of Principle 8 of the 2018 Code as a whole. For the above reasons, Unitholders' interests are not prejudiced by the partial deviation.

There were no employees who were Substantial Shareholders of the Manager, Substantial Unitholders of the REIT, or were immediate family members of a Director, the CEO, a Substantial Shareholder of the Manager or a Substantial Unitholder of the REIT during FY 2020 and whose remuneration exceeds S\$100,000 during the year. Based on the Listing Manual of the SGX-ST, "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

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

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

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

Further, the Manager has further engaged KPMG Services Pte. Ltd. ("**KPMG**") to conduct semi-annual reviews to mitigate the risk of non-compliance with regulatory requirements. The ARC is kept updated on findings reported by Deloitte and KPMG, and the ARC takes these findings into consideration when assessing the Manager's risk appetite. The Manager has also adopted an Enterprise Risk Management ("**ERM**") Framework, which formalises the Manager's risk management and internal controls practice. For FY 2020, the Manager has conducted two Control Self-Assessment Exercises on itself and on its subsidiaries to evaluate its ERM Framework. More information on the ERM Framework can be found in the Enterprise Risk Management section of this Annual Report.

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, as well as the said assurances set out below, the Board is satisfied and the ARC concurs with the Board that the Manager's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2020 to address the risks taking into account the nature, scale and complexity of the Manager's operations. For FY 2020, the Board has received written assurances from:

- the CEO and Chief Financial Officer ("**CFO**") that, as at 31 December 2020, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- the CEO and the relevant KMP that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2020 to address the risks that the Group considers relevant and material to its business operations.

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

The Manager has established the ARC. Furthermore, Management, with the assistance of Deloitte and KPMG, regularly reviews the REIT's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit and Risk Committee

Principle 10: The Board has an Audit and Risk Committee which discharges its duties objectively.

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

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

Management is accountable to the Board and presents financial statements/management accounts and its accompanying explanations of the REIT's performance, position and prospects to the ARC and the Board for review and/or approval on a semi-annual basis or as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the REIT's performance, financial position and prospects.

The ARC comprises the following three (3) members, all of whom, including the Chairman, are Non-Executive Independent Directors:

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

The Board is of the opinion that at least two (2) members, including the ARC Chairman, have recent and relevant experience in audit, accounting and fund management. Further, the ARC meets on a semi-annual basis. During ARC meetings, they may be briefed and updated on any changes to accounting standards and issues which have a direct impact on financial statements. Accordingly, they are qualified to discharge the ARC's responsibilities.

Following the amendments to Rule 705(2) of the Listing Manual of the SGX-ST, which took effect on 7 February 2020, the Manager announced on 14 April 2020 that the REIT will adopt the announcement of half-yearly financial statements with effect from FY 2020, commencing with the financial results announcement for the six-months period ended 30 June 2020. The Manager will still provide business updates to Unitholders in relation to the performance of the REIT over the first and third quarters of each financial year, commencing with the first quarter ended 31 March 2020. For the first and third quarters of FY 2020, when no ARC meetings were scheduled, the ARC was invited to attend the Management meeting to review the quarterly financial performance and to receive business and/or operational updates from Management.

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

CORPORATE GOVERNANCE

The ARC is regulated by a set of written terms of reference and its principal functions include:

- Reviewing significant financial reporting issues and key areas of management judgment so as to ensure the integrity of the financial statements of the Manager and any announcements relating to the Manager's financial performance;
- Monitoring the integrity of the financial information provided by the Manager, in particular, by reviewing the relevance and consistency of the accounting standards used by the REIT (i.e. entity level) and for the Group (i.e. consolidation level);
- Keeping abreast of changes in accounting standards and issues which have a direct impact on financial statements;
- Overseeing and review the adequacy and effectiveness of the risk management function including the plans, activities, staffing, budget, resources and organisational structure;
- Reviewing risk management and capabilities including risk identification, risk systems, risk management training, risk communication channels, crisis readiness and recovery capabilities;
- Reviewing, on an annual basis, the adequacy and effectiveness of the risk management and internal control systems with respect to financial, operational, compliance, and information technology controls;
- Reviewing and monitor Management's responsiveness to the risk mitigating actions;
- Reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of the REIT's internal controls and risk management systems;
- Reviewing the assurance from the CEO and the CFO on the financial records being properly maintained and the financial statements giving a true and fair view of the REIT's operations and finances;
- Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual of the SGX-ST and the provisions of the Property Funds Appendix;
- Monitoring the procedures established to ensure compliance with the provisions of the Listing Manual of the SGX-ST relating to interested person transactions, and the provisions of the Property Funds Appendix relating to interested party transactions (collectively, "**Related Party Transactions**");
- Reviewing the effectiveness, independence, adequacy, scope and results of the external audit and the internal audit function, audit reviews, the annual audit plan and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within the REIT;
- Overseeing the Manager's relations with the external auditors, including its audit scope, approach, remuneration and terms of engagement;
- Making recommendations to the Board on the nomination for the appointment, re-appointment and removal of external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;
- Monitoring and assess annually whether the external auditors' independence or objectivity is impaired. The factors to consider include the amount of fees for audit and non-audit services provided by the external auditors;
- Discussing key audit matters with the external auditors and ascertain if there are any follow-up actions which should be taken to reduce the extent of uncertainty and corresponding need for judgment for future periods;
- Ensuring that the external auditors have direct and unrestricted access to the Chairman of the ARC and the Chairman of the Board;
- Ensuring that there are programs and policies in place to identify and prevent fraud; and
- Reviewing the Whistle-blowing Policy and arrangements put in place by which employees and external parties may, in confidence, safely raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions.

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

The ARC has full access to and the cooperation of Management and reasonable resources to enable it to discharge its functions properly. The ARC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The ARC also meets with the external and internal auditors, in each case, without the presence of Management, at least annually, to discuss any problems and concerns they may have. The ARC had met with the internal and external auditors, Deloitte and Messrs KPMG LLP, in the absence of Management during FY 2020.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2020 and the fees paid for such services, and is of the opinion that they would not affect the independence of the external auditors. For FY 2020, there were no fees payable to the external auditors for non-audit services. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees payable to the external auditors for FY 2020 in respect of the audit services is approximately S\$353,000.

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

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

In the review of the Group's financial statements, the ARC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the ARC reviewed, amongst other matters, the key audit matter, as reported by external auditors for the financial year ended 31 December 2020, relating to the valuation of investment properties.

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

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

The ARC does not comprise former partners of the REIT's incumbent external auditors, Messrs KPMG LLP (a) within a period of two (2) years commencing from the date of their ceasing to be partners of Messrs KPMG LLP; or (b) who have any financial interest in Messrs KPMG LLP.

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

CORPORATE GOVERNANCE

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

During FY 2020, Deloitte has conducted an audit review based on the approved internal audit plan. The results of the review were reported to the ARC. Key findings were highlighted for follow-up action. The ARC has reviewed the internal audit function and has concluded that the internal audit function was independent, effective and adequately resourced.

The ARC is satisfied that the appointed internal auditors are adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Manager to discharge its duties effectively and independently. The internal auditors plan their internal audit schedules in consultation with, but independently of, Management and their plan is submitted to the ARC for approval prior to the beginning of each year. The primary reporting line of the internal audit function is to the ARC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to the Manager's documents, records, properties and employees, including access to the ARC, and has appropriate standing within the Manager.

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. The Manager informs the Unitholders of the rules governing general meetings, and they are entitled to attend general meetings and are accorded the opportunity to participate effectively in and vote at general meetings. Unitholders will receive the notices of general meetings and may download these notices from the REIT's website at <http://www.bhgreit.com/> (the "**REIT Website**"). Notices of the general meetings will also be published on SGXNet. The Manager tables separate resolutions at general meetings of Unitholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager explains the reasons and material implications in the notice of meeting. Resolution by poll is carried out systematically with proper recording of votes cast and the resolutions passed.

Representatives of the Trustee, all the Directors (including the chairpersons of the Board, the ARC and the NRC), the Manager's senior management and the external auditors, are present at general meetings to address any queries that Unitholders may have. A record of the Directors' attendance at the general meeting can be found in the records of their attendance of meetings set out at page 33 of this

Annual Report. Before and after the general meetings, the Chairman and other members of the Board will actively engage in dialogue with Unitholders, to gather views or inputs, and address Unitholders' concerns. Such interactions allow the Board to understand and consider the views and feedback from Unitholders and the Investment Community before formulating its key strategic decisions.

In view of the COVID-19 pandemic, the previous general meeting held in FY 2020 was, and the forthcoming AGM to be held on 27 April 2021 ("**AGM 2021**") will be, held via 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 (the "**COVID-19 Temporary Measures Order**"). Alternative arrangements relating to attendance at the AGM 2021 (including arrangements by which the AGM 2021 can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of the AGM 2021, addressing of substantial and relevant questions prior to or at the AGM 2021 and voting by appointing the chairman of the meeting as proxy at the AGM 2021) are set out in the Manager's announcement titled "Annual General Meeting to be held on 27 April 2021". The description below sets out the REIT's usual practice for Unitholders' meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

For greater transparency, the Manager has implemented electronic poll voting at general meetings. This entails Unitholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing all Unitholders present or represented at the meeting to vote on a one Unit, one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. The Manager will continue to use the electronic poll voting system at the forthcoming annual general meeting. As the authentication of Unitholder identity and other related security and integrity issues still remain a concern, the Manager has decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax (as recommended by Provision 11.4). The Manager is of the view that despite this deviation from Provision 11.4 of the 2018 Code, its practice is consistent with the intent of Principle 11 of the 2018 Code as Unitholders have opportunities to communicate their views on matters affecting the REIT even when they are not in attendance at general meetings, through the investor relations contact indicated on the REIT Website.

The Unitholders who are unable to attend meetings are provided with the option to appoint up to two (2) proxies, who may then attend and vote in his or her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two (2) proxy limitation, and are able to appoint more than two (2) proxies to attend, speak and vote at general meetings. The proxy form is sent with the notice of general meetings to Unitholders.

The minutes of Unitholders' meetings which capture the attendance of Board members at the meetings, matters approved by Unitholders, voting results and substantial and relevant comments or queries from Unitholders relating to the agenda of the general meeting together with responses from the Board and Management, are prepared by the Manager. These minutes are made available on the REIT Website as soon as practicable.

In accordance with the Prospectus for Initial Public Offering of the REIT dated 2 December 2015, the REIT's distribution policy is to distribute 100.0% of the REIT's Distributable Income for the Forecast Period 2015 and the Projection Year 2016. Thereafter, the REIT will distribute at least 90.0% of its Distributable Income for each financial year. For FY 2020, the Manager had made a distribution of 0.89 Singapore cents per unit for the period from 1 January 2020 to 30 June 2020 on 28 September 2020, and a second distribution of 1.06 Singapore cents per unit for the period from 1 July 2020 to 31 December 2020 on 31 March 2021.

CORPORATE GOVERNANCE

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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

The Manager prides itself on its high standards of disclosure and corporate transparency. The Manager aims to provide accurate, objective and timely information regarding the REIT's performance and progress and matters concerning the REIT and its business which are likely to materially affect the price or value of the Units, to Unitholders and the investment community, to enable them to make informed investment decisions. Further, the Manager has established procedures to ensure current Unitholders are informed in advance of meetings. They are encouraged to attend and participate in the process of these meetings, especially if they have questions regarding the resolutions that have been put up to be decided upon.

The Manager's dedicated Investor Relations ("IR") Manager is tasked with, and focuses on, facilitating communications between the REIT and its Unitholders, as well as with the investment community, analysts and the media. An IR policy is in place to promote regular, timely, accurate and fair communications. Contact details of the IR Manager are available on the REIT Website for Unitholders, investors and other stakeholders to channel their comments and queries.

Continuous and informed dialogue between the Manager and Unitholders is a central tenet of good corporate governance. Regular engagement between these parties will promote greater transparency. Material and other pertinent information such as press releases and presentation slides are released to the SGX-ST via SGXNET and the REIT Website. Both announcements through the REIT Website and the SGXNET are the principal media of communication with Unitholders. In FY 2020, the CEO and IR Manager have met with potential investors and analysts through meetings and roadshows. Further details on the various activities organised by IR during the year can be found in the IR section on page 72 of this Annual Report.

An electronic copy of the FY 2020 Annual Report has been uploaded on the REIT Website. Unitholders can access the FY 2020 Annual Report at <http://bhgreit.listedcompany.com/ar.html>.

The Trust Deed constituting the REIT is also available for inspection upon request at the Manager's office.¹

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board's role includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for the REIT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of BHG Retail REIT are served. The Manager is committed to sustainability and incorporates the key principles of

¹ Prior appointment with the Manager is appreciated.

environmental and social responsibility, and corporate governance in the REIT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups and to manage the REIT's relationships with such groups. Such arrangements include maintaining the REIT Website, which is kept updated with current information to facilitate communication and engagement with the REIT's stakeholders.

ADDITIONAL INFORMATION

Dealings in BHG Retail REIT Units

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

- Any officer or employee who wishes to purchase Units must complete a Staff Dealing Application Form and obtain approval from the Compliance Manager, CEO and Chairman of the Manager;
- If the REIT's financial results are reported semi-annually, a blackout period will be imposed one month prior to the half year and full year announcements of the REIT's financial results. If the REIT's financial results are reported quarterly, a blackout period will be imposed two weeks prior to the announcement of the REIT's financial results for each of the first three quarters of the financial year, and one month prior to the full year announcement of the REIT's financial results. During the blackout period, Directors, key officers and employees and related companies of the Beijing Hualian Group are strictly prohibited from dealing in Units; and
- Directors, key officers and employees are further prohibited from dealing in Units if they are in possession of insider information.

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

Conflict of Interests

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

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as the REIT;
- All key executive officers will work exclusively for the Manager and will not hold other executive positions in other entities;
- In respect of matters in which a Director or his or her associates (as defined in the Listing Manual of the SGX-ST) has an interest, direct or indirect, such Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors (excluding such Interested Directors);
- All resolutions in writing of the Directors in relation to matters concerning the REIT must be decided by at least a majority vote of the Directors (excluding any Interested Director), including at least one (1) Independent Director;
- At least one-third ($\frac{1}{3}$) of the Board shall comprise Independent Directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly owned subsidiary of the Sponsor; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to the REIT.

CORPORATE GOVERNANCE

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

Related Party/Interested Person Transactions

The Manager has established controls and reporting measures for handling Related Party/Interested Person Transactions. These ensure that such transactions are conducted on normal commercial terms and do not prejudice the interest of the Unitholders.

Further, the Manager maintains a register to record all transactions which may be considered as Related Party/Interested Person Transactions. The register is subject to regular review by the ARC in ensuring that the Manager conducts itself in accordance with the Listing Manual of the SGX-ST and the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS") Code.

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

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

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

Fees Payable to the Manager

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

The Manager earns a management fee for the management of the REIT's portfolio. The Manager has elected to receive 100% of its management fee in the form of Units for the first half of FY 2020, and 100% of its management fee in the form of cash for the second half of FY 2020. The fee comprises two (2) components: the base fee and performance fee, which are detailed as follows:

- **Base Fee**

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

- **Performance Fee**

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

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of the REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of the REIT, but exclude one-off income such as income arising from any sale or disposal of real estate (whether directly or indirectly through one or more SPVs) or any part thereof, and any investments forming part of the deposited property or any part thereof. For the purpose of computation of the performance fee for FY 2020, the DPU for 2020 (being 1 January 2020 to 31 December 2020, both dates inclusive) is compared against the DPU in 2019. This method of computation is provided for in the Trust Deed.

- **Other Fees – Acquisition Fee**

The Manager is also entitled to an acquisition fee under clause 15.2 of the Trust Deed. This is earned upon the completion of an acquisition. The acquisition fee serves as an incentive and motivation for the Manager, as the Manager will expend a substantial amount of time, effort and resources in locating, reviewing and completing the acquisition process with the aim of growing the REIT's portfolio and providing the Unitholders with regular and stable distributions. The fee is equivalent to 0.75% for acquisitions from Related Parties/Interested Persons and 1.0% for all other cases. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT acquires real estate from a Related Party/Interested Person, the acquisition fee should be in the form of Units issued by the REIT, and these Units may not be sold within one (1) year from the date of their issuance.

- **Other Fees – Divestment Fee**

The Manager is entitled to a divestment fee under clause 15.2 of the Trust Deed, and is earned upon the completion of a divestment. The payment of the fee seeks to incentivise and motivate the Manager in actively seeking to maximise the value of the REIT by optimising its portfolio. The fee is equivalent to 0.50% for divestments. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT divests real estate to a Related Party/Interested Person, the divestment fee should be in the form of Units issued by the REIT, and these Units should not be sold within one (1) year from the date of their issuance.



Photo of Chengdu Konggang Façade



Rejuvenating Spaces Revitalising Offerings



PRESERVING BEST ASSET MANAGEMENT PRACTICES

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



OPERATIONS REVIEW

OCCUPANCY RATE¹

BHG Retail REIT recorded a portfolio committed occupancy rate of 93.5% as at 31 December 2020. Notwithstanding disruptions from the COVID-19, occupancy rate for each of the six properties remained healthy in 2020.

OCCUPANCY RATE (As at 31 December)	2020 (%)	2019 (%)
Multi-Tenanted		
Beijing Wanliu	92.7	96.2
Chengdu Konggang	96.4	94.7
Hefei Mengchenglu	81.7 ²	95.1
Hefei Changjiangxilu	92.4	97.6
Master-Leased		
Xining Huayuan	100.0	100.0
Dalian Jinsanjiao	100.0	100.0
Portfolio	93.5	96.7

- 1 In relation to the distributions undertaking as set out in the IPO prospectus, each of the IPO multi-tenanted malls (Beijing Wanliu, Hefei Mengchenglu and Chengdu Konggang) has met the projected annual rental growth rates consistently prior to the outbreak of COVID-19, since the REIT's listing in 2015. Lower-than-projected occupancy rates at each of the malls prior to the pandemic were mainly due to tenancy rejuvenation and asset enhancement initiatives. Notwithstanding softer operating environment in 2020 due to the pandemic, the properties in the portfolio continued to experience relatively healthy demand.
- 2 Ongoing tenancy rejuvenation.

LEASING & ASSET MANAGEMENT ACTIVITIES

Majority of the leases are on a model that takes the higher of either based rents or percentage of gross turnover component ("GTO"). For the financial year ended 31 December 2020, above 90% of our gross rental income was from fixed rental income, and less than 10% was from variable rental income. While a high proportion of our rental income is fixed in nature, we also receive an upside when our tenants do well. In addition, most leases above a year comes with an inbuilt rental escalation arrangement.

Notwithstanding the weaker operating environment amidst the COVID-19 pandemic, retention rate remained high, overall rental reversion continued to be positive. To maintain our malls' relevancy, we will continue to create new and desirable experiences, seek to revitalise our offerings, enhance our physical spaces, as well as to engage our omni-channel shoppers via multiple channels.

Several asset enhancements and initiatives were forged amid the pandemic in 2020.

BEIJING WANLIU SUPERMARKET RESIZING EXERCISE

As part of our overall leasing strategy to unlock the potential of certain spaces, the Manager completed a supermarket resizing exercise at Basement One of Beijing Wanliu in the fourth quarter of 2020. This asset enhancement initiative which reduced the supermarket's area from 7,231.8 sqm to 4,180.3 sqm, paved the way for 19 new retail and F&B tenants. This increased the mall's variety of our retail & F&B offerings, invigorated the recovered area, and gave the enhanced cluster a renewed appearance. As a result of the exercise, the original area saw a significant growth in both average rent and total rental income.

Refining Offerings. Driving Rental Growth.



Photo of Miniso @ Beijing Wanliu B1



Photo of Xian He Zhuang 贤合庄 @ Beijing Wanliu B1



Photo of Beijing Wanliu B1

Enhance Accessibility. Invigorate Community Space.



Additional stairway access from L1 to B1



Installation of additional set of escalators



New LED media panel pillar



Ancillary visual enhancements

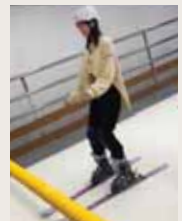
Refreshed Tenancies & Concepts @ Beijing Wanliu



Costa Coffee's new collaboration with "RDV" (an experiential bookstore)



SKIMAN (ski simulator & training)



Starbucks Coffee



Jiu Tian Home 九田家 (料理・烧烤)

CHENGDU NIGHT MARKET

Leveraging on the success of the 2019 exterior rejuvenation and container-style F&B stores which brought increasing appeal to the exterior area Yuelai Square (悦来广场), Chengdu Konggang embarked on yet another interesting exterior concept.

In response to the Chinese government's guidance to boost its night economy, the mall launched an outdoor night market in addition to the container-style food lane. With about 120 square meters of lettable space added, the mall ushered in 13 unique tenants providing F&B eateries as well as culturally innovative products. The new concept successfully enriched the exterior's content and array of F&B selections. Further enhanced the vibrancy, visibility and appeal of the mall to surrounding community, particularly in the evening hours.



Photos of Chengdu Konggang Exterior

OPERATIONS REVIEW

Omni-Channel Initiatives

LIVE BROADCAST

One of the first initiatives rolled out following the COVID-19 outbreak was the increase use of “Live broadcast”. Through these sessions (which could be singly or jointly organised by retailers and/or our malls), customers were kept apprised of latest developments including safety measures and promotional events. Our property managers proactively facilitated the conduct of live broadcasts, which encouraged interactions between retailers and customers.



Photo of Pop Mart @ Beijing Wanliu



E-COMMERCE PLATFORM

The REIT’s Sponsor also launched its very own e-commerce platform amid the pandemic to widen our outreach to omni-channel shoppers. Sharing this online capability across all BHG Malls in various Chinese cities, the platform provided a respite to inconveniences caused by precautionary measures (at the peak of the outbreak); and enabled shoppers to remain on top of the malls’ and retailers’ offerings. The development of the platform shall widen our malls’ outreach to omni-channel shoppers, at the same time provide impetus to tenants’ digitalisation journey.

ALIPAY PRESENTS BEIJING WANLIU WITH “DIGITAL INNOVATION COLLABORATION AWARDS”

In December 2020, Alipay presented Beijing Wanliu with the “Digital Innovation Collaboration Awards” for the mall’s efforts to establish the “Beijing Wanliu–Alipay joint membership card”, which allows for joint accumulation of points and voucher redemption system. This initiative uses Alipay’s live broadcast data analysis (of sales, traffic, photo analysis etc), to accurately determine customers’ base profile as well as competitor malls’ customers’ profile comparison.



Beijing Wanliu: Digital Innovation Collaboration Awards by Alipay

TOP TEN TENANTS¹

NO.	TENANT NAME	BRAND NAME	MALL	TRADE SECTOR	LEASE EXPIRY	% GROSS RENTAL INCOME
1	北京华联综合超市股份有限公司	• BHG Hypermarket	• Beijing Wanliu • Chengdu Konggang • Hefei Mengchenglu • Hefei Changjiangxilu • Xining Huayuan • Dalian Jinsanjiao	Supermarket	• Nov 2040 • Dec 2033 • Dec 2033 • Nov 2030 • Dec 2034 • Dec 2034	19.1%
2	绫致时装(天津)有限公司	• Only • Jack Jones • Selected • Vero Moda	• Beijing Wanliu • Chengdu Konggang • Hefei Mengchenglu	Fashion	• Oct 2021 • Jun 2021 • Apr 2022 • Jan 2021 • Apr 2021	2.6%
3	成都华联影院管理有限公司	• BHG Chengdu Shuangliu Cinema	• Chengdu Konggang	Recreation	• Dec 2023	1.2%
4	合肥华联影院经营管理有限公司	• BHG Hefei Mengchenglu Cinema	• Hefei Mengchenglu	Recreation	• Apr 2023	1.1%
5	合肥华联湖东影院管理有限公司	• BHG Hefei Changjiangxilu Cinema	• Hefei Changjiangxilu	Recreation	• Aug 2031	1.1%
6	北京华联万柳影院管理有限公司	• BHG Beijing Wanliu Cinema	• Beijing Wanliu	Recreation	• Aug 2031	1.0%
7	宝盛道吉(北京)贸易有限公司	• Adidas • Nike Kids • Skechers • UGG • YYSPO RTS • 彪马	• Beijing Wanliu	Recreation	• Sep 2021 • Sep 2022 • Nov 2021 • Nov 2022	0.8%
8	李治国	• 乐够	• Chengdu Konggang	Recreation	• Dec 2021	0.7%
9	上海宽尚服饰有限公司	• TOPFEELING	• Chengdu Konggang	Fashion	• Dec 2021	0.7%
10	赵玉兰	• 金弘川自助烤肉 • 和福顺	• Beijing Wanliu	Food & Beverage	• Mar 2022 • May 2022 • Jun 2022	0.6%
						28.9%

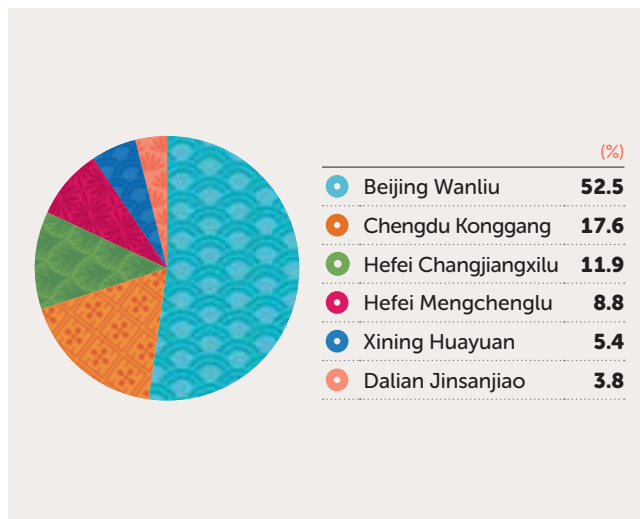
1 The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2020.

FINANCIAL REVIEW

GROSS REVENUE

Gross revenue in RMB and SGD was RMB 97.0 million (24.2%) and S\$18.5 million (23.4%) lower year-on-year respectively. The moderated performance was largely attributed to rental reliefs arrangements extended to selected tenants whose businesses were affected by COVID-19. Some tenants' businesses have been adversely impacted in the first few months of FY 2020. As a socially responsible owner of retail malls that operate in the community space, BHG Retail REIT has offered relief arrangements such as rental rebate to qualifying tenants to help them tide over this disruption, and to reinforce our long-term partnerships. Despite headwinds brought by the pandemic, overall committed occupancy rates and retention rates continued to be high through FY 2020.

BREAKDOWN OF GROSS REVENUE BY PROPERTY^{1,2}



GROSS REVENUE	RMB'000			S\$'000		
	FY 2020	FY 2019	Change (%)	FY 2020	FY 2019	Change (%)
Multi-Tenanted						
Beijing Wanliu	159,157	222,566	-28.5%	31,802	43,977	-27.7%
Chengdu Konggang	53,474	68,882	-22.4%	10,685	13,611	-21.5%
Hefei Changjiangxilu ³	36,222	34,937	3.7%	7,238	6,903	4.9%
Hefei Mengchenglu	26,586	45,708	-41.8%	5,312	9,032	-41.2%
	275,439	372,093	-26.0%	55,037	73,523	-25.1%
Master-Leased						
Xining Huayuan	16,248	16,466	-1.3%	3,246	3,253	-0.2%
Dalian Jinsanjiao	11,398	11,548	-1.3%	2,278	2,282	-0.2%
	27,646	28,014	-1.3%	5,524	5,535	-0.2%
Portfolio	303,085	400,107	-24.2%	60,561	79,058	-23.4%

1 Based on FY 2020 results.

2 Based on 100% contribution from Beijing Wanliu.

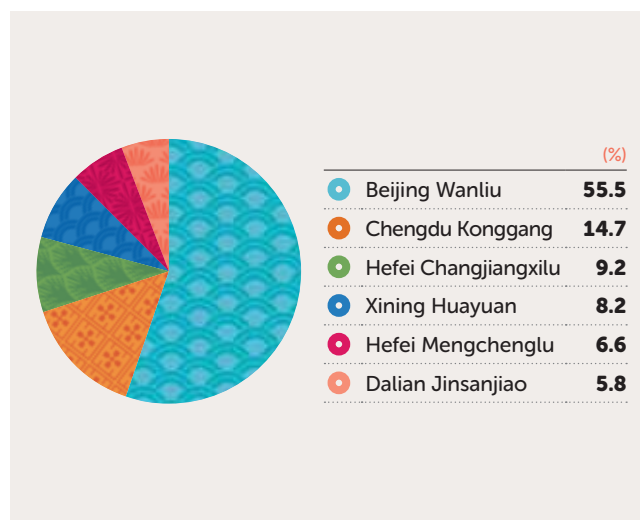
3 Hefei Changjiangxilu Mall was acquired on 2 April 2019.

NET PROPERTY INCOME

Net property income in RMB and SGD was RMB 73.4 million (28.7%) and S\$14.1 million (27.9%) lower year-on-year respectively. The lower net property income was due mainly to the lower gross rental income.

Property Operating Expenses in FY 2020 was S\$4.4 million (15.4%) lower than FY 2019. This was mainly due to overall shorter operating hours which in line with the local government guidelines, government assistance and cost cutting measures.

BREAKDOWN OF NET PROPERTY INCOME BY PROPERTY^{1,2}



NET PROPERTY INCOME	RMB'000			S\$'000		
	FY 2020	FY 2019	Change (%)	FY 2020	FY 2019	Change (%)
Multi-Tenanted						
Beijing Wanliu	101,116	150,148	-32.7%	20,205	29,668	-31.9%
Chengdu Konggang	26,749	36,126	-26.0%	5,345	7,138	-25.1%
Hefei Changjiangxilu ³	16,715	17,392	-3.9%	3,340	3,436	-2.8%
Hefei Mengchenglu	12,007	26,220	-54.2%	2,399	5,181	-53.7%
	156,587	229,886	-31.9%	31,289	45,423	-31.1%
Master-Leased						
Xining Huayuan	15,000	15,121	-0.8%	2,997	2,988	0.3%
Dalian Jinsanjiao	10,520	10,451	0.7%	2,102	2,065	1.8%
	25,520	25,572	-0.2%	5,099	5,053	0.9%
Portfolio	182,107	255,458	-28.7%	36,388	50,476	-27.9%

1 Based on FY 2020 results.

2 Based on 100% contribution from Beijing Wanliu.

3 Hefei Changjiangxilu Mall was acquired on 2 April 2019.

FINANCIAL REVIEW

DISTRIBUTION¹

Based on the closing price of S\$0.550 as at 31 December 2020, and aggregated distribution per unit (“DPU”) for FY 2020 of 1.95 Singapore cents, BHG Retail REIT recorded an annual distribution yield of 3.5%.

DPU (cents)	FY 2020	FY 2019
First Half	0.89	2.08
Second Half	1.06	1.79
Total	1.95	3.87

INDEPENDENT VALUATION OF INVESTMENT PROPERTIES¹

As of 31 December 2020, BHG Retail REIT’s appraised independent valuation was S\$943.2 million. The portfolio valuation represents an increase of S\$34.2 million (3.8%) from the independent valuation as at 31 December 2019 of S\$909.0 million. Overall valuation in Renminbi dipped marginally by 1.0% year-on-year.

INVESTMENT PROPERTIES (millions)	RMB'000		S\$'000	
	2020	2019	2020	2019
Beijing Wanliu	2,502.0	2,502.0	506.5	483.2
Chengdu Konggang	661.0	662.0	133.8	127.8
Hefei Mengchenglu	582.0	603.0	117.8	116.5
Hefei Changjiangxilu ²	475.0	492.0	96.2	95.0
Xining Huayuan	274.0	280.0	55.5	54.1
Dalian Jinshanjiao	165.0	168.0	33.4	32.4
Portfolio	4,659.0	4,707.0	943.2	909.0

CAPITAL MANAGEMENT

BHG Retail REIT adopts a prudent and proactive capital management strategy and is confident that the REIT will be able to obtain continuing financing from financial institutions, and to meet its obligations as and when they fall due.

BHG Retail REIT’s borrowings include an offshore secured borrowing facility of S\$240.0 million (“Facility 1”), and two existing onshore secured borrowing facilities of RMB 241.0 million and RMB 61.0 million (“Facility 2” and “Facility 3”, respectively). As at 31 December 2020, Facilities 1, 2, and 3 have been fully drawn down.

In addition to the above facilities, the REIT has obtained and drawn down from short term facilities of S\$6.1 million in FY 2020. These facilities were obtained mainly for the purpose of financing the payment of interest expenses and working capital.

As at 31 December 2020, borrowings drawn down of S\$294.8 million represented a gearing of 35.7%³. The low gearing is well below the regulator’s limit, providing comfortable debt headroom to facilitate any potential acquisition growth. Above 80% of borrowings are denominated in Singapore dollars and US dollars, of which, about 60% are hedged via interest rate swaps. Weighted average term to maturity was 1.2 years as at 31 December 2020.

¹ Based on independent valuation from Knight Frank Petty Limited as at 31 December 2020.

² Hefei Changjiangxilu Mall was acquired on 2 April 2019.

³ Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders. MAS gearing ratio was raised from 45% to 50% on 16 April 2020, to provide Singapore Real Estate Investment Trusts greater flexibility to manage their capital structure and to raise debt financing.

With regard to the REIT's debt maturity profile, S\$8.1 million SGD-denominated borrowings and S\$1.2 million RMB denominated borrowings will be due in 2021. In addition to the above, S\$177.7 million SGD-denominated borrowings, S\$58.0 million USD-denominated borrowings, and S\$49.8 million RMB denominated borrowings will be due in 2022.

KEY FINANCIAL INDICATORS
As at 31 December 2020

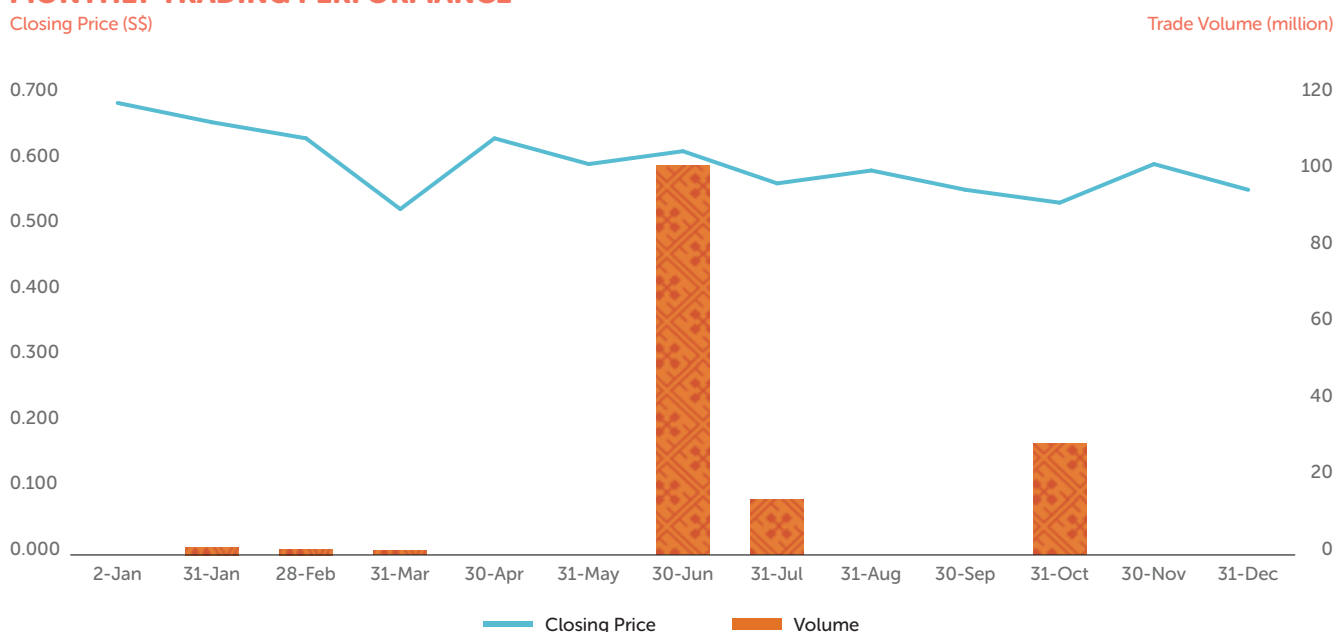
Gearing	35.7%
Interest cover ratio (times)	2.3
Weighted average term to maturity (years)	1.2
Average cost of debt ¹	4.1%

UNIT PRICE PERFORMANCE

BHG Retail REIT's unit price closed at S\$0.550 on 31 December 2020 compared to S\$0.685 on 31 December 2019. Taking into account the FY 2020 full year distribution per unit ("DPU") of 1.95 Singapore cents, the total return was down 16.9%^{2,3}, mainly due to the outbreak of COVID-19 which impacted worldwide investor sentiments.

Total trading volume in 2020 aggregated to 149.1 million units, compared to 159.7 million units in 2019. The lower trade volume was mainly due to varying amount of aggregated married transactions in the previous year.

MONTHLY TRADING PERFORMANCE^{2,3,4,5,6}



1 Average cost of debt will be 4.9% per annum if amortisation of loan establishment fee is included.
 2 2 January 2020 being the first trading day and 31 December 2020 being the last trading day in 2020.
 3 Total return on investment assumes distributions paid during the period are reinvested.
 4 Highest unit price was S\$0.690 in 2020, compared to S\$0.740 in 2019.
 5 Lowest unit price was S\$0.390 in 2020, compared to S\$0.680 in 2019.
 6 Opening price on 2 January 2020 remained the same as the closing price on 31 December 2019.

PORTFOLIO OVERVIEW¹

GROSS FLOOR AREA

311,691 sqm

NET LETTABLE AREA

179,544 sqm

NO. OF LEASES

654

FY 2020 GROSS REVENUE

S\$60.6m

INDEPENDENT VALUATION²

RMB4,659.0m

100%

RMB3,658.2m

Based on **60%** Interest of Beijing Wanliu

FY 2020 NET PROPERTY INCOME

S\$36.4m

OCCUPANCY RATE

93.5%

WEIGHTED AVERAGE LEASE EXPIRY BY NLA

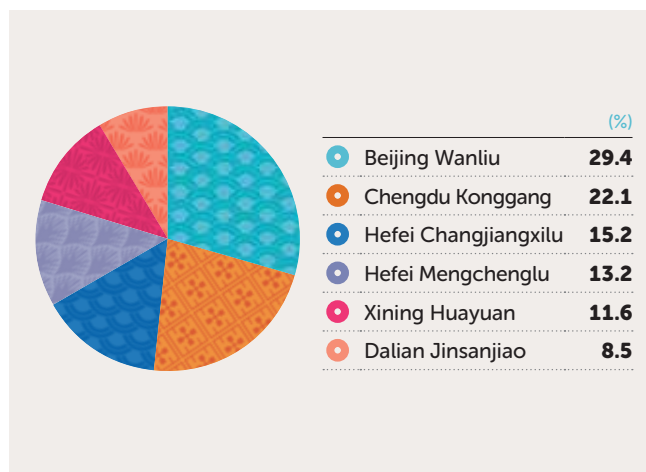
6.9 years

WEIGHTED AVERAGE LEASE EXPIRY BY GROSS RENTAL INCOME

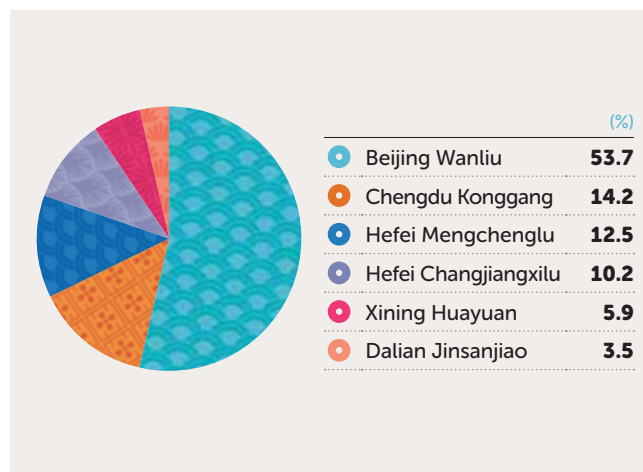
3.8 years

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

BREAKDOWN OF NLA BY PROPERTY



BREAKDOWN OF VALUATION BY PROPERTY



1 As at 31 December 2020.

2 Based on independent valuation from Knight Frank Petty Limited as at 31 December 2020.

PORTFOLIO LEASE EXPIRY PROFILE

(As at 31 December 2020)

As at 31 December 2020, the portfolio has a weighted average lease expiry of 3.8 years by gross rental income, and 6.9 years by net lettable area. Our lease terms typically range from one to three years. Certain key or anchor tenants may be offered longer term leases.

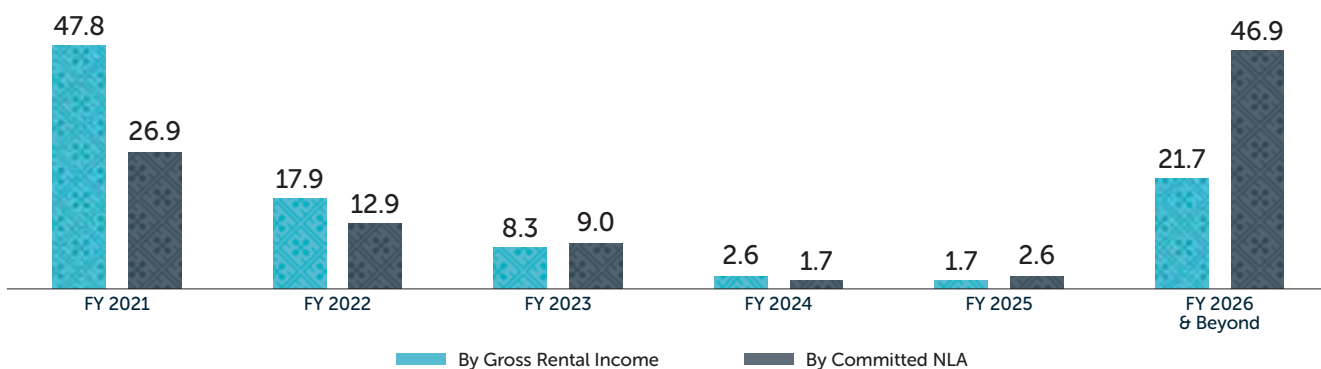
For new and renewed leases which commenced in FY 2020, the weighted average lease expiry based on the date of commencement of the leases is 2.9 years (by gross rental income) and accounts for 32.2% of the gross rental income for the month of December 2020.



LEASE EXPIRY PROFILE

(As at 31 December 2020)

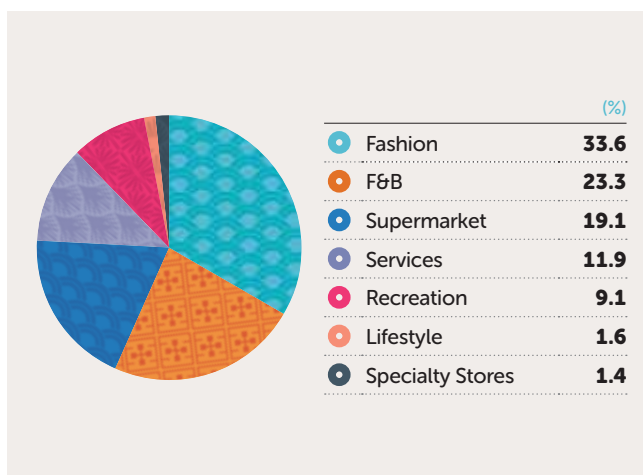
(%)



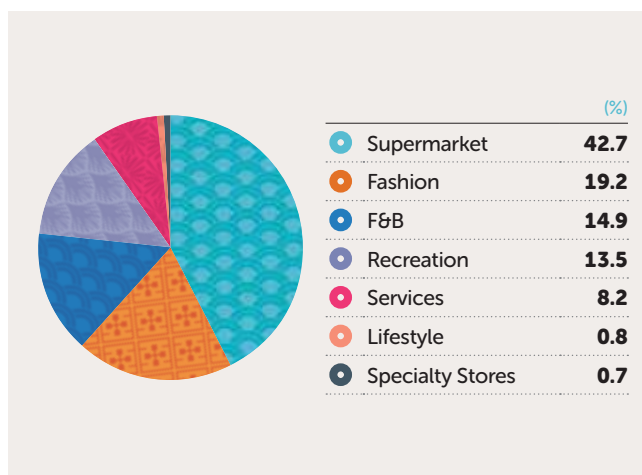
TENANTS BY TRADE SECTOR

(As at 31 December 2020)

BREAKDOWN OF GROSS RENTAL INCOME¹ BY TRADE SECTOR





BREAKDOWN OF NET LETTABLE AREA² BY TRADE SECTOR







1 As percentage of the portfolio's gross rental income for the month of December 2020.

2 As percentage of the portfolio's net lettable area as at 31 December 2020.

PORTFOLIO OVERVIEW

	BEIJING WANLIU	CHENGDU KONGGANG
		
Address	No. 2 Bagou Road, Haidian District, Beijing	No. 166 Jinhua Road, Second Section, Shuangliu County, Chengdu
Commencement of Operations (Year)	Aug 2010	Dec 2013
Gross Floor Area ("GFA") sqm	105,920 sqm	71,917 sqm
Net Lettable Area ("NLA") sqm	52,732 sqm	39,646 sqm
No. of Leases	256	184
Independent Valuation ¹ (RMB million)	2,502.0 (100%) 1,501.2 (60%)	661.0
Purchase Price ^{2,3} (RMB million)	1,838.6 (100%) 1,103.1 (60%)	602.1
FY 2020 Gross Revenue (S\$ million)	31.8	10.7
FY 2020 Net Property Income (S\$ million)	20.2	5.4
Occupancy Rate (%)	92.7	96.4
Weighted Average Lease Expiry By NLA (years)	3.9	3.6
Weighted Average Lease Expiry By Gross Rental Income (years)	2.2	2.4
Term of Land Use (Expiring on)	29 Aug 2044 (29 Aug 2054 for car park)	23 May 2047

HEFEI MENGCHENGLU	HEFEI CHANGJIANGXILU	XINING HUAYUAN	DALIAN JINSANJIAO
			
No. 99 Mengcheng Road, Luyang District, Hefei	No. 639 Changjiangxilu Road, Shushan District, Hefei	No. 16-19 Shipo Street, Chengzhong District, Xining	No. 18 Huadong Road, Ganjingzi District, Dalian
Feb 2013	Nov 2010	Aug 2000	Jul 2000
49,699 sqm	48,003 sqm	20,807 sqm	15,345 sqm
23,653 sqm	27,361 sqm	20,807 sqm	15,345 sqm
84	128	1	1
582.0	475.0	274.0	165.0
563.5	334.0 ³	254.4	135.7
5.3	7.2	3.3	2.3
2.4	3.3	3.0	2.1
81.7	92.4	100.0	100.0
4.7	5.0	14.0 ⁴	14.0 ⁴
2.1	2.6	14.0 ⁴	14.0 ⁴
31 Aug 2044	30 April 2043	19 Aug 2048	27 Feb 2042

1 Based on independent valuation from Knight Frank Petty as at 31 December 2020.

2 Based on purchase price and SGD/RMB exchange rate as disclosed in the IPO prospectus.

3 Based on circular to unitholders in relation to the proposed acquisition of Hefei Changjiangxilu.

4 Remaining lease (years)

PORTFOLIO HIGHLIGHTS

Beijing Wanliu

北京
万柳



Premium Community Mall in Beijing's High Income Residential District

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

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

The multi-tenanted Beijing Wanliu is surrounded by high-end residential communities whose

residents enjoy coming to the mall for a wide range of lifestyle options such as fashion, dining, education and entertainment.

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

INDEPENDENT VALUATION

RMB **2,502.0m**

100%

RMB **1,501.2m**

60%

OCCUPANCY RATE

92.7%

WEIGHTED AVERAGE LEASE EXPIRY
(Based on Net Lettable Area)

3.9 years

TENANTS INCLUDE:

- BHG Hypermarket
- BHG Cinema
- Watsons
- H&M
- Uniqlo
- Muji
- C&A
- Calvin Klein Jeans
- Tommy Hilfiger
- Teenie Weenie
- Adidas
- Skechers
- Nike
- The North Face
- Pop Mart
- Lego
- Aeon Molly Fantasy
- EF英孚
- Happy Pony 快乐小马
- Element Fresh
- Hai Di Lao
- Pizza Hut
- Burger King
- 眉州东坡
- Costa Coffee
- Paris Baguette
- Innisfree
- 唱吧麦颂
- Chow Tai Fook 周大福

NET LETTABLE AREA

52,732 sqm

2020 GROSS REVENUE

S\$31.8m

NO. OF TENANTS

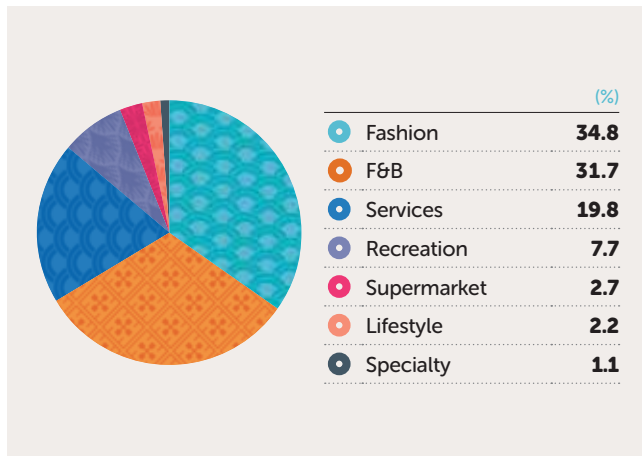
256

2020 NET PROPERTY INCOME

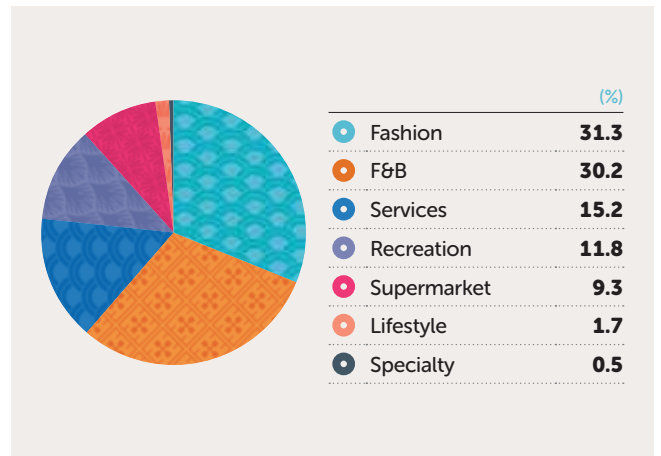
S\$20.2m

TENANTS BY TRADE SECTOR
(As at 31 December 2020)

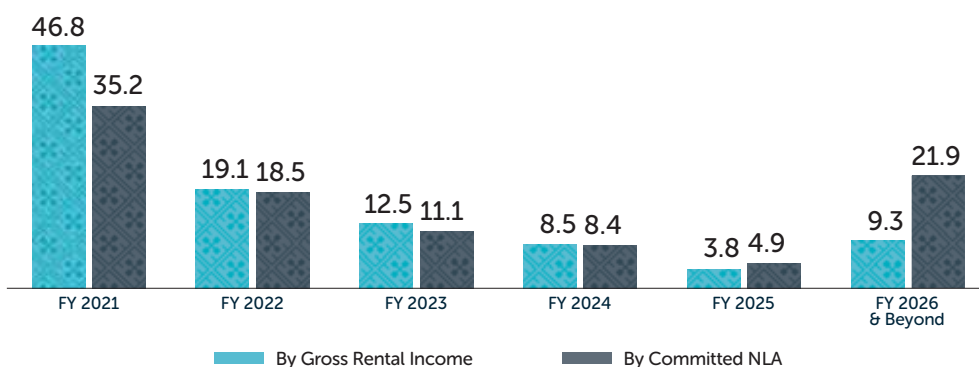
BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR



BREAKDOWN OF NLA BY TRADE SECTOR



LEASE EXPIRY PROFILE¹
(As at 31 December 2020)



1 Excludes Vacancy.

PORTFOLIO HIGHLIGHTS

Chengdu Konggang

成都
空港



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

CHENGDU KONGGANG brings quality shopping and experiential lifestyle services to the city's growing middle and upper-middle families. The mall has a diversified tenant base offering residents in the neighbourhood a variety of services including a supermarket, fitness centre, KTV as well as a number of food and beverage outlets, restaurants and international and local brands for the best shopping experience. Shuangliu County is located at the south-western part of the city centre and occupies an area of about 431 square kilometres.

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

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

INDEPENDENT VALUATION

RMB**661.0m**

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

3.6 years

TENANTS INCLUDE:

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

NET LETTABLE AREA

39,646 sqm

FY 2020 GROSS REVENUE

S\$10.7m

NO. OF TENANTS

184

FY 2020 NET PROPERTY INCOME

S\$5.4m

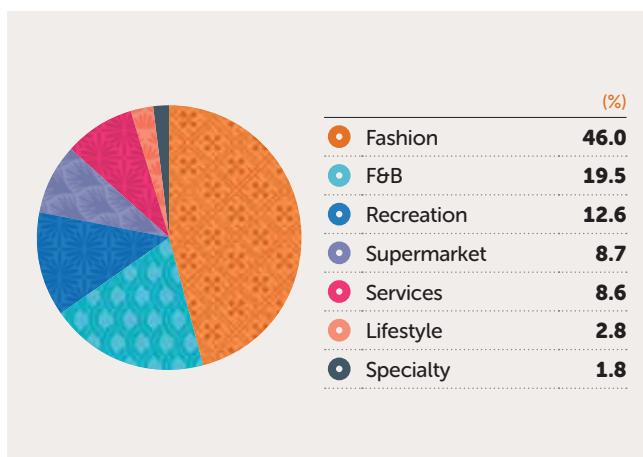
OCCUPANCY RATE

96.4%

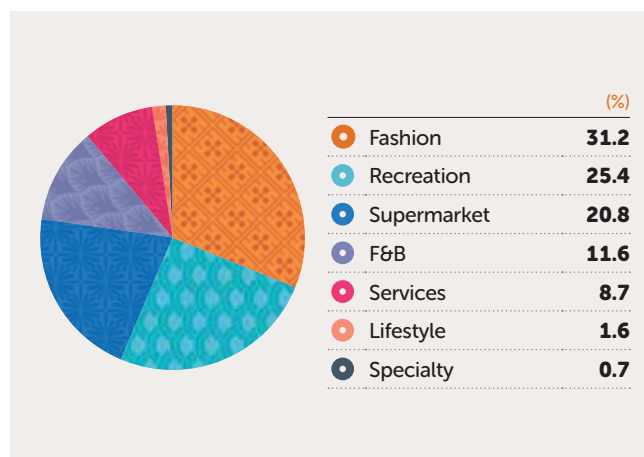
TENANTS BY TRADE SECTOR

(As at 31 December 2020)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR



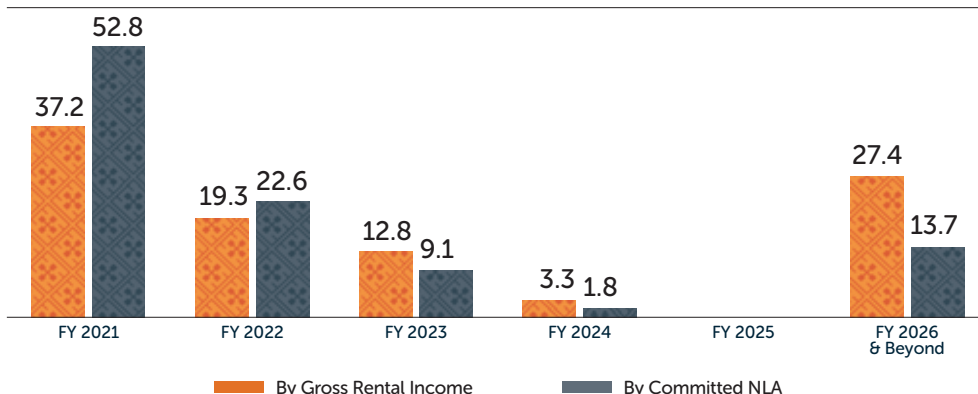
BREAKDOWN OF NLA BY TRADE SECTOR



LEASE EXPIRY PROFILE¹

(As at 31 December 2020)

(%)



1 Excludes Vacancy.

PORTFOLIO HIGHLIGHTS

Hefei Mengchenglu

合肥
蒙城路



One of Hefei City's Most Popular Shopping Centres

HEFEI MENGCHENGLU is located in Hefei City, the provincial capital and largest city of Anhui Province in China. It is also the political, economic and cultural center of Anhui province.

Hefei Mengchenglu is situated near the north-west corner of the intersection of Beier Ring Road and Mengcheng Road, North of Luyang District. It is also located in Hefei's North First Ring retail hub, which comprises several mature residents of communities, high quality office projects and commercial facilities. The mall is frequented by families and professionals for retail

goods and services such as fashion, dining and entertainment.

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

INDEPENDENT VALUATION

RMB582.0m

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

4.7 years

TENANTS INCLUDE:

- BHG Hypermarket
- BHG Cinema
- Hai Di Lao
- Pizza Hut
- Starbucks
- ZanKee 詹記
- Zhou Gui Fei 周貴妃
- Biowoosoo
- 百武西
- Balabala
- La Babite
- Vero
- Moda

NET LETTABLE AREA

23,653 sqm

FY 2020 GROSS REVENUE

S\$5.3m

NO. OF TENANTS

84

FY 2020

NET PROPERTY INCOME

S\$2.4m

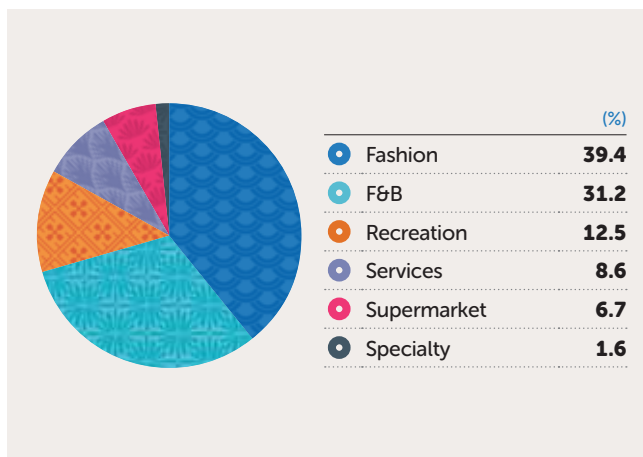
OCCUPANCY RATE

81.7%

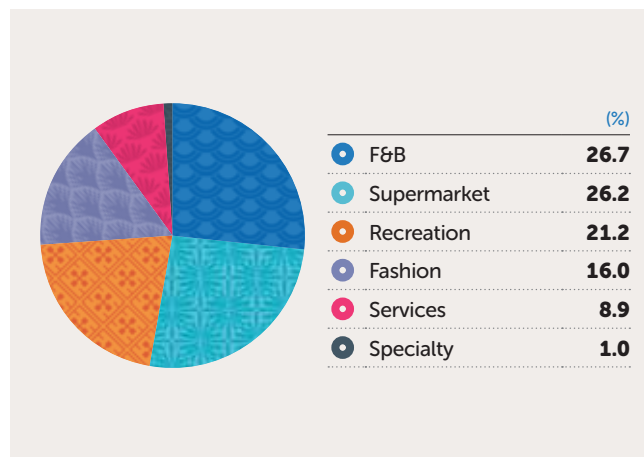
TENANTS BY TRADE SECTOR

(As at 31 December 2020)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR



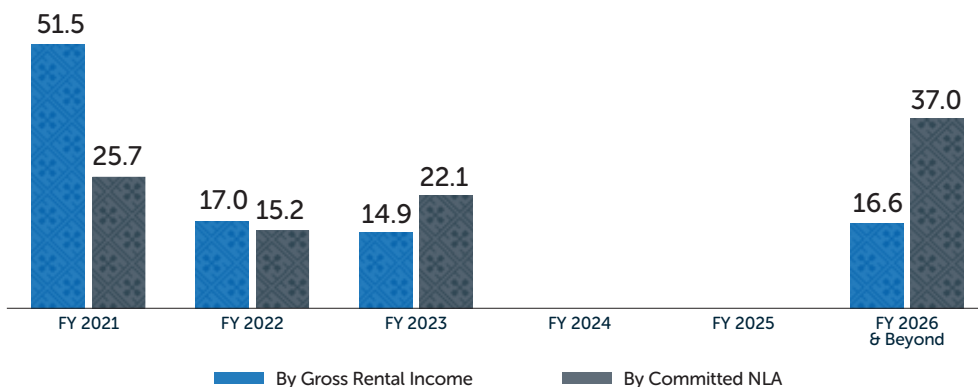
BREAKDOWN OF NLA BY TRADE SECTOR



LEASE EXPIRY PROFILE¹

(As at 31 December 2020)

(%)



1 Excludes Vacancy.

PORTFOLIO HIGHLIGHTS

Hefei Changjiang Xilu

合肥
长江西路



A Heartland Mall That Serves Neighbouring Residential Communities

HEFEI CHANGJIANGXILU is located in Shilimiao Community, Jinggang Town, Shushan District. Shushan District is located at the west part of the city center and occupies an area of about 663 square kilometres. Shushan District is clustered with many research institutions, hightech firms and industrial park in Hefei.

Hefei Changjiangxilu is located at the junction of Huaining North Road and Changjiang West Road, the two main roads of Hefei city, and close to several public bus stations in the

vicinity. It is well-connected to the Hefei Metro Line 2, and connects Shushan District with two other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu by approximately 20.0%. Hefei Changjiangxilu is also situated approximately 10 km away from Hefei's central business district, 13 km away from the Zhengzhou East Railway Station, 14.5 km from Hefei South Railway Station, and 32.6 km away from Hefei Xinqiao International Airport.

INDEPENDENT VALUATION

RMB475.0m

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

5.0 years

TENANTS INCLUDE:

- BHG Hypermarket
- BHG Cinema
- Watson
- KFC
- Pizza Hut
- ZanKee 詹記
- Zhou Gui Fei 周貴妃

NET LETTABLE AREA

27,361 sqm

FY 2020 GROSS REVENUE

S\$7.2m

NO. OF TENANTS

128

FY 2020

NET PROPERTY INCOME

S\$3.3m

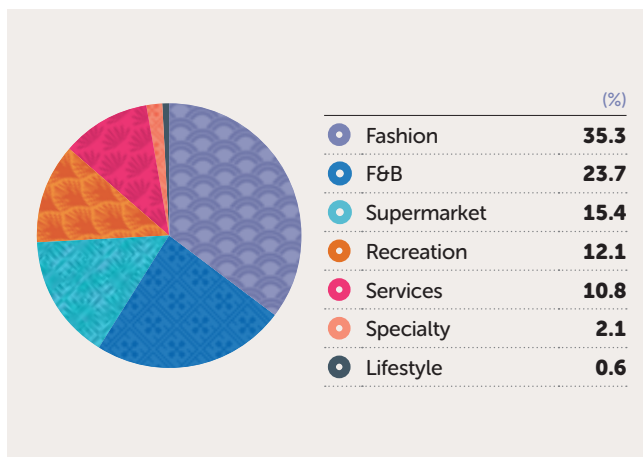
OCCUPANCY RATE

92.4%

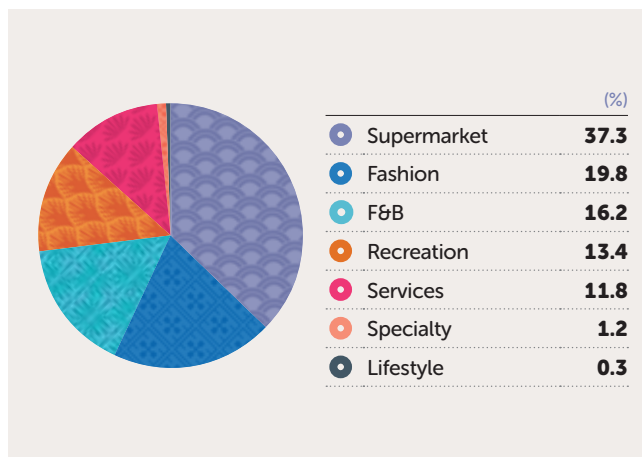
TENANTS BY TRADE SECTOR

(As at 31 December 2020)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR



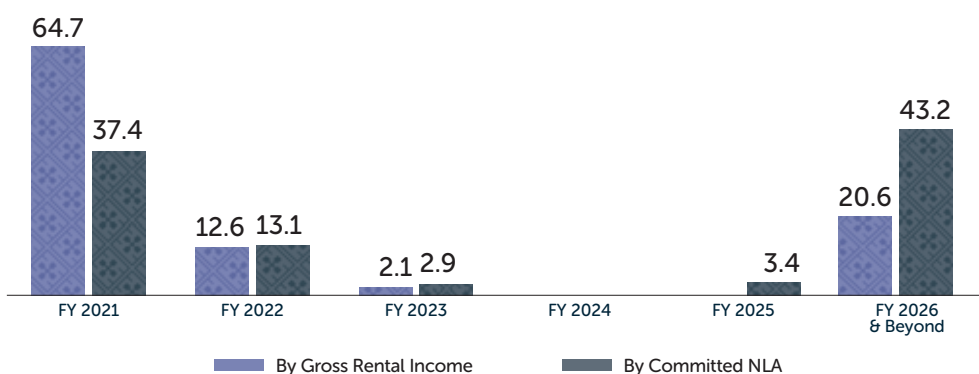
BREAKDOWN OF NLA BY TRADE SECTOR



LEASE EXPIRY PROFILE¹

(As at 31 December 2020)

(%)



1 Excludes Vacancy.

PORTFOLIO HIGHLIGHTS



Xining Huayuan

西宁花园

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

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

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

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

INDEPENDENT VALUATION

RMB **274.0m**

FY 2020 GROSS REVENUE

US\$ **3.3m**

NET LETTABLE AREA

20,807 sqm

FY 2020

NET PROPERTY INCOME

US\$ **3.0m**

LEASE EXPIRY

14.0 years

Dalian Jinsanjiao

大连金三角



A Key Destination for Daily Essentials

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

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

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

INDEPENDENT VALUATION

RMB165.0m

FY 2020 GROSS REVENUE

\$\$2.3m

NET LETTABLE AREA

15,345 sqm

FY 2020

NET PROPERTY INCOME

\$\$2.1m

LEASE EXPIRY

14.0 years

INVESTOR RELATIONS



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

PROACTIVE INVESTORS ENGAGEMENT

The Manager is committed to forging long term relationships with investors, research analysts and the media. We firmly believe in regular communication

and have participated in meetings with investors and research communities to keep them apprised of the REIT's developments.

Despite the headwind brought about by the pandemic, BHG Retail REIT continued to engage with investment and research communities in 2020 via teleconferences and one-to-one meetings.

The Board and the Manager of BHG Retail REIT encourages Unitholders to attend its Annual General Meeting (the "AGM"). The Notice of AGM and related information are made available before the AGM in accordance with regulatory requirements, to provide Unitholders with sufficient advance notice of the event. As a result of the COVID-19 preventive measures, the AGM for FY 2019 was held via electronic means in June 2020.

ACCOLADES & RECOGNITION

In September 2020, BHG Retail REIT won the Gold Award at the prestigious Asia Pacific Best of the Breeds REITs Awards™ 2020, under the Retail REITs (market capitalisation of less than US\$1 billion) category.

In the same month, BHG Retail REIT received two other awards at The Global Good Governance Awards™ 2020. These awards include a Platinum award for the 'Best Corporate Communications and Investor Relations' and a Gold award for the 'Best Governed and Transparent Company' categories.

FY 2021 FINANCIAL CALENDAR*

2021

May

1Q 2021 Business Update

August

1H 2021 Results
Announcement

September

1H 2021 Distribution Payment

November

3Q 2021 Business Update

2022

February

FY 2021 Results
Announcement

March

2H 2021 Distribution Payment

April

FY 2021 Annual General
Meeting

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



Nurturing Relations Embracing Sustainability

LAYING FOUNDATIONS FOR THE NEXT PHASE OF GROWTH

BHG Retail REIT endeavours to deliver sustainable growth via both organic and acquisition growth.

We remain focused on pursuing potential DPU yield accretive acquisition opportunities, through both Right of First Refusal, as well as third-party properties.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY JOURNEY

Our Sustainability Report

BHG Retail REIT has been listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**") since 2015 and is proud to be Singapore's first pure-play China Retail REIT sponsored by a China-based Group. Our operations span across Singapore, where the REIT Manager is based, and China, where we have six retail properties strategically located in major cities in China, namely Beijing, Chengdu, Hefei, Xining and Dalian. [102-1][102-2][102-3][102-4]

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

All of BHG Retail REIT's malls are located in areas with a high population density and are frequented by growing middle-class families. Designed and presented as lifestyle destinations, each multi-tenanted mall features a compelling mix of shopping, dining, educational and recreational establishments. [102-6]

This Sustainability Report ("**Report**") is prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards: Core option, the internationally recognised standard for reporting of Environmental, Social and Governance ("**ESG**") issues, and with reference to the SGX-ST Listing Rules 711A and 711B. Having released Sustainability Reports annually since our first in FY 2017, this is our fourth Report and we intend to continue disclosing our sustainability performance and progress every year. [102-51][102-52][102-54]

Board Statement

Dear stakeholders,
The extent of the COVID-19 pandemic, compounded by socio-economic and climate change concerns, has made the recent year a challenging one and we stand with you as we navigate these unprecedented times. At BHG Retail REIT, sustainability has always been of paramount importance to the Board and top

management ("**Management**"). The pandemic and its far-reaching consequences reinforced our sense of belief and purpose in the sustainability agenda and we recognised our role in making a positive impact on the environment and the communities we serve.

Management regularly reviews, monitors and manages sustainability risks and opportunities alongside enhancing our business practice sustainability performance and disclosure transparency. In FY 2020, the Board considered sustainability issues in its strategic formulation by re-assessing the ESG factors material to the company. Under the Board's oversight, the Audit and Risk Committee ("**ARC**") managed the risks of material ESG factors on the REIT's operations vis-à-vis the local regulatory landscape. We are committed to maintaining high standards of corporate governance, accountability and transparency along our sustainability journey. [102-14]

Our well-maintained Enterprise Risk Management ("**ERM**") Framework and Business Continuity Plan ("**BCP**") are endeavours that have allowed us to build resilience and respond well to the changing economic and regulatory landscape brought about by the COVID-19 pandemic. The Manager implemented internal guidelines regarding workplace and customer health and safety, in line with nation-wide regulations on safe distancing measures.

We continue to focus on adapting to evolving business needs with excellence. We strive to maintain meaningful relationships with all our stakeholders, seeking opportunities to remain connected with tenants, investors, and local communities. Adapting to the COVID-19 'new normal', our initiatives have expanded from face-to-face communication to virtual platform interactions.

Despite the challenges, we remain forward-looking and steadfast in our commitment to embracing the sustainability agenda in our business strategy and operations. We aim to improve our sustainability practices, prioritising environmental conservation, social inclusion and honest governance. This year's Sustainability Report lays out our performance, initiatives and accomplishments in executing our sustainability agenda in light of the pandemic.

Vision and Mission

At BHG Retail REIT, we aim to serve the community around us by continually improving on and delivering exceptional retail and lifestyle experiences. Our strategy focuses on creating long-term value and pursuing sustainable growth by managing our diversified range of assets across the retail industry spectrum. Our vision and mission statements underpin this purpose. [102-16]

Vision:

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

Mission:

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

Report Scope and Period

This Report's scope covers the sustainability performance and management of BHG Retail REIT's operations for FY 2020. All data and activities detailed are from 1 January 2020 to 31 December 2020, unless stated otherwise. [102-50]

This Report covers issues and topics that we consider material to our business and pertinent to our operations, as determined by a comprehensive materiality assessment, to provide a holistic overview of our ESG performance across our operations in two countries.

The sustainability elements and relevant datapoints of our operations in Singapore and four malls in China, Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu, are disclosed in this Report. Our two other properties, Dalian Jinsanjiao and Xining Huayuan, are not within the reporting scope as they are master-leased. As we operate as a REIT, all mentions of employee-related performance are made with reference to the performance and responsibilities of the REIT Manager.

Report Content and Material Topics

The content of this Report was defined by the four reporting principles established by the GRI Standards:

- **Stakeholder Inclusiveness** – This Report's content and context were determined by engaging with our stakeholders and conducting internal discussions within Management. This enabled us to consider the expectations and interests of all our stakeholders.
- **Sustainability Context** – Our business operations and performance were presented in the context of ESG landscape requirements at the local, regional and global level.
- **Materiality** – The material issues disclosed in this Report were identified by determining the topics with most significant impacts on our business, and which can influence stakeholders' decisions.
- **Completeness** – This Report covers various aspects of the material topics, such as implications, initiatives and availability and boundaries of datapoints, within the reporting period. [102-46]

External Assurance

We have not sought external assurance for this reporting period. However, we may consider having our Sustainability Report verified by an independent third-party in the near future. [102-56]

Report Queries and Feedback

We aspire to produce a Report that proves useful in providing a holistic view of our sustainability journey and performance, and commitments to sustainable growth. For questions or to deliver feedback about this Report, please contact: [102-53]

JEFF TAN
Sustainability Officer

BHG Retail Trust Management Pte. Ltd.
250 North Bridge Road, Raffles City Tower
#32-01 Singapore 179101
E-mail address: jeff.tan@bhgreit.com

SUSTAINABILITY REPORT



Marketing Event @ Hefei Mengchenglu

OUR SUSTAINABILITY APPROACH

Sustainability Governance

We commit ourselves to relevant ESG practices and risk management procedures to mitigate sustainability-related risk in our operations. We believe these practices drive sustainable growth and create long-term value for all our stakeholders.

Under the Board's oversight, the Chief Executive Officer and Sustainability Officer work collaboratively to manage sustainability matters within the REIT. BHG Retail REIT's overall risk strategy and risk governance is established and regulated by the Board, with support from the ARC. The organisation's ERM framework effectively identifies and manages risks in the Manager's governance and operations. An outsourced Internal Audit function is engaged to evaluate the effectiveness and reliability of the framework. [102-18]

Each portfolio property has recovery plans and initiatives to ensure that premises are maintained adequately, and that equipments remain in good condition. These recovery plans are designed to mitigate potential risks resulting from unexpected occurrences or incidences that may disrupt business operations, such as natural disasters, fire hazards or equipment failures.

Compliance with all applicable laws and regulations is taken seriously by the REIT Manager; an internal set of policies are in place and enforced to prevent any incidences of non-compliance. Compliance training sessions and briefings, supplemented with explicit communication materials, are conducted for all employees. [102-11]

Our sustainable governance is reflected in our management of sustainability-related risks within our supply chain. Through active collaboration with stakeholders in our supply chain, we hold ourselves accountable to industry best practices and strive to create a positive impact for the benefit of all parties.

All vendors, suppliers and third-party service providers of BHG Retail REIT are expected to comply with our rules of business conduct. These parties are also subject to due diligence checks and risk assessments as part of our effort to remain in compliance with the Monetary Authority of Singapore ("MAS") guidelines. In FY 2020, there were no significant changes to our supply chain, including supply chain structure, nature and location of operations, location of suppliers, or share capital structure. [102-9][102-10]

Stakeholder Engagement






We work closely with all our stakeholders in the development of ESG practices within the

organisation. To promote long-term and sustainable business growth, we maintain strong and lasting relationships with our stakeholders through frequent engagements. Consequently, this enables us to provide enriching customer experiences and create value for the communities among which we operate.

Within our diverse range of stakeholders across all our business activities, we identified key stakeholders whom we believe are instrumental to the success of our sustainability journey. The

synergy and cooperation between us and these key stakeholders are what drive the business and correspondingly, our sustainability performance.

We have established open and transparent communication channels to allow for regular exchanges with these key stakeholders, enabling us to identify, acknowledge and respond to any concerns or issues raised. The table below shows our relationship and interaction with the key stakeholders during the reporting period. [\[102-40\]](#)[\[102-42\]](#)[\[102-43\]](#)[\[102-44\]](#)

Stakeholders	Mode of Engagement	Frequency of Engagement	Top Sustainability Concerns/Issues
Investors 	Annual General Meeting	At least once per year	<ul style="list-style-type: none"> • Economic performance • Anti-corruption • Customer health and safety
	Analyst Meeting	At least once per year	
Suppliers 	Supplier performance feedback	Periodically	<ul style="list-style-type: none"> • Economic performance • Procurement practices • Customer privacy
Regulators 	Electronic communications	Periodically	<ul style="list-style-type: none"> • Market presence • Training and education • Anti-corruption • Compliance • Customer privacy
Management 	Board meeting	Periodically	<ul style="list-style-type: none"> • Economic performance • Employment • Training and education • Compliance
	Management meeting	Periodically	
Employees 	Performance appraisal	At least once per year	<ul style="list-style-type: none"> • Occupational health and safety • Training and education • Equal remuneration for women and men
	Staff meetings	Monthly	
	One-to-one engagements	At least once per year	

SUSTAINABILITY REPORT

Materiality Assessment

In the effort to adequately manage risks and opportunities material to our business, we reviewed the relevance of ESG topics disclosed in previous years’ Sustainability Reports. To remain in alignment with our sustainability focus areas, we conducted a materiality assessment to review and, if necessary, refresh our material ESG topics.

01 REFRESHMENT OF MATERIALITY MATRIX

We evaluated the relevance of selected ESG material topics against our business operations.



02 INTERNAL DISCUSSIONS

We conducted several rounds of discussions between Management and non-management employees. We included employees who were proxy to our various key stakeholder groups.



03 MANAGEMENT REVIEW

Taking into consideration the company’s significant economic, environmental and social impacts of our daily operations, Management reviewed and evaluated the ESG factors raised in the refreshment of materiality matrix and internal discussions and prioritised them accordingly. The final list of material ESG topics were consolidated and subsequently endorsed by Management.



All material ESG topics reported in the previous year remain relevant for FY 2020. The table below describes the list of topics and sub-topics, along with their consequent impacts, identified as material for disclosure in this Report. [102-47]

Category	Topic	Disclosure Sub-topic	Impact
Economic 	Economic Performance	GRI 201-1: Direct economic value generated and distributed.	Within the organisation
	Market Presence	GRI 202-2: Proportion of Senior Management hired from the local community.	Within the organisation
Environmental 	Energy	GRI 302-1: Energy consumption within the organisation.	Within the organisation
	Water	GRI 303-1: Total water withdrawal by source.	Within the organisation
Social 	Training and Education	GRI 404-1: Average hours of training per year per employee by gender, and by employee category.	Within the organisation
		GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Within the organisation
	Local Communities	GRI 413-1: Operations with local community engagement, impact assessments, and development programmes.	Outside the organisation

UN SDG Alignment

Here at BHG Retail REIT, we acknowledge both the importance of these Goals and the role we play in contributing to the advancement of these values. We play our part in solving the broader environmental and social issues through our operations and initiatives, while using these established Goals as a means to navigate our sustainability journey towards greater maturity.

“The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.”

- The 17 Goals, United Nations Department of Economic and Social Affairs, <https://sdgs.un.org/goals>.

UN SDG	Description	Our Efforts
	<p>Goal 3: Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> • Community outreach initiatives such as mall events, charity events and contributions to community centres and local service personnel • COVID-19 support for the service personnel of surrounding communities
	<p>Goal 4: Training and Education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> • Learning and development opportunities to empower employees and to build human capital • Regular employee performance reviews to support employee career development
	<p>Goal 6: Clean Water and Sanitation Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> • Water conservation efforts carried out across all malls to reduce water consumption and to encourage the increased use of treated and recycled water sources
	<p>Goal 7: Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<ul style="list-style-type: none"> • Energy Savings Plans carried out across all malls in China to ensure energy efficiency through lighting management efforts
	<p>Goal 8: Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> • To empower the local workforce, all REIT Manager’s Senior Management are employed from the local community in Singapore
	<p>Goal 10: Reduced Inequalities Reduce inequality within and among countries</p>	<ul style="list-style-type: none"> • BHG Retail REIT ensures equal opportunity and access to learning and development, by gender and by career level

SUSTAINABILITY REPORT

External Charters and Principles

BHG Retail REIT is regulated by the Securities and Futures Act (Cap. 289), the Code on Collective Investment Schemes, the Listing Manual of SGX-ST, and other relevant regulations. The Board keeps the REIT Manager accountable in upholding good corporate governance standards and ensures that BHG Retail REIT's corporate governance practices align with the Code of Corporate Governance 2018. The Manager actively conducts internal evaluations to remain compliant with updated and current regulations, notices, circulars, and guidelines issued by MAS.

BHG Retail REIT holds membership at the Singapore Business Federation and the REIT's Management is a member of the Investor Relations Professionals Association (Singapore). [\[102-12\]](#)[\[102-13\]](#)

OUR ENVIRONMENTAL STEWARDSHIP



Energy

Due to BHG Retail REIT's nature of business, there is extensive energy and water usage by our properties. We have remained committed to exercising strong environmental stewardship and keeping up with industry best practices to manage our business operations' environmental impacts. We have implemented various applications to manage and monitor the energy and water consumption by our malls in the Chinese cities of Beijing, Chengdu and Hefei.

We have established Energy Savings Plans to ensure efficient energy usage in our malls through lighting management. To reduce unnecessary energy usage, we have actively improved the management of energy in our shopping malls. In this reporting period, we have successfully carried out our planned initiatives listed in our previous Sustainability Report, by installing more sound and motion sensor-based lights and timing-controlled lights and elevators in areas such as parking garages and emergency exit routes. Well-lit mall areas also had their lighting operating times minimised based on the season. Besides energy management, we have improved the energy efficiency of our lighting systems, replacing ordinary lamps with LED lights in mall premises and on advertisement boards. Besides that, daily inspections are conducted to ensure our energy-consuming appliances are switched off when the malls are closed.

The malls have also adjusted the operations of their air-conditioning systems based on the season and mall building structure. For example, the air-conditioning systems' output would only be increased between 10am to 2pm, the hottest period of the day, in the summer. We strive to ensure our air-conditioning systems are in peak condition through seasonal maintenance of chillers, cooling towers, air-conditioning units and panel replacements, where applicable. This ensures the system runs efficiently while reducing the likelihood of mechanism or material breakdown. Additionally, to better maintain the temperature of mall environments, all windows, doors and emergency exits have been examined for leakage gaps to prevent the cool air from escaping from the building. Air curtains, strip curtains and sunshades are also utilised when necessary. These Energy Savings Plans and practices are taken seriously and are implemented across all our malls.

In FY 2020, BHG Retail REIT's four multi-tenanted malls recorded a total energy consumption of **17,463MWh**

As illustrated by our initiatives listed, we are committed to reducing our environmental impact by improving our energy efficiency. We frequently review and improve practices through the building's lifecycle. In FY 2020, BHG Retail REIT's four multi-tenanted malls recorded a total energy consumption of 17,463MWh. The data this year includes the most recent acquisition, Hefei Changjiangxilu mall. [302-1]



Water

In light of China's rising water stress levels brought about by low water supply coupled with high water demand, we strive to reduce water consumption in our daily operations. We have also shifted towards the use of more treated or recycled water sources. We have implemented practices to control and manage our water wastage through initiatives such as utilising water-efficient flushing cisterns, installing motion sensor water faucets and reducing the tap flow rate.

In FY 2020, BHG Retail REIT's four multi-tenanted malls recorded a total water consumption of 164,893m³, a significant decrease relative to water consumption in the previous year, despite the inclusion of data for the most recent acquisition, Hefei Changjiangxilu mall. We attribute this decrease in water consumption to the COVID-19 prevention and control measures implemented by the Government. Nonetheless, we are proud of our achievements and we aim to remain committed to promoting effective resource management. [303-1]

In FY 2020, BHG Retail REIT's four multi-tenanted malls recorded a total water consumption of **164,893m³**, a significant decrease relative to water consumption in the previous year

SUSTAINABILITY REPORT

OUR PEOPLE



At BHG Retail REIT, we are committed to providing equal opportunities and conducting fair employment practices. We also believe in maintaining a positive market presence and enhancing human capital by empowering the local workforce. The REIT Manager is proud to disclose that all our Senior Management are hired from the Singapore local community. [202-2]

Training and Career Development

We pride ourselves in creating a conducive and healthy work environment, and also place a strong emphasis on employee learning and development. Our efforts in developing the human capital within the organisation and ensuring necessary succession planning include regular employee training and performance reviews governed by an internal talent management process. We also believe that an equitable and empowering workplace supports employees' growth and creates value for the organisation.

BHG Retail REIT actively supports its employees' career development to improve their competitiveness in the industry. We look to identify employees' career developmental needs and seek to provide learning opportunities across various relevant topics. Our internal resource management process has a framework for assessing employee development, i.e. identifying and building upon key strengths and identifying potential improvement areas. Refresher courses on compliance matters, including the mandatory Code of Conduct and Ethics, are carried out to ensure all staff remain informed of the evolving regulatory landscape and to mitigate risks of potential non-compliance.

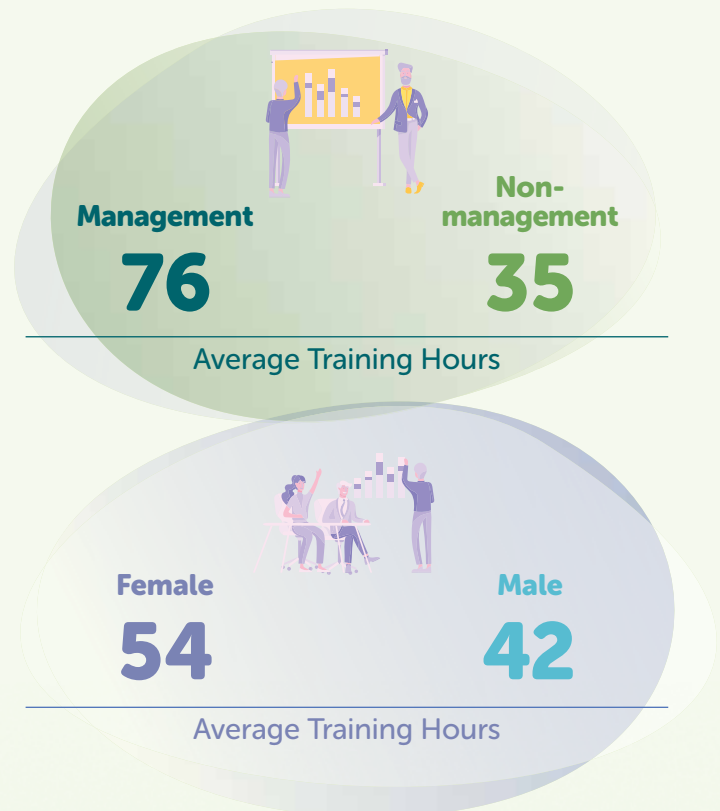
We engage subject matter experts to conduct trainings as part of our annual training plan, including topics such as capacity building, mergers and acquisitions, etc. In FY 2020, we also conducted

a session on sustainability reporting, to equip our staff with a holistic understanding of reporting material ESG topics and what this would entail in terms of our business practices and collection of data.

Furthermore, we administer refreshers on regulatory developments to ensure employees remain aware of the development of regulatory requirements and internal company policies. Our training helps to mitigate risk of compliance breaches. [102-8]

Employee Training Hours

In fostering conducive learning at the workplace, all employees are provided with training and development opportunities. In FY 2020, the total number of training hours undertaken by employees was 358 hours. [404-1]



Employee Career Development and Reviews

We also achieved a 100% rate of conducting career development and performance reviews for all our employees during the reporting period. [404-3]

OUR SOCIAL RESPONSIBILITY

In FY 2020, BHG Retail REIT has continued to engage with its surrounding communities by promoting cultural and social inclusivity. We also responded to the needs brought about by the COVID-19 pandemic by making contributions of necessities to district policemen, firefighters and other service personnel. We believe that we are responsible for empowering the community around us, and we strive to continually adapt to the changing needs. [413-1]

Local Community Engagement

Beijing Wanliu

The “Children’s Temple Fair” event was carried out on Saturday, 18th Jan 2020. This activity-filled day was an initiative to foster quality time between parents and children in conjunction with celebrating and ushering in the new year. Activities included dough kneading, sugar painting, DIY candy, DIY lanterns, writing of blessings and beading.



SUSTAINABILITY REPORT



COMMUNITY INITIATIVES DURING THE COVID-19 PANDEMIC



The Beijing Wanliu mall manager and staff paid a visit to the police station bearing gifts of food and basic necessities.



Beijing Wanliu mall staff visited the Huixinjiayuan neighbourhood committee to make contributions to the community epidemic prevention and control volunteers.



On top of maintaining exemplary standards of hygiene during the pandemic, the “鱼你在一起” food outlet also provided meal discounts and free masks to other mall tenants.

Chengdu Konggang



The “Little Firefighters” event (left) and the children’s flea market (right) were member-exclusive events held to foster better connection with the customers of BHG. These events aimed to improve member experience – points earned by shopping at the mall can be used to claim member-only benefits or to sign up for exclusive registered activities.



The mid-autumn gratitude event was held to celebrate and express gratitude to the armed police unit of the Shuangliu district. The Chengdu Konggang mall has always maintained good long-term relationships with the regional armed forces, with the goal of fostering bonds between the military personnel and civilians.

The “Children’s Street Dance” competition was jointly organised by the Chengdu Konggang mall and the tenant “壹佳街舞”. The event successfully increased customer footfall on the day of the event, boosting tenants’ sales.



SUSTAINABILITY REPORT

Hefei Changjiangxilu

COMMUNITY AND PUBLIC WELFARE ACTIVITIES



In February 2020, in light of the COVID-19 pandemic, the Hefei Changjiangxilu mall sent supplies to 3 communities' front-line workers and expressed their gratitude to them.



On Army Day in August 2020, the mall paid tribute to community firefighters and traffic policemen for their service to the people.





In September 2020, the Hefei Changjiangxilu mall held a movie screening event for 100 disabled individuals. This was held in collaboration with the “蜀山区残联” and the “蜀山区阳光家园托管中心”.



In conjunction with the International Day of Persons with Disabilities on the 3rd of December, the mall once again collaborated with the “蜀山区残联” in caring for the disabled. There were 120 beneficiaries for this event.

SUSTAINABILITY REPORT

Hefei Mengchenglu

On 8th January 2020, Hefei Mengchenglu mall collaborated with the neighbouring community to conduct a community “Spring Festival Night” event.



In March 2020, during the COVID-19 pandemic, “care stations” were set up to express gratitude and care for the neighbourhood service personnel, such as policemen, deliverymen and cleaners. At these “care stations”, the service personnel were provided with refreshments such as milk tea, yogurt, biscuits and other food items.

**CHARITY
SALES EVENTS**



In collaboration with the local community, a newspaper charity sale was held on 30th July 2020 to raise funds to support the flood control workers.

On 8th September 2020, another charity sale was held to raise funds to support the development of women's and children's causes.



On 11th November 2020, Hefei Mengchenglu mall collaborated with a district nursery school to carry out a charity sales event.

SUSTAINABILITY REPORT



On 3rd December 2020, the mall set up an event to promote an understanding of the law and to provide legal aid for the public.



On 30th December 2020, Hefei Mengchenglu mall held a "Public Story-Telling" event as part of the festivities to usher in the new year. This was held in collaboration with the surrounding community and district nursery schools.



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GRI 102: GENERAL DISCLOSURES

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SUSTAINABILITY REPORT

GRI 103: MANAGEMENT APPROACH

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MANAGEMENT APPROACH			
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	GRI 201	Refer to Annual Report
	103-2 The management approach and its components	GRI 202	Refer to Annual Report
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General Standard	GRI Disclosure	Page Number(s)	Remark(s)
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	404-3 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	82	–
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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 (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of BHG Retail Trust Management Pte. Ltd. (the “**Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018 and a second supplemental deed dated 20 April 2018) (collectively the “**Trust Deed**”) between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages 101 to 165 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
18 March 2021

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 101 to 165 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**”), 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 2020, 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 (as amended by a first supplemental deed dated 26 March 2018 and a second supplemental deed dated 20 April 2018). 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
18 March 2021

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 and a second supplemental deed dated 20 April 2018) 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 2020, 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 101 to 165.

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 2020 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 Note 4 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>The Group has investment properties comprising retail malls in the People's Republic of China. These investment properties represent the single largest category of assets on the statement of financial position, at S\$943.2 million (2019: S\$909.0 million) as at 31 December 2020.</p> <p>These investment properties are stated at their fair values based on independent external valuations.</p> <p>The valuation process involves significant judgement in determining the appropriate valuation methodology, and in estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions, including those relating to the discount rates, terminal growth rates, term yields and reversionary rates and a change in the assumptions will have an impact on the valuation.</p>	<p>We evaluated the qualification and competence of the external valuer. We also read the terms of engagement of the valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.</p> <p>We compared the valuation methodologies used, which included the discounted cash flow method and income capitalisation method, against those applied for similar property types by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We assessed the reasonableness of the discount rates, terminal growth rates, term yields and reversionary rates used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors.</p> <p>We also considered the adequacy of the disclosures in the financial statements.</p>
	Our findings
	<p>The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are comparable to the methods used for similar property types by other valuers and the key assumptions used are within the range of market data.</p> <p>The disclosures in the financial statements are appropriate in their description of the judgement inherent in the key assumptions used in the valuations and the relationships between the key unobservable inputs and fair values.</p>

INDEPENDENT AUDITORS' REPORT

Other information

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

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

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

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

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

Responsibilities of the Manager for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITORS' REPORT

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

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

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

18 March 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		REIT	
		2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Non-current assets					
Investment properties	4	943,187	909,021	–	–
Plant and equipment	5	702	678	–	–
Interests in subsidiaries	6	–	–	591,646	591,535
Deferred tax assets	7	47	18	–	–
		<u>943,936</u>	<u>909,717</u>	<u>591,646</u>	<u>591,535</u>
Current assets					
Trade and other receivables	8	2,947	1,034	589	330
Cash and cash equivalents	9	48,272	47,033	4,159	3,353
		<u>51,219</u>	<u>48,067</u>	<u>4,748</u>	<u>3,683</u>
Total assets		<u>995,155</u>	<u>957,784</u>	<u>596,394</u>	<u>595,218</u>
Non-current liabilities					
Loans and borrowings	10	282,320	275,425	232,595	226,890
Trade and other payables	11	2,077	1,731	54,276	43,549
Security deposits		6,298	7,667	–	–
Deferred tax liabilities	7	39,157	41,195	–	–
Derivative liabilities	12	3,302	1,047	3,302	1,047
		<u>333,154</u>	<u>327,065</u>	<u>290,173</u>	<u>271,486</u>
Current liabilities					
Loans and borrowings	10	9,315	3,159	8,101	2,000
Trade and other payables	11	26,049	24,942	9,394	4,810
Security deposits		12,913	13,279	–	–
Current tax liabilities		1,281	1,204	–	–
		<u>49,558</u>	<u>42,584</u>	<u>17,495</u>	<u>6,810</u>
Total liabilities		<u>382,712</u>	<u>369,649</u>	<u>307,668</u>	<u>278,296</u>
Net assets		<u>612,443</u>	<u>588,135</u>	<u>288,726</u>	<u>316,922</u>
Represented by:					
Unitholders' funds	13	439,256	422,517	288,726	316,922
Non-controlling interests	14	173,187	165,618	–	–
		<u>612,443</u>	<u>588,135</u>	<u>288,726</u>	<u>316,922</u>
Units in issue ('000)	15	<u>511,718</u>	<u>509,490</u>	<u>511,718</u>	<u>509,490</u>
Net asset value per Unit attributable to Unitholders (S\$)		<u>0.86</u>	<u>0.83</u>	<u>0.56</u>	<u>0.62</u>

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

STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2020

	Note	Group		REIT	
		2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Gross rental income		56,218	71,238	–	–
Dividend income		–	–	4,200	11,800
Other income		4,343	7,820	–	–
Gross revenue		60,561	79,058	4,200	11,800
Business tax		(350)	(495)	–	–
Property-related tax		(5,679)	(6,965)	–	–
Property management fees and reimbursables		(2,163)	(2,910)	–	–
Other property operating expenses	17	(15,981)	(18,212)	–	–
Total property operating expenses		(24,173)	(28,582)	–	–
Net property income		36,388	50,476	4,200	11,800
Audit fees		(353)	(322)	(152)	(152)
Manager's management fees					
- Base fee		(1,118)	(1,862)	(1,118)	(1,862)
- Acquisition fee		–	–	–	(489)
Trustee's fees		(156)	(148)	(156)	(148)
Valuation fee		(42)	(15)	(42)	(15)
Other income (non-operating)		389	482	–	–
Other operating expenses	18	(586)	(1,444)	(532)	(1,136)
Finance income		156	422	–	–
Finance costs		(14,994)	(14,815)	(15,998)	(11,861)
Net finance costs	19	(14,838)	(14,393)	(15,998)	(11,861)
Total return before change in fair value of investment properties and unrealised foreign exchange gain		19,684	32,774	(13,798)	(3,863)
Change in fair value of investment properties	4	(15,036)	48,856	–	–
Foreign exchange gain - unrealised		1,047	1,758	(1,158)	963
Total return for the year before taxation		5,695	83,388	(14,956)	(2,900)
Taxation	20	(1,973)	(20,788)	(119)	(73)
Total return for the year after taxation		3,722	62,600	(15,075)	(2,973)
Attributable to:					
Unitholders		(1,070)	48,006	(15,075)	(2,973)
Non-controlling interests	14	4,792	14,594	–	–
Total return for the year after taxation		3,722	62,600	(15,075)	(2,973)
Earnings per Unit (cents)	21				
- Basic		(0.21)	9.47		
- Diluted		(0.21)	9.42		

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2020

	Note	Group		REIT	
		2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Amount available for distribution to Unitholders at beginning of the year		7,957	9,453	7,957	9,453
Total return for the year attributable to Unitholders		(1,070)	48,006	(15,075)	(2,973)
Distribution adjustments	A	11,610	(29,390)	25,615	21,589
Income for the year available for distribution to Unitholders		10,540	18,616	10,540	18,616
Amount retained ⁽¹⁾		(1,054)	(1,862)	(1,054)	(1,862)
Income for the year to be distributed to Unitholders		9,486	16,754	9,486	16,754
Distribution to Unitholders during the year:					
- Distribution of 2.42 cents per Unit for period from 1 July 2018 to 31 December 2018		–	(9,232)	–	(9,232)
- Distribution of 2.08 cents per Unit for period from 1 January 2019 to 30 June 2019		–	(9,018)	–	(9,018)
- Distribution of 1.79 cents per Unit for period from 1 July 2019 to 31 December 2019		(7,778)	–	(7,778)	–
- Distribution of 0.89 cents per Unit for period from 1 January 2020 to 30 June 2020		(4,329)	–	(4,329)	–
		(12,107)	(18,250)	(12,107)	(18,250)
Amount available for distribution to Unitholders at end of the year		5,336	7,957	5,336	7,957
Distribution per unit (cents)⁽²⁾		1.95	3.87		

⁽¹⁾ For the year ended 31 December 2020, approximately S\$1.1 million (2019: S\$1.9 million) of the amount available for distribution has been retained for operational expenses and working capital requirements of the REIT.

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

The distribution relating to 1 July 2020 to 31 December 2020 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

The amount of distributions waived, attributable to the strategic investor Units, for the year ended 31 December 2020 and 2019 amounted to approximately S\$1.4 million and S\$3.6 million respectively.

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

DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2020

Note A – Distribution adjustments

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Distribution adjustment items:				
- Amortisation of debt establishment costs	2,507	2,168	2,507	1,878
- Change in fair value of investment properties ⁽¹⁾	13,335	(41,340)	–	–
- Deferred taxation ⁽¹⁾	(3,396)	10,277	–	–
- Manager's management fees paid/payable in Units	480	1,862	480	2,351
- Net income of subsidiaries not distributed to the REIT ⁽¹⁾	–	–	21,470	18,323
- Property Manager's management fees paid/payable in Units	761	1,024	–	–
- Transfer to statutory reserve	(1,155)	(1,722)	–	–
- Other adjustments ⁽¹⁾	(922)	(1,659)	1,158	(963)
Net effect of distribution adjustments	11,610	(29,390)	25,615	21,589

⁽¹⁾ Excludes share attributable to non-controlling interests

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2020

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Unitholders' funds as at beginning of the year	422,517	410,423	316,922	335,743
Operations				
Total return for the year after taxation attributable to Unitholders	(1,070)	48,006	(15,075)	(2,973)
Transfer to statutory reserve	(1,155)	(1,722)	–	–
Net (decrease)/increase in net assets resulting from operations	(2,225)	46,284	(15,075)	(2,973)
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(2,255)	(973)	(2,255)	(973)
Foreign currency translation reserve				
Translation differences from financial statements of foreign operations	30,930	(20,064)	–	–
Statutory reserve				
Transfer from operations	1,155	1,722	–	–
Unitholders' transactions				
Creation of Units paid/payable to manager				
- Units issued and to be issued as satisfaction of the portion of Manager's management fees payable in Units	480	2,351	480	2,351
- Units issued and to be issued as satisfaction of the portion of Property Manager's management fees payable in Units	761	1,024	761	1,024
Distributions to Unitholders	(12,107)	(18,250)	(12,107)	(18,250)
	(10,866)	(14,875)	(10,866)	(14,875)
Unitholders' funds as at end of the year	439,256	422,517	288,726	316,922

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

PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2020

Group	Description of leasehold property	Location	Term of lease (years)	Lease expiry	Valuation as at		Valuation as at		Percentage of Unitholders' funds	
					2020 RMB'000	2019 RMB'000	2020 S\$'000	2019 S\$'000	2020 %	2019 %
Beijing Wanliu	No.2 Bagou Road, Haidian District, Beijing		30	2044	2,502,000	2,502,000	506,515	483,189	115	114
Chengdu Konggang	No. 166 Jinhua Road second section, Shuangliu County, Chengdu		32	2047	661,000	662,000	133,816	127,846	30	30
Hefei Mengchenglu	No.99 Mengcheng Road, Luyang District, Hefei		30	2044	582,000	603,000	117,822	116,452	27	28
Hefei Changjiangxilu	No. 639 Changjiangxilu Road, Shushan District, Hefei		30	2043	475,000	492,000	96,161	95,016	22	22
Xining Huayuan	Nos.16-19 Shipo street, Chengzhong District, Xining		34	2048	274,000	280,000	55,470	54,074	13	13
Dalian Jinsanjiao	No.18 Huadong Road, Ganjingzi District, Dalian		33	2042	165,000	168,000	33,403	32,444	8	8
Investment properties, at valuation							943,187	909,021	215	215
Other assets and liabilities (net)							(330,744)	(320,886)	(75)	(75)
Net assets							612,443	588,135	140	140
Net assets attributable to non-controlling interests							(173,187)	(165,618)	(40)	(40)
Net assets attributable to Unitholders							439,256	422,517	100	100

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

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020 S\$'000	2019 S\$'000
Cash flows from operating activities			
Total return for the year before taxation		5,695	83,388
Adjustments for:			
Finance income		(156)	(422)
Finance costs		14,994	14,815
Loss on disposal of plant and equipment		1	8
Depreciation of plant and equipment		107	111
Manager's management fees paid/payable in Units	(i)	480	1,862
Property Manager's management fees paid/payable in Units	(ii)	761	1,024
Change in fair value of investment properties		15,036	(48,856)
Foreign exchange gain – unrealised		(1,047)	(1,758)
Operating income before working capital changes		35,871	50,172
Changes in:			
Trade and other receivables		(2,303)	(997)
Trade and other payables		(7,276)	3,914
Cash generated from operating activities		26,292	53,089
Tax paid		(5,775)	(9,488)
Net cash generated from operating activities		20,517	43,601
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	26	–	(63,055)
Capital expenditure on investment properties		(5,249)	(10,876)
Purchase of plant and equipment		(101)	(60)
Interest received		156	422
Net cash used in investing activities		(5,194)	(73,569)
Cash flows from financing activities			
Distribution to Unitholders		(12,107)	(18,250)
Dividend paid to non-controlling interests		(1,601)	(4,866)
Decrease in restricted cash		(1,115)	11,435
Proceeds from borrowings		12,459	84,900
Repayment of borrowings		(3,199)	(29,084)
Net settlement of derivative contracts		(1,349)	53
Interest paid		(10,380)	(10,173)
Net cash (used in)/from financing activities		(17,292)	34,015

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

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020	2019
		S\$'000	S\$'000
(Decrease)/increase in cash and cash equivalents		(1,969)	4,047
Cash and cash equivalents at 1 January		44,103	41,191
Effect of foreign exchange rate changes on cash balances		2,093	(1,135)
Cash and cash equivalents at 31 December	9	44,227	44,103

Notes:

Significant non-cash transactions

- (i) The Manager's management fees for the year was S\$1,118,000 (2019: S\$2,351,000). In 2019, S\$489,000 of S\$2,351,000 was related to the acquisition of Hefei Changjiangxilu Mall and capitalised as part of the cost of investment property. S\$480,000 (2019: S\$1,912,000) was paid during the year through the issuance of 842,000 (2019: 2,709,000) Units. The remaining S\$638,000 will be paid in cash (2019: S\$439,000 paid through the issuance of 638,000 Units) subsequent to the year end.
- (ii) The Property Manager's management fees for the year was S\$761,000 (2019: S\$1,024,000). S\$353,000 (2019: S\$753,000) was paid during the year through the issuance of 663,000 (2019: 1,072,000) Units. The remaining S\$408,000 (2019: S\$271,000) will be paid through the issuance of 723,000 (2019: 394,000) Units subsequent to the year end.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 18 March 2021.

1. GENERAL

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

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

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

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

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

(i) Trustee's fees

Pursuant to Clause 15.5 of the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of deposited property, subject to a minimum of 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 2020

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year includes the valuation of investment properties under Note 4 and valuation of financial instruments under Note 27.

Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in the Note 4 – investment properties and Note 27 – capital and financial risk management.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION (CONT'D)

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 2020:

- Amendments to References to Conceptual Framework in FRS Standards
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- *Interest Rate Benchmark Reform* (Amendments to FRS 109, FRS 39 and FRS 107)

Other than the amendments relating to definition of a business and the interest rate benchmark reform, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

The Group applied the amendments relating to definition of a business to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in note 3.1.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss accumulated in the cash flow hedging reserve in OCI that existed at 1 January 2020. The details of the accounting policies are disclosed in note 3.3. See also note 27 for related disclosures about risks and hedge accounting.

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 3.1, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(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 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 2020

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 other comprehensive income:

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

(ii) Foreign operations

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

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

(iii) Net investment in a foreign operation

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

(iv) Hedge of net investment in foreign operation

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

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

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

Non-derivative financial assets (cont'd)

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.

- (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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

(vi) Derivative financial instruments and hedge accounting

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

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

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

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

Cash flow hedges

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

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

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

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

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

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

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

3.5 Plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Plant and equipment (cont'd)

(iii) Depreciation

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

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

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

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

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

3.6 Impairment

(i) Non-derivative financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

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

Credit-impaired financial assets (cont'd)

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (cont'd)

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

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

3.7 Unitholders' funds

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

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

3.8 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

3.9 Distribution policy

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (cont'd)

(i) As a lessee (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Taxation (cont'd)

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

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

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

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3.4, the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities, using tax rates enacted 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.

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

3.15 Earnings per Unit

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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.

4. INVESTMENT PROPERTIES

	Group	
	2020	2019
	S\$'000	S\$'000
At beginning of the year	909,021	808,303
Acquisition of subsidiaries	–	64,876
Additions during the year	5,249	10,876
	<u>914,270</u>	<u>884,055</u>
Changes in fair value	(15,036)	48,856
Translation differences	43,953	(23,890)
At end of the year	<u>943,187</u>	<u>909,021</u>

Investment properties comprise retail properties that are held mainly for use by tenants under operating leases. (see Portfolio Statement for details)

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the year amounted to S\$3.0 million (2019: S\$3.7 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. INVESTMENT PROPERTIES (CONT'D)

Fair value

Investment properties are stated at fair value based on valuation as at 31 December 2020 performed by independent professional valuers, Knight Frank Petty Limited, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The outbreak of the novel coronavirus ("**COVID-19**") has impacted market activity in the retail property sector in China. As the impact of COVID-19 is fluid and evolving, the carrying amount of the investment properties were current as at 31 December 2020 only. The Manager reviews the key valuation parameters and underlying data including terminal growth rates, term yield and reversionary rates and discount rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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

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

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

Level 3 fair values

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

Valuation methods	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows approach	Discount rates from 7.5% to 8.0% (2019: 7.5% to 8.0%) per annum	The fair value increases as discount rate decreases.
	Terminal growth rates 3.0% (2019: 3.0%)	The fair value increases as terminal growth rate increases.
Income capitalisation approach	Term yield from 4.5% to 5.5% (2019: 4.0% to 5.5%)	The fair value increases as term yield and reversionary rate decrease.
	Reversionary rates from 5.0% to 6.0% (2019: 4.5% to 6.0%)	

Security

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5. PLANT AND EQUIPMENT

	Plant and machinery S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Total S\$'000
Group				
Cost				
At 1 January 2019	3,648	257	3,285	7,190
Acquisition of subsidiaries	–	51	75	126
Additions during the year	28	–	32	60
Disposal/written off	–	(44)	(1)	(45)
Translation difference on consolidation	(92)	(9)	(96)	(197)
At 31 December 2019	3,584	255	3,295	7,134
Additions during the year	71	–	30	101
Disposal/written off	–	–	(9)	(9)
Translation difference on consolidation	174	46	155	375
At 31 December 2020	3,829	301	3,471	7,601
Accumulated depreciation				
At 1 January 2019	3,463	245	2,852	6,560
Charge for the year	2	6	103	111
Disposal/written off	–	(36)	(1)	(37)
Translation difference on consolidation	(86)	(8)	(84)	(178)
At 31 December 2019	3,379	207	2,870	6,456
Charge for the year	13	8	86	107
Disposal/written off	–	–	(8)	(8)
Translation difference on consolidation	164	45	135	344
At 31 December 2020	3,556	260	3,083	6,899
Carrying amounts				
At 1 January 2019	185	12	433	630
At 31 December 2019	205	48	425	678
At 31 December 2020	273	41	388	702

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

6. INTERESTS IN SUBSIDIARIES

	REIT	
	2020 S\$'000	2019 S\$'000
Equity investment, at cost	4,686	3,925
Non-trade amounts due from subsidiaries	586,960	587,610
	591,646	591,535

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity held by the Group	
		2020 %	2019 %
<u>Held by the REIT</u>			
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
<u>Held through subsidiaries</u>			
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 2020

6. INTERESTS IN SUBSIDIARIES (CONT'D)

- (b) The non-trade amounts due from subsidiaries are unsecured. They are stated at amortised cost, less ECL that is measured on the 12-month expected loss which reflects the low credit risk of the exposures. The amount of the allowance on those balances is not material.

7. DEFERRED TAX ASSETS/(LIABILITIES)

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

Group	At 1 January 2019 S\$'000	Recognised in statements of total return (Note 20) S\$'000	Acquisition of subsidiary S\$'000	Translation difference S\$'000	At 31 December 2019 S\$'000	Recognised in statements of total return (Note 20) S\$'000	Translation difference S\$'000	At 31 December 2020 S\$'000
Deferred tax assets								
Allowance for doubtful receivables and unutilised losses	21	(7)	6	(2)	18	28	1	47
Deferred tax liabilities								
Investment properties	(29,280)	(12,047)	–	889	(40,438)	3,759	(2,223)	(38,902)
Tax on unrepatriated profits	(672)	(103)	–	18	(757)	34	468	(255)
	(29,952)	(12,150)	–	907	(41,195)	3,793	(1,755)	(39,157)

8. TRADE AND OTHER RECEIVABLES

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Trade receivables	510	108	–	–
Impairment losses	(29)	–	–	–
	481	108	–	–
Other receivables	2,165	877	441	303
Impairment losses	(59)	(55)	–	–
	2,106	822	441	303
Trade and other receivables	2,587	930	441	303
Prepayments	360	104	148	27
	2,947	1,034	589	330

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 2020

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Exposure to credit risk

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

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Beijing	652	218	–	–
Chengdu	400	237	–	–
Hefei	388	112	–	–
Dalian	1	1	–	–
Singapore	1,146	362	441	303
	<u>2,587</u>	<u>930</u>	<u>441</u>	<u>303</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 2020:

	Gross carrying amount S\$'000	Group Impairment loss allowance S\$'000	Credit impaired
2020			
Not past due	1,206	–	No
Past due 1 – 30 days	91	–	No
Past due 31 – 60 days	116	–	No
Past due 61 – 90 days	104	–	No
More than 90 days due	1,158	(88)	Yes
	<u>2,675</u>	<u>(88)</u>	
2019			
Not past due	511	–	No
Past due 1 – 30 days	13	–	No
Past due 31 – 60 days	10	–	No
Past due 61 – 90 days	4	–	No
More than 90 days due	447	(55)	Yes
	<u>985</u>	<u>(55)</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 2020

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Movements in allowance for impairment in respect of trade receivables

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

	Group	
	Individually Impaired 2020 S\$'000	Individually Impaired 2019 S\$'000
At 1 January per FRS 109	55	82
Impairment losses recognised/(recovered)	33	(27)
At 31 December per FRS 109	88	55

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

9. CASH AND CASH EQUIVALENTS

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Cash at banks and in hand	48,272	47,033	4,159	3,353
Restricted cash	(4,045)	(2,930)	(4,045)	(2,930)
Cash and cash equivalents in statement of cash flows	44,227	44,103	114	423

10. LOANS AND BORROWINGS

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Unsecured loan	1,101	–	1,101	–
Secured loans	293,741	284,228	242,726	234,403
Less: Unamortised transaction costs	(3,207)	(5,644)	(3,131)	(5,513)
	291,635	278,584	240,696	228,890
Current	9,315	3,159	8,101	2,000
Non-current	282,320	275,425	232,595	226,890
	291,635	278,584	240,696	228,890

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

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

	Nominal interest rate per annum %	Year of maturity	Face value S\$'000	Carrying amount S\$'000
2020				
Group				
SGD unsecured interest free loan	Nil	2021	1,101	1,101
SGD secured floating rate loan	2.37-3.89	2022	177,775	175,448
USD secured floating rate loan	2.44-4.26	2022	57,951	57,147
SGD secured floating rate loan	2.92-4.37	2021	2,000	2,000
SGD secured floating rate loan	3.70-4.03	2021	5,000	5,000
RMB secured floating rate loan	5.70	2021-2022	39,577	39,577
RMB secured floating rate loan	5.70	2021-2022	11,438	11,362
			294,842	291,635
REIT				
SGD unsecured interest free loan	Nil	2021	1,101	1,101
SGD secured floating rate loan	2.37-3.89	2022	177,775	175,448
USD secured floating rate loan	2.44-4.26	2022	57,951	57,147
SGD secured floating rate loan	2.92-4.37	2021	2,000	2,000
SGD secured floating rate loan	3.70-4.03	2021	5,000	5,000
			243,827	240,696
2019				
Group				
SGD secured floating rate loan	3.84-4.20	2022	174,478	170,380
USD secured floating rate loan	4.15-4.87	2022	57,925	56,510
SGD secured floating rate loan	4.37-4.64	2020	2,000	2,000
RMB secured floating rate loan	5.08-5.70	2020-2022	38,335	38,335
RMB secured floating rate loan	5.08-5.70	2020-2022	11,490	11,359
			284,228	278,584
REIT				
SGD secured floating rate loan	3.84-4.20	2022	174,478	170,380
USD secured floating rate loan	4.15-4.87	2022	57,925	56,510
SGD secured floating rate loan	4.37-4.64	2020	2,000	2,000
			234,403	228,890

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. LOANS AND BORROWINGS (CONT'D)

Facilities and securities

The Group has put in place two onshore secured borrowing facilities of RMB 241.0 million and RMB 61.0 million, and an offshore secured borrowing facility of S\$240.0 million. As at 31 December 2020, both onshore and offshore secured facilities were fully drawn. During 2020, the Group had repaid RMB 3.0 million (2019: RMB 3.0 million) of each of the onshore facilities, in accordance with the facility agreements, and no voluntary early repayment (2019: RMB 41.0 million) by an onshore subsidiary.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the six (2019: 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 (2019: 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\$1.1 million (2019: S\$6.4 million) and from other secured bank facilities an amount totalling S\$5.0 million (2019: Nil). The REIT had repaid S\$2.0 million (2019: S\$20.4 million) of these facilities during the year.

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

	Loans and borrowings S\$'000	Interest payable S\$'000	Total S\$'000
Balance at 1 January 2020	278,584	2,643	281,227
Changes from financing cash flows			
Proceeds from borrowings	12,459	–	12,459
Repayment of borrowings	(3,199)	–	(3,199)
Interest paid	–	(10,380)	(10,380)
	9,260	(10,380)	(1,120)
Non-cash changes			
Effects of changes in foreign exchange rates	1,284	(1,325)	(41)
Amortisation of borrowing costs	2,507	–	2,507
Interest expense	–	12,487	12,487
	3,791	11,162	14,953
Balance at 31 December 2020	291,635	3,425	295,060

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. LOANS AND BORROWINGS (CONT'D)

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

	Loans and borrowings S\$'000	Interest payable S\$'000	Total S\$'000
Balance at 1 January 2019	222,142	1,305	223,447
Changes from financing cash flows			
Proceeds from borrowings	84,900	–	84,900
Repayment of borrowings	(29,084)	–	(29,084)
Interest paid	–	(10,173)	(10,173)
	55,816	(10,173)	45,643
Non-cash changes			
Effects of changes in foreign exchange rates	(1,542)	(1,136)	(2,678)
Amortisation of borrowing costs	2,168	–	2,168
Interest expense	–	12,647	12,647
	626	11,511	12,137
Balance at 31 December 2019	278,584	2,643	281,227

11. TRADE AND OTHER PAYABLES

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Trade payables	7,370	8,392	–	–
Interest payable	3,425	2,643	6,578	2,651
Other payables	10,351	9,133	294	33
Accrued operating expenses	3,993	2,773	913	566
Loan from subsidiaries	–	–	54,276	43,549
Amount owing to subsidiaries	–	–	1,609	1,560
Deposits and advances from tenants	2,987	3,732	–	–
	28,126	26,673	63,670	48,359
Current	26,049	24,942	9,394	4,810
Non-current	2,077	1,731	54,276	43,549
	28,126	26,673	63,670	48,359

The loan from subsidiaries are non-trade in nature, unsecured, interest-bearing at 4.75% (2019: 0.50% to 4.75%) and repayable within 2 to 4 years (2019: 3 to 5 years).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

12. FINANCIAL DERIVATIVES

	Group and REIT	
	2020	2019
	S\$'000	S\$'000
Derivative liabilities		
Interest rate swaps used for hedging	3,302	1,047

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\$144.3 million (2019: S\$145.0 million) and S\$144.3 million (2019: S\$145.0 million) respectively, have been entered into at the reporting date to provide fixed rate funding for average terms of 3 years (2019: 3 years) at an average interest rate of 1.84% (2019: 1.84%) per annum. These interest rate swaps are designated as hedging instruments in cash flow hedges. The fair value of financial derivatives as represented 0.54% (2019: 0.18%) of the net assets of the Group as at 31 December 2020.

13. UNITHOLDERS' FUNDS

		Group		REIT	
	Note	2020	2019	2020	2019
		S\$'000	S\$'000	S\$'000	S\$'000
At 1 January		422,517	410,423	316,922	335,743
Net assets resulting from operations		(2,225)	46,284	(15,075)	(2,973)
Statutory reserve	(a)	1,155	1,722	–	–
		421,447	458,429	301,847	332,770
Foreign currency translation reserve	(b)	30,930	(20,064)	–	–
Hedging reserve	(c)	(2,255)	(973)	(2,255)	(973)
Unitholders' distributions		(10,866)	(14,875)	(10,866)	(14,875)
At 31 December		439,256	422,517	288,726	316,922

(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 2020

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.

	2020 S\$'000	2019 S\$'000
Non-current assets	506,654	483,283
Current assets	28,433	26,323
Non-current liabilities	(72,675)	(74,425)
Current liabilities	(29,446)	(21,136)
Net assets	432,966	414,045
Net assets attributable to NCI	173,187	165,618
Revenue	31,802	43,977
Total return after taxation	11,980	36,484
Total return after taxation attributable to NCI	4,792	14,594
Cash flows from operating activities	11,750	20,540
Cash flows used in investing activities	(4,124)	(2,105)
Cash flows used in financing activities	(7,214)	(22,625)
Net increase/(decrease) in cash and cash equivalents	412	(4,190)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

15. UNITS IN ISSUE

	2020	2019
	Number	Number
	of Units	of Units
	'000	'000
Issue of new Units relating to:		
- as at beginning of the year	508,458	503,843
- payment of Manager's management base fees	1,480	2,607
- payment of Manager's management acquisition fees	–	687
- payment of Property Manager's management fees	1,057	1,321
	<u>510,995</u>	<u>508,458</u>
Units to be issued:		
- payment of Manager's management base fees	–	638
- payment of Property Manager's management fees	723	394
	<u>723</u>	<u>1,032</u>
Total Units in issue and to be issued at the end of year	<u>511,718</u>	<u>509,490</u>

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

- (a) On 13 March 2020, the REIT issued 638,000 and 394,000 new Units at an issue price of S\$0.6873 per Unit as payment of the base component of the Manager's management fee and Property Manager's management fees respectively, for the period from 1 October 2019 to 31 December 2019.
- (b) On 7 September 2020, the REIT issued 254,000 and 328,000 new Units at an issue price of S\$0.4324 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 January 2020 to 31 March 2020.
- (c) On 7 September 2020, the REIT issued 588,000 and 335,000 new Units at an issue price of S\$0.6294 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 April 2020 to 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

15. UNITS IN ISSUE (CONT'D)

Units issued during the year ended 31 December 2019 are as follows:

- (a) On 5 March 2019, the REIT issued 585,000 and 249,000 new Units at an issue price of S\$0.7162 per Unit as payment of the base component of the Manager's management fee and Property Manager's management fees respectively, for the period from 1 October 2018 to 31 December 2018.
- (b) On 12 April 2019, the REIT issued 687,000 new Units at an issue price of S\$0.7108 per Unit as payment of the acquisition component of the Manager's management fees for acquiring Hefei Changjiangxilu mall.
- (c) On 6 September 2019, the REIT issued 670,000 and 281,000 new Units at an issue price of S\$0.7117 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 January 2019 to 31 March 2019.
- (d) On 6 September 2019, the REIT issued 747,000 and 376,000 new Units at an issue price of S\$0.7040 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 April 2019 to 30 June 2019.
- (e) On 13 December 2019, the REIT issued 605,000 and 415,000 new Units at an issue price of S\$0.6949 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 July 2019 to 30 September 2019.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

15. UNITS IN ISSUE (CONT'D)

- 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 2020

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 2020 to 30 June 2020 had been paid on 28 September 2020. Distributions for the period from 1 July 2020 to 31 December 2020 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

17. OTHER PROPERTY OPERATING EXPENSES

	Group	
	2020	2019
	S\$'000	S\$'000
Advertising and promotion	2,265	2,702
Depreciation of plant and equipment	107	111
Impairment losses recognised / (recovered) on trade and other receivables	33	(27)
Repair and maintenance	5,036	4,784
Staff costs	1,724	1,694
Utilities	6,444	8,410
Others	372	538
	15,981	18,212

Included in staff costs is contribution to defined contribution plans of S\$170,000 (2019: S\$283,000).

18. OTHER OPERATING EXPENSES

	Group		REIT	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Professional fees	215	937	185	907
Others	371	507	347	229
	586	1,444	532	1,136

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

19. FINANCE INCOME AND FINANCE COSTS

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Finance income:				
- financial institutions	156	422	-	-
Finance costs:				
- loans and borrowings	(14,994)	(14,815)	(15,998)	(11,861)
Net finance costs recognised in statement of total return	(14,838)	(14,393)	(15,998)	(11,861)

20. TAXATION

	Group		REIT	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Current taxation				
Current year	5,087	7,918	-	-
Withholding tax	707	713	119	73
	5,794	8,631	119	73
Deferred taxation				
Origination of temporary differences	(3,821)	12,157	-	-
Income tax expense	1,973	20,788	119	73
Reconciliation of effective tax rate				
Total return for the year before taxation	5,695	83,388	(14,956)	(2,900)
Tax calculated using Singapore tax rate of 17% (2019: 17%)	968	14,176	(2,542)	(493)
Adjustments:				
Effect of different tax rates in foreign jurisdictions	411	6,531	-	-
Income not subject to tax	(4,075)	(5,396)	(715)	(2,006)
Expenses not deductible for tax purposes	728	2,149	-	-
Effect of taxable distributions from subsidiaries	(35)	103	-	-
Tax losses not allowed to be carried forward	3,269	2,511	3,257	2,499
Withholding tax	707	714	119	73
	1,973	20,788	119	73

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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	
	2020 S\$'000	2019 S\$'000
Total return for the year after taxation and non-controlling interests	(1,070)	48,006
	Number of Units '000	Number of Units '000
Issued Units		
- As at beginning of the year	509,490	504,677
- Manager's management fees paid/payable in Units	489	1,557
- Property Manager's management fees paid/payable in Units	514	510
Weighted average number of issued and issuable Units at end of the year	510,493	506,744

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	
	2020 S\$'000	2019 S\$'000
Total return for the year after taxation and non-controlling interests	(1,070)	48,006
	Number of Units '000	Number of Units '000
Issued Units		
- As at beginning of the year	509,490	504,677
- Manager's management fees paid/payable in Units	842	3,347
- Property Manager's management fees paid/payable in Units	1,386	1,466
Weighted average number of issued and issuable Units at end of the year	511,718	509,490

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

22. RELATED PARTY TRANSACTIONS

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

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

23. FINANCIAL RATIOS

	Group	
	2020	2019
	%	%
Ratio of expenses to average net asset value ⁽¹⁾	0.52	0.91
Ratio of expenses to net asset value ⁽²⁾	4.32	5.50
Portfolio turnover rate ⁽³⁾	Nil	15.76

Notes:

- ⁽¹⁾ The annualised ratio is computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses and borrowing costs.
- ⁽²⁾ The annualised ratio is computed based on total operating expenses, including all fees and charges paid to the Manager and related parties for the financial year (2020: S\$26,428,000 and 2019: S\$32,373,000) and as a percentage of net asset value as at the financial year end.
- ⁽³⁾ The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. There is no purchase or sale of the investment properties in 2020.

NOTES TO THE FINANCIAL STATEMENTS

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24. OPERATING SEGMENTS

The Group has 6 (2019: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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24. OPERATING SEGMENTS (CONT'D)

Information about reportable segments

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

NOTES TO THE FINANCIAL STATEMENTS

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24. OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Beijing Wanliu S\$'000	Chengdu Konggang S\$'000	Hefei Mengchenglu S\$'000	Hefei Changjiangxilu S\$'000	Xining Huayuan S\$'000	Dalian Jinsanjiao S\$'000	Total S\$'000
2019							
External revenues:							
- Gross rental income	39,864	11,561	8,002	6,276	3,253	2,282	71,238
- Others	4,113	2,050	1,030	627	-	-	7,820
- Gross revenue	43,977	13,611	9,032	6,903	3,253	2,282	79,058
Segment net property income	29,668	7,138	5,181	3,436	2,988	2,065	50,476
Finance income	163	83	567	37	44	51	945
Finance costs	2,280	-	1,191	4	-	-	3,475
Reportable segment total return before taxation	46,584	7,769	266	37,926	2,966	3,246	98,757
Segment assets	521,714	159,066	148,914	103,080	60,699	38,429	1,031,902
Segment liabilities	292,735	154,524	142,643	77,659	56,676	32,527	756,764
Other segment items:							
Depreciation	31	51	7	22	-	-	111
Net change in fair value of investment properties	18,790	(68)	(4,344)	33,319	-	1,159	48,856
Capital expenditure	2,138	4,404	4,061	333	-	-	10,936

NOTES TO THE FINANCIAL STATEMENTS

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24. OPERATING SEGMENTS (CONT'D)

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

	2020 S\$'000	2019 S\$'000	
Revenue			
Total revenue for reporting segments	60,561	79,058	
Total return			
Total return for reportable segments before taxation	24,810	98,757	
Unallocated amounts:			
- Other corporate expenses	(14,956)	(2,900)	
Elimination of intercompany revenue	(4,159)	(12,469)	
Total return before taxation	5,695	83,388	
Assets			
Total assets for reportable segments	1,087,135	1,031,902	
Other unallocated amounts	596,394	595,218	
Elimination of intercompany balances	(688,374)	(669,336)	
Consolidated assets	995,155	957,784	
Liabilities			
Total liabilities for reportable segments	758,733	756,764	
Other unallocated amounts	307,668	278,296	
Elimination of intercompany balances	(683,689)	(665,411)	
Consolidated liabilities	382,712	369,649	
	Reportable segment totals S\$'000	Unallocated amounts S\$'000	Consolidated totals S\$'000
Other material items 31 December 2020			
Finance income	5,890	(5,734)	156
Finance costs	4,730	10,264	14,994
Other material items 31 December 2019			
Finance income	945	(523)	422
Finance costs	3,475	11,340	14,815

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\$9.1 million (2019: S\$8.7 million) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2020	2019
	S\$'000	S\$'000
Operating leases under FRS 116		
- within 1 year	21,351	60,416
- 1 to 2 years	21,178	63,012
- 2 to 3 years	18,947	29,847
- 3 to 4 years	16,523	19,584
- 4 to 5 years	15,880	21,885
- after 5 years	68,078	61,683
	<u>161,957</u>	<u>256,427</u>

26. ACQUISITION OF SUBSIDIARIES

In 2019, the Group acquired equity interests in Fuchsia (China) Mall Pte. Ltd. which owned a wholly-owned subsidiary, Hefei Hualian Ruicheng Shopping Plaza Commercial Operations Ltd. ("Hefei Ruicheng"). Hefei Ruicheng held interest in Hefei Changjiangxilu Mall located in China. The consideration of the acquisition amounted to S\$64.5 million (approximately RMB 322.5 million).

The acquisition was accounted for as an acquisition of assets. The following table summarises the recognised amounts of assets and liabilities acquired at the date of acquisition:

	Group
	2019
	S\$'000
Investment property	64,876
Plant and equipment	126
Trade and other receivables	2,463
Cash at bank	2,072
Deferred tax assets	6
Trade and other payables	(1,469)
Security deposits	(2,163)
Current tax liabilities	(295)
	<u>65,616</u>
Consideration transferred	
Cash paid	<u>64,458</u>

NOTES TO THE FINANCIAL STATEMENTS

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26. ACQUISITION OF SUBSIDIARIES (CONT'D)

	Group 2019 S\$'000
Effect of the acquisition on cash flows	
Consideration for equity interests	64,458
Add: Acquisition costs	669
Less: Cash at bank of subsidiaries acquired	(2,072)
Net cash outflow	<u>63,055</u>

27. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Group's objectives when managing capital are to optimise Unitholders' value through the combination of available capital sources which include debt and equity instruments whilst complying with statutory and constitutional capital and distribution requirements, maintaining aggregate leverage and interest service coverage ratio within approved limits. As a key part of the Group's overall strategy, the Board of the Manager reviews the Group's and the REIT's debt and capital management cum financing policy regularly so as to optimise the Group's and the REIT's funding structure. The Board also monitors the Group's and the REIT's exposure to various risk elements by closely adhering to clearly established management policies and procedures.

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Fund Appendix"). The Property Fund Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 50.0% (2019: 45.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 50.0% (2019: 45.0%) during the year, and was 35.7% (2019: 35.7%) as at 31 December 2020.

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 2020

27. 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 2020

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

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Liquidity risk (cont'd)

	Carrying amount S\$'000	Contractual cash flow S\$'000	Within 1 year S\$'000	After 1 year but within 5 years S\$'000	After 5 years S\$'000
31 December 2019					
Group					
Non-derivative financial liabilities					
Loans and borrowings	278,584	311,310	14,154	297,156	–
Trade and other payables	26,673	26,673	24,942	1,731	–
Security deposits	20,946	20,946	13,279	7,667	–
	<u>326,203</u>	<u>358,929</u>	<u>52,375</u>	<u>306,554</u>	<u>–</u>
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	1,047	1,047	1,047	–	–
	<u>327,250</u>	<u>359,976</u>	<u>53,422</u>	<u>306,554</u>	<u>–</u>
REIT					
Non-derivative financial liabilities					
Loans and borrowings	228,890	255,143	11,314	243,829	–
Trade and other payables	48,359	52,491	5,820	46,671	–
	<u>277,249</u>	<u>307,634</u>	<u>17,134</u>	<u>290,500</u>	<u>–</u>
Derivative financial liabilities					
Interest rate swaps used for hedging (net-settled)	1,047	1,047	1,047	–	–
	<u>278,296</u>	<u>308,681</u>	<u>18,181</u>	<u>290,500</u>	<u>–</u>

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 2020

27. 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 2020:

Chinese Renminbi ("RMB") denominated facility:

- RMB 302.0 million three-year secured term loan facilities

S\$ denominated facilities:

- S\$177.8 million three-year secured term loan facilities
- S\$8.1 million credit facilities

US\$ denominated facilities:

- US\$43.8 million three-year secured term loan facilities

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

Market risk

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

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

Interest rate risk

The Manager adopts a proactive interest rate management policy to manage the risk associated with changes in interest rates on the Group's loan facilities while also seeking to ensure that the ongoing cost of debt remains competitive.

The Manager proactively seeks to minimise the level of interest rate risk by locking a portion of the Group's borrowings at fixed rates. As at 31 December 2020, the Group has entered into interest rate swaps with a total notional amount of S\$144.3 million (2019: S\$145.0 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 2020

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

A. 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 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

Management monitors and manages the Group's transition to alternative rates. The management evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to SOR and LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. ISDA is currently reviewing its standardised contracts in the light of IBOR reform. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fall-back clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates which are SOR and LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

The Group's SOR and LIBOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. However, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The Group applies the amendments to FRS 109 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to the Singapore-dollar SOR and United States-dollar LIBOR using available quoted market rates for SOR-based and LIBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in SOR and LIBOR on a similar basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

A. Managing interest rate benchmark reform and associated risks (cont'd)

The Group's exposure to Singapore-dollar SOR and United States-dollar LIBOR designated in hedging relationships is approximately S\$144.3 million equivalent of nominal amount at 31 December 2020, representing both the nominal amount of the hedging interest rate swap and the principal amount of the Group's hedged SGD-denominated and USD-denominated secured bank loan liabilities maturing in year 2022.

The Group is actively engaging with lenders to include appropriate fall-back provisions in its floating-rate liabilities with maturities after 2021. We expect that the hedging instrument will be modified as outlined under 'Derivatives' above.

Effects of a 100 basis point ("bp")* movement in interest rate at the reporting date would increase/ (decrease) statement of total return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

* 100 basis point is equivalent to 1 percentage point

	Statements of total return		Unitholders' funds	
	100 bp increase S\$'000	100 bp decrease S\$'000	100 bp increase S\$'000	100 bp decrease S\$'000
31 December 2020				
Group				
Variable rate instruments	(2,948)	2,948	–	–
Interest rate swaps	1,362	(1,127)	642	(162)
Cash flow sensitivity (net)	(1,586)	1,821	642	(162)
REIT				
Variable rate instruments	(2,438)	2,438	–	–
Interest rate swaps	1,362	(1,127)	642	(162)
Cash flow sensitivity (net)	(1,076)	1,311	642	(162)
31 December 2019				
Group				
Variable rate instruments	(2,842)	2,842	–	–
Interest rate swaps	377	(377)	687	(687)
Cash flow sensitivity (net)	(2,465)	2,465	687	(687)
REIT				
Variable rate instruments	(2,344)	2,344	–	–
Interest rate swaps	377	(377)	687	(687)
Cash flow sensitivity (net)	(1,967)	1,967	687	(687)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

27. 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 RMB.

As the REIT intends to be a long-term investor in China, the Manager has taken a view not to hedge the RMB equity exposure arising from its investments in China unless certain risks are specifically identified. The Manager's strategy is to achieve a natural hedge through local RMB financing and any non-RMB denominated loan will be hedged into RMB where possible, to protect the going concern of the REIT in the event of large currency fluctuation. However, the Manager will hedge the RMB cash flow from operations if it is determined with certainty that they are to be remitted back to Singapore for distribution purposes.

The Group exposures to foreign currency are as follows:

	USD S\$'000	RMB S\$'000	Total S\$'000
31 December 2020			
Group			
Cash and cash equivalents	30	43,868	43,898
Loans and borrowings	57,951	51,015	108,966
	<u>57,981</u>	<u>94,883</u>	<u>152,864</u>
REIT			
Cash and cash equivalents	26	–	26
Loans and borrowings	57,951	–	57,951
	<u>57,977</u>	<u>–</u>	<u>57,977</u>
31 December 2019			
Group			
Cash and cash equivalents	23	43,393	43,416
Loans and borrowings	57,925	49,826	107,751
	<u>57,948</u>	<u>93,219</u>	<u>151,167</u>
REIT			
Cash and cash equivalents	20	–	20
Loans and borrowings	57,925	–	57,925
	<u>57,945</u>	<u>–</u>	<u>57,945</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase/(decrease) total return after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Statements of total return	
	Group S\$'000	REIT S\$'000
31 December 2020		
RMB	(9,488)	–
USD	(5,798)	(5,798)
	<u>(15,286)</u>	<u>(5,798)</u>
31 December 2019		
RMB	(9,322)	–
USD	(5,795)	(5,795)
	<u>(15,117)</u>	<u>(5,795)</u>

A 10% weakening of Singapore dollar against the above currencies would have had equal but opposite effect on RMB to the amounts shown above, on the basis that all other variables remain constant.

Hedge accounting

Cash flow hedges

At 31 December 2020, 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
2020			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of SGD)	–	–	144,300
Average fixed interest rate	–	–	1.84%
2019			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of SGD)	–	–	145,000
Average fixed interest rate	–	–	1.84%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

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

Group	Change in value used for calculating hedge ineffective hedge ineffectiveness S\$'000	Cash flow hedge reserve S\$'000	Costs of hedging reserve S\$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied S\$'000
2020				
Interest rate risk				
Variable-rate instruments	–	3,302	–	–
2019				
Interest rate risk				
Variable-rate instruments	–	1,047	–	–

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2020			Line item in the statement of financial position where the hedging instrument is included	2019			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount S\$'000	Carrying amount – assets S\$'000	Carrying amount – liabilities S\$'000		Nominal amount S\$'000	Carrying amount – assets S\$'000	Carrying amount – liabilities S\$'000	
Interest rate risk								
Interest rate swaps	144,300	–	3,302	Derivative liabilities	145,000	–	1,047	Derivative liabilities

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Hedge accounting (cont'd)

Cash flow hedges (cont'd)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Group	
	Hedging reserve S\$'000	Cost of hedging reserve S\$'000
Balance at 1 January 2020	1,047	–
Cash flow hedges		
Change in fair value:		
Interest rate risk	2,255	–
Balance at 31 December 2020	3,302	–
Balance at 1 January 2019	74	–
Cash flow hedges		
Change in fair value:		
Interest rate risk	973	–
Balance at 31 December 2019	1,047	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

Accounting classifications and fair values (cont'd)

	Carrying amount				Fair Value			
	Fair value hedging instruments S\$'000	Financial assets at amortised cost S\$'000	Other financial liabilities S\$'000	Total carrying amount S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group								
31 December 2019								
Financial assets not measured at fair value								
Trade and other receivables	–	930	–	930				
Cash and cash equivalents	–	47,033	–	47,033				
	–	47,963	–	47,963				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	1,047	–	–	1,047	–	1,047	–	1,047
Financial liabilities not measured at fair value								
Trade and other payables	–	–	26,673	26,673				
Security deposits	–	–	20,946	20,946	–	20,123	–	20,123
Loans and borrowings	–	–	278,584	278,584				
	–	–	326,203	326,203				
REIT								
31 December 2019								
Financial assets not measured at fair value								
Trade and other receivables	–	303	–	303				
Cash and cash equivalents	–	3,353	–	3,353				
	–	3,656	–	3,656				
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	1,047	–	–	1,047	–	1,047	–	1,047
Financial liabilities not measured at fair value								
Trade and other payables	–	–	48,359	48,359	–	40,094	–	40,094
Loans and borrowings	–	–	228,890	228,890				
	–	–	277,249	277,249				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

27. 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.

The carrying amounts of the fixed rate loans approximates its fair value because of the short period to maturity.

Interest rate swaps

Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities (including non-trade amounts due from subsidiaries, trade and other receivables, cash and cash equivalents, trade and other payables and current security deposits) are assumed to approximate their fair values because they are either short term in nature, or effect of discounting is immaterial. All other financial assets and liabilities (non-current security deposits) are discounted to determine their fair values.

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 2020 plus an adequate constant credit spread, and are as follows:

	Group		REIT	
	2020 % p.a.	2019 % p.a.	2020 % p.a.	2019 % p.a.
Security deposits	4.98	5.15	–	–
Trade and other payables	–	–	4.98	5.15

Transfer between Level 1 and 2

During the financial year ended 31 December 2020, there were no transfers between Level 1 and Level 2.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

28. SUBSEQUENT EVENTS

On 26 February 2021, the Manager declared a distribution of 1.06 cents per Unit to Unitholders in respect of the period from 1 July 2020 to 31 December 2020.

29. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

- FRS 117 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)
- *Covid-19-Related Rent Concessions* (Amendment to FRS 116)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to FRS 110 and FRS 28)
- *Reference to the Conceptual Framework* (Amendments to FRS 103)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to FRS 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to FRS 37)
- *Annual Improvements to FRSs 2018 – 2020*

INTERESTED PERSONS TRANSACTIONS

The transactions entered into with interested persons for the financial year ended 31 December 2020, 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:

	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) 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) S\$’000
Beijing Hualian Group Investment Holding Co., Ltd. and its subsidiaries or associates			
	Controlling shareholder of the Manager and Controlling Unitholder, and its subsidiaries and associates		
• Management fees		1,118	–
– base component		–	–
– performance component		–	–
– acquisition component		–	–
– reimbursables		35	–
• Rental rebates		855	–
• Property maintenance fees		1,618	–
• Property management fees and reimbursables		2,057	–
• Rental and service income		7,846	–
DBS Trustee Limited			
	Trustee		
• Trustee’s fees		156	–

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 2020 or if not then subsisting, entered into since the end of FY 2020.

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

An aggregate of 2,537,000 Units were issued in relation to the base component of the Manager’s management fees and partial Property Manager’s management fees paid during the year. As at 31 December 2020, the total number of BHG Retail REIT Units in issue and outstanding was 510,995,039. In the first quarter of 2021, 723,000 Units will be issued to the Property Manager for its management fees for the third and fourth quarter of 2020.

STATISTICS OF UNITHOLDINGS

AS AT 8 MARCH 2021

ISSUED AND FULLY PAID UNITS

510,995,039 (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	0.11	50	0.00
100 - 1,000	124	14.08	89,000	0.02
1,001 - 10,000	495	56.19	2,688,700	0.53
10,001 - 1,000,000	249	28.26	9,979,650	1.95
1,000,001 and above	12	1.36	498,237,639	97.50
	881	100.00	510,995,039	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name of Unitholders	Number of Units	%
1.	Beijing Hua Lian Grp (S'pore) International Trading Pte Ltd	148,310,300	29.02
2.	ABN Amro Clearing Bank N.V.	101,744,400	19.91
3.	DBS Nominees (Private) Limited	87,132,100	17.05
4.	DBSN Services Pte. Ltd.	67,062,900	13.12
5.	Citibank Nominees Singapore Pte Ltd	25,300,100	4.95
6.	DBS Vickers Securities (Singapore) Pte Ltd	23,396,400	4.58
7.	Beijing Hualian Mall (S) Commercial Management Pte Ltd	14,899,000	2.92
8.	BHG Retail Trust Management Pte Ltd	8,400,556	1.64
9.	Beijing Hualian Hypermarket (Singapore) Purchasing Pte Ltd	8,125,000	1.59
10.	United Overseas Bank Nominees (Private) Limited	6,414,500	1.26
11.	BHG Mall (Singapore) Property Management Pte Ltd	5,247,883	1.03
12.	CGS-CIMB Securities (Singapore) Pte. Ltd.	2,204,500	0.43
13.	Raffles Nominees (Pte.) Limited	768,900	0.15
14.	Lim Chin Guan	394,500	0.08
15.	Phillip Securities Pte Ltd	394,100	0.08
16.	Lau Teck Sien Liu Dexian	375,000	0.07
17.	Ban Hong Kee Holdings Pte Ltd	341,900	0.07
18.	Huang Shu Hua	285,100	0.06
19.	HSBC (Singapore) Nominees Pte Ltd	255,800	0.05
20.	Merrill Lynch (Singapore) Pte. Ltd.	235,900	0.05
	Total	501,288,839	98.11

STATISTICS OF UNITHOLDINGS

AS AT 8 MARCH 2021

SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

Name	Direct Interest	%	Deemed Interest	%	Total	%
Beijing Hualian Group Investment Holding Co. Ltd. ⁽¹⁾	-	-	184,982,739	36.20	184,982,739	36.20
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd ⁽¹⁾	148,310,300	29.02	-	-	148,310,300	29.02
Beijing Hualian Department Store Co., Ltd. ⁽²⁾	-	-	28,547,439	5.59	28,547,439	5.59
Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd ⁽²⁾	14,899,000	2.92	13,648,439	2.67	28,547,439	5.59
Hainan Hong Ju Industrial Co. Ltd. ⁽³⁾	-	-	184,982,739	36.20	184,982,739	36.20
Hainan Hong Ju Culture Media Group Limited ⁽⁴⁾	-	-	184,982,739	36.20	184,982,739	36.20
Qianhai International Holdings Co., Limited ⁽⁵⁾	-	-	101,484,000	19.86	101,484,000	19.86
Chanchai Ruayrungruang ⁽⁶⁾	-	-	67,062,900	13.12	67,062,900	13.12
Zhang Chongyu ⁽⁷⁾	-	-	60,817,140	11.90	60,817,140	11.90

Notes:

⁽¹⁾ Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ("**BHG SIT**") and is deemed interested in the 148,310,300 Units held by BHG SIT.

Beijing Hualian Group holds 29.17% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. ("**BHH**") which in turn wholly owns Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd. ("**BHH SPP**") and is deemed interested in the 8,125,000 Units held by BHH SPP.

Beijing Hualian Group holds 25.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("**BHDS**"). Accordingly, Beijing Hualian Group is deemed interested in the 28,547,439 Units deemed interested by BHDS.

Accordingly, Beijing Hualian Group is deemed interested in an aggregate of 184,982,739 Units.

⁽²⁾ BHDS wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("**BHM SCM**"), which in turn wholly-owned BHG Mall (Singapore) Property Management Pte Ltd ("**PM**") and BHG Retail Trust Management Pte Ltd ("**RM**"). BHDS is deemed interested in an aggregate of 28,547,439 Units, which include 14,899,000 units held by BHM SCM, 8,400,556 Units owned by the RM and the 5,247,883 Units owned by the PM.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ Qianhai International Holdings Co., Limited is deemed to have an interest in the 101,484,000 Units held through its nominee.

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

⁽⁷⁾ Mr Zhang Chongyu is deemed to have an interest in the 60,817,140 Units held through his nominee.

THE MANAGER'S DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2021

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 2021, approximately 18.77% 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 **Tuesday, 27 April 2021 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 2020 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 one hundred per cent (100%) 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 may be 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

4. PROPOSED ENTRY INTO THE NEW MASTER PROPERTY MANAGEMENT AGREEMENT

That:

- (a) approval be and is hereby given for the entry into the new master property management agreement (the "**New Master PMA**") between the Trustee, the Manager and BHG Mall (Singapore) Property Management Pte. Ltd. as the property manager, as described in the circular to Unitholders dated 5 April 2021 (the "**Circular**");
- (b) approval be and is hereby given for the payment of all fees, expenses and reimbursements relating to or arising from the New Master PMA; and
- (c) the Manager, any Director, the Chief Executive Officer of the Manager (the "**CEO**") 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, the CEO or, as the case may be, the Trustee may consider expedient or necessary or in the interests of BHG Retail REIT to give effect to the New Master PMA.

(Ordinary Resolution 4)

BY ORDER OF THE BOARD

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

Kiar Lee Noi
Secretary

Singapore
5 April 2021

NOTICE OF ANNUAL GENERAL MEETING

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 one hundred per cent (100%) of the total number of issued Units ("**100% Pro Rata Issuance**") 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.

The authority for the 100% Pro Rata Issuance is pursuant to the SGX-ST news release of 8 April 2020 titled "SGX RegCo announces measures to support issuers amid challenging COVID-19 business climate" and the SGX-ST news release of 16 March 2021 titled "SGX RegCo allows Mainboard issuers up to 31 Dec 2021 to seek or renew Enhanced Share Issue Limit". The 100% Pro Rata Issuance mandate is only valid until (i) the conclusion of the next annual general meeting of BHG Retail REIT, (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, or (iii) such authority is varied or revoked by the Unitholders in a general meeting of BHG Retail REIT, whichever is the earliest, by which date the Units issued pursuant to such mandate must be listed; and no further Units shall be issued under such mandate. Any extension of time which may be obtained for the holding of the next annual general meeting will be disregarded in determining the expiry date of the 100% Pro Rata Issuance mandate. If BHG Retail REIT subsequently changes its financial year end, the expiry date of the 100% Pro Rata Issuance mandate will be the date by which the next annual general meeting of BHG Retail REIT would have been required by the applicable laws and regulations (including the Listing Manual of the SGX-ST) or the Trust Deed to be held, whichever is the earlier, assuming no change to the financial year end. The Manager is required to notify Singapore Exchange Regulation ("**SGX RegCo**") by way of email when the general mandate for the 100% Pro Rata Issuance has been approved or renewed by Unitholders of the following: - name of issuer; and date on which such general mandate is approved or renewed by Unitholders.

In connection with the 100% Pro Rata Issuance mandate, the Board of Directors of the Manager is of the view that the 100% Pro Rata Issuance mandate is in the interest of BHG Retail REIT and its Unitholders on the basis of the following:

- (i) in light of the COVID-19 situation, the 100% Pro Rata Issuance mandate will provide BHG Retail REIT with an option to strengthen its balance sheet, if required;
- (ii) the proceeds from such fund raisings may be used to, among others, refinance existing borrowing, to pursue acquisitions or to fund capital expenditures; and
- (iii) the 100% Pro Rata Issuance mandate will provide the Manager with the flexibility to raise funds expediently, if required.

NOTES:

1. The AGM is being convened, and will be held, by 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 are not required to be sent to Unitholders. 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 attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below and in the accompanying BHG Retail REIT's announcement dated 5 April 2021. Any reference to a time of day is made by reference to Singapore time.

NOTICE OF ANNUAL GENERAL MEETING

3. Unitholders 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 must pre-register at BHG Retail REIT's pre-registration website at the URL <http://bhgreit.listedcompany.com/agm2021/register> from now till **11.00 a.m. on 24 April 2021** to enable the Manager to verify their status as Unitholders.

Following the verification, authenticated Unitholders 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 **11.00 a.m. on 26 April 2021**. Unitholders who do not receive an email by **11.00 a.m. on 26 April 2021** but have registered by the 24 April 2021 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.

4. Unitholders may submit questions 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 24 April 2021**.

- (a) if submitted electronically, be submitted:
- (i) via the pre-registration website at <http://bhgreit.listedcompany.com/agm2021/register>; or
 - (ii) via email to BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

Unitholders 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).

The Manager's Chairman, Mr Francis Siu Wai Keung, and Chief Executive Officer, Ms Chan Iz-Lynn, will conduct the proceedings of 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. 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.

Unitholders should note that the live audio-visual webcast and live audio-only stream are mainly for them to contemporaneously observe the AGM proceedings. Hence, Unitholders will not be able to ask questions at the AGM live during the audio-visual webcast or audio-only stream. Accordingly, it is important for Unitholders who wish to ask questions to submit their questions in advance of the AGM.

5. If a Unitholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. 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 are not required to be sent to Unitholders.

In appointing the Chairman of the AGM as proxy, a Unitholder must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

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 2021** 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 at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
- (b) if submitted electronically, be submitted via email to BHG Retail REIT's Unit Registrar at AGM.TeamE@boardroomlimited.com.

NOTICE OF ANNUAL GENERAL MEETING

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.

In view of the COVID-19 situation in Singapore and the related safe distancing measures which may make it difficult for Unitholders to submit completed Proxy Forms by post, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.

7. Persons who hold Units through relevant intermediaries (as defined below), 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 the AGM; and/or (c) appointing the Chairman of the AGM as proxy to attend, speak and 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 the AGM should refer to notes 3 and 4 above respectively. However, CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 15 April 2021**.

“relevant intermediary” means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 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, Chapter 289 of Singapore, and who holds Units in that capacity; or
 - (iii) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under 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.
8. The Chairman of the AGM, as proxy, need not be a Unitholder of BHG Retail REIT.
9. **Annual Report 2020 and Circular:** The Annual Report 2020 and the Circular may be accessed at BHG Retail REIT’s website as follows:
- a. the Annual Report 2020 may be accessed at the URL <http://bhgreit.listedcompany.com/ar.html> by clicking on the link for “Annual Report 2020”; and
 - b. the Circular may be accessed at the URL <http://bhgreit.listedcompany.com/circular.html> by clicking on the link for “Circular To Unitholders In Relation To The Proposed Entry Into The New Master Property Management Agreement”.
10. Due to the COVID-19 situation in Singapore, 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 submitting (a) an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM of BHG Retail REIT and/or adjournment thereof, or (b) details for the registration to observe the proceedings of the AGM via live audio-visual webcast or live audio-only stream, or (c) questions in advance including in relation to any Resolution set out in this Notice, a Unitholder consents to the collection, use and disclosure of the Unitholder’s personal data by the Manager and the Trustee (or their agents) for the purposes of (i) processing and administration by the Manager and the Trustee (or their agents) of the appointment of the Chairman of the AGM as proxy for the AGM of BHG Retail REIT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes (including questions and answers) and other documents relating to the AGM of BHG Retail REIT (including any adjournment thereof); (ii) processing of the registration for purpose of granting access to Unitholders to observe and/or listen the proceedings of the AGM via live audio-visual webcast or live audio-only stream and providing them with any technical assistance where necessary; (iii) addressing all 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; and (iv) enabling 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:

1. 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 2021 (the "Notice of AGM") are not required to be sent to unitholders. 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>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM and in the accompanying BHG Retail REIT's announcement dated 5 April 2021.
3. **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. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.**
4. If a CPF or SRS investor wishes to appoint the Chairman of the AGM as proxy, he/she should approach his/her respective CPF Agent Banks or SRS Operators to submit his/her votes by 5.00 p.m. on 15 April 2021.
5. 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 are not required to be sent to unitholders.
6. **Personal Data Privacy:** By submitting an instrument appointing the Chairman of the AGM as proxy, the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
7. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy 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 the Chairman of the AGM as *my/our proxy 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 **Tuesday, 27 April 2021, at 11.00 a.m.** (Singapore Time) and at any adjournment thereof.

*I/We direct the Chairman of the AGM as *my/our proxy to vote for or against, or to abstain from voting on, the Ordinary Resolutions to be proposed at the AGM as indicated hereunder.

No.	Ordinary Resolutions	For [#]	Against [#]	Abstain [#]
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 2020 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.			
4	To approve the entry into the new master property management agreement.			

* 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. In the absence of specified directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2021

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	

1st fold

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.** If a unitholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. 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>. In appointing the Chairman of the AGM as proxy, a unitholder must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
2. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 15 April 2021.
3. The Chairman of the AGM, as proxy, need not be a unitholder of BHG Retail REIT.
4. 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.

2nd fold

5. 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 2021, 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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - b. if submitted electronically, be submitted via email to BHG Retail REIT's Unit Registrar at 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.

In view of the COVID-19 situation in Singapore which may make it difficult for unitholders to submit completed Proxy Forms by post, unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.
6. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. 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.
8. 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.

3rd fold

Affix
Postage
Stamp

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

c/o Boardroom Corporate & Advisory Services Pte. Ltd.,
50 Raffles Place,
#32-01 Singapore Land Tower,
Singapore 048623

4th fold

Fold and Glue overleaf. Do not staple

CORPORATE DIRECTORY

BHG RETAIL REIT

REGISTERED ADDRESS

DBS Trustee Limited
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982
Telephone : +65 6878 8888
Fax : +65 6878 3977
Stockcode : BMGU
ISIN Code : SG1CD7000009
Email : ir@bhgreit.com
Website : www.bhgreit.com

TRUSTEE

DBS Trustee Limited
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982
Telephone : +65 6878 8888
Fax : +65 6878 3977

AUDITOR

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Telephone : +65 6213 3388
Fax : +65 6225 0984

Partner-in-charge:
Mr Lim Pang Yew, Victor
Appointed : 17 June 2016

UNIT REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower,
Singapore 048623
Telephone : +65 6536 5355
Fax : +65 6536 1360

THE MANAGER

REGISTERED ADDRESS

BHG Retail Trust Management Pte. Ltd.
250 North Bridge Road
Raffles City Tower #32-01
Singapore 179101
Telephone : +65 6805 8288
Fax : +65 6805 8277

BOARD OF DIRECTORS

Mr Francis Siu Wai Keung
Chairman & Independent Director

Mr Ben Yeo Chee Seong
Independent Director

Mr Lau Teck Sien
Independent Director

Mr Xiong Zhen
Non-Executive Director

Mr Peng Ge
Non-Executive Director

AUDIT AND RISK COMMITTEE

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

NOMINATING AND REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms Kiar Lee Noi



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