



# 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 2021, 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. The highly popular Beijing Hualian Hypermarket Co., Ltd. (北京华联综合超市股份有限公司) serves as an anchor tenant and master lessee, catering to the daily needs of residents of 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

**311,691**  
GROSS FLOOR AREA  
(sqm)

**6**  
STRATEGICALLY  
LOCATED  
PROPERTIES



- Multi-tenanted
- Master-leased



# KEY HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2021

## GROSS REVENUE

**S\$70.6m**

+16.6% year-on-year



## NET PROPERTY INCOME

**S\$41.8m**

+14.9% year-on-year



## AMOUNT TO BE DISTRIBUTED TO UNITHOLDERS

**S\$11.1m<sup>3</sup>**

+17.2% year-on-year



## DISTRIBUTION PER UNIT

**2.17¢**

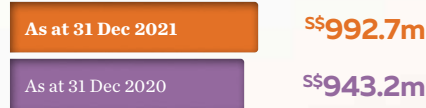
+11.3% year-on-year



## INDEPENDENT VALUATION<sup>1</sup>

**S\$992.7m**

+5.2% year-on-year



## PORTFOLIO COMMITTED OCCUPANCY

**97.0%**

## GEARING<sup>2</sup>

**34.1%**

- 1 Based on independent valuation from Knight Frank Petty Limited as at 31 December 2021.
- 2 Based on total principal loans and borrowings attributable to Unitholdings divided by total assets attributable to Unitholders.
- 3 In FY2021, approximately S\$1.2 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

# 2021

## March

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

## April

- **FY 2020 Annual General Meeting**

## May

- **1Q 2021 Business Updates**  
Committed occupancy rate remains healthy at **92.1%** (as at 31 March 2021)

## February

- **Phillip Securities Initiates Coverage** on BHG Retail REIT
- **FY 2020 Results Announcement**  
Gross revenue and net property income for FY 2020 were **S\$60.6 million** and **S\$36.4 million** respectively

## June

- ISCA Breakfast Talk: Webinar

## July

- **DBS Initiates Coverage** on BHG Retail REIT with "Buy" Rating

## August

- **1H 2021 Results Announcement**  
Gross revenue and distribution per unit for 1H 2021 **increased 23.5%** and **25.8%** respectively year-on-year

## September

- SGX - Yuanta Securities Presentation
- 1H 2021 Distribution payment of **1.12** Singapore cents per Unit for the period from 1 January 2021 to 30 June 2021
- Investival - The Edge Presentation

## October

- SGX - Tiger Brokers Webinar

## November

- **The Global Good Governance Awards™ 2021**  
BHG Retail REIT received **Platinum award**, under '**Best Corporate Communications and Investor Relations**', and **Silver award** for the '**Best Governed and Transparent Company**' categories
- **3Q 2021 Business Updates**  
Committed occupancy rate remains high at **96.0%** (as at 30 September 2021)

# 2022

## February

- **FY 2021 Results Announcement**  
Gross revenue and net property income were **S\$70.6 million** and **S\$41.8 million** respectively
- High committed occupancy rate of **97.0%**

## March

- 2H 2021 Distribution **1.05** Singapore cents per Unit for the period from 1 July 2021 to 31 December 2021

# Staying Ahead of the *Consumption Uptrend*







**GROWING RESIDENTS' INCOME AND CONSUMER SPENDING**

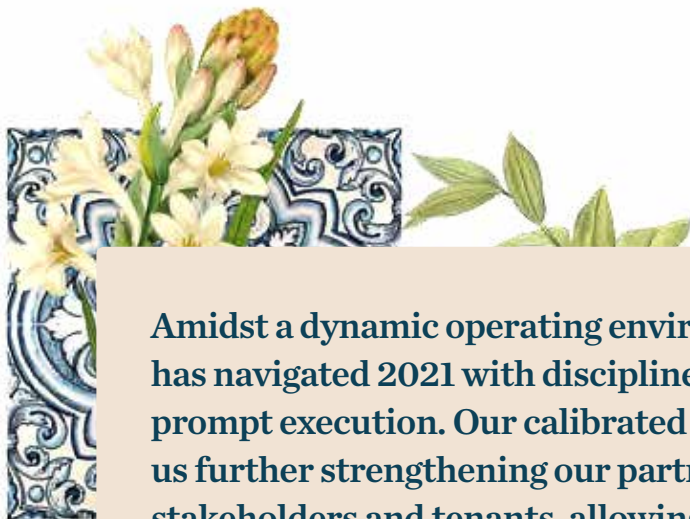
China's economic growth with healthy retail sales and consumer spending is anchored by a steady increase in households' income, and ongoing rural-urban migration.

# LETTER TO UNITHOLDERS



**MS CHAN IZ-LYNN**  
Chief Executive Officer

**MR FRANCIS SIU WAI KEUNG**  
Chairman



Amidst a dynamic operating environment, the management has navigated 2021 with discipline, deft strategies and prompt execution. Our calibrated strategies have seen us further strengthening our partnership with many stakeholders and tenants, allowing us to emerge stronger and to be more ready for an eventual upswing post-COVID-19.

# 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 2021 (“**FY 2021**”).

As we enter the third year of the COVID-19 pandemic, successive waves of new variants continue to cloud the global outlook. Notwithstanding tailored strategies across nations, the human race’s aptitude and grit to overcome challenges precipitated by the pandemic was never doubted. In China, despite sporadic outbreaks of new strains, the authorities’ swift responses consistently stemmed widespread resurgences early, preventing extended hiatuses to businesses and livelihoods.

Amidst a dynamic operating environment, the management has navigated 2021 with discipline, deft strategies and prompt execution. Our calibrated strategies have seen us further strengthening our partnership with many stakeholders and tenants, allowing us to emerge stronger and to be more ready for an eventual upswing post-COVID-19.

We are heartened to witness progressive recovery during the year. Committed occupancy rate remained strong at 97.0% as at 31 December 2021, compared to 93.5% the year before. Overall retention and leasing demand remained healthy in 2021.

### **FY 2021 PERFORMANCE**

FY 2021 gross revenue and net property income (“**NPI**”) of S\$70.6 million and S\$41.8 million increased by 16.6% and 14.9% year-on-year, respectively, amidst progressive recovery. Multi-tenanted malls contributed about 86.9% of the entire portfolio’s NPI in FY 2021. The key

contributors, namely Beijing Wanliu, Chengdu Konggang, Hefei Changjiangxilu, and Hefei Mengchenglu, accounted for 59.8%, 16.6%, 8.2% and 2.3% respectively of FY 2021’s NPI.

FY 2021 amount to be distributed to Unitholders grew 17.2% year-on-year to S\$11.1 million. Full year distribution per unit (“**DPU**”) of 2.17 Singapore cents was 11.3% higher year-on-year.

### **STRONG FINANCIAL POSITION**

As of 31 December 2021, BHG Retail REIT’s appraised independent valuation was S\$992.7 million. The portfolio valuation represents an increase of S\$49.5 million (5.2%) from the independent valuation as at 31 December 2020 of S\$943.2 million. Overall valuation in Renminbi of RMB4,678.0 million was up by RMB19.0 million (0.4%) year-on-year.

The Manager remains prudent in its capital management strategy. As at 31 December 2021, total borrowings drawn down aggregated to S\$296.1 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 34.1%. This allows a comfortable debt headroom for future inorganic growth.

### **ENHANCING OFFERINGS FOR AN EVENTUAL UPSWING**

“With Crisis, Comes Opportunities”. The desire to be in a safe, trusted and concurrently vibrant third space (away from home and workplace) such as our mall continues to be strong amid ripple effects of the pandemic; be it to spend ‘me-time’ or with family and friends.

# LETTER TO UNITHOLDERS

Capitalising on Beijing Hualian Group's strong retailers' network, our local property teams brought in a number of alluring brands to further enhance the vibrancy of our offerings.

Some of the new tenancy collaborations include: up and coming electric vehicle designer & manufacturer in China 'Nio'; popular sporting goods retailer 'Decathlon'; sports fashion brand 'Champion'; mixed martial arts school '首泰CTC'; music school 'Rockstar'; and music store '天猫乐器体验馆 Tmall Musical Instrument Experience Hall'.

A number of new popular dining selections were also brought in to keep up with the local palate, they include: modern café chain 'Wagas'; western café '良木缘 Goodwood'; steak & seafood buffet operator '吉布鲁 Jibulu'; fresh premium tea and handcrafted bakery cafe '奈雪Nayuki Pro' and several local favorites such as '超岛串串火锅 Chao Dao Chuan Chuan Hot Pot'; '海仙港海鲜自助 Hai Xian Gang Seafood Buffet'; and '木桶记 Mu Tong Ji'.

## ACCOLADES & RECOGNITION

As a testament to our growth efforts, two equity research houses have initiated coverage on BHG Retail REIT, namely, DBS Research and Phillip Securities Research. We would like to thank them for sharing our growth stories.

In November 2021, the REIT also received two prestigious awards at The Global Good Governance Awards 2021™. These awards include a Platinum award for the 'Best Corporate Communications and Investor Relations' and a Silver award for the 'Best Governed and Transparent Company' categories.

In December 2021, BHG Retail REIT received a Certificate for Excellence in Investor Relations during the IR Magazine Awards South East Asia 2021, for being nominated the Best Annual Report (2021) by IR Magazine.

These recognitions 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.

**PORTFOLIO  
COMMITTED  
OCCUPANCY**

**97.0%**

## GIVING BACK TO COMMUNITY

As part of our Beijing Hualian Group's community-focused philosophy, BHG Retail REIT continues to give back to our communities year after year. Several corporate social initiatives were carried out at our malls in 2021. A few noteworthy events include complimentary public health check service, clothes collection and distribution to the disadvantaged, and donation of refreshments to public service officers. The REIT manager also collaborated with Singapore migrant workers focused initiative ItsRainingRaincoats (IRR) to provide workers with gifts during Christmas.

## MACRO ENVIRONMENT IN 2021

Despite the global resurgences led by new variants, China's gross domestic product ("GDP") grew 8.1% year-on-year to RMB114.4 trillion for the full year 2021. China's average two-year GDP growth for 2021 was 5.1% year-on-year. Notwithstanding the above, Chinese government monetary policies are expected to remain accommodative in the near term.

China retail sales of consumer goods rose 12.5% year-on-year to RMB44.1 trillion in 2021. Consumption expenditure contributed 65.4% to China's GDP growth in 2021 compared to 54.3% in 2020. Chinese residents' income also grew in tandem with the economy during the year. Disposable income per capita of urban residents grew 8.2% year-on-year in 2021.

## LOOKING AHEAD

With tight borders restrictions, early detection measures, and high inoculation rates; any potential disruptions from new variants and sporadic outbreaks are likely to be curbed expeditiously. Notwithstanding this, the management team will remain cautious and committed to maintain a COVID-19 safe environment.



| Photo of Chengdu Konggang Façade

Situated in high population density neighbourhoods, BHG Retail REIT's malls benefit from recurring visits by shoppers from its immediate surrounding precinct. Our portfolio's healthy leasing demand is further underpinned by our focus on non-discretionary offerings. These retail assets continue to be well-positioned to leverage on the aspiring Chinese's income growth and consumption upgrade. Going forward, we will strive to remain at the forefront of retail and consumption trends, and maintain the relevancy of our offerings.

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 remain confident of BHG Retail REIT's progress in the years ahead.

With prudence, expertise and commitment of the Manager, BHG Retail REIT will 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 FY 2021. 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

28 March 2022

## 致信托单位 持有人之信函

# 扎稳根基 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2021财政年度（以下简称“2021财年”）业绩报告。

随着新冠流行进入第三年，不断产生的新型变种使全球发展前景仍阴云笼罩。面对疫情，尽管各国采取了不同的策略，但人类克服疫情带来的挑战的能力和决心却从来受到过质疑。在中国，尽管也出现了零星的病例，但当局始终能通过迅速反应，及早阻断大规模扩散，从而避免对企业经营和民众生活造成不必要的影响。

面对这样的动态环境，管理层借助严谨的纪律、灵活的策略和高效的执行力应对2021财年的经营。我们通过准确高效的策略，进一步强化与权益人和租户的合作关系，从而让自己变得更强大，且更好地为疫情终结后的市场回暖做准备。

在这一年里我们很高兴见证了逐步的复苏。截止2021年12月31日，承诺出租率保持在97.0%的高位，同比去年为93.5%。总体而言，2021年租赁和续租需求均保持强劲。

### 2021财年的业绩

得益于市场逐步复苏，2021财年的总收入和净资产收入分别为7060万新元和4180万新元，同比分别增长16.6%和14.9%。多租户商场整个财年的净资产收入在旗下所有商场中约占86.9%。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，它们在2021财年净资产收入中的占比分别为59.8%、16.6%、8.2%和2.3%。



合肥蒙城路



| 北京万柳迪卡侬

面对这样的动态环境，管理层借助严谨的纪律、灵活的策略和高效的执行力应对2021财年的经营。我们通过准确高效的策略，进一步强化与权益人和租户的合作关系，从而让自己变得更强大，且更好地为疫情终结后的市场回暖做准备。

2021财年本信托将为信托单位持有人派发的金额同比增长17.2%，达到1110万新元。全年每单位派息（DPU）为0.0217新元，同比增长11.3%。

### 强健的财务状况

经独立机构评定，截至2021年12月31日，本信托旗下商场的估值总额为9.927亿新元，同比2020年12月31日9.432亿新元的独立估值结果——提升4950万新元（5.2%）。以人民币计价的整体估值为46.78亿元人民币，比上年度增长1900万元人民币（0.4%）。

管理人在资本管理策略方面继续谨慎以对。截至2021年12月31日，已提取的借贷总额为2.961亿新元，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34.1%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。

### 优化组合以迎接最终的回升

“危机中往往蕴藏着机遇。”面对疫情带来的连锁反应，人们对诸如我们旗下商场那样安全、值得信赖、同时又充满活力的第三空间（住家和工作场所以外）的需求依然强劲，用来渡过属于自己的时间，或是与亲友联谊。

得益于北京华联集团的强大零售网络，我们当地的物业团队引入了多家人气品牌，以进一步提升商场空间的活力。

这些新入驻的租户包括中国新兴电动车设计和制造商“蔚来”、流行体育用品零售商“迪卡侬”、运动时尚品牌“Champion”、综合格斗馆“首泰CTC”、音乐学校“Rockstar”、乐器商店“天猫乐器体验馆”等。

此外，我们也引进了多家、广受欢迎的新餐饮门店，以迎合当地民众的口味，其中包括潮牌便餐连锁店“Wagas”、西餐门店“良木缘”、牛扒海鲜自助餐厅“吉布鲁”、鲜泡高端茶饮及西饼店“奈雪的茶”，以及“超岛串串火锅”、“海仙港海鲜自助”、“木桶记”等当地最热门的品牌。

# 致信托单位 持有人之信函

## 荣誉认证

本财年有两家证券研究机构 (DBS Research 和 Phillip Securities Research) 将北京华联商业信托首次列入报道, 这是对本信托发展进程的认可。在此感谢他们分享我们的成长故事。

此外, 2021年11月, 本信托荣获两项全球优秀治理(The Global Good Governance Awards 2021™) 大奖。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”组别的银奖。

2021年12月, 本信托被“IR Magazine”提名为“2021年度最佳年报”获得者, 并在“2021年东南亚地区IR Magazine评奖活动”中获颁“投资者关系卓越证书”。

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

## 回馈社区

作为北京华联集团“以社区为本”的理念的一部分, 本信托将年复一年, 持续回馈社区。2021年旗下商场曾举办多项企业社会活动, 其中包括提供免费的公共健康检查、收集衣物并分发给弱势群体、向公职人员捐赠茶点等。管理人还与新加坡客工福利组织“its Raining Raincoats”合作, 在圣诞期间向客工赠送礼物。

## 2021年宏观环境

尽管新型变种造成全球疫情反复, 2021年中国的GDP仍同比增长8.1%, 至114.4万亿元人民币。此外, 中国的两年GDP平均增速达到5.1%。尽管如此, 预计短期内其货币政策仍将保持宽松。

2021年中国的消费品零售额同比增长12.5%, 至44.1万亿元人民币。其中, 消费开支在GDP增长中的占比达65.4%, 同比2020年的占比为54.3%。2021同年居民收入亦随经济发展实现增长, 城镇居民的可支配收入同比增加8.2%。

## 展望

通过严控通关、及早检测和广泛接种等措施, 新型变种和零星病例带来的潜在干扰应能得到迅速扼制。尽管如此, 管理团队仍将保持谨慎, 致力于维护疫情防控的安全环境。

本信托旗下商场均位于人口密度高的社区, 得益于周边的购物者经常光顾。此外, 我们侧重于向周边居民提供必需品的策略, 也进一步巩固了商场强劲的租赁需求。这些零售资产, 依靠中国收入增长和消费升级而继续处于有利地位, 展望未来我们将继续站在零售与消费趋势的前沿, 确保旗下商场与时俱进。

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, 在现有物业范围外寻求投资机会。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2021财年所展现出来的领导力、敏锐的商业洞察和敬业精神。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坚定不移的支持和信心。让我们一起展望未来, 期待来年有更好的表现。

## 主席

萧伟强

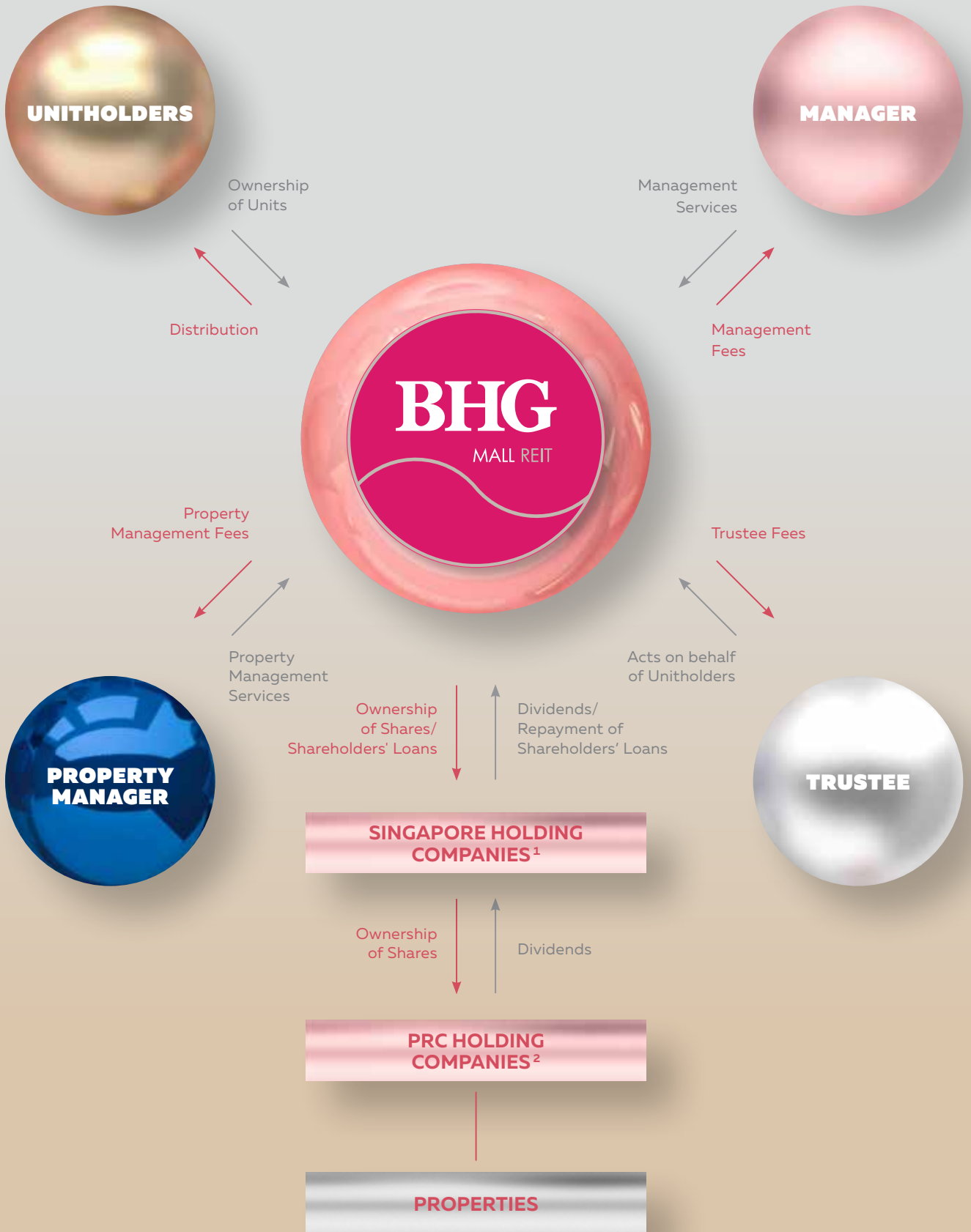
## 首席执行官

陈懿璘

2022年3月28日



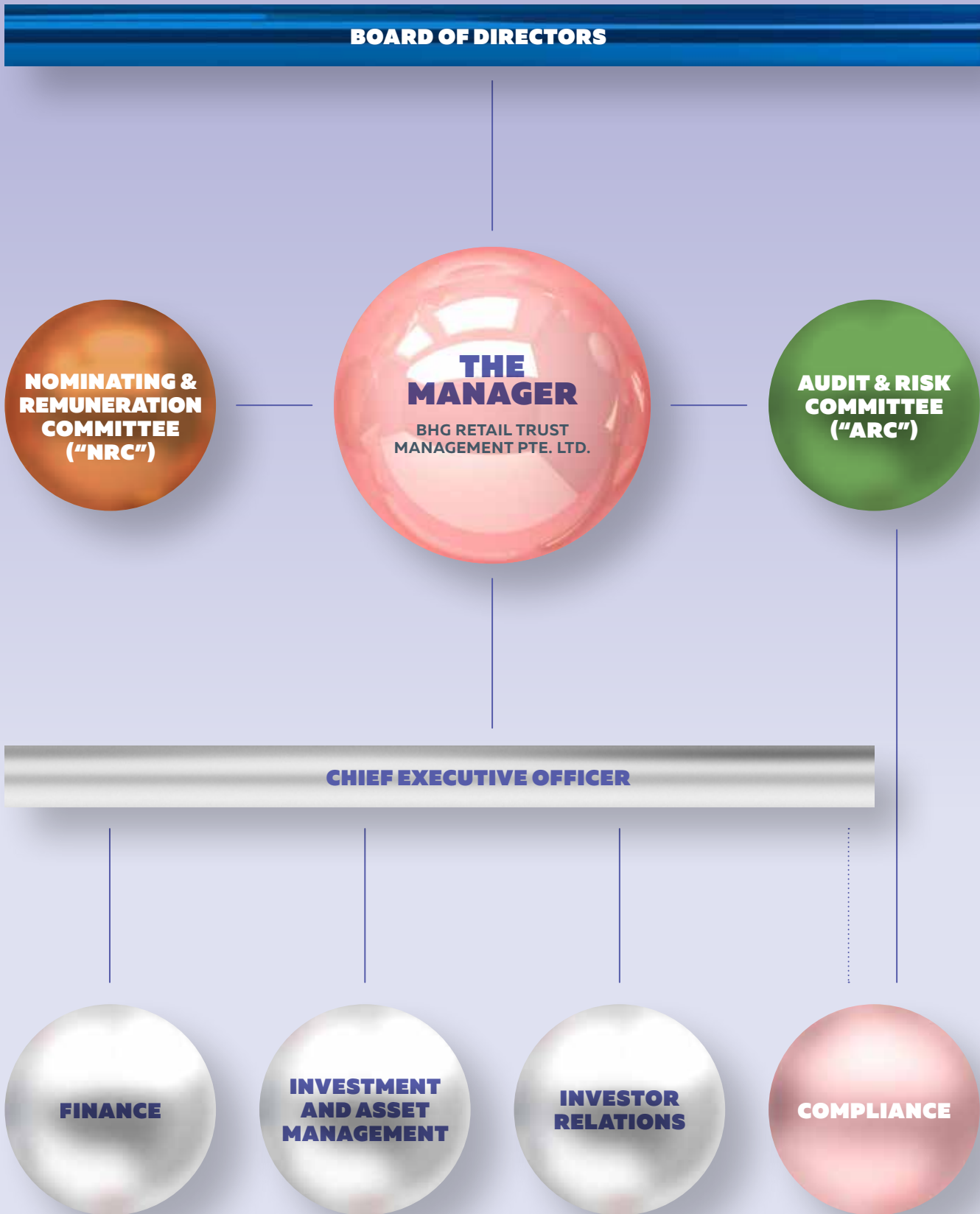
# TRUST STRUCTURE



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 Chairman & Independent Director

67

### 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

- CGN Power Co. Ltd.
- Guocoland Limited

### Other principal commitments

- Board Member of Financial Reporting Council, Hong Kong

### 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 Independent Director

70

### 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 Independent Director

50

**Date of first appointment as a director**  
12 November 2015

**Date of last re-election as a director**  
11 June 2021

### 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 Non-Executive Director

47

**Date of first appointment as a director**  
12 November 2015

**Date of last re-election as a director**  
11 June 2021

### 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**  
**Non-Executive Director**

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50

**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 for, inter alia, mergers & acquisitions and risk management, based on market analysis and research in 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 14 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. 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 also 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 2021, an internal audit was conducted at the REIT’s portfolio property, Beijing Wanliu, as well as for the REIT Manager.

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 2021

### 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. Thereafter, the findings are presented to the Board for consideration.

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

# ENTERPRISE RISK MANAGEMENT

## 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 of 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 2021, 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 2021, 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 2001 (“**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 annually. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, videoconferencing, or other similar means of telecommunication. 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 2021 ("**FY 2021**"). 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.

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.

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.

# CORPORATE GOVERNANCE

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 2021, 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:

<b>Mr Francis Siu Wai Keung</b>	Chairman/ Non-Executive Independent Director
<b>Mr Ben Yeo Chee Seong</b>	Non-Executive Independent Director
<b>Mr Lau Teck Sien</b>	Non-Executive Independent Director
<b>Mr Xiong Zhen</b>	Non-Executive Non-Independent Director
<b>Mr Peng Ge</b>	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, through the NRC, aims to maintain an optimal Board composition by considering the trends affecting the REIT, reviewing the skills needed and identifying gaps (which includes considering whether there is an appropriate level of diversity of thought), and such considerations may be used by the NRC to set appointment criteria for successors. 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 and abilities 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 2021, 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.

# CORPORATE GOVERNANCE

	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 2021	X	X	X		
had been independent from any business relationship with the Manager and BHG Retail REIT during FY 2021	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 2021	X	X	X		
had not been a Substantial Shareholder of the Manager or a Substantial Unitholder of BHG Retail REIT during FY 2021	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 2021	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 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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:

<b>Mr Ben Yeo Chee Seong</b>	Chairman
<b>Mr Francis Siu Wai Keung</b>	Member
<b>Mr Lau Teck Sien</b>	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. In reviewing succession plans, the NRC has in mind the REIT's strategic priorities and the factors affecting the long-term success of the REIT.

The NRC also considers different time horizons for the purposes of succession planning. The NRC evaluates the Board's competencies on a long-term basis and identifies competencies needed to achieve the REIT's strategy and objectives. In the medium term, the NRC has a system of orderly replacement of the Board members and key management personnel. The NRC also considers contingency planning to prepare for sudden and unforeseen changes.

# CORPORATE GOVERNANCE

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. Potential new directors are identified and evaluated based on criteria such as the relevant experience and skillsets of the potential director to the REIT's business. Broader search criteria is also considered, such as diversity and technological expertise;
- 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 2021, 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, the ARC and the NRC, and the attendance of Directors at the meetings during FY 2021 are set out as follows:

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

**Notes:**

<sup>(1)</sup> The annual general meeting for the financial year ended 31 December 2020 was convened and held by way of electronic means. These Directors were in attendance via electronic means.

<sup>(2)</sup> 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.*

# CORPORATE GOVERNANCE

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.

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 2021, 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 2021 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 2021.

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 2021.

### 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 2021 are set out as follows:

Independent Director	S(\$)
<b>Mr Francis Siu Wai Keung</b>	98,000
<b>Mr Ben Yeo Chee Seong</b>	87,000
<b>Mr Lau Teck Sien</b>	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 2021 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 2021, 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 2021 to address the risks taking into account the nature, scale and complexity of the Manager's operations. For FY 2021, the Board has received written assurances from:

- the CEO and Chief Financial Officer ("**CFO**") that, as at 31 December 2021, 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 2021 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:

<b>Mr Francis Siu Wai Keung</b>	Chairman
<b>Mr Ben Yeo Chee Seong</b>	Member
<b>Mr Lau Teck Sien</b>	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 2021, 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 Whistleblowing 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 respectively, in the absence of Management during FY 2021.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2021 and the fees paid for such services, and is of the opinion that they would not affect the independence of the external auditors. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees paid and payable to the external auditors for FY 2021 in respect of the audit services is approximately S\$379,000 and non-audit fees is approximately S\$31,000. The ARC confirms that the non-audit services provided by the external auditors would not affect their independence.

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

The Manager has established a Whistleblowing Policy, which is overseen by the ARC. The Whistleblowing Policy sets out the procedures for any suspected fraudulent or wrongful act, corruption or other improprieties by the Manager's Directors, officers or employees to be reported, and for the independent investigation of any reports and appropriate follow-up action to be taken. The objective of this policy is to provide a channel by which employees of the Manager or any other persons may, in confidence, safely raise their concerns to the Independent Chairman of the ARC about possible improprieties in matters of financial reporting or other matters in a responsible and effective manner. Under the whistleblowing policy, the whistleblower's identity will be kept confidential, unless disclosure is required by the court or other regulatory authorities. The Manager is committed to ensuring protection of the whistleblower against detrimental or unfair treatment. The Manager does not tolerate the harassment or victimisation of anyone reporting a genuine concern in good faith. Furthermore, no person should suffer reprisal as a result of reporting a genuine concern. The ARC reviews all whistleblowing reports at its scheduled meetings. Investigation of such reports are conducted by an independent review committee and appropriate follow-up actions are taken. The outcome of each investigation is reported to the ARC.

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 2021, relating to the valuation of investment properties.

The ARC reviewed the outcome of the established valuation process and discussed the details of the valuation with 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.

# CORPORATE GOVERNANCE

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.

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 2021, 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 2021 was, and the forthcoming AGM to be held on 28 April 2022 ("**AGM 2022**") 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 2022 (including arrangements by which the AGM 2022 can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of the AGM 2022, addressing of substantial and relevant questions prior to or at the AGM 2022 and voting by appointing the chairman of the meeting as proxy at the AGM 2022) are set out in the Manager's announcement titled "Annual General Meeting to be held on 28 April 2022". 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.

# CORPORATE GOVERNANCE

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 2021, the Manager had made a distribution of 1.12 Singapore cents per unit for the period from 1 January 2021 to 30 June 2021 on 28 September 2021, and a second distribution of 1.05 Singapore cents per unit for the period from 1 July 2021 to 31 December 2021 on 31 March 2022.

## 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 2021, 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 pages 74 to 76 of this Annual Report.

An electronic copy of the FY 2021 Annual Report has been uploaded on the REIT Website. Unitholders can access the FY 2021 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.<sup>1</sup>

<sup>1</sup> Prior appointment with the Manager is appreciated.

## 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 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 (1/3) of the Board shall comprise Independent Directors;

# CORPORATE GOVERNANCE

- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly owned subsidiary of the Sponsor; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to the REIT.

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

## 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. For FY 2021, the Manager has elected to receive 100% of its management fee in the form of cash. 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 is entitled to receive a performance fee of 25.0% per annum of the difference in 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 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 2021, the DPU for 2021 (being 1 January 2021 to 31 December 2021, both dates inclusive) is compared against the DPU in 2020. 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.

# 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 RATE

BHG Retail REIT’s malls continued to exhibit healthy leasing demands in FY 2021. Committed occupancy rate remained strong at 97.0% as at 31 December 2021, compared to 93.5% the year before.

OCCUPANCY RATE (As at 31 December)	2021 (%)	2020 (%)
<b>Multi-Tenanted</b>		
Beijing Wanliu	96.1	92.7
Chengdu Konggang	98.0	96.4
Hefei Mengchenglu	91.3	81.7
Hefei Changjiangxilu	98.2	92.4
<b>Master-Leased</b>		
Xining Huayuan	100.0	100.0
Dalian Jinsanjiao	100.0	100.0
<b>Portfolio</b>	<b>97.0</b>	<b>93.5</b>

## LEASING & ASSET MANAGEMENT ACTIVITIES

Majority of the leases are on a model that takes the higher of either base rents or percentage of gross turnover component (“GTO”). For the financial year ended 31 December 2021, 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.

We are heartened to witness progressive recovery during the year. To maintain our malls’ relevancy, we will continue to create new and desirable experiences, seek to revitalise our offerings, and enhance our physical spaces.

## Refreshed Tenancies & Offerings

Leveraging on Beijing Hualian Group’s strong retailers’ network, our local property teams brought in a number of alluring brands to further enhance the vibrancy of our offerings.

Some of the new tenancy collaborations include: up and coming electric vehicle designer & manufacturer in China ‘NIO’; popular sporting goods retailer ‘Decathlon’; sports fashion brand ‘Champion’; mixed martial arts school ‘首泰 CTC’; music school ‘Rockstar’; and music store ‘天猫乐器体验馆 Tmall Musical Instrument Experience Hall’.

### NEW TENANCY COLLABORATIONS





- 1 NIO Electric Vehicle
- 2 Decathlon (Sporting Goods Retailer)
- 3 Champion
- 4 CTC 首泰 Mixed Martial Arts School
- 5 Rock Star 音乐培训
- 6 Tmall Musical Instrument Experience Hall 天猫乐器体验馆



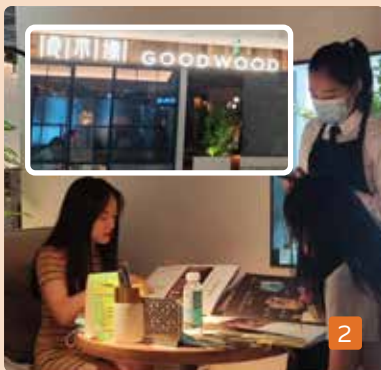
# OPERATIONS REVIEW

A number of new popular dining selections were brought in to keep up with the local palate, they include: modern café chain 'Wagas'; western café '良木缘 Goodwood'; steak & seafood buffet operator '吉布鲁 Jibulu'; local bakery '悟空烘焙 Wu Kong Hong Bei'; fresh premium tea and handcrafted bakery café '奈雪 Nayuki Pro' and several local favorites such as '超岛串串火锅 Chao Dao Chuan Chuan Hot Pot'; '海仙港海鲜自助 Hai Xian Gang Seafood Buffet'; and '木桶记 Mu Tong Ji'.

## POPULAR DINING SELECTIONS



1



2



3



4



5



6



7



8

- 1 Wagas
- 2 Goodwood 良木缘
- 3 Jibulu 吉布鲁
- 4 Chao Dao Chuan Chuan Hot Pot 超岛串串火锅
- 5 Hai Xian Gang Seafood Buffet 海仙港海鲜自助
- 6 Mu Tong Ji 木桶记
- 7 Wu Kong Hong Bei (Bakery) 悟空烘焙
- 8 Nayuki Pro 奈雪

# Engaging Communities

Despite a dynamic operating environment, the desire to be in a safe, trusted and concurrently vibrant third space (away from home and workplace) such as our mall continues to be strong; be it to spend 'me-time' or with family and friends. We have continued to engage our shoppers through regular marketing activities in 2021.



## CHILDREN & FAMILY EVENTS



- 1 Aviation Exhibition, Chengdu Konggang
- 2 Community Workout, Hefei Mengchenglu & Hefei Changjiangxilu
- 3 Youth Martial Arts Challenge, Beijing Wanliu
- 4 Christmas Carnival, Hefei Changjiangxilu
- 5 Halloween Activities, Hefei Changjiangxilu
- 6 Children Art & Craft, Beijing Wanliu

# OPERATIONS REVIEW



7



8

- 7 Art Workshop, Hefei Changjiangxilu
- 8 Story-telling Session, Hefei Changjiangxilu

## CULTURAL & TRADITIONAL EVENTS



9



10



11



12

- 9 Children Cultural Performance, Chengdu Konggang
- 10 Traditional Practices Class, Hefei Mengchenglu
- 11 Mid-Autumn Festival, Chengdu Konggang
- 12 2021 Lunar New Year's Couplet Writing, Chengdu Konggang



TOP TEN TENANTS<sup>1</sup>

TENANT 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	<ul style="list-style-type: none"> <li>Beijing Wanliu</li> <li>Chengdu Konggang</li> <li>Hefei Changjiangxilu</li> <li>Xining Huayuan</li> <li>Dalian Jinsanjiao</li> </ul>	Supermarket	<ul style="list-style-type: none"> <li>Nov 2040</li> <li>Dec 2033</li> <li>Nov 2030</li> <li>Dec 2034</li> <li>Dec 2034</li> </ul>	16.6%
2	绫致时装(天津)有限公司	<ul style="list-style-type: none"> <li>Only</li> <li>Jack Jones</li> <li>Selected</li> <li>Vero Moda</li> </ul>	<ul style="list-style-type: none"> <li>Beijing Wanliu</li> <li>Chengdu Konggang</li> <li>Hefei Mengchenglu</li> </ul>	Fashion & Accessories	<ul style="list-style-type: none"> <li>Mar 2022</li> <li>Apr 2022</li> <li>Dec 2023</li> </ul>	1.1%
3	北京华联万柳影院管理有限公司	BHG Beijing Wanliu Cinema	Beijing Wanliu	Leisure & Entertainment	Jul 2032	1.1%
4	成都华联影院管理有限公司	BHG Chengdu Shuangliu Cinema	Chengdu Konggang	Leisure & Entertainment	Dec 2023	1.1%
5	合肥华联影院经营管理有限公司	BHG Hefei Mengchenglu Cinema	Hefei Mengchenglu	Leisure & Entertainment	Apr 2023	1.0%
6	李果	颐品花悦	Hefei Mengchenglu	Lifestyle	Apr 2027	0.9%
7	合肥华联湖东影院管理有限公司	BHG Hefei Changjiangxilu Cinema	Hefei Changjiangxilu	Leisure & Entertainment	Aug 2031	0.9%
8	海鸿达(北京)餐饮管理有限公司	Hai Di Lao	Beijing Wanliu	Food & Beverage	Jan 2025	0.8%
9	李治国	乐够	Chengdu Konggang	Leisure & Entertainment	Jan 2022	0.7%
10	永旺幻想(中国)儿童游乐有限公司	Molly fantasy 莫莉幻想	Beijing Wanliu	Kids' Education & Retail	Feb 2022	0.7%
						<b>24.9%</b>

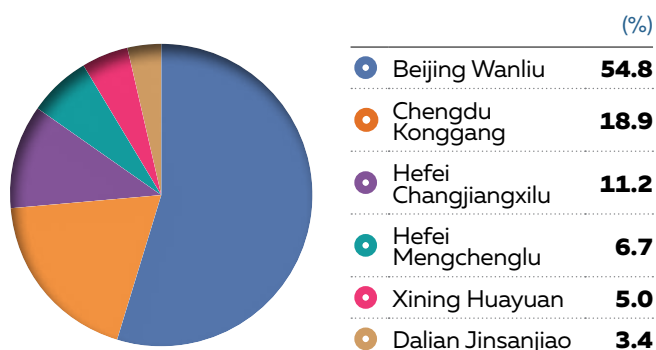
<sup>1</sup> The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2021.

# FINANCIAL REVIEW

## GROSS REVENUE

Gross revenue in RMB and SGD was RMB36.0 million (11.9%) and S\$10.1 million (16.6%) higher than in FY 2020. This was mainly due to the absence of rental rebate given to tenants in FY 2020, when rental rebates were extended to selected tenants, whose businesses were affected at the onset of the COVID-19. In addition, the portfolio occupancy rate was 97.0% as at 31 December 2021, higher than 93.5% as at 31 December 2020. Despite near-term headwinds brought by the pandemic, overall committed occupancy rates and retention rates continued to remain healthy through FY 2021.

## BREAKDOWN OF GROSS REVENUE BY PROPERTY<sup>1,2</sup>



GROSS REVENUE	RMB'000		S\$'000	
	FY 2021	FY 2020	FY 2021	FY 2020
<b>Multi-Tenanted</b>				
Beijing Wanliu	185,692	159,157	38,682	31,802
Chengdu Konggang	64,027	53,474	13,338	10,685
Hefei Changjiangxilu	38,087	36,222	7,934	7,238
Hefei Mengchenglu <sup>3</sup>	22,729	26,586	4,734	5,312
	<b>310,535</b>	<b>275,439</b>	<b>64,688</b>	<b>55,037</b>
<b>Master-Leased</b>				
Xining Huayuan	16,797	16,248	3,499	3,246
Dalian Jinsanjiao	11,774	11,398	2,453	2,278
	<b>28,571</b>	<b>27,646</b>	<b>5,952</b>	<b>5,524</b>
<b>Portfolio</b>	<b>339,106</b>	<b>303,085</b>	<b>70,640</b>	<b>60,561</b>

1 Based on FY 2021 results.

2 Based on 100% contribution from Beijing Wanliu.

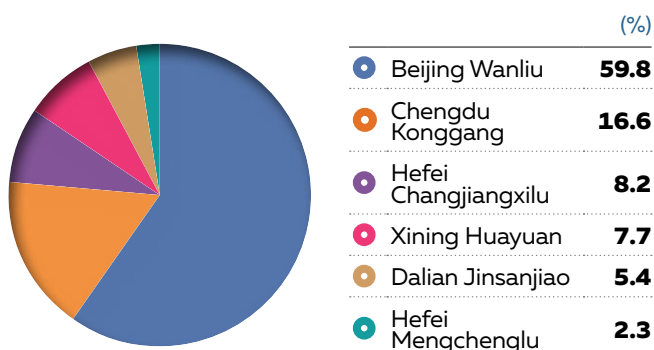
3 Ongoing tenancy rejuvenation.

## NET PROPERTY INCOME

Net property income in RMB and SGD was RMB18.6 million (10.2%) and S\$5.4 million (14.9%) higher year- on-year respectively. The higher net property income was due mainly to the higher gross rental income.

Property operating expenses in RMB and SGD was RMB17.4 million (14.4%) and S\$4.7 million (19.3%) higher year-on-year respectively. This was mainly due to the gradual resumption of the malls' normal operations and the absence of COVID-19 subsidies from the government.

## BREAKDOWN OF NET PROPERTY INCOME BY PROPERTY<sup>1,2</sup>



NET PROPERTY INCOME	RMB'000		S\$'000	
	FY 2021	FY 2020	FY 2021	FY 2020
<b>Multi-Tenanted</b>				
Beijing Wanliu	120,094	101,116	25,017	20,205
Chengdu Konggang	33,262	26,749	6,929	5,345
Hefei Changjiangxilu	16,544	16,715	3,446	3,340
Hefei Mengchenglu <sup>3</sup>	4,520	12,007	942	2,399
	<b>174,420</b>	<b>156,587</b>	<b>36,334</b>	<b>31,289</b>
<b>Master-Leased</b>				
Xining Huayuan	15,516	15,000	3,232	2,997
Dalian Jinsanjiao	10,747	10,520	2,239	2,102
	<b>26,263</b>	<b>25,520</b>	<b>5,471</b>	<b>5,099</b>
<b>Portfolio</b>	<b>200,683</b>	<b>182,107</b>	<b>41,805</b>	<b>36,388</b>

1 Based on FY 2021 results.

2 Based on 100% contribution from Beijing Wanliu.

3 Ongoing tenancy rejuvenation.

# FINANCIAL REVIEW

## DISTRIBUTION

Based on the closing price of S\$0.610 as at 31 December 2021, and aggregated distribution per unit (“DPU”) for FY 2021 of 2.17 Singapore cents, BHG Retail REIT recorded an annual distribution yield of 3.6%.

DPU (Singapore cents)	FY 2021	FY 2020
First Half	1.12	0.89
Second Half	1.05	1.06
<b>Total</b>	<b>2.17</b>	<b>1.95</b>

## INDEPENDENT VALUATION OF INVESTMENT PROPERTIES<sup>1</sup>

As at 31 December 2021, BHG Retail REIT’s investment properties were valued at RMB4,678.0 million and S\$992.7 million. The valuation represents an increase of RMB19.0 million (0.4%) and S\$49.5 million (5.2%) from the independent valuation as at 31 December 2020 of RMB4,659.0 million or S\$943.2 million.

INVESTMENT PROPERTIES (millions)	RMB		S\$	
	2021	2020	2021	2020
Beijing Wanliu	2,511.5	2,502.0	533.0	506.5
Chengdu Konggang	663.0	661.0	140.7	133.8
Hefei Mengchenglu	584.0	582.0	123.9	117.8
Hefei Changjiangxilu	480.5	475.0	102.0	96.2
Xining Huayuan	274.0	274.0	58.1	55.5
Dalian Jinsanjiao	165.0	165.0	35.0	33.4
<b>Portfolio</b>	<b>4,678.0</b>	<b>4,659.0</b>	<b>992.7</b>	<b>943.2</b>



<sup>1</sup> Based on independent valuation from Knight Frank Petty Limited as at 31 December 2021.

## 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 borrowings include an offshore secured borrowing facility of S\$240.0 million ("**Facility 1**"), and two existing onshore secured borrowing facilities of RMB241.0 million and RMB61.0 million ("**Facility 2**" and "**Facility 3**", respectively). As at 31 December 2021, Facilities 1, 2, and 3 have been fully drawn down.

On 16 April 2020, the MAS announced that the gearing ratio limit for S-REITs will be raised from 45% to 50% with immediate effect. In its public consultation in 2019, the MAS had proposed for S-REITs to have a new minimum Interest Coverage Ratio (ICR) of 2.5 times before they are allowed to increase their leverage to beyond the prevailing 45% limit (up to 50%). However, the MAS has deferred the new ICR requirement to 1 January 2022 in light of the current COVID-19 pandemic situation.

As at 31 December 2021, borrowings drawn down of S\$296.1 million represented a gearing of 34.1%<sup>1</sup>. The REIT continually monitors its gearing ratio and maintains it within the approved limits, so it provide

comfortable debt headroom to facilitate any potential acquisition growth. More than 80% of borrowings are denominated in Singapore dollars and US dollars, and of which, about 60% are hedged via interest rate swaps.

With regard to the REIT's debt maturity profile, S\$184.8 million SGD-denominated borrowings, S\$59.1 million USD-denominated borrowings and S\$52.2 million RMB denominated borrowings will be due in March 2022. Weighted average term to maturity was 0.2 years as at 31 December 2021.

### Completion of Refinancing Exercise

Subsequently to the reporting date, the REIT has finalised the refinancing of the existing offshore and onshore secured borrowing facilities of S\$240.0 million and RMB232.0 million respectively, secured new borrowing facilities of S\$12.0 million and RMB65.0 million. The facilities mature within 3 years.

### Key Financial Indicators

As at 31 December 2021

Gearing <sup>1</sup>	34.1%
Interest coverage ratio (times)	2.8
Average cost of debt <sup>2</sup>	3.9%

<sup>1</sup> Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders.

<sup>2</sup> Average cost of debt will be 4.7% per annum if amortisation of loan establishment fee is included.

# PORTFOLIO OVERVIEW<sup>1</sup>

## GROSS FLOOR AREA

**311,691 sqm**

## INDEPENDENT VALUATION<sup>2</sup>

**RMB 4,678.0m**

• 100%

## OCCUPANCY RATE

**97.0%**

## NET LETTABLE AREA

**180,229 sqm**

**RMB 3,673.4m**

• Based on 60% interest of Beijing Wanliu

## WEIGHTED AVERAGE LEASE EXPIRY BY NLA

**6.0 years**

## NO. OF LEASES

**788**

## WEIGHTED AVERAGE LEASE EXPIRY BY GROSS RENTAL INCOME

**3.6 years**

## 2021 GROSS REVENUE

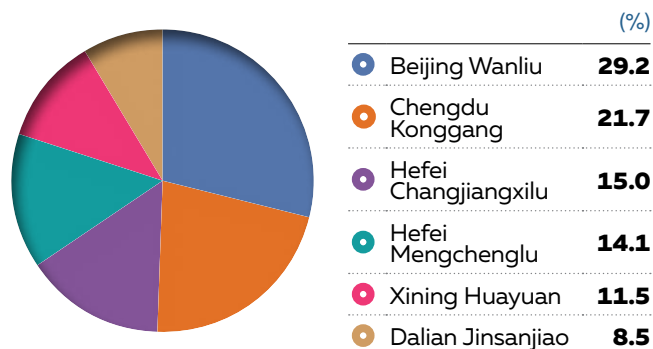
**S\$ 70.6m**

## 2021 NET PROPERTY INCOME

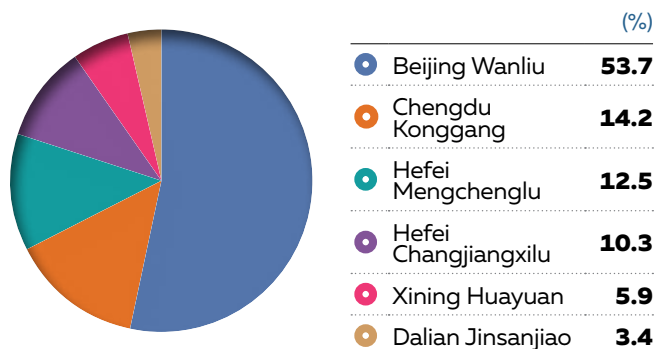
**S\$ 41.8m**

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<sup>2</sup> BY PROPERTY



1 As at 31 December 2021.

2 Based on independent valuation from Knight Frank Petty Limited as at 31 December 2021.

**PORTFOLIO LEASE EXPIRY PROFILE**

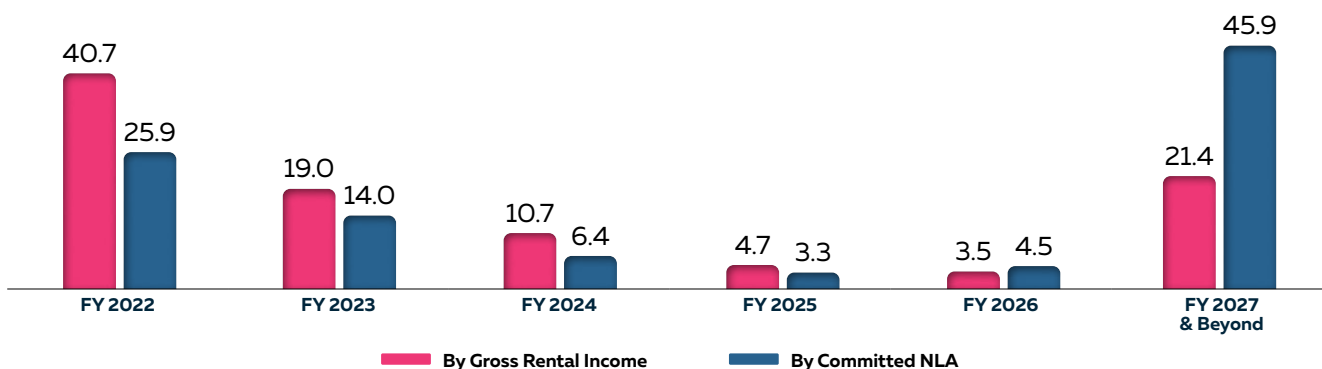
As at 31 December 2021, the portfolio has a weighted average lease expiry of 3.6 years by gross rental income, and 6.0 years by net lettable area. Our lease terms typically range from one to three years. Certain key or anchor tenants may be offered longer term leases.

For new and renewed leases which commenced in FY 2021, the weighted average lease expiry based on the date of commencement of the leases is 1.9 years (by gross rental income) and accounts for 30.6% of the gross rental income for the month of December 2021.



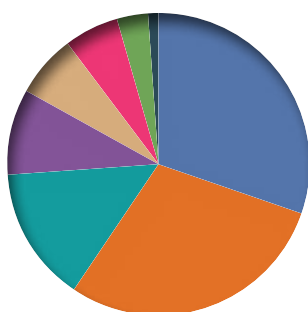
**LEASE EXPIRY PROFILE**  
(As at 31 December 2021)

(%)



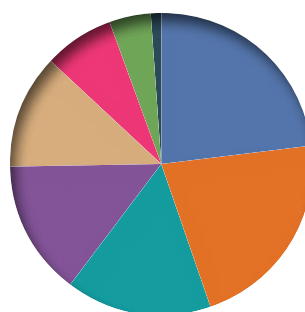
**MULTI-TENANTED MALLS**  
(As at 31 December 2021)

**BREAKDOWN OF GROSS RENTAL INCOME<sup>1</sup> BY TRADE SECTOR**



Trade Sector	(%)
Fashion & Accessories	30.3
F&B	29.3
Kids Education & Retail	14.3
Leisure & Entertainment	9.3
Beauty & Healthcare	6.6
Supermarket	5.9
Lifestyle	3.2
Services	1.1

**BREAKDOWN OF NET LETTABLE AREA<sup>2</sup> BY TRADE SECTOR**





Trade Sector	(%)
F&B	23.3
Fashion & Accessories	21.6
Supermarket	15.6
Leisure & Entertainment	14.3
Kids Education & Retail	12.4
Lifestyle	7.5
Beauty & Healthcare	4.4
Services	0.9

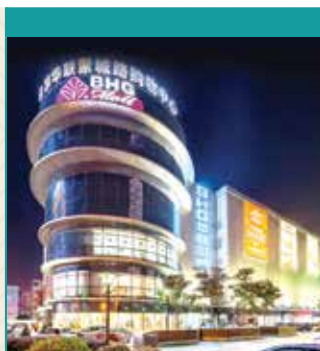
1 As percentage of the portfolio's gross rental income for the month of December 2021.

2 As percentage of the portfolio's net lettable area as at 31 December 2021.

# PORTFOLIO OVERVIEW

	 <b>BEIJING WANLIU</b>	 <b>CHENGDU KONGGANG</b>
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	52,592 sqm	39,171 sqm
No. of Leases	310	238
Independent Valuation <sup>1</sup> (RMB million)	2,511.5 (100%) 1,506.9 (60%)	663.0
Purchase Price <sup>2,3</sup> (RMB million)	1,838.6 (100%) 1,103.1 (60%)	602.1
FY 2021 Gross Revenue (S\$ million)	38.7	13.3
FY 2021 Net Property Income (S\$ million)	25.0	6.9
Occupancy Rate (%)	96.1	98.0
Weighted Average Lease Expiry By NLA (years)	4.0	3.6
Weighted Average Lease Expiry By Gross Rental Income (years)	2.3	3.1
Term of Land Use (Expiring on)	29 Aug 2044 (29 Aug 2054 for car park)	23 May 2047





**HEFEI  
MENGCHENGLU**

No. 99  
Mengcheng Road,  
Luyang District,  
Hefei

Feb 2013

49,699 sqm

25,329 sqm

85

584.0

563.5

4.7

1.0

91.3

3.4

2.3

31 Aug 2044



**HEFEI  
CHANGJIANGXILU**

No. 639  
Changjiangxilu Road,  
Shushan District,  
Hefei

Nov 2010

48,003 sqm

26,985 sqm

153

480.5

334.0<sup>3</sup>

7.9

3.5

98.2

3.4

2.6

30 April 2043



**XINING  
HUAYUAN**

No. 16-19  
Shipo Street,  
Chengzhong District,  
Xining

Aug 2000

20,807 sqm

20,807 sqm

1

274.0

254.4

3.5

3.2

100.0

13.0<sup>4</sup>

13.0<sup>4</sup>

19 Aug 2048



**DALIAN  
JINSANJIAO**

No. 18  
Huadong Road,  
Ganjingzi District,  
Dalian

Jul 2000

15,345 sqm

15,345 sqm

1

165.0

135.7

2.5

2.2

100.0

13.0<sup>4</sup>

13.0<sup>4</sup>

27 Feb 2042

1. Based on independent valuation from Knight Frank Petty as at 31 December 2021.
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).

## PROPERTY HIGHLIGHTS

# Beijing Wanliu

北京万柳

Premium Community Mall in Beijing's High Income Residential District

### INDEPENDENT VALUATION

RMB **2,511.5m**

• 100%

RMB **1,506.9m**

• 60%

### NET LETTABLE AREA

**52,592 sqm**

### NO. OF TENANTS

**310**

### OCCUPANCY RATE

**96.1%**

### WEIGHTED AVERAGE LEASE EXPIRY (Based on Net Lettable Area)

**4.0 years**

### FY 2021 GROSS REVENUE

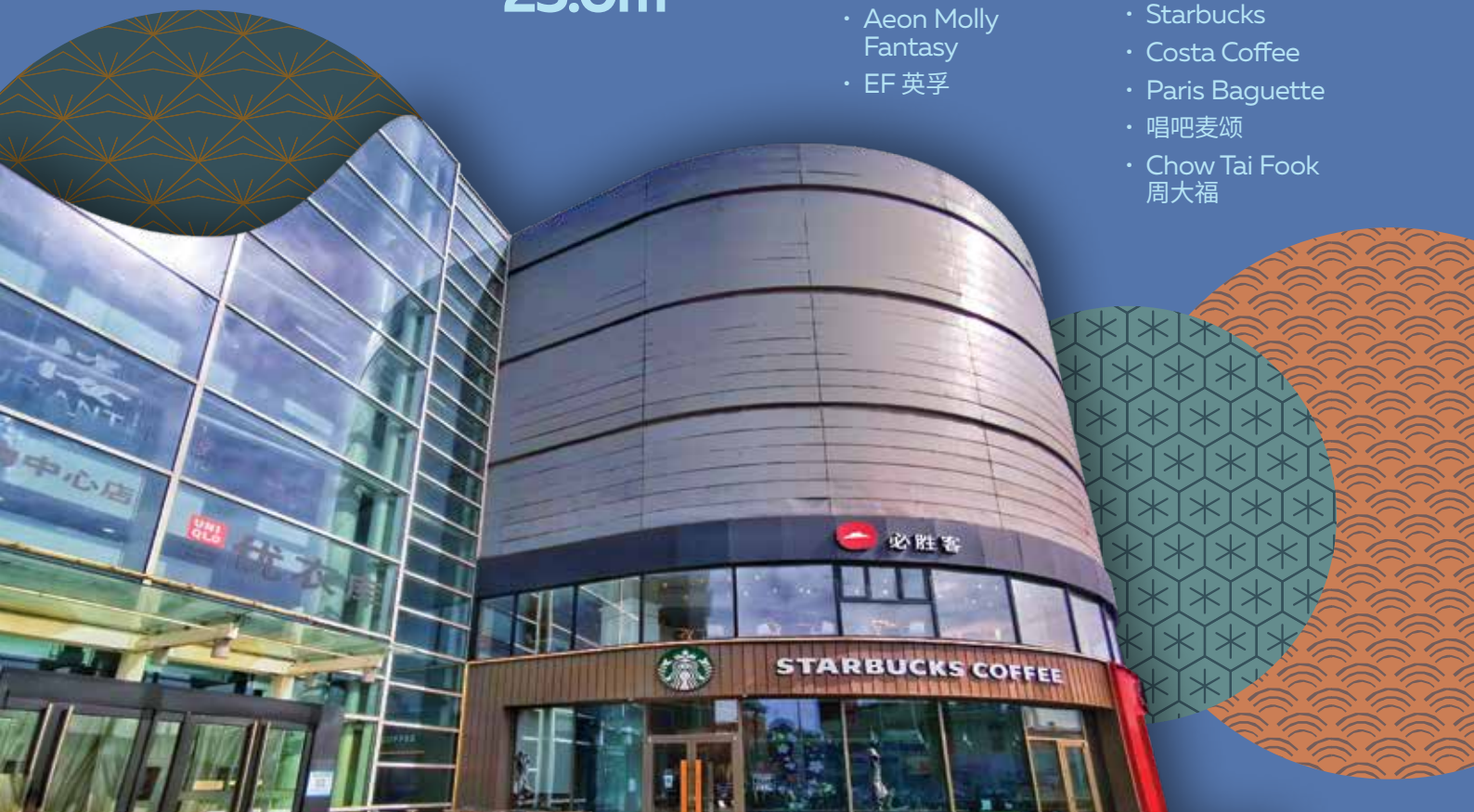
**S\$38.7m**

### FY 2021 NET PROPERTY INCOME

**S\$25.0m**

### TENANTS INCLUDE:

- BHG Hypermarket
- BHG Cinema
- Watsons
- H&M
- Uniqlo
- Muji
- Calvin Klein Jeans
- Tommy Hilfiger
- Teenie Weenie
- Nike
- Decathlon
- The North Face
- Champion
- Pop Mart
- Lego
- Aeon Molly Fantasy
- EF 英孚
- Happy Pony 快乐小马
- CTC 首泰
- Rockstar
- Tmall Musical Instrument Experience Hall 天猫乐器体验馆
- Nio 蔚来
- Hai Di Lao
- Pizza Hut
- KFC
- Burger King
- Wagas
- Element Fresh
- 眉州东坡
- Starbucks
- Costa Coffee
- Paris Baguette
- 唱吧麦颂
- Chow Tai Fook 周大福



**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.

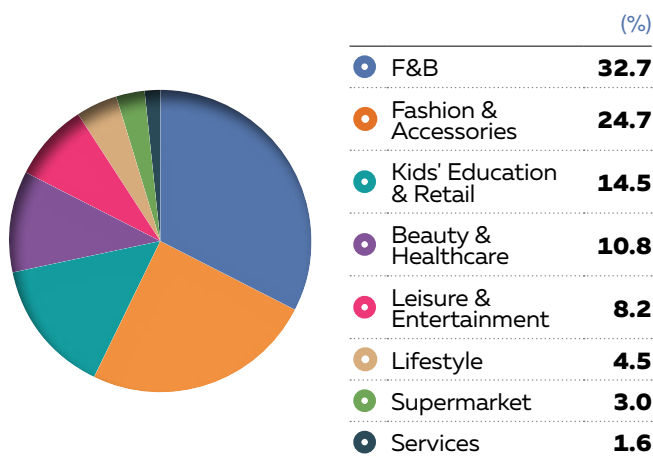
The multi-tenanted Beijing Wanliu is surrounded by high-end residential communities whose

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

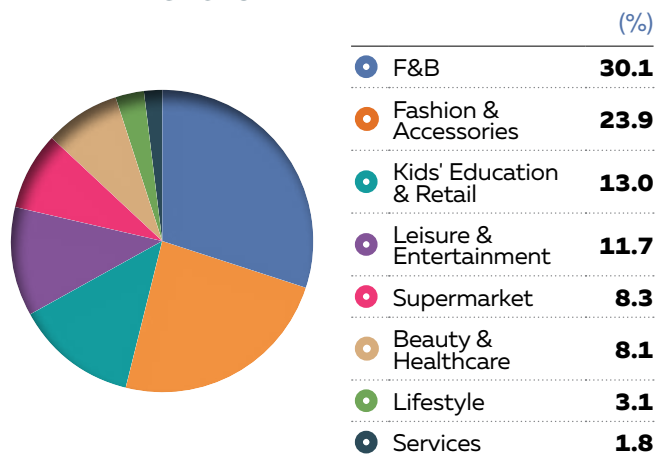
Beijing Wanliu is easily accessible via main roads, subway and buses. It is close to China's prestigious Peking University, Tsinghua University and Renmin University, as well as the Summer Palace and Wanliu Golf Club, the only golf club within the Fourth Ring Road of Beijing. The mall is also a short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

**TENANTS BY TRADE SECTOR**  
(As at 31 December 2021)

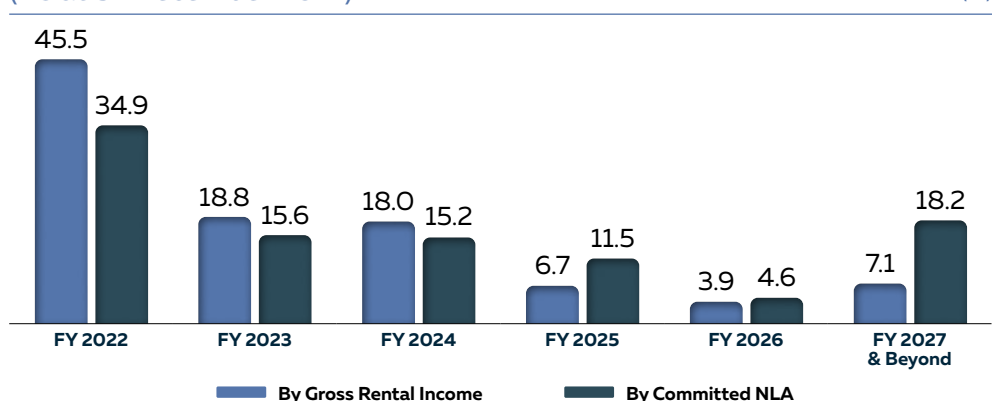
BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>1</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>1</sup>



**LEASE EXPIRY PROFILE<sup>2</sup>**  
(As at 31 December 2021)



1 As at 31 December 2021.  
2 Excludes Vacancy.

## PROPERTY HIGHLIGHTS

# Chengdu Konggang

成都空港

Destination Mall for Chengdu's Growing Middle and Upper-middle Income Families in the Area

INDEPENDENT VALUATION

RMB **663.0m**

OCCUPANCY RATE

**98.0%**

FY 2021 NET PROPERTY INCOME

**S\$6.9m**

NET LETTABLE AREA

**39,171 sqm**

WEIGHTED AVERAGE LEASE EXPIRY  
(Based on Net Lettable Area)

**3.6 years**

TENANTS INCLUDE:

- BHG Hypermarket
- BHG Cinema
- Watsons
- Legou Liangfan KTV
- 美航国际健身
- Top Feeling
- La Chapelle
- Nike
- Adidas
- Jordan
- Li-Ning
- KFC
- Burger King
- Starbucks
- Holiland 好利来
- Hai Di Lao
- Jiang Bian Cheng Wai 江边城外
- Jibulu 吉布鲁
- Goodwood 良木缘

NO. OF TENANTS

**238**

FY 2021 GROSS REVENUE

**S\$13.3m**



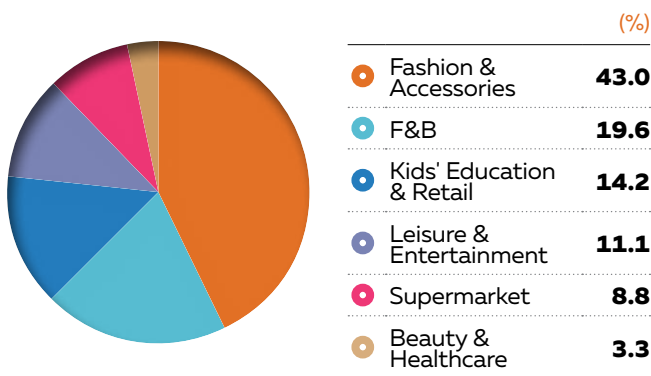
**CHENGDU KONGGANG** brings quality shopping and experiential lifestyle services to the city’s growing middle and upper-middle families. The mall has a diversified tenant base offering residents in the neighbourhood a variety of services including a supermarket, fitness centre, KTV as well as a number 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.

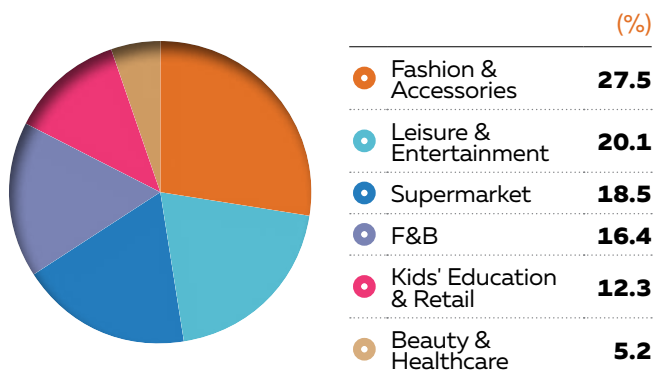
Chengdu Konggang serves as the heart of its community providing popular activities and events in celebration of major festivals and community activities for families and young professionals living in the high density residential projects nearby.

**TENANTS BY TRADE SECTOR**  
(As at 31 December 2021)

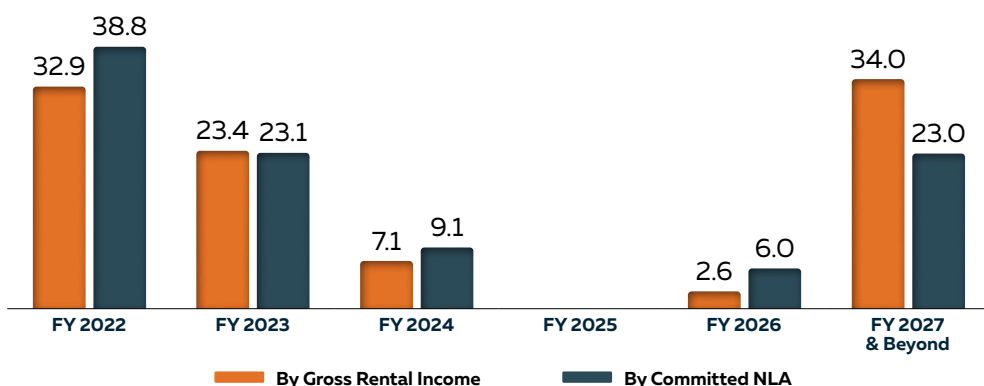
BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>1</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>1</sup>



**LEASE EXPIRY PROFILE<sup>2</sup>**  
(As at 31 December 2021)



1 As at 31 December 2021.  
2 Excludes Vacancy.

## PROPERTY HIGHLIGHTS

# Hefei Mengchenglu

合肥蒙城路

One of Hefei City's  
Most Popular Shopping Centres

INDEPENDENT  
VALUATION

RMB **584.0m**

OCCUPANCY  
RATE

**91.3%**

FY 2021 NET  
PROPERTY INCOME

**S\$1.0m**

NET LETTABLE AREA

**25,329 sqm**

WEIGHTED AVERAGE  
LEASE EXPIRY  
(Based on Net Lettable Area)

**3.3 years**

TENANTS INCLUDE:

- BHG Cinema
- Watsons
- Hai Di Lao
- Hai Xian Gang  
海仙港
- Mu Tong Ji  
木桶记
- Pizza Hut
- Burger King
- Starbucks
- ZanKee 詹記
- Biowoosoo  
百武西
- Balabala
- La Babite
- Vero
- Moda

NO. OF TENANTS

**85**

FY 2021 GROSS REVENUE

**S\$4.7m**



**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.

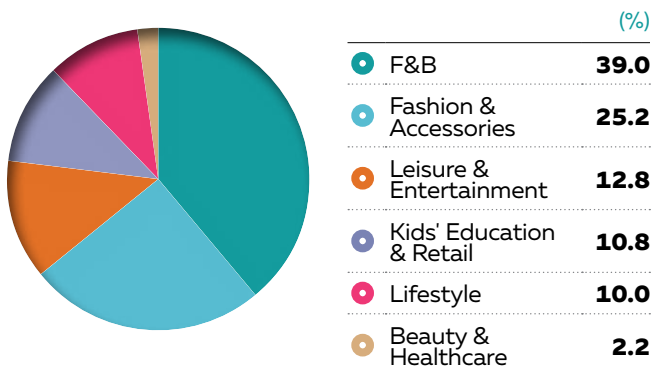
Hefei Mengchenglu is situated near the north-west corner of the intersection of Beier Ring Road and Mengcheng Road, North of Luyang District. It is also located in Hefei’s North First Ring retail hub, which comprises several mature residents of communities, high quality office projects and commercial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

goods and services such as fashion, dining and entertainment.

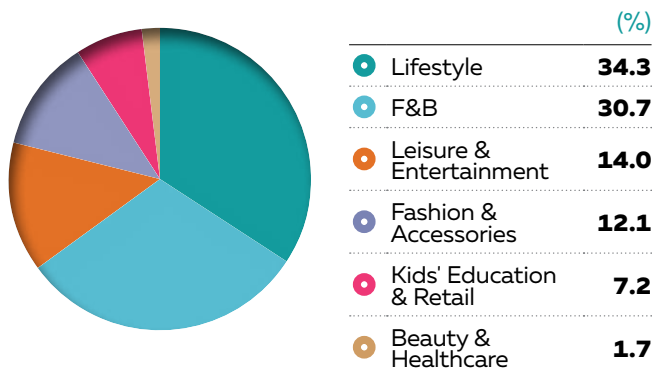
Hefei Mengchenglu is easily accessed via several main roads and is only a five minutes walk from two bus stations – the North Station of Baishuiba and the West Station of Baishuiba. The mall is located near government organisations such as the Luyang District Government, Luyang Administrative Service 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.

**TENANTS BY TRADE SECTOR**  
(As at 31 December 2021)

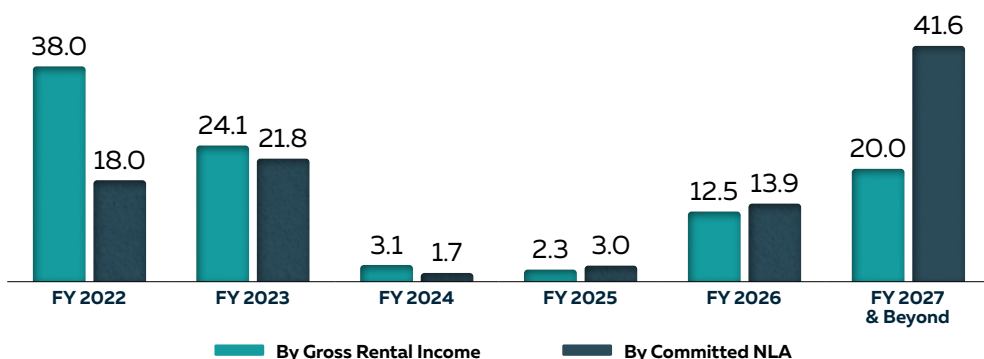
BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>1</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>1</sup>



**LEASE EXPIRY PROFILE<sup>2</sup>**  
(As at 31 December 2021)



1 As at 31 December 2021.  
2 Excludes Vacancy.

## PROPERTY HIGHLIGHTS

# Hefei Changjiangxilu

合肥长江西路

A Heartland Mall that Serves  
Neighbouring Residential Communities

INDEPENDENT  
VALUATION

RMB **480.5m**

OCCUPANCY  
RATE

**98.2%**

FY 2021 NET  
PROPERTY INCOME

**\$3.5m**

NET LETTABLE AREA

**26,985 sqm**

WEIGHTED AVERAGE  
LEASE EXPIRY  
(Based on Net Lettable Area)

**4.3 years**

TENANTS INCLUDE:

- BHG Hypermarket
- BHG Cinema
- Watson
- KFC
- Pizza Hut
- Qin Xi Li 秦西里
- ZanKee 詹記
- Zhou Gui Fei 周贵妃
- Wu Kong Hong Bei 悟空烘焙
- Huawei
- Xiaomi

NO. OF TENANTS

**153**

FY 2021 GROSS REVENUE

**\$7.9m**





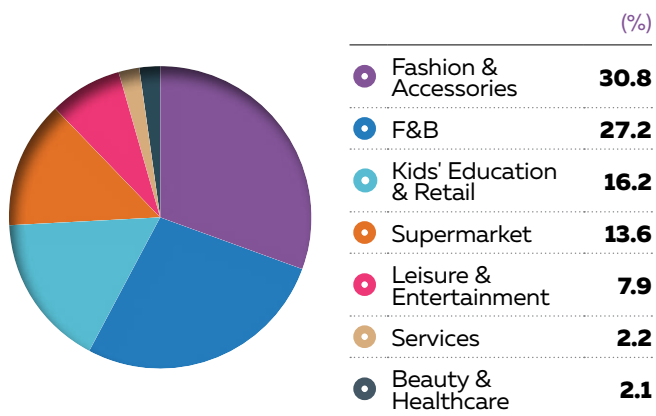
**HEFEI CHANGJIANGXILU** is located in Shilimiao Community, Jinggong Town, Shushan District. Shushan District is located at the west part of the city center and occupies an area of about 663 square kilometres. Shushan District is clustered with many research institutions, hightech firms and industrial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

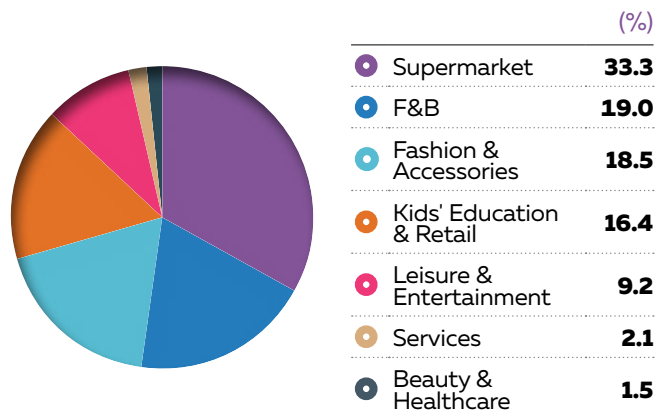
is well-connected to the Hefei Metro Line 2, and connects Shushan District with two other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu by approximately 20.0%. Hefei Changjiangxilu is also situated 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.

**TENANTS BY TRADE SECTOR**  
(As at 31 December 2021)

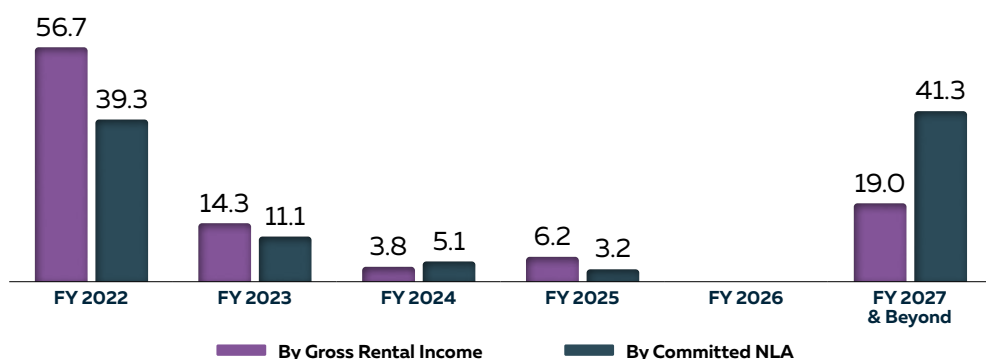
**BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>1</sup>**



**BREAKDOWN OF NLA BY TRADE SECTOR<sup>1</sup>**



**LEASE EXPIRY PROFILE<sup>2</sup>**  
(As at 31 December 2021)



1 As at 31 December 2021.  
2 Excludes Vacancy.

## PROPERTY 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**

### NET LETTABLE AREA

**20,807 sqm**

### LEASE EXPIRY

**13.0 years**

### FY 2021 GROSS REVENUE

S\$ **3.5m**

### FY 2021 NET PROPERTY INCOME

S\$ **3.2m**



# 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

RMB**165.0m**

### NET LETTABLE AREA

**15,345 sqm**

### LEASE EXPIRY

**13.0 years**

### FY 2021 GROSS REVENUE

**S\$2.5m**

### FY 2021 NET PROPERTY INCOME

**S\$2.2m**



# INVESTOR RELATIONS



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

## PROACTIVE INVESTORS ENGAGEMENT

The Manager is committed to forging long term relationships with investors, research analysts and the media. We firmly believe in regular communication and have participated in meetings with investors and research communities to keep them apprised of the REIT's developments.

Notwithstanding the pandemic, BHG Retail REIT continued to engage with retail and institutional investors, and others in investment and research communities via teleconferences and one-to-one meetings. We continued to work diligently with sell-side brokers, banks and securities firms to widen our network of institutional investors, family offices, high-net-worth individuals across various geographies.

The Board and the Manager of BHG Retail REIT encourages Unitholders to attend its Annual General Meeting. 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, Annual General Meeting for FY 2021 will be held via electronic means in April 2022.

## RECOGNITION & ACCOLADES

We are pleased to announce the coverage and initiation by two equity research houses in 2021, namely, DBS Research and Phillip Securities Research.

In November 2021, BHG Retail REIT received two prestigious awards at The Global Good Governance Awards 2021™. These awards include a Platinum award for the 'Best Corporate Communications and Investor Relations' and a Silver award for the 'Best Governed and Transparent Company' categories.

In December 2021, BHG Retail REIT was nominated for the Best Annual Report 2021 by IR Magazine and received a Certificate for Excellence in Investor Relations during the IR Magazine Awards South East Asia 2021.

**FY 2021 INVESTOR RELATIONS CALENDAR**

<b>2021</b>	
<b>February 2021</b>	• Phillip Securities Initiates Coverage on BHG Retail REIT
<b>March 2021</b>	• Phillip Securities Webinar
<b>April 2021</b>	• FY 2020 Annual General Meeting (Virtual)
<b>June 2021</b>	• ISCA Breakfast Talk: Webinar • Virtual One-to-one meetings
<b>July 2021</b>	• DBS Initiates Coverage on BHG Retail REIT With "Buy" Rating • Virtual One-to-one meetings
<b>September 2021</b>	• SGX - Yuanta Securities Presentation • Investival - The Edge Presentation
<b>October 2021</b>	• SGX - Tiger Brokers Webinar
<b>November 2021</b>	• <b>The Global Good Governance Awards™ 2021</b> BHG Retail REIT received Platinum Award, under 'Best Corporate Communications and Investor Relations', and Silver award for the 'Best Governed and Transparent Company' categories
<b>December 2021</b>	• <b>IR Magazine Awards South East Asia 2021</b> - Nominated for Best Annual Report - Received Certificate for Excellence in Investor Relations

**FY 2022 FINANCIAL CALENDAR\***

<b>2022</b>	
<b>May</b>	1Q 2022 Business Update
<b>August</b>	1H 2022 Results Announcement
<b>September</b>	1H 2022 Distribution Payment
<b>November</b>	3Q 2022 Business Update

<b>2023</b>	
<b>February</b>	FY 2022 Results Announcement
<b>March</b>	2H 2022 Distribution Payment
<b>April</b>	FY 2022 Annual General Meeting

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

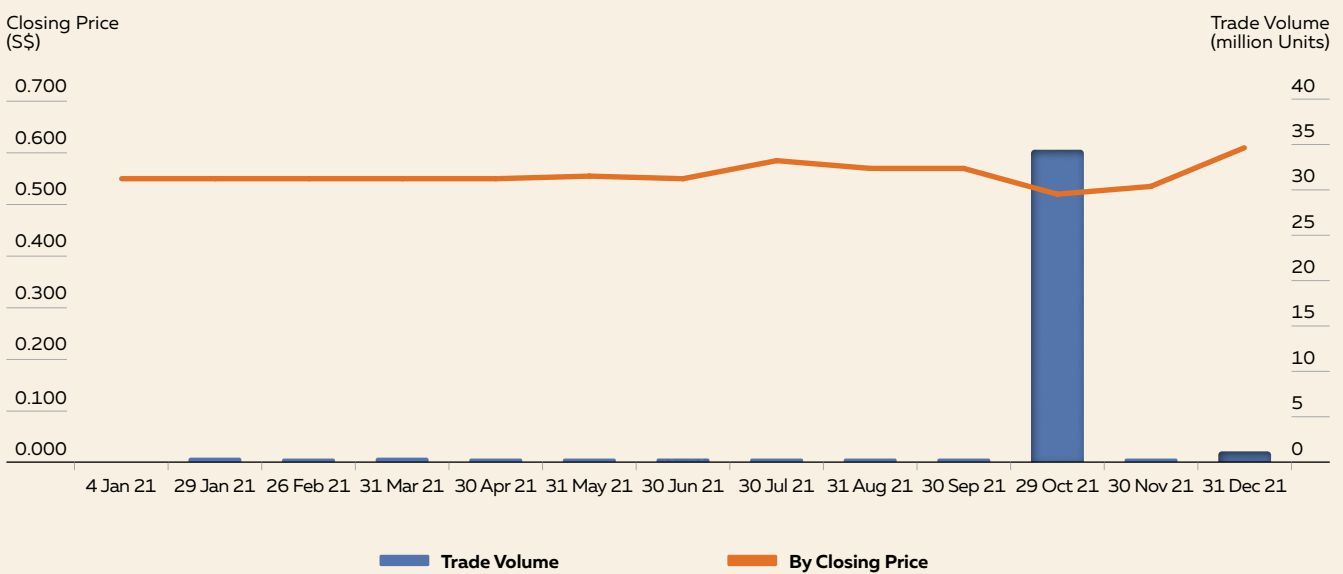
# INVESTOR RELATIONS

## UNIT PRICE PERFORMANCE

BHG Retail REIT's unit price closed at S\$0.610 on 31 December 2021 compared to S\$0.550 on 31 December 2020. Taking into account the FY 2021 full year distribution per unit ("DPU") of 2.17 Singapore cents, the total return was up 14.9%<sup>1,2</sup>.

Total trading volume in 2021 aggregated to 36.5 million units, compared to 149.1 million units in 2020. The lower trade volume was mainly due to varying amount of aggregated married transactions in the previous year.

## Monthly Trading Performance<sup>1,2,3,4,5</sup>



- 1 4 January 2021 being the first trading day and 31 December 2021 being the last trading day in 2021.
- 2 Total return on investment assumes distributions paid during the period are reinvested.
- 3 Highest unit price was S\$0.620 in 2021, compared to S\$0.690 in 2020.
- 4 Lowest unit price was S\$0.480 in 2021, compared to S\$0.390 in 2020.
- 5 Opening price on 4 January 2021 remained the same as the closing price on 31 December 2020.



# 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

### About BHG Retail REIT

Sponsored by a China-based Group, BHG Retail REIT (the "**REIT**") is Singapore's first pure-play China Retail REIT listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). [102-1]

The REIT is managed by BHG Retail Trust Management Pte. Ltd. (the "**Manager**"), 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. ("**Beijing Hualian Group**"), one of China's largest retail enterprises with over 20 years of retail operating experience. [102-5]

The REIT Manager is based in Singapore. On the back of its astute investment focus, the REIT's portfolio comprised of six income-generating retail properties strategically situated in China's populated neighbourhoods. Of the six good quality 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. Each of our multi-tenanted properties is billed as an upscale retail destination featuring a compelling mix of shopping, dining, educational and recreational establishments. [102-2][102-3][102-4][102-6][102-7]

We aspire to serve the community around us by continually improving on and delivering exceptional retail and lifestyle experiences. We focus 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.

## BOARD STATEMENT

### Dear Stakeholders,

In the wake of the COVID-19 pandemic coupled with the deteriorating climate crisis, we reaffirm our commitment to pursue excellence, with a focus on our material environmental, social and governance ("**ESG**") topics that will positively impact the environment and the people we serve.

Under the Board's oversight, the REIT Manager team regularly reviews, monitors and manages sustainability risks and opportunities alongside enhancing our business practice sustainability performance and disclosure transparency. The Board has re-assessed the materiality of ESG issues, with one new ESG topic – "Emissions" added to the list of material topics in FY2021 to declare our commitment to act swiftly against the climate crisis.

For several years, we have been ramping up and communicating our performance through regular engagements and transparent disclosures. With our proactive efforts to build long-standing relationships with stakeholders, we are proud to announce that the REIT had been recognised with a Platinum award for 'Best Corporate Communications and Investor Relations' and a Silver award for 'Best Governed and Transparent Company' categories at The Global Good Governance Awards™ 2021.

The REIT recognises the potential widespread financial impacts of climate change to its business and operations. We have the responsibility to shoulder the burden that must now be borne. To prepare for the implementation of the new Guidelines on Environmental Risk Management (Asset Managers) issued by the Monetary Authority of Singapore (the "**MAS**"), the REIT has commenced a physical and transition risk screening exercise, started the identification of material business and financial impacts, and conducted a training session related to climate risk assessment to ensure a general understanding of climate risks across the REIT. The Board has committed to endorse the Task-Force on Climate-related Financial Disclosures (the "**TCFD**") recommendations and plans to disclose relevant information in its subsequent Sustainability Report.

Without letting our guard down against the unprecedented challenges, we firmly hold on to our sustainability direction to pursue our



goal of sustainability excellence. On behalf of the Board and the REIT Manager team, we would like to express our gratitude to stakeholders for supporting us along our sustainability journey. Our sustainability achievements and progress in FY2021 are proudly presented in this report. We believe that by doing the right thing, we are able to secure a sustainable future for all. [102-14]

### ABOUT THIS REPORT

This sustainability report ("**Report**") has been prepared in accordance with the Core option and G4 Construction and Real Estate Sector Disclosures of Global Reporting Initiative ("**GRI**") Sustainability Report Standards – an internationally recognised standard for reporting of ESG issues. This report also complies with SGX-ST Listing Rules 711A and 711B. [102-54]

Here, the REIT presents its fifth sustainability report for the financial year ended 31 December 2021 ("**FY 2021**"). This report has been reviewed and approved by the Board of Directors (the "**Board**" or "**Director**") to ensure all material ESG topics were covered and addressed. With its inaugural sustainability report published in 2018 for the financial year ending 31 December 2017, the REIT intends to continue disclosing our sustainability performance and progress every year. Please visit the REIT Website for our previous reports and performance. [102-32][102-51][102-52]

### Reporting Scope and Period

The report's scope covers the REIT's sustainability strategies, initiatives and performance for FY2021. All data performance and initiatives stated are from 1 January 2021 to 31 December 2021, unless stated otherwise. This report addresses the ESG issues and topics that are material and pertinent to our business and operations, as determined by a comprehensive materiality assessment. [102-50]

The sustainability elements and relevant datapoints of our operations in Singapore and four multi-tenanted malls in China, Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu, are disclosed in this report. Two other master-leased properties, namely Dalian Jinsanjiao and Xining Huayuan, are not included in the reporting scope. As we operate as a REIT, all employee-related performance is made with reference to

the performance and responsibilities of the REIT Manager. [102-50]

### Reporting Principle

The report content follows the four reporting principles as guidance in the GRI Standards: [102-46][102-54]

- **Stakeholder Inclusiveness** – Stakeholders' interest and expectations received in stakeholder engagement contributing to the development of the report.
- **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 ESG topics prioritised in this report were relevant and significant to our business and influence on our stakeholders' decisions.
- **Completeness** – This report encompassed the material ESG topics and respective boundaries, within the reporting period.

### External Assurance

We have not sought external assurance for this reporting period. Nevertheless, we are committed to continuously improve the credibility and transparency of our sustainability disclosures, and having our report verified by an independent third-party in the near future. [102-56]

### Report Queries and Feedback

Our report constitutes a channel to communicate the REIT's sustainability commitment and performance. In search of room for continual growth and improvement, we value and welcome any feedback about this report. For questions or to deliver a feedback, 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

## OUR SUSTAINABILITY APPROACH

### Sustainability Governance

At the REIT, our commitment to sustainability is envisaged to enhance sustainable growth and create shared value for all our stakeholders. As part of our sustainability efforts, we incorporated relevant ESG practices and risk management procedures into our business, enabling us to mitigate sustainability-related risk in our operations, and capitalise on opportunities.

Recognising sustainability issues as a business imperative, our Board is entrusted with overall responsibility for the oversight of sustainability performance of the REIT. The Board is also responsible for prioritising sustainability in the REIT's strategic business direction and risk management. As part of the overall strategy to ensure that the best interests of the REIT are served, the Manager takes an inclusive approach to embed the key ESG principles in the REIT's business strategies and operations. To ensure proper accountability within the Manager, the Board discusses with the management ("**Management**") on ESG issues and material topics during regular Board meetings and Board Committee meetings. [\[102-18\]](#)[\[102-26\]](#)

Apart from sustainability matters that specifically require the Board's approval, the Board delegates authority to individual committees and Management to supervise sustainability matters. With robust Board oversight, the Chief Executive Officer ("**CEO**") and Sustainability Officer are collectively charged with managing the sustainability outlook of the REIT to deliver on its sustainability commitment. [\[102-18\]](#)[\[102-19\]](#)[\[102-20\]](#)

Under its corporate governance structure, the REIT Manager has the Audit and Risk Committee (the "**ARC**") and the Nominating & Remuneration Committee (the "**NRC**") (collectively, the "**Board Committees**") in place to facilitate proper discharge of the Board's duty and functions.

In response to the changing economic and regulatory landscape, the Manager has a well-maintained Enterprise Risk Management ("**ERM**") Framework and a Business Continuity Plan ("**BCP**") to build resilience, control and mitigate the risks of material ESG factors in

the REIT's business and operational activities. This is supplemented by an internal audit function that is outsourced to an independent external service provider to provide an added level of assurance. [\[102-18\]](#)[\[102-20\]](#)[\[102-30\]](#)

Strengthening board diversity can make the REIT more agile and resilient. The NRC upholds the Board Diversity Policy to foster an inclusive and diverse culture that encourages perspectives and experiences that will ultimately strengthen decision-making. The policy endorses the principle that the Board should embrace a suitable balance and diversification of experience, skills, knowledge, gender, age, perspectives, qualifications, and other attributes including considering potential conflicts of interest in the relevant areas among the Directors. The NRC assesses the Board and Board Committee's performance annually based on a performance assessment checklist, and reviews the Board composition and succession planning with consideration on all aspects of diversity. [\[102-18\]](#)[\[102-20\]](#)[\[102-28\]](#)

In considering and balancing the needs and interests of material stakeholders, the Manager's Investor Relations ("**IR**") function is tasked with building and managing the REIT's relationships with material stakeholder groups. With our close communication and engagement with the REIT's stakeholders, their feedback on the sustainability topics relevant to the REIT's business and operations are collected and taken into account in our strategic formulation. Please refer to IR section of this annual report for more details about the various engagement activities organised by IR. [\[102-11\]](#)[\[102-29\]](#)

Management regularly reviews sustainability risks and opportunities alongside enhancing our business practice sustainability performance and disclosure transparency. In recognition of our efforts, the REIT received two prestigious awards at The Global Good Governance Awards™ 2021 – a Platinum award for the 'Best Corporate Communications and Investor Relations' and a Silver award for the 'Best Governed and Transparent Company' categories. [\[102-18\]](#)[\[102-20\]](#)

The Board is confident that the Directors act in good faith and exercise due diligence and care in the discharge of their duties. Please refer to Corporate Governance section of this



annual report for more details about corporate governance practices at the REIT. [\[102-22\]](#) [\[102-23\]](#)[\[102-24\]](#)[\[102-25\]](#)[\[102-29\]](#)

### Business Ethics

Business ethics is integral to the REIT's success. We work alongside our employees, vendors, suppliers, third-party service providers and other business partners to uphold sustainable and ethical practices along our value chain. Guided by a Code of Conduct and Ethics, overseen by the Board and Management, every stakeholder of the REIT conducting business with us is expected to, among other things, adhere to the highest standards of ethical conduct. [\[102-11\]](#)

The Board keeps the Manager accountable in complying with applicable laws and regulations of all the jurisdictions in which we operate. An internal set of policies is in place for employees to comply and are enforced to prevent any incidences of non-compliance. Our employees attend compliance training sessions and briefings, supplemented by explicit communication materials, to raise awareness on our compliance policies and procedures. [\[102-11\]](#)

Apart from developing standards of conduct, we strive to influence the adoption of sustainable best practices within the industries and supply chain. We foster ongoing and active collaboration with suppliers and other business partners to create win-win benefits for all involved parties. Due diligence checks and risk assessments were carried out in accordance with MAS Guidelines, to ensure an

appropriate level of oversight over our supply chain. During the reporting year, 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. [\[102-9\]](#)[\[102-10\]](#)





The Manager does not tolerate any wrongful act, impropriety, or statutory non-compliance by its employees, officers or directors. Employees or external parties may, in confidence and without fear of reprisal, safely raise any concerns about probable or actual improprieties relating to the REIT in good faith. The Manager takes every effort to ensure the identity of the whistleblower is kept confidential, in accordance with the Whistleblowing Policy and arrangements that are put in place. Please refer to Corporate Governance section of this Annual Report and the REIT Website for more details about our Whistleblowing Policy. [\[102-17\]](#)[\[102-33\]](#)

### Supporting United Nations Sustainability Development Goals

As part of an international sustainable development agenda, the United Nations Sustainable Development Goals (the "UN SDGs") aim to end poverty, protect the planet, and ensure that by 2030, all people enjoy peace and prosperity.

Over the years, the REIT has advocated for and supported the increased efforts in championing the UN SDGs. By embedding the six UN SDGs in our sustainability efforts, we hope to create and accelerate a lasting positive environmental and social impact on the communities we serve and the world. [\[102-12\]](#)

# SUSTAINABILITY REPORT

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

## External Charters and Principles






As an entity regulated by the Securities and Futures Act 2001 (the “SFA”), the Code on Collective Investment Schemes (the “CIS Code”), the Listing Manual of SGX-ST, and other relevant regulations, the Manager is responsible for maintaining good corporate governance practices that are aligned with the Code of Corporate Governance 2018. The Manager puts in place a set of internal controls as part of our efforts to ensure that our operations and business practices remain in compliance with prevailing regulations, notices, circulars, and guidelines issued by MAS.

Currently, the REIT is a member of the Singapore Business Federation; the REIT’s Management is a member of the Investor Relations Professionals Association (Singapore). [\[102-12\]](#)[\[102-13\]](#)

## Stakeholder Engagement

Together with our stakeholders, with whom we maintain mutually beneficial relationships, we strive to promote long-term success and sustainable growth. We understand the expectations and interests of our stakeholders by fostering stakeholder engagements. This allows us to offer an exceptional customer experience, build trust with our customers and the communities we serve – and thereby facilitate the route to sustainable development of the REIT.

Since 2017, we have identified and liaised with key stakeholders, whom we believe are significant to our business and operations. Through various transparent communication channels, top sustainability concerns have been identified and have guided our actions in driving sustainable development. The table below summarises our relationship and communications with the key stakeholders during the reporting year: [\[102-29\]](#)[\[102-40\]](#)[\[102-42\]](#)[\[102-43\]](#)[\[102-44\]](#)

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

**Materiality Assessment**

In our continuous efforts to manage material ESG risks and opportunities, we conduct materiality assessments to review and refresh our material ESG topics whenever necessary. This year, we took the three-step approach to re-evaluate the relevance and potential impact of last year’s material ESG topics. [\[102-29\]](#)[\[102-31\]](#)

Upon review, all material ESG topics on the list disclosed in the Sustainability Report 2020 remained relevant for 2021 and an additional ESG topic – “Emissions” has been added as one of this year’s material topics. The following are the ESG topics and sub-topics, along with their consequent impacts, identified as material for disclosure in this Report. [\[102-46\]](#)[\[102-47\]](#)[\[103-1\]](#)

# SUSTAINABILITY REPORT



**01**

### REFRESHMENT OF MATERIALITY MATRIX

We re-evaluated the relevance of material ESG topics against business operations.




**DISCUSSION**

### INTERNAL DISCUSSIONS

We organised numerous rounds of review with the participation from management, non-management employees, and employees who were proxy to our key stakeholders to discuss on ESG factors relevant to the REIT's business and operations.




**02**



**03**

### MANAGEMENT REVIEW

Based on results derived from the refreshment of materiality matrix and internal discussions, Management prioritised and classified ESG factors into a list of material ESG topics. Thereafter, the list with its corresponding economic, environmental and social impacts was finalised and approved by Management.

Category	Topic	Disclosure Sub-topic	Impact
<b>Economic</b> 	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
<b>Environment</b> 	Energy	GRI 302-1: Energy consumption within the organization.	Within the organisation
		GRI 302-3: Energy intensity.	Within the organisation
	Water	GRI 303-1: Water withdrawal by source.	Within the organisation
		GRI 303-5: Water consumption.	Within the organisation
		G4 CRE2: Building water intensity.	Within the organisation
Emission	GRI 305-2: Energy indirect (Scope 2) GHG emissions.	Within the organisation	
<b>Social</b> 	Training and Education	GRI 404-1: Average hours of training per year per employee.	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

## OUR ENVIRONMENTAL COMMITMENT

The REIT is cognisant of climate impact from its real estate portfolios. We acknowledge that properties in our portfolio consuming extensive energy and water account for impact on the climate. The physical and transition climate risks, brought about by extreme weather events and limited natural resources, are long-term threats to our business resilience and ability to adapt to a changing environment. [103-1]

Adhering to our vision and mission, we endeavor to put into practice measures of environmental stewardship, through implementing a range of emissions, energy and water reduction initiatives in our multi-tenanted malls. This will enable us to address and avoid detrimental impacts on the REIT's business and operation. [103-1]

### Route to Disclosure of Climate-related Risks

In FY2021, we have started to perform physical and transition risk screening and identify material business and financial impacts for the REIT's assets. We have also conducted an externally-facilitated climate risk assessment workshop to prioritise the most material business and financial impacts. We have started the process to conduct scenario analysis to assess the impacts on our portfolio assets and a training session has been conducted for the REIT Manager team on climate risk assessment. We are on track to implement the MAS Guidelines on Environmental Risk Management (Asset Managers), issued in December 2020, within the transition period of 18 months. The REIT will disclose information on climate-related risks in its Sustainability Report 2022, in alignment with recognised international reporting frameworks such as the TCFD recommendations by the Financial Stability Board. [103-2]

### Emission and Energy

A significant amount of electricity is spent through air-conditioning and chilling water, contributing to energy consumption and the indirect emission of green house gases ("GHG"). To this end, having our Energy Savings Plans launched across our malls, we continue to identify deficiencies and seek breakthroughs in energy management and efficiency. At each mall, our Engineering Management Teams and



In FY2021, BHG Retail REIT's four multi-tenanted malls recorded a total energy intensity of **0.06 MWh/m<sup>2</sup>**

Inspection Teams are responsible for regular inspections, ensuring energy saving initiatives and practices remain effective and consistent with its plan to minimise energy waste and save operating costs substantially. Alongside this, we also trained our staff as a gesture to raise awareness of a group wide energy conservation effort. [103-1][103-2]

Leveraging on innovative technology to improve energy management, we installed sound and motion sensor-based lights and timing-controlled lights and elevators around the malls to reduce energy usage when facilities are not in use. Air-conditioning systems for a given set of operating conditions are frequently readjusted and optimised based on actual weather conditions and temperature. For instance, the performance of air-conditioning systems would only be allowed to push up against its limits during the hottest period of the day, in the summer. [103-2]

# SUSTAINABILITY REPORT

Aside from energy management initiatives, we have also tapped on energy efficiency initiatives. We have replaced the light bulbs in the mall premises with energy efficient light-emitting diode (“LED”) lights. We also installed air curtains, strip curtains and sunshades to dissipate excess heat in malls so that the mall interior can remain cool without having a high air conditioning system output. Controls over energy leakage were enhanced in the malls by scheduling regular inspections, cleaning, replacement and maintenance of chillers, cooling towers, air-conditioning units, and panels. [103-2]

Over the years, leveraging on our continuous enhancements in energy management and energy efficiency, our energy and indirect GHG emission intensity (Scope 2) in comparison to 2018<sup>1</sup> level have gradually reduced by 17.9%. Moving forward, with an aim to reduce our environmental footprint, we will continue to exercise strong environmental stewardship through tracking, analysing and monitoring our energy consumption against targets. In the long run, we will also embark on innovative solutions for our retail properties that help to contribute to reduced emissions. [103-3]

Emission and Energy Performance <sup>2</sup>	Unit	Total of Four Multi-tenanted Malls
Floor Space	m <sup>2</sup>	275,539
Energy Consumption <sup>3</sup> [302-1]	MWh	18,073
Energy Intensity <sup>4</sup> [302-3]	MWh/ m <sup>2</sup>	0.06
Indirect GHG Emission (Scope 2) <sup>5678</sup> [305-2]	tCO <sub>2</sub> e	11,026
Indirect GHG Emission Intensity (Scope 2) <sup>9</sup> [305-2]	tCO <sub>2</sub> e/ m <sup>2</sup>	0.04

- 1 The data scope of energy and indirect GHG emission intensity (Scope 2) in FY2018 includes 3 multi-tenanted malls located in China, namely Beijing Wanliu, Chengdu Konggang and Hefei Mengchenglu.
- 2 The scope of environmental data in FY2021 includes 4 multi-tenanted malls located in China, namely Beijing Wanliu, Chengdu Konggang, Hefei Changjiangxilu and Hefei Mengchenglu. The scope excludes REIT Manager’s office in Singapore as its environmental impact was not significant.
- 3 The data refers to electricity consumption of common area and air conditioning system in shopping malls.
- 4 Energy intensity is calculated by taking the ratio of energy consumption measured in MWh against specific metric – floor space measured in m<sup>2</sup>.
- 5 The indirect GHG emissions (Scope 2) reported in the table are based on World Resources Institute’s reporting principles outlined in the ‘GHG Protocol Scope 2 Guidance (the “GHG Protocol”)’.
- 6 As the REIT’s multi-tenanted malls are located in China, the equivalent CO<sub>2</sub> emissions for electricity use are calculated based on the updated regional average GHG emissions intensity of power grids from the Ministry of Ecology and Environment of the People’s Republic of China for the relevant time period and from China.
- 7 Indirect GHG emissions (Scope 2) are reported using a location-based method in accordance with the GHG Protocol.
- 8 The equivalent CO<sub>2</sub> emissions for electricity use is calculated by multiplying the quantity of purchased electricity by China’s regional grid-average emission factor – 0.6101 tCO<sub>2</sub>/MWh.
- 9 Emissions Intensity is calculated by taking the ratio of indirect GHG emissions (Scope 2) measured in tCO<sub>2</sub>e against specific metric – floor space measured in m<sup>2</sup>.



**Water**

The intensification of climate change, coupled with increasing demand for water has led to acute water shortages around the world. Our reliance on water resources shall never drive us away from our responsibilities to address water security risks. [103-1]

Over the years, we have implemented initiatives to manage water resources efficiently, reduce unnecessary water usage, thereby reducing our operating costs. Water conservation initiatives range from the installation of water-efficient flushing cistern and motion sensor water faucets, to the reduction of tap water flow rate, minimising our water wastage. In the long run, our source of water will be shifted towards treated or recycled water sources to aid in remedying the shortage of water. [103-2]

Our team closely monitors water consumption against internal targets. With our endeavors to manage our water resources efficiently, water consumption intensity has been reduced by 12.4%, from the 2018<sup>1</sup> base year. [103-3]



In FY2021, BHG Retail REIT's four multi-tenanted malls recorded a total water consumption intensity of **0.71 m<sup>3</sup>/m<sup>2</sup>**

In future, we will remain committed to promote effective water resources management and reduce water consumption in our daily operations.

Water Performance <sup>1</sup>	Unit	Total of Four Multi-tenanted Malls
Water Withdrawal / Consumption <sup>2,3,4,5</sup> [303-1][303-5]	m <sup>3</sup>	194,638
Water Consumption Intensity <sup>6</sup> [CRE2]	m <sup>3</sup> /m <sup>2</sup>	0.71

- The data scope of water consumption intensity in FY2018 includes 3 multi-tenanted malls located in China, namely Beijing Wanliu, Chengdu Konggang and Hefei Mengchenglu.
- The water consumption reported in the table are based on the Guidance for Disclosure from GRI Standards.
- Except Beijing Wanliu, other multi-tenanted malls are not located in areas with water stress, according to the World Resources Institute 'Aqueduct Water Risk Atlas'.
- All potable water withdrawn from municipal third-party water supplies and recycled water. Water withdrawal from such is categorised as freshwater, there is no water withdrawal from other water source.
- Water consumption is measured by taking the difference between total water withdrawal measured in m<sup>3</sup> and total water discharge measured in m<sup>3</sup>. Per business nature, total water withdrawal from freshwater was fully consumed in FY2021.
- Water consumption intensity is calculated by taking the ratio of water consumption measured in m<sup>3</sup> against specific metric – floor space measured in m<sup>2</sup>. For details of floor space, please refer to emission and energy performance table.

# SUSTAINABILITY REPORT

## Our People Management

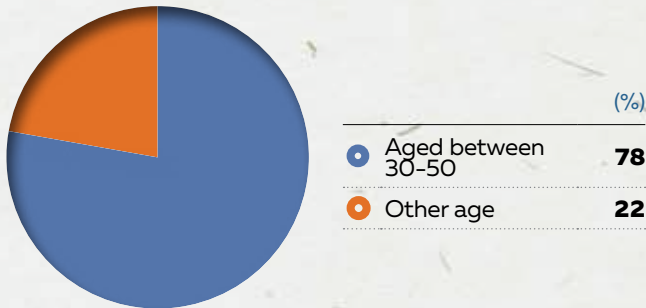
Employees are our greatest assets. We strive to shape a conducive and healthy workplace culture. We are committed to providing equal opportunities and does not condone discriminatory practices. Our Human Resources function (“HR”) is responsible for managing human resources and capitalising on our employees’ talents. We communicate our expectations on our employees’ work ethics and standards through the Staff Handbook, the Code of Conduct and Ethics, as well as the Company’s policies and procedures. [103-1] [103-2]

By supporting the local workforce, we strive to maintain a positive market presence and enhance human capital. We are proud to share that all senior management are hired from the Singapore local community. [103-3][202-2]



## TOTAL WORKFORCE [103-3]

### BY AGE GROUP



We achieved a **100% rate** of conducting career development and performance reviews for all employees in FY 2021.

## Employee Training, Career Development and Reviews

Today’s evolving business environment and regulatory landscape remind us to be more proactive in keeping employees abreast of recent industry trends through training and development. We have an internal talent management process in place to assess and develop our employees’ strengths and potentials, as well as catering resources for regular training, career development and performance reviews. [103-1][103-2]

To assist our employees with their personal development and career advancement, we ensure that all employees are provided with mobility and career development opportunities. Guided by our HR processes, we conducted annual performance appraisal exercises for all employees based on merit, providing them with valuable feedback for personal and career advancement. We achieved a 100% rate of conducting career development and performance reviews for all our employees during the reporting period. [103-2][103-3][404-3]

Aiming to achieve a competitive edge, HR has a process in place to identify employees' developmental needs and career objectives, and recommend the relevant training to raise employees' skills and knowledge level that would be useful for their position. Employees also took their own initiative, with Management's support, to sign up for external conferences and update sessions on industry and market developments. We administered internal refresher courses on compliance and regulatory requirements to ensure all employees remain informed and aware of the latest policy updates that were made, in order to mitigate risk of potential compliance breaches. [103-2][102-8]

Apart from internal compliance training, we engaged subject matter experts and professionals to conduct topic-specific training such as training sessions on climate risk assessment and a REIT-specific Rules and Ethics course that were organised this year for management and employees. As part of our efforts for building team capacity, a total of 440 training hours undertaken by employees was recorded during the reporting year. [102-27][103-2][103-3][404-1]

In future, the REIT will continue to take a non-discriminatory approach in order to provide all employees with equal and extensive training and development opportunities, as well as reviewing all employees' performance based on merit on a regular basis.

<b>Average Training Hours By Gender and Employee Category [404-1]</b>	<b>Hours</b>
<b>Management</b>	71
<b>Non-management</b>	50
<b>Male</b>	55
<b>Female</b>	53

# SUSTAINABILITY REPORT

## OUR COMMUNITY INVESTMENT

The REIT does not set itself apart from its surrounding communities. To bring lasting benefits to communities, the REIT has been focusing on cultivating cultural and social inclusivity through active community engagements in recent years. The REIT’s retail properties situated in densely populated areas, are designed as lifestyle destinations with the drive and heart to enhance the living quality of each surrounding community. In future community engagements, we will continue to place an emphasis on strengthening social inclusivity and cultural ties within neighbourhoods, and strive to continually adapt to the changing needs through community investment and engagement. [102-1][102-2][102-3][413-1]

### COMMUNITY ENGAGEMENT

## REIT Manager in Singapore

**This year, the REIT Manager team participated in a community activity held in partnership with ItsRainingRaincoats (IRR). IRR is an initiative for the benefit of migrant workers, aiming to improve their lives in Singapore, and build bridges to strengthen their integration into our broader community.**



During Christmas season, the REIT Manager team has participated in the Christmas Giving Event. Our team spent time to gift-wrap thoughtful Christmas gifts which were then handed to IRR’s volunteers for distribution to the beneficiaries.



This Christmas Giving Event was held in conjunction with IRR’s Singapore Flyer Event. Our team is glad to have contributed to this good cause.

## Beijing Wanliu

Spending special and quality time with a child is essential. To this end, Beijing Wanliu has organised some interactive family bonding activities for members that bring families together throughout the year.



During several festivals occurring throughout the year, our members brought their children along to our member-exclusive festive activities such as hands-on mooncake making, Do-It-Yourself ("DIY") lantern and DIY lion dance head.



We have also held regular art workshops for members to foster parent-child relationship, ranging from DIY terrarium, DIY bucket bag, ukulele painting, shoe painting, to wood modelling.

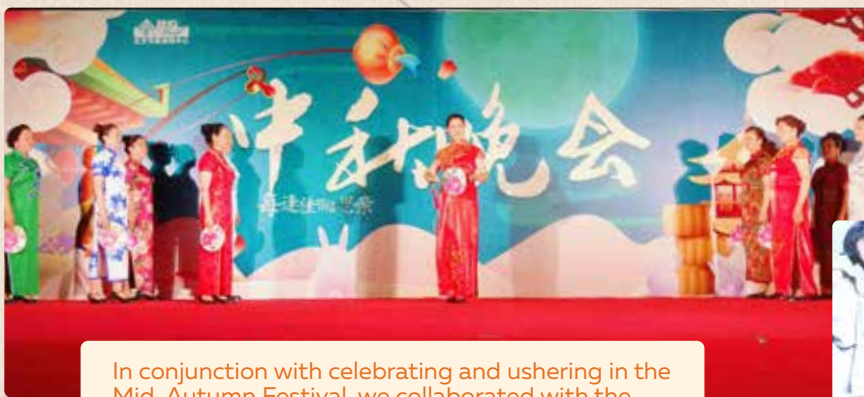
# SUSTAINABILITY REPORT

## Chengdu Konggang

This year, Chengdu Konggang featured a range of events, exhibitions, plays and cultural performances, bringing the community members together to interact and create social cohesion.



Movie viewing, exhibitions and dance performances were held at a time of national celebration to echo the community's call for national unity and to spread positive energy amongst the community.



In conjunction with celebrating and ushering in the Mid-Autumn Festival, we collaborated with the neighbouring cultural groups to entertain the community members with a variety of cultural performances.



During the Christmas period, all second-hand clothes collected in our mall were handed to "Santa" for distribution and sending warmth to the needy during this special season.



In conjunction with Children's Day, children were invited to showcase their talents on stage in the mall. Audiences were delighted by the children's performances and their applause lasted throughout the entire performance.



In our "BHG Mall Family Day Event", families within the community were invited to participate in our parent-child activities. Through this, they nurtured and deepened their parent-child bond.



Partnering with a local pet adoption centre, we held an awareness-raising pet adoption day in the mall to encourage the public to show their care for pets and animals.



Advocating a healthy lifestyle, we partnered with different organisations to carry out free health screening services for our community members.

# SUSTAINABILITY REPORT

## Hefei Changjiangxilu

Keeping in line with the REIT’s focus on cultivating cultural and social inclusivity, Hefei Changjiangxilu offered a variety of community and public welfare activities and cultural performances in 2021.



We collaborated with supermarkets in the mall to offer pocket-friendly group purchases to our neighbourhoods. Community members joining the events enjoyed special discounts for featured products.



Together with the community centres, we engaged a group of volunteers to clear the pavements, provide free haircuts, and clean curtains and utensils collected from nearby residents.



We have reached out to the communities through philanthropy. We expressed our gratitude to front-line firefighters and policemen by way of donation of essential supplies to them.





This summer, community members were engaged through interactive board game sessions organised by us and the community centres. Joy and laughter filled the mall.



In a joint effort with Qilitang community group, we held a community art show in the mall to connect neighbours and cultivate goodwill among the community members.



Throughout the year, there were awareness-raising and educational campaigns held in the mall. With support from the local government and non-profit organisations, the public was educated in areas such as health and fitness as well as supporting pet adoption.

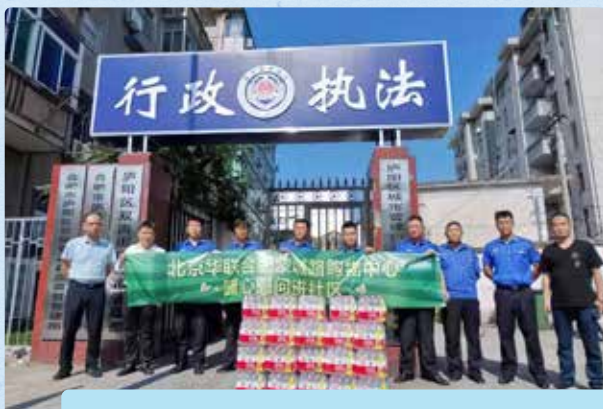
# SUSTAINABILITY REPORT

## Hefei Mengchenglu

This year, with generous support and unwavering commitment from volunteers, we reached out and gave back to the communities.



Throughout the year, our community outreach activities have extended deeply into different neighbourhoods. In each community outreach, we partnered with local community centres to distribute essentials and offer a helping hand to residents such as assisting with window replacement and delivery of fresh eggs to the residents.



On Army Day in August 2021, we visited civil servants with tributes to thank them for their service to the communities.

## GRI CONTENT INDEX

### GENERAL DISCLOSURES [102-55]

Index	GRI Disclosure	Page Number(s)	Remark(s)
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name of the organisation	78	-
102-2	Activities, brands, products, and services	78	-
102-3	Location of headquarters	78	-
102-4	Location of operations	78	-
102-5	Ownership and legal form	78	-
102-6	Markets served	78	-
102-7	Scale of the organisation	78	-
102-8	Information on employees and other workers	89	Workforce by age group in percentage is disclosed.
102-9	Supply chain	81	-
102-10	Significant changes to the organisation and its supply chain	81	-
102-11	Precautionary Principle or approach	80	-
102-12	External initiatives	81-82	-
102-13	Membership of associations	82	-
<b>STRATEGY</b>			
102-14	Statement from senior decision-maker	78-79	-
102-15	Key impacts, risks, and opportunities	23-24, 80, 83	-
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, and norms of behaviour	78	-
102-17	Mechanisms for advice and concerns about ethics	81	-
<b>GOVERNANCE</b>			
102-18	Governance structure	16, 80	Further details on organisation structure section.
102-19	Delegating authority	80	-
102-20	Executive-level responsibility for economic, environmental, and social topics	80	-
102-21	Consulting stakeholders on economic, environmental, and social topics	45	Further details on corporate governance section.
102-22	Composition of the highest governance body and its committees	26-42, 80-81	Further details on corporate governance section.

# SUSTAINABILITY REPORT

Index	GRI Disclosure	Page Number(s)	Remark(s)
<b>GOVERNANCE (CONT'D)</b>			
102-23	Chair of the highest governance body	26-42, 80-81	Further details on corporate governance section.
102-24	Nominating and selecting the highest governance body	28-33, 80-81	Further details on corporate governance section.
102-25	Conflicts of interest	45-46, 80-81	Further details on corporate governance section.
102-26	Role of highest governance body in setting purpose, values, and strategy	26-28, 80	Further details on corporate governance section.
102-27	Collective knowledge of highest governance body	89	-
102-28	Evaluating the highest governance body's performance	33-34, 80	Further details on corporate governance section.
102-29	Identifying and managing economic, environmental, and social impacts	45, 80, 83	-
102-30	Effectiveness of risk management processes	38-42, 80	Further details on corporate governance section.
102-31	Review of economic, environmental, and social topics	83	-
102-32	Highest governance body's role in sustainability reporting	79	-
102-33	Communicating critical concerns	30-31, 41-45, 81	Further details on corporate governance section.
102-34	Nature and total number of critical concerns	30-31, 41-45, 81	Further details on corporate governance section.
102-35	Remuneration policies	34	Further details on corporate governance section.
102-36	Process for determining remuneration	34-37	Further details on corporate governance section.
102-37	Stakeholders' involvement in remuneration	34-37, 45	Further details on corporate governance section.
102-38	Annual total compensation ratio		No compensation was paid or is to be paid in the form of share options.
102-39	Percentage increase in annual total compensation ratio		However, this does not rule out the possibility of the Manager doing so in the future.

Index	GRI Disclosure	Page Number(s)	Remark(s)
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	83	-
102-41	Collective bargaining agreements	Not applicable.	
102-42	Identifying and selecting stakeholders	83	-
102-43	Approach to stakeholder engagement	45, 83	-
102-44	Key topics and concerns raised	83	-
<b>REPORTING PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	117	Further details on financial statements section.
102-46	Defining report content and topic Boundaries	83-84	-
102-47	List of material topics	83-84	-
102-48	Restatements of information	No restatements were observed.	
102-49	Changes in reporting	No major changes were observed.	
102-50	Reporting period	79	-
102-51	Date of most recent report	79	The most recent Sustainability Report was published in April 2021.
102-52	Reporting cycle	79	-
102-53	Contact point for questions regarding the report	79	-
102-54	Claims of reporting in accordance with the GRI Standards	79	-
102-55	GRI content index	97-100	-
102-56	External assurance	79	-

# SUSTAINABILITY REPORT

## MANAGEMENT APPROACH AND SPECIFIC DISCLOSURES [102-55]

Index	GRI Disclosure	Page Number(s)	Remark(s)
<b>CATEGORY: ECONOMIC</b>			
<b>Economic Performance and Market Presence</b>			
103-1,2,3	Management Approach	39-42, 106	Further details on corporate governance and financial statements section.
201-1	Direct economic value generated and distributed	03-05, 109-116	Further details on key highlights, year at a glance, and financial statements section.
202-2	Proportion of senior management hired from the local community	88	-
<b>CATEGORY: ENVIRONMENT</b>			
<b>Energy</b>			
103-1,2,3	Management Approach	85-86	-
302-1	Energy consumption within the organisation	86	-
302-3	Energy intensity	86	-
<b>Water</b>			
103-1,2,3	Management Approach	87	-
303-3	Water withdrawal	87	-
303-5	Water consumption	87	-
<b>Water (Construction and Real Estate Sector Disclosures)</b>			
G4-CRE2	Building water intensity	87	-
<b>Emission</b>			
103-1,2,3	Management Approach	85-86	-
305-2	Energy indirect (Scope 2) GHG emissions	86	-
<b>CATEGORY: SOCIAL</b>			
<b>Training and Education</b>			
103-1,2,3	Management Approach	88-89	-
404-1	Average hours of training per year per employee	89	-
404-3	Percentage of employees receiving regular performance and career development reviews	88	-
<b>Local Communities</b>			
103-1,2,3	Management Approach	90	-
413-1	Operations with local community engagement, impact assessments, and development programmes	90-96	-

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# REPORT OF THE TRUSTEE

DBS Trustee Limited (the "**Trustee**") is under a duty to take into custody and hold the assets of BHG Retail REIT (the "**REIT**") in trust for the Unitholders (the "**Unitholders**"). In accordance with the Securities and Futures Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of BHG Retail Trust Management Pte. Ltd. (the "**Manager**") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020) (collectively the "**Trust Deed**") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages 109 to 175 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

**For and on behalf of the Trustee,  
DBS Trustee Limited**

**Chan Kim Lim**  
*Director*

**Singapore**  
28 March 2022



# STATEMENT BY THE MANAGER

In the opinion of the directors of BHG Retail Trust Management Pte. Ltd. (the “**Manager**”), the accompanying financial statements set out on pages 109 to 175 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in unitholders’ (the “**Unitholders**”) funds of BHG Retail REIT (the “**REIT**”) and its subsidiaries (the “**Group**”) and of the REIT, the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the REIT and the portfolio of the Group as at 31 December 2021, the total return, distributable income and movements in Unitholders’ funds of the Group and of the REIT and cash flows of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020). At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

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

**Francis Siu Wai Keung**

*Director*

**Singapore**

28 March 2022

# INDEPENDENT AUDITORS' REPORT

## UNITHOLDERS BHG RETAIL REIT

(Constituted under a Trust Deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020) in the Republic of Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of BHG Retail REIT (the "**REIT**") and its subsidiaries (the "**Group**"), which comprise the statement of financial position and the portfolio statement of the Group and the statement of financial position of the REIT as at 31 December 2021, the statement of total return, distribution statement, statement of movements in Unitholders' funds and statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 109 to 175.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT present fairly, in all material respects, the financial position and portfolio holdings of the Group and the financial position of the REIT as at 31 December 2021 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the REIT for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants.

### Basis for opinion

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

### Key audit matters

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

# INDEPENDENT AUDITORS' REPORT

## VALUATION OF INVESTMENT PROPERTIES

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

### *Risk*

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

These investment properties are stated at their fair values based on independent external valuations.

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

### *Our response*

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

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

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

### *Our findings*

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

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

# INDEPENDENT AUDITORS' REPORT

## **Other information**

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

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

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

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

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

## **Responsibilities of the Manager for the Financial Statements**

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

# INDEPENDENT AUDITORS' REPORT

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

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

The engagement partner on the audit resulting in this independent auditors' report is Yap Wee Kee.

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

28 March 2022

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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

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

# STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2021

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

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



# DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

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

The distribution relating to 1 July 2021 to 31 December 2021 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

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

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

# DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## Note A – Distribution adjustments

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

<sup>(1)</sup> Excludes share attributable to non-controlling interests

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2021

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

## Non-controlling interest

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

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

# PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2021

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

<sup>(1)</sup> 33 years of remaining term lease for underground car parking use.

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

# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

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

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

# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

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

**Notes:**

**Significant non-cash transactions**

- (i) The Manager's management fees for the year ended 31 December 2020 was S\$1,118,000, out of which, S\$480,000 was paid through the issuance of 842,000 Units subsequent to the year end.
- (ii) The Property Manager's management fees for the year were S\$824,000 (2020: S\$761,000). S\$407,000 (2020: S\$353,000) was paid during the year through the issuance of 732,000 (2020: 663,000) Units and the remaining S\$417,000 (2020: S\$408,000) will be paid through the issuance of 735,000 (2020: 723,000) Units subsequent to the year end.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of the financial statements.

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

## 1. GENERAL

BHG Retail REIT (the "REIT") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020) (collectively the "Trust Deed") between BHG Retail Trust Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the REIT held by it or through its subsidiaries (the "Group") in trust for the holders of units ("Units") in the REIT.

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

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

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

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

### (i) Trustee's fees

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

### (ii) Manager's management fees

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL (CONT'D)

### (iii) Property management fees

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

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

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

## 2. BASIS OF PREPARATION

### 2.1 Going concern

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

### 2.2 Statement of compliance

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 Reporting Framework for Unit Trusts issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("SFRS"). The changes to significant accounting policies are described in note 2.6.

### 2.3 Basis of measurement

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2.4 Functional and presentation currency

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

### 2.5 Use of estimates and judgements

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

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

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

#### Measurement of fair values

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 2.6 Changes in accounting policies

#### New standards and amendments

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

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

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.6, which addresses changes in accounting policies.

### 3.1 Basis of consolidation

#### (i) Business combinations

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

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

#### (ii) Subsidiaries

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

(ii) Subsidiaries (cont'd)

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

(v) Accounting for subsidiaries by the REIT

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

### 3.2 Foreign currency

(i) Foreign currency transactions

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Foreign currency (cont'd)

#### (i) Foreign currency transactions (cont'd)

Foreign currency differences arising on translation are generally recognised in statement of total return. However, foreign currency differences arising from the translation of the following items are recognised in Unitholders' Funds:

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

#### (ii) Foreign operations

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

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

#### (iii) Net investment in a foreign operation

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

### 3.3 Financial instruments

#### (i) Recognition and initial measurement

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.3 Financial instruments (cont'd)

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

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

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

- (ii) Classification and subsequent measurement

#### ***Non-derivative financial assets***

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

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

#### *Financial assets at amortised cost*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.3 Financial instruments (cont'd)

#### (iii) Derecognition

##### **Financial assets**

The Group derecognises a financial asset when:

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

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

##### **Financial liabilities**

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

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

#### (iv) Offsetting

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

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.3 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting

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

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

#### *Cash flow hedges*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.3 Financial instruments (cont'd)

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

#### ***Other non-trading derivatives***

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

### 3.4 Investment properties

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

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

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

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

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

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

### 3.5 Plant and equipment

- (i) Recognition and measurement

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.5 Plant and equipment (cont'd)

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

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

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.6 Impairment

(i) Non-derivative financial assets

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

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

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

*Simplified approach*

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

*General approach*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.6 Impairment (cont'd)

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

##### *Measurement of ECLs*

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

##### *Credit-impaired financial assets*

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

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

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

##### *Presentation of allowance for ECLs in the statement of financial position*

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

##### *Write-off*

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.6 Impairment (cont'd)

#### (ii) Non-financial assets

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

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

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

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

### 3.7 Unitholders' funds

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.8 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

### 3.9 Distribution policy

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

### 3.10 Revenue recognition

(i) Rental income

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

(ii) Dividend income

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.11 Expenses

- (i) Property expenses

Property expenses are recognised on an accrual basis.

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

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

### 3.12 Finance income and finance costs

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

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

### 3.13 Leases

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

- (i) As a lessee

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.13 Leases (cont'd)

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

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

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

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

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

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

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

#### (ii) As a lessor

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.13 Leases (cont'd)

(ii) As a lessor (cont'd)

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

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

### 3.14 Taxation

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### 3.14 Taxation (cont'd)

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

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

### 3.15 Earnings per Unit

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

### 3.16 Segment reporting

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

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

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

### 3.17 New standards and interpretations not adopted

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

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

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

## 4. INVESTMENT PROPERTIES

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

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

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the year amounted to S\$3.0 million (2020: S\$3.0 million).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 4. INVESTMENT PROPERTIES (CONT'D)

### Fair value

Investment properties are stated at fair value based on valuation as at 31 December 2021 performed by independent professional valuers having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The valuation reports obtained from the independent valuers for our properties contain the "material valuation uncertainty" clause due to the ongoing market disruption caused by the COVID-19 pandemic. Given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. This clause does not invalidate the valuations, but implies that there is substantially more uncertainty than under normal market conditions. As explained under Note 3.4, valuation of investment properties is performed in accordance with the Trust Deed. The Manager reviews the key valuation parameters and underlying data including discount rates, terminal growth rates, term yield and reversionary rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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

The valuers have considered valuation techniques including the discounted cash flow method, and capitalisation approach. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The capitalisation approach capitalises an income stream into a present value using single-year capitalisation rates.

### Level 3 fair values

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

Valuation methods	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows approach	Discount rates from 7.0% to 8.0% (2020: 7.5% to 8.0%) per annum	The fair value increases as discount rate decreases.
	Terminal growth rates 3.0% (2020: 3.0%)	The fair value increases as terminal growth rate increases.
Income capitalisation approach	Term yield from 4.5% to 5.5% (2020: 4.5% to 5.5%)	The fair value increases as term yield decrease.
	Reversionary rates from 5.0% to 6.0% (2020: 5.0% to 6.0%)	The fair value increases as reversionary rate decrease

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 4. INVESTMENT PROPERTIES (CONT'D)

### Security

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

## 5. PLANT AND EQUIPMENT

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 6. INTERESTS IN SUBSIDIARIES

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

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity held by the Group	
		2021 %	2020 %
<b>Held by the REIT</b>			
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
<b>Held through subsidiaries</b>			
Beijing Hualian Wanmao Shopping Mall Management Co., Ltd.**	People's Republic of China	60	60
Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd.**	People's Republic of China	100	100
Qinghai Xinglian Real Property Co., Ltd.**	People's Republic of China	100	100
Chengdu Hairong Xingda Real Property Co., Ltd.**	People's Republic of China	100	100
Dalian Hualian Commercial Facilities Operation Co., Ltd.**	People's Republic of China	100	100
Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd.**	People's Republic of China	100	100

\* Audited by KPMG LLP Singapore

\*\* Audited by KPMG China

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

### *Impairment of investment in subsidiaries*

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

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

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

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

### Unrecognised deferred tax assets

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

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

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

## 8. TRADE AND OTHER RECEIVABLES

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 8. TRADE AND OTHER RECEIVABLES (CONT'D)

### Exposure to credit risk

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

	Group		REIT	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Beijing	687	652	-	-
Chengdu	504	400	-	-
Hefei	132	388	-	-
Dalian	1	1	-	-
Singapore	1,045	1,146	348	441
	<u>2,369</u>	<u>2,587</u>	<u>348</u>	<u>441</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 2021:

	Gross carrying amount S\$'000	Group impairment loss allowance S\$'000	Credit impaired
<b>2021</b>			
Not past due	1,225	-	No
Past due 1 - 30 days	22	-	No
Past due 31 - 60 days	1	-	No
Past due 61 - 90 days	8	-	No
More than 90 days due	1,240	(127)	Yes
	<u>2,496</u>	<u>(127)</u>	
<b>2020</b>			
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>	

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 8. TRADE AND OTHER RECEIVABLES (CONT'D)

*Movements in allowance for impairment in respect of trade receivables*

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

	<b>Group</b>	
	<b>Individually impaired 2021 S\$'000</b>	<b>Individually impaired 2020 S\$'000</b>
At 1 January per FRS 109	88	55
Impairment losses recognised	39	33
At 31 December per FRS 109	127	88

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

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

## 9. CASH AND CASH EQUIVALENTS

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

## 10. LOANS AND BORROWINGS

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Terms and debt repayment schedule

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

	Nominal interest rate per annum %	Year of maturity	Face value S\$'000	Carrying amount S\$'000
<b>2021</b>				
<b>Group</b>				
SGD unsecured floating rate loan	3.94-3.95	2022	5,000	5,000
SGD secured floating rate loan	2.37-2.56	2022	177,775	177,301
USD secured floating rate loan	2.35-2.47	2022	59,129	58,966
SGD secured floating rate loan	2.92-2.97	2022	2,000	2,000
RMB secured floating rate loan	5.70	2022	40,849	40,849
RMB secured floating rate loan	5.70	2022	11,353	11,338
			<u>296,106</u>	<u>295,454</u>
<b>REIT</b>				
SGD unsecured floating rate loan	3.94-3.95	2022	5,000	5,000
SGD secured floating rate loan	2.37-2.56	2022	177,775	177,301
USD secured floating rate loan	2.35-2.47	2022	59,129	58,966
SGD secured floating rate loan	2.92-2.97	2022	2,000	2,000
			<u>243,904</u>	<u>243,267</u>
<b>2020</b>				
<b>Group</b>				
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
			<u>294,842</u>	<u>291,635</u>
<b>REIT</b>				
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
			<u>243,827</u>	<u>240,696</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### *Facilities and securities*

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

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the six (2020: six) subsidiaries in China.

The offshore facility is secured by way of a charge on 100% REIT's shareholding in the Singapore holding companies, an equity pledge on Petra 1 (China) Mall Pte. Ltd.'s 60% equity interest in Beijing Hualian Wanmao Shopping Mall Management Co., Ltd., and equity pledges on the remaining five (2020: five) Singapore holding companies' 100% equity interest in the respective subsidiaries in China and restricted cash amounting to S\$1,924,000 (2020: S\$4,045,000) was set aside.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

	Loans and borrowings S\$'000	Interest payable (Note 11) S\$'000	Total S\$'000
<b>Balance at 1 January 2021</b>	291,635	3,425	295,060
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	7,000	-	7,000
Repayment of borrowings	(8,250)	-	(8,250)
Interest paid	-	(9,493)	(9,493)
	(1,250)	(9,493)	(10,743)
<b>Non-cash changes</b>			
Effects of changes in foreign exchange rates	2,576	249	2,825
Amortisation of borrowing costs	2,493	-	2,493
Interest expense	-	11,885	11,885
	5,069	12,134	17,203
<b>Balance at 31 December 2021</b>	295,454	6,066	301,520
<b>Balance at 1 January 2020</b>	278,584	2,643	281,227
<b>Changes from financing cash flows</b>			
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)
<b>Non-cash changes</b>			
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
<b>Balance at 31 December 2020</b>	291,635	3,425	295,060

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 11. TRADE AND OTHER PAYABLES

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

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

## 12. FINANCIAL DERIVATIVES

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

### *Interest rate swaps*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 13. UNITHOLDERS' FUNDS

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

(a) Statutory reserve

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

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

(b) The foreign currency translation reserve comprises:

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

(c) Hedging reserve

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 14. NON-CONTROLLING INTERESTS

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

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

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

## 15. UNITS IN ISSUE

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

- (a) On 9 March 2021, the REIT issued 378,000 new Units at an issue price of S\$0.5512 per Unit as payment of the Property Manager's management fees, for the period from 1 July 2020 to 30 September 2020.
- (b) On 9 March 2021, the REIT issued 345,000 new Units at an issue price of S\$0.5785 per Unit as payment of the Property Manager's management fees, for the period from 1 October 2020 to 31 December 2020.
- (c) On 10 September 2021, the REIT issued 374,000 new Units at an issue price of S\$0.5565 per Unit as payment of the Property Manager's management fees, for the period from 1 January 2021 to 31 March 2021.
- (d) On 10 September 2021, the REIT issued 359,000 new Units at an issue price of S\$0.5565 per Unit as payment of the Property Manager's management fees, for the period from 1 April 2021 to 30 June 2021.

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

Beijing HuaLian Group(Singapore)International Trading Pte.Ltd.(the “Strategic Investor”), has entered into a deed of distributions undertaking (the “Distributions Undertaking”) dated 23 November 2015 with the Trustee and the Manager, which has expired as of 1 January 2021, pursuant to which the Strategic Investor has irrevocably and unconditionally undertaken and acknowledged that notwithstanding the provisions of the Trust Deed, the following Strategic Investor Units shall not be entitled to any distributions in accordance with the Distributions Undertaking:

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

- participate in the termination of the REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of the REIT less any liabilities, in accordance with their proportionate interests in the REIT. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the REIT and is not entitled to the transfer of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of the REIT; and
- attend all Unitholders’ meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10.0% of the issued Units) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder’s right is limited to the right to require due administration of the REIT in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his Units while the Units are listed on the SGX-ST.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 16. TOTAL UNITHOLDERS' DISTRIBUTION

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

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

- profits from operations arising from the investment properties which are declared as dividend income after the financial year, as the case may be, and accordingly also received as dividends by the REIT after that year;
- adjustment for changes in fair value and the related deferred taxation of investment properties;
- adjustment for amortisation of debt establishment costs;
- adjustment for statutory reserve transferred from subsidiaries' profits; and
- adjustments for REIT expenses that are paid in Units and certain unrealised expenses.

### *Income available for distribution to Unitholders at end of the year*

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

Distributions for the period from 1 January 2021 to 30 June 2021 had been paid on 28 September 2021. Distributions for the period from 1 July 2021 to 31 December 2021 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

## 17. OTHER PROPERTY OPERATING EXPENSES

	Group	
	2021 S\$'000	2020 S\$'000
Advertising and promotion	2,493	2,265
Depreciation of plant and equipment	111	107
Impairment losses recognised on trade and other receivables	39	33
Repair and maintenance	6,217	5,036
Staff costs	2,049	1,724
Utilities	8,054	6,444
Others	313	372
	19,276	15,981

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 18. OTHER OPERATING EXPENSES

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

## 19. FINANCE INCOME AND FINANCE COSTS

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 20. TAXATION

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 21. EARNINGS PER UNIT

### Basic earnings per Unit

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

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

### Diluted earnings per Unit

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 22. RELATED PARTY TRANSACTIONS

The Manager, being BHG Retail Trust Management Pte. Ltd. is an indirect wholly-owned subsidiary of the Sponsor of the REIT. The Property Manager, being BHG Mall (Singapore) Property Management Pte Ltd is an indirect wholly-owned subsidiary of the Sponsor of the REIT.

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

## 23. FINANCIAL RATIOS

	Group	
	2021	2020
	%	%
Ratio of expenses to average net asset value <sup>(1)</sup>	0.72	0.52
Ratio of expenses to net asset value <sup>(2)</sup>	4.89	4.32

Notes:

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

<sup>(2)</sup> The annualised ratio is computed based on total operating expenses, including all fees and charges paid to the Manager and related parties for the financial year (2021: S\$32,114,000 and 2020: S\$26,428,000) and as a percentage of net asset value as at the financial year end.

## 24. OPERATING SEGMENTS

The Group has 6 (2020: 6) reportable segments, as described below, which are the Group's investment properties. The investment properties are managed separately because they require different operating and marketing strategies. For each of the investment properties, the CODMs review internal management reports on a monthly basis.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24. OPERATING SEGMENTS (CONT'D)

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

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

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

For the purpose of monitoring segment performance, the Group's CODMs monitor the non-financial assets as well as financial assets attributable to each segment.

### Information about reportable segments

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24. OPERATING SEGMENTS (CONT'D)

### Information about reportable segments

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24. OPERATING SEGMENTS (CONT'D)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24. OPERATING SEGMENTS (CONT'D)

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

### Geographical segments

All of the Group's investment properties are used for retail purposes and are located in China.

### Major tenant

Revenue from one tenant of the Group, which is a related party of the Sponsor, contributed approximately S\$8.7 million (2020: S\$9.1 million) of the Group's total revenue.

## 25. COMMITMENTS

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 26. CAPITAL AND FINANCIAL RISK MANAGEMENT

### *Capital management*

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

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Fund Appendix"). The Property Fund Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 50.0% (2020: 50.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 50.0% (2020: 50.0%) during the year, and was 34.1% (2020: 35.7%) as at 31 December 2021. The interest coverage ratio is 2.8 times (2020: 2.3) at of 31 December 2021.

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

### *Financial risk management*

#### *Overview*

The Group's returns are primarily from net operating income and capital appreciation of its assets. However, these returns are exposed to financial risks including credit, liquidity, interest rate and foreign currency risks.

Financial risk management is integral to the whole business of the Group. The Group adopts an integrated approach to manage the financial risks arising in the normal course of the Group's business. The Group has written risk management policies and guidelines, and established processes to monitor and manage significant exposures. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group adheres to standardised accounting and financial policies and exercises effective controls over the financial affairs of its subsidiaries. This is achieved by ensuring group-wide adherence to a comprehensive set of guidelines covering contracts, policies and procedures and other requirements. Adequate measures are in place to ensure that the reliability and integrity of financial information compiled from subsidiaries are kept intact.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### *Credit risk*

While it is necessary to assume a certain level of tenant credit risks to remain competitive in China, the Group has established credit limits for tenants and monitors their balances on an ongoing basis. Risks associated with credit limits are reflected in the level of security deposits and bank guarantees placed as collateral in respect of the leases. Appropriate risk mitigating actions are in place to manage trade receivables.

In monitoring tenant credit risk, tenants are grouped according to their credit characteristics, including their geographical location, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

The derivatives are entered into with bank and financial institution counterparties, which are rated from Baa2 to Aa1, based on Moody's ratings.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Liquidity risk

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Liquidity risk (cont'd)

	Carrying amount S\$'000	Contractual cash flow S\$'000	Within 1 year S\$'000	After 1 year but within 5 years S\$'000	After 5 years S\$'000
<b>31 December 2020</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
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	-
	<u>338,972</u>	<u>353,052</u>	<u>55,903</u>	<u>297,149</u>	<u>-</u>
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging (net-settled)	3,302	3,302	3,302	-	-
	<u>342,274</u>	<u>356,354</u>	<u>59,205</u>	<u>297,149</u>	<u>-</u>
<b>REIT</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	240,696	251,115	14,034	237,081	-
Trade and other payables	63,670	70,135	11,875	58,260	-
	<u>304,366</u>	<u>321,250</u>	<u>25,909</u>	<u>295,341</u>	<u>-</u>
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging (net-settled)	3,302	3,302	3,302	-	-
	<u>307,668</u>	<u>324,552</u>	<u>29,211</u>	<u>295,341</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 2021

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

### *Liquidity risk (cont'd)*

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

Chinese Renminbi ("RMB") denominated facility:

- RMB302.0 million three-year secured term loan facilities

S\$ denominated facilities:

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

US\$ denominated facilities:

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

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

### *Market risk*

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

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

### *Interest rate risk*

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

The Manager proactively seeks to minimise the level of interest rate risk by locking a portion of the Group's borrowings at fixed rates. As at 31 December 2021, the Group has entered into interest rate swaps with a total notional amount of S\$145.2 million (2020: S\$144.3 million) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured term loans.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Managing interest rate benchmark reform and associated risks

#### Overview

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

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

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

#### Derivatives

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Hedge accounting

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Cash flow sensitivity analysis for variable rate instruments

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

\* 100 basis point is equivalent to 1 percentage point

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Foreign currency risk

The Group is exposed to foreign currency risk on cash holdings and operating expenses that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily USD.

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

The Group exposures to foreign currencies are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Sensitivity analysis

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

	Statements of total return	
	Group S\$'000	REIT S\$'000
<b>31 December 2021</b>		
RMB	-	5,916
USD	5,911	5,911
	<u>5,911</u>	<u>11,827</u>
<b>31 December 2020</b>		
RMB	-	5,428
USD	5,792	5,793
	<u>5,792</u>	<u>11,221</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 2021, the Group held the following instruments to hedge exposures to changes in interest rates.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Hedge accounting (cont'd)

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Hedge accounting (cont'd)

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### Accounting classifications and fair values

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

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

	Carrying amount				Fair value			
	Fair value hedging instruments S\$'000	Financial assets at amortised cost S\$'000	Other financial liabilities S\$'000	Total carrying amount S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<b>Group</b>								
<b>31 December 2020</b>								
<b>Financial assets not measured at fair value</b>								
Trade and other receivables	-	2,587	-	2,587				
Cash and cash equivalents	-	48,272	-	48,272				
	-	50,859	-	50,859				
<b>Financial liabilities measured at fair value</b>								
Interest rate swaps used for hedging	3,302	-	-	3,302	-	3,302	-	3,302
<b>Financial liabilities not measured at fair value</b>								
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				
<b>REIT</b>								
<b>31 December 2020</b>								
<b>Financial assets not measured at fair value</b>								
Trade and other receivables	-	441	-	441				
Cash and cash equivalents	-	4,159	-	4,159				
	-	4,600	-	4,600				
<b>Financial liabilities measured at fair value</b>								
Interest rate swaps used for hedging	3,302	-	-	3,302	-	3,302	-	3,302
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	-	-	63,670	63,670	-	61,342	-	61,342
Loans and borrowings	-	-	240,696	240,696				
	-	-	304,366	304,366				

### Estimation of fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and REIT.

#### Interest-bearing borrowings

The carrying amounts of the floating rate loans approximates its fair value as these amounts are interest-bearing of market interest rates that reprice every quarter.

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



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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

### *Security deposits and trade and other payables*

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

### *Interest rate swaps*

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

### *Other financial assets and liabilities*

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

### *Interest rates used in determining fair values*

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve as at 31 December 2021 plus an adequate constant credit spread, and are as follows:

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

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

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

## 27. SUBSEQUENT EVENTS

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

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

# INTERESTED PERSONS TRANSACTIONS

The transactions entered into with interested persons for the financial year ended 31 December 2021, 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
<b>Beijing Hualian Group Investment Holding Co., Ltd. and its subsidiaries or associates</b>	<b>Controlling shareholder of the Manager and Controlling Unitholder, and its subsidiaries and associates</b>		
• Management fees		1,456	-
– base component		752	-
– performance component		203	-
– reimbursables		8,376	-
• Property maintenance fees		2,707	-
• Property management fees and reimbursables			
<b>DBS Trustee Limited</b>	<b>Trustee</b>		
• Trustee’s fees		161	-

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 2021 or if not then subsisting, entered into since the end of FY 2021.

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. The Manager has obtained Unitholders’ approval for the renewal of the Master Property Management Agreement and the Individual Property Management Agreements in the annual general meeting held on 27 April 2021.

## SUBSCRIPTION OF BHG RETAIL REIT UNITS

An aggregate of 1,456,000 Units were issued in relation to the partial Property Manager’s management fees paid during the year. As at 31 December 2021, the total number of BHG Retail REIT Units in issue and outstanding was 512,450,442. In the first quarter of 2022, 735,000 Units will be issued to the Property Manager for its management fees for the third and fourth quarter of 2021.

# STATISTICS OF UNITHOLDINGS

AS AT 8 MARCH 2022

## ISSUED AND FULLY PAID UNITS

512,450,442 (Voting rights: one vote per Unit)

There is only one class of Units.

There are no treasury Units in BHG Retail REIT.

## DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 - 99	1	0.12	50	0.00
100 - 1,000	127	15.05	86,900	0.02
1,001 - 10,000	469	55.57	2,601,800	0.50
10,001 - 1,000,000	235	27.84	8,897,750	1.74
1,000,001 and above	12	1.42	500,863,942	97.74
	844	100.00	512,450,442	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	28.94
2.	DBS NOMINEES (PRIVATE) LIMITED	110,556,500	21.57
3.	ABN AMRO CLEARING BANK N.V.	67,779,600	13.23
4.	DBSN SERVICES PTE. LTD.	67,062,900	13.09
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	31,692,000	6.18
6.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	23,396,400	4.57
7.	BEIJING HUALIAN MALL (S) COMMERCIAL MANAGEMENT PTE LTD	19,299,000	3.77
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.	BHG MALL (SINGAPORE) PROPERTY MANAGEMENT PTE LTD	6,703,286	1.31
11.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,405,400	1.25
12.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,133,000	0.61
13.	RAFFLES NOMINEES (PTE.) LIMITED	451,100	0.09
14.	LIM CHIN GUAN	394,500	0.08
15.	LAU TECK SIEN LIU DEXIAN	375,000	0.07
16.	BAN HONG KEE HOLDINGS PTE LTD	341,900	0.07
17.	HUANG SHU HUA	285,100	0.06
18.	IFAST FINANCIAL PTE. LTD.	238,100	0.05
19.	XU ZHE	187,600	0.04
20.	MERRILL LYNCH (SINGAPORE) PTE. LTD.	152,500	0.03
	Total	503,289,742	98.24

# STATISTICS OF UNITHOLDINGS

AS AT 8 MARCH 2022

## SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

Name	Direct Interest	%	Deemed Interest	%	Total	%
Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup>	-	-	190,838,142	37.24	190,838,142	37.24
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd <sup>(1)</sup>	148,310,300	28.94	-	-	148,310,300	28.94
Beijing Hualian Department Store Co., Ltd. <sup>(2)</sup>	-	-	34,402,842	6.71	34,402,842	6.71
Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. <sup>(2)</sup>	19,299,000	3.76	15,103,842	2.95	34,402,842	6.71
Hainan Hong Ju Industrial Co. Ltd. <sup>(3)</sup>	-	-	190,838,142	37.24	190,838,142	37.24
Hainan Hong Ju Culture Media Group Limited <sup>(4)</sup>	-	-	190,838,142	37.24	190,838,142	37.24
Qianhai International Holdings Co., Limited <sup>(5)</sup>	-	-	67,623,500	13.20	67,623,500	13.20
Chanchai Ruayrungruang <sup>(6)</sup>	-	-	67,062,900	13.09	67,062,900	13.09
Zhang Chongyu <sup>(7)</sup>	-	-	60,817,140	11.87	60,817,140	11.87

### Notes:

- <sup>(1)</sup> Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ("**BHG SIT**") and is deemed interested in the 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 27.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("**BHDS**"). Accordingly, Beijing Hualian Group is deemed interested in the 34,402,842 Units deemed interested by BHDS.  
Therefore, Beijing Hualian Group is deemed interested in an aggregate of 190,838,142 Units.
- <sup>(2)</sup> 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 34,402,842 Units, which include 19,299,000 Units held by BHM SCM, 8,400,556 Units owned by the RM and the 6,703,286 Units owned by the PM.
- <sup>(3)</sup> Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of Beijing Hualian Group and is deemed interested in the Units that Beijing Hualian Group is deemed interested in.
- <sup>(4)</sup> Hainan Hong Ju Culture Media Group Limited holds 51.0% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd. and is deemed to be interested in the Units that Hainan Hong Ju Industrial Co., Ltd. is deemed interested in.
- <sup>(5)</sup> Qianhai International Holdings Co., Limited is deemed to have an interest in the 67,623,500 Units held through its nominee.
- <sup>(6)</sup> Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,062,900 Units held through his nominee.
- <sup>(7)</sup> Mr Zhang Chongyu 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 2022

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	-
	<b>625,000</b>	<b>-</b>

## PERCENTAGE OF UNITHOLDINGS IN PUBLIC'S HANDS

Based on the information made available to the Manager as at 8 March 2022, approximately 24.46% of the issued Units in BHG Retail REIT are held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

## BHG RETAIL REIT

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

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of the holders of units of BHG Retail REIT (the "**Unitholders**") will be convened and held by way of electronic means on **Thursday, 28 April 2022 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 2021 and the Auditors' Report thereon.  
**(Ordinary Resolution 1)**
2. To re-appoint Messrs KPMG LLP as the Auditors of BHG Retail REIT to hold office until the conclusion of the next annual general meeting of BHG Retail REIT, and to authorise the Manager to fix their remuneration.  
**(Ordinary Resolution 2)**

### AS SPECIAL BUSINESS

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

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

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of Units that 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

**BY ORDER OF THE BOARD**

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

**Zhan Aijuan**  
Secretary

Singapore  
1 April 2022

# 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 fifty per cent (50%) of the total number of issued Units with a sub-limit of twenty per cent (20%) for issues other than on pro rata basis to Unitholders.

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

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

## NOTES:

1. The AGM is being convened, and will be held, by 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 will not be sent to Unitholders. Instead, this Notice will be sent to Unitholders by electronic means via publication on BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html> and will also be made available on the SGX-ST's website at the URL <https://www.sgx.com/securities/company-announcements>.
2. **As the AGM will be convened and held by way of electronic means, a Unitholder will not be able to attend the AGM in person.** Alternative arrangements relating to 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 1 April 2022. Any reference to a time of day is made by reference to Singapore time.
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 <https://bhgreit.listedcompany.com/agm2022/register> from now till **11.00 a.m. on 25 April 2022** 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 **5.00 p.m. on 27 April 2022**. Unitholders who do not receive an email by **5.00 p.m. on 27 April 2022** but have registered by the 25 April 2022 deadline should contact BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at +65 6536 5355, during its operating hours from Monday to Friday at 9.00 a.m. to 5.30 p.m., or via email at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).



# NOTICE OF ANNUAL GENERAL MEETING

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 9 April 2022**.

- (a) if submitted electronically, be submitted:
  - (i) via the pre-registration website at the URL <https://bhgreit.listedcompany.com/agm2022/register>; or
  - (ii) via email to BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).
- (b) if submitted by post, be deposited at the office of BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632.

Unitholders 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, latest by **22 April 2022**. 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 will not 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 26 April 2022** being forty-eight (48) hours before the time fixed for the AGM in the following manner:

- (a) if submitted by post, be lodged at the office of BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632; or
- (b) if submitted electronically, be submitted via email to BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).

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

**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.**

# NOTICE OF ANNUAL GENERAL MEETING

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 18 April 2022**.

“**relevant intermediary**” means:

- (i) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore, and who holds Units in that capacity; or
  - (iii) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act 1953 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
8. The Chairman of the AGM, as proxy, need not be a Unitholder of BHG Retail REIT.
9. The Annual Report 2021 may be accessed at BHG Retail REIT’s website at the URL <http://bhgreit.listedcompany.com/ar.html> by clicking on the link for “Annual Report 2021”.
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 1 April 2022 (the "Notice of AGM") will not be sent to unitholders. Instead, the Notice of AGM will be sent to unitholders by electronic means via publication on BHG Retail REIT's corporate website at the URL <http://bhgreit.listedcompany.com/newsroom.html>, and will also be made available on Singapore Exchange Securities Trading Limited's (the "SGX-ST") website at the URL <https://www.sgx.com/securities/company-announcements>.
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 1 April 2022.
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 18 April 2022.
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 will not 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 **Thursday, 28 April 2022, 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 <sup>#</sup>	Against <sup>#</sup>	Abstain <sup>#</sup>
1	To receive and adopt the Report of DBS Trustee Limited, as trustee of BHG Retail REIT, the Statement by BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the "Manager"), and the Audited Financial Statements of BHG Retail REIT for the financial year ended 31 December 2021 and the Auditors' Report thereon.			
2	To re-appoint Messrs KPMG LLP as Auditors of BHG Retail REIT and authorise the Manager to fix the Auditors' remuneration.			
3	To authorise the Manager to issue Units and make or grant convertible instruments.			

\* Delete accordingly.

# If you wish to exercise all your votes "For", "Against" or to "Abstain", please indicate with a "✓" within the relevant box provided. Alternatively, please indicate the number of votes as appropriate. 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 \_\_\_\_\_ 2022

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

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

**Notes:**

1. **As the AGM will be convened and held by way of electronic means, a unitholder will not be able to attend the AGM in person.** 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 18 April 2022.
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.

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 26 April 2022, being forty-eight (48) hours before the time fixed for the AGM, in the following manner:
  - a. if submitted by post, be lodged at the office of BHG Retail REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632; or
  - b. if submitted electronically, be submitted via email to BHG Retail REIT's Unit Registrar at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com).

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

**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.**

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.

Affix  
Postage  
Stamp

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

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

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# 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 Yap Wee Kee  
Since financial year ended  
31 December 2021

### UNIT REGISTRAR

#### Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue, #14-07,  
Keppel Bay Tower,  
Singapore 098632  
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 Zhan Aijuan**



**BHG RETAIL TRUST MANAGEMENT PTE. LTD.**

250 North Bridge Road  
Raffles City Tower #32-01  
Singapore 179101

Tel : +65 6805 8288

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