



**BUILDING  
ON OUR  
STRENGTHS**



**7.39%**  
ANNUALISED  
DISTRIBUTION YIELD

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



**+2.8%**  
DISTRIBUTION  
PER UNIT ("DPU")



**99.7%**  
PORTFOLIO  
COMMITTED  
OCCUPANCY

**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.

**+3.1%**  
GROSS REVENUE  
(SGD)



**BUILDING ON OUR GROWTH STRATEGIES**



**+6.6%**  
NET PROPERTY INCOME (SGD)

**32.2%**  
GEARING



BHG RETAIL REIT'S CURRENT PORTFOLIO OF FIVE COMMUNITY-FOCUSED AND EXPERIENTIAL RETAIL PROPERTIES IS WELL-POSITIONED TO CAPITALISE ON THE RISING MIDDLE INCOME POPULATION.





**RMB**  
**3,946m**  
INDEPENDENT  
VALUATION



# CORPORATE PROFILE

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

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

As of 31 December 2017, BHG Retail REIT's portfolio comprises:

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

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

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

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# KEY HIGHLIGHTS

**7.39%**  
Annualised Distribution Yield<sup>1</sup>



**+3.1%**  
year-on-year  
Gross Revenue  
(S\$'000)

62,585 | 64,519



12M 2016<sup>2</sup> | 12M 2017<sup>2</sup>

**+6.6%**  
year-on-year  
Net Property Income  
(S\$'000)

40,286 | 42,944



12M 2016<sup>2</sup> | 12M 2017<sup>2</sup>

**+2.8%**  
year-on-year  
Distribution per Unit  
("DPU")  
(Singapore cents)

5.32 | 5.47



12M 2016<sup>2</sup> | 12M 2017<sup>2</sup>

**RMB 3,946 million**

Independent Valuation<sup>3</sup>

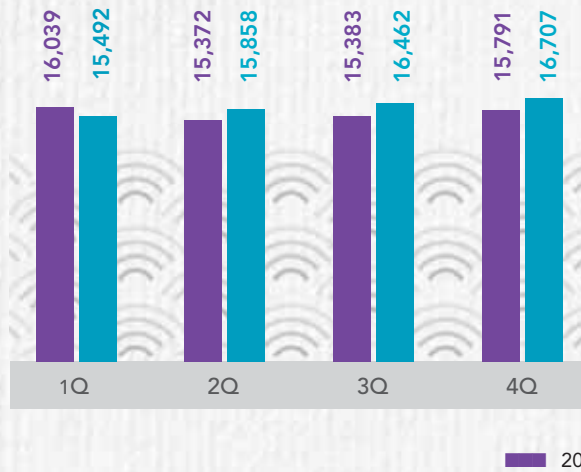
**99.7%**  
Portfolio Committed Occupancy

**32.2%**  
Gearing

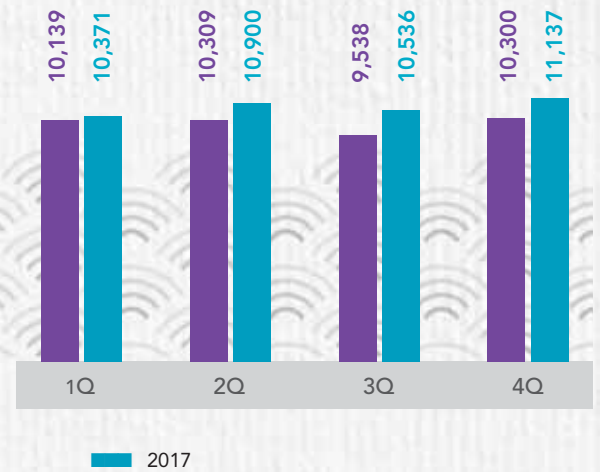
1. Based on closing price of S\$0.740 as at 31 December 2017.  
 2. "12M 2017" and "12M 2016" refers to "1 January to 31 December 2017", and "1 January to 31 December 2016". "12M" was adopted in place of "FY" to facilitate comparative purposes, as the financial period 2016 ("FY 2016") included an additional 21 days from 11 December 2015 ("Listing Date") to 31 December 2015.  
 3. Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2017.

# FINANCIAL HIGHLIGHTS

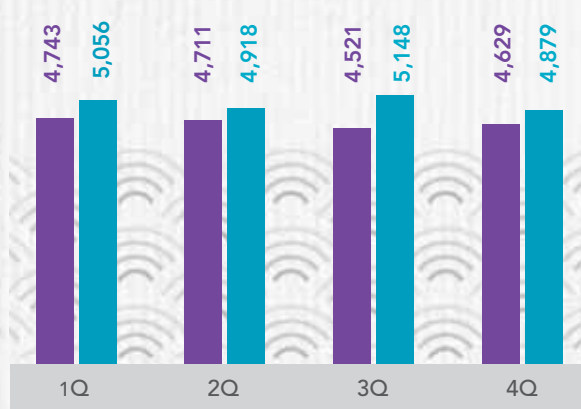
GROSS REVENUE (\$S'000)



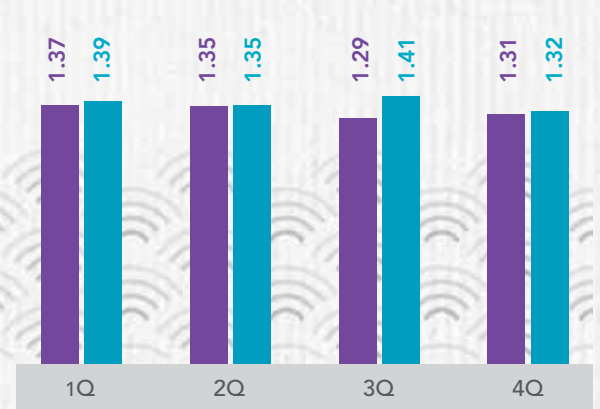
NET PROPERTY INCOME (\$S'000)



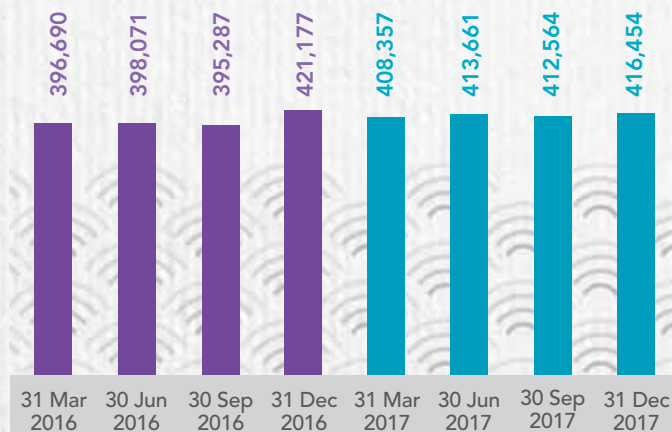
AMOUNT AVAILABLE FOR DISTRIBUTION (\$S'000)



DISTRIBUTION PER UNIT (\$S CENTS)

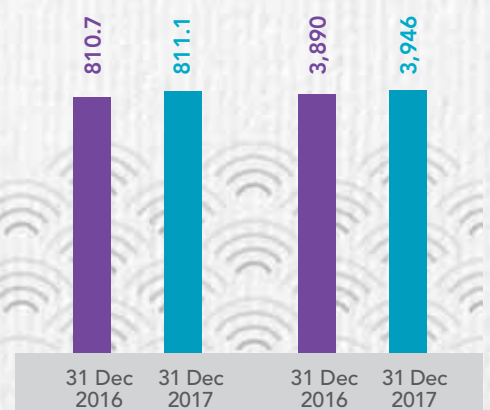


NET ASSET ATTRIBUTABLE TO UNITHOLDERS (\$S'000)



VALUATION

(\$S MILLIONS) (RMB MILLIONS)



**SELECTED STATEMENT OF FINANCIAL POSITION**

As at 31 December

S\$'000	2017	2016
Investment properties <sup>1</sup>	811,116	810,692
Total assets	888,192	871,627
Total liabilities	305,143	290,241
Loans and borrowings	241,472	230,462
Net assets attributable to Unitholders	416,454	421,177

**KEY FINANCIAL INDICATORS**

S\$'000	2017	2016
Distribution per unit <sup>2</sup> (cents)	5.47	5.32
Basic earnings per unit <sup>2</sup> (cents)	4.20	6.88
Net asset value per unit (S\$)	0.83	0.85
Gearing ratio <sup>3</sup> (%)	32.2	31.0
Average cost of debt <sup>2</sup> (%)	3.70	3.81
Weighted average term to maturity for debt (years)	1.7	2.0
Interest cover <sup>2</sup> (times)	5.6	7.0

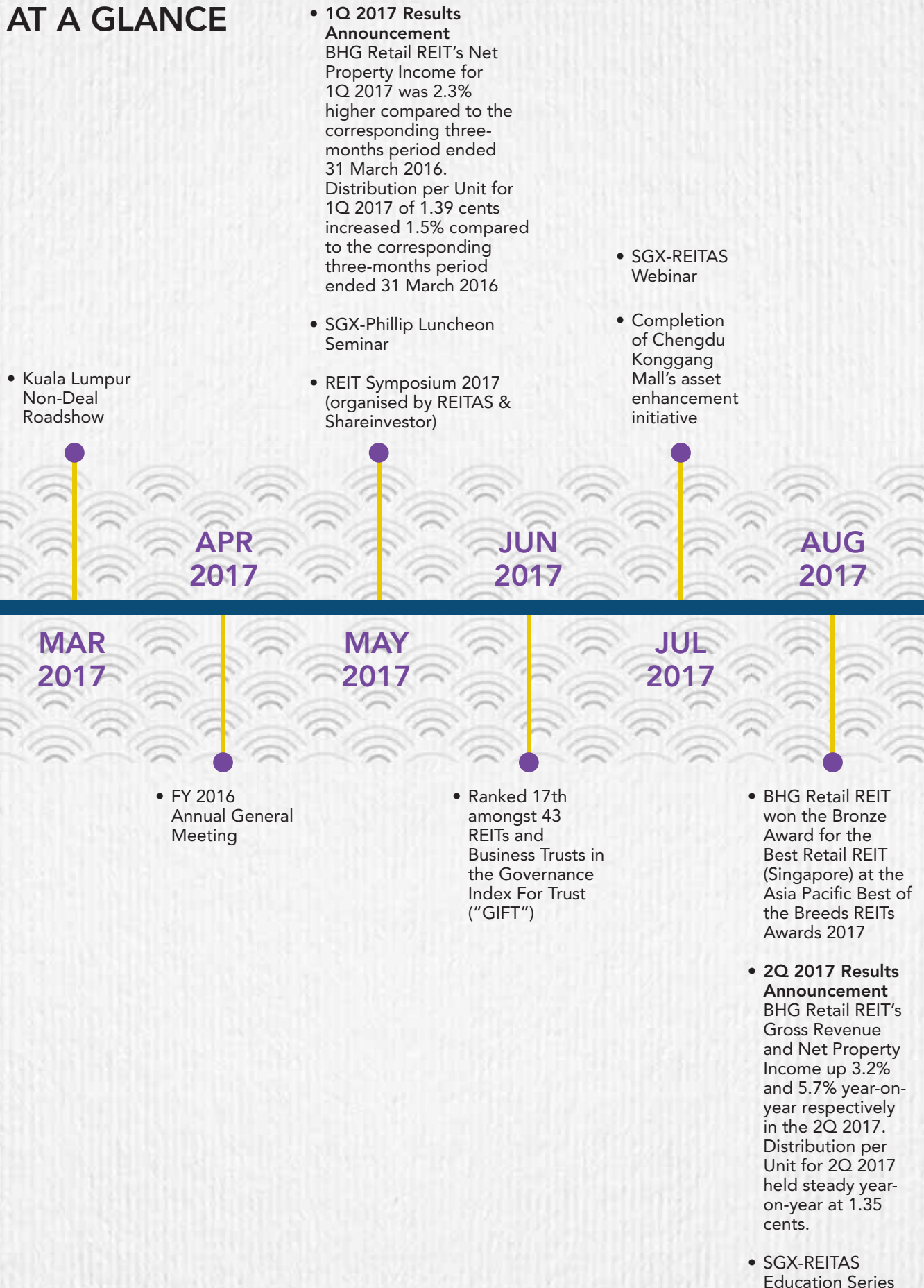
1. Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2017.

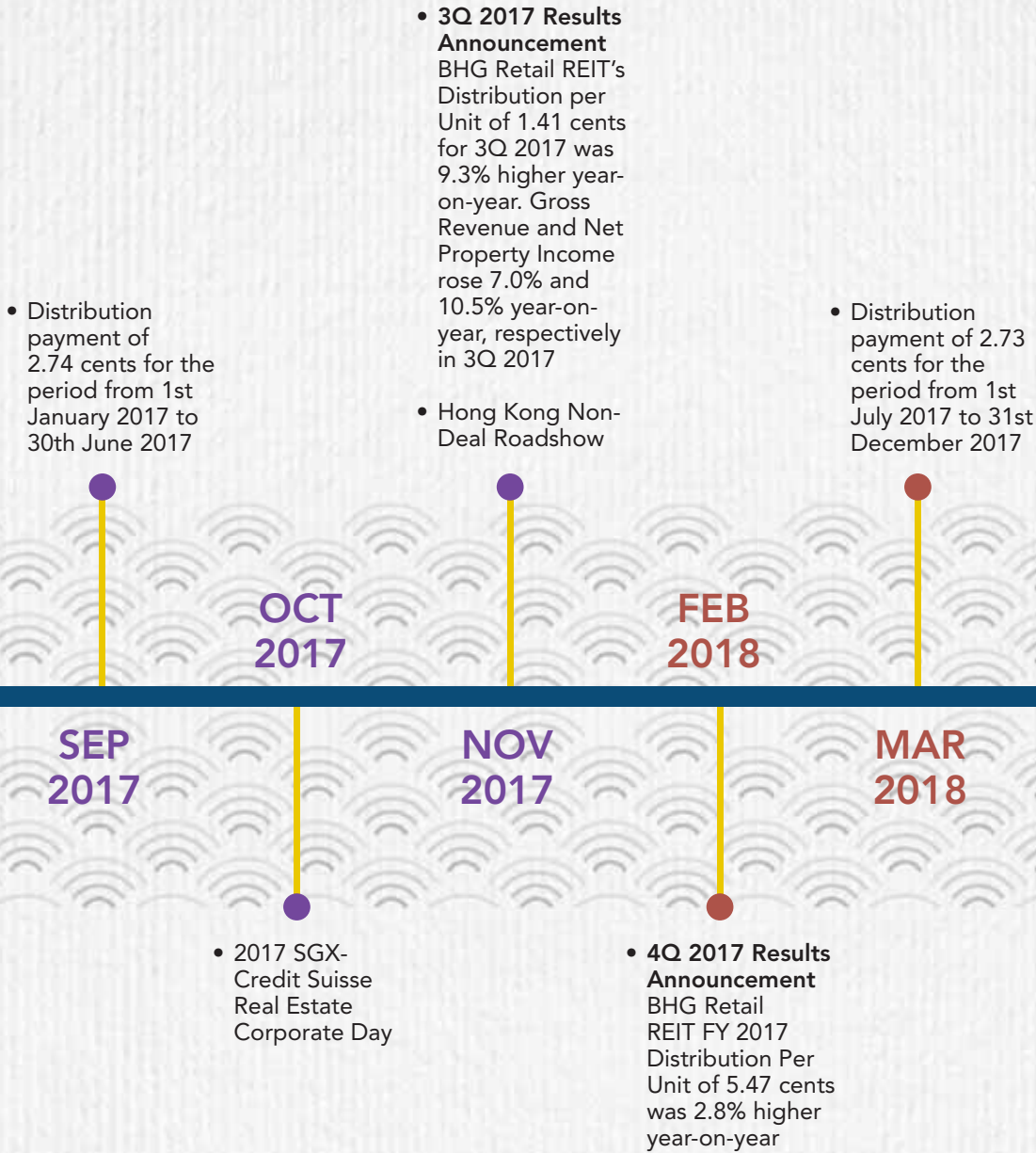
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3. Based on total loans and borrowings principal attributable to unitholders divided by total assets attributable to Unitholders.



## YEAR 2017 AT A GLANCE







## LEVERAGING ON THE CONSUMPTION UPTREND

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





**RISING  
ECONOMIC  
CONSUMPTION**



# LETTER TO UNITHOLDERS

Dear Unitholders,

On behalf of the Board of Directors and the management team of BHG Retail Trust Management Pte. Ltd., we are pleased to present to you BHG Retail REIT's annual report for the financial year 2017 ("FY 2017").

2017 was a year which saw much improvement in market sentiments. Global economy quietly gathered pace above estimates. China's economy achieved a stable momentum as it transitioned towards a more sustainable growth trajectory. At the REIT level, our portfolio of community-focused retail properties in prudently selected cities with high population density precincts, delivered a commendable set of results in FY 2017.

## DELIVERING COMMENDABLE PERFORMANCE<sup>1</sup>

The Management's relentless effort in pursuing regular, stable distributions and sustainable growth has navigated the REIT well. Gross revenue and net property income ("NPI") in Renminbi rose 5.0% and 8.7% respectively year-on-year in 12M 2017, on the back of underlying rental uplifts achieved for new and renewed leases, as well as in-built rental escalation for ongoing tenancies.

The amount available for distribution to Unitholders was up 7.5% year-on-year. Aggregate distribution per unit ("DPU") for 12M 2017 of 5.47 cents outperformed the corresponding full calendar year 2016 by 2.8%, and translated to a distribution yield of 7.39% based on the closing price of S\$0.74 as at 31 December 2017.

Portfolio committed occupancy rate was 99.7% as at 31 December 2017. All five properties recorded high occupancy rates of above 90% throughout the year. Rents for new and renewed leases in FY 2017 continued to achieve very healthy rental uplifts quarter after quarter. Our malls' strong success in attracting new retailers while retaining quality tenants was attributed to the proactive leasing

activities, tenant engagement, as well as astute asset management. Average passing rents registered positive increase year-on-year in 12M 2017.

BHG Retail REIT's multi-tenanted malls contributed 88.1% of the entire portfolio's net property income in 12M 2017. These key contributors, namely Beijing Wanliu Mall, Chengdu Konggang Mall, and Hefei Mengchenglu Mall, accounted for 59.3%, 14.9% and 13.9% respectively of FY 2017's NPI. Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2017. This was achieved through dedicated efforts to continually enhance the popularity of our malls and to entrench our malls as the mall of choice for tenants and the surrounding communities.



Mr Francis Siu Wai Keung, Chairman

1. "12M 2017" and "12M 2016" refers to "1 January to 31 December 2017", and "1 January to 31 December 2016". "12M" was adopted in place of "FY" to facilitate comparative purposes, as the financial period 2016 ("FY 2016") included an additional 21 days from 11 December 2015 ("Listing Date") to 31 December 2015.



Ms Chan Iz-Lynn, Chief Executive Officer

In line with the national fitness drive in China, we embarked on an asset enhancement initiative this year in Chengdu Konggang Mall to elevate the mall's active lifestyle offering. In light of rising demand for sports apparel and products, the cluster in basement one now houses popular brands including Nike, Adidas, Skechers, Jordan, and Li-Ning (李宁). We are happy to announce that the enhancement was well received by surrounding communities, and have witnessed a good growth in visitorship for the entire mall since the reopening of the cluster.

Over at Beijing Wanliu Mall, several new stores opened doors in 2017. They include children's apparel (Carter's and Nike Kids), fashion retailer (Lacoste) and local cuisines (江边城外 and 旺顺阁). We

also successfully brought in Happy Pony 快乐小马, a 508 square metre (approximately 5,400 square feet) children's horse-riding stable and training school, which drew an overwhelming response in 2H 2017. With growing aspirational demographics in Beijing, shoppers often desire better quality products and experiences. In view of these rising trends, we will remain astute in our leasing strategies.

#### STRENGTHENING FINANCIAL POSITION

BHG Retail REIT's portfolio of five quality assets was valued at RMB 3,946 million as at 31 December 2017, an increase of 1.4% over the previous valuation as at 31 December 2016.

We adopt a prudent capital management strategy to support our operational requirements. As at 31 December 2017, our gross loan and borrowings of S\$242.2 million had a weighted average term to maturity of 1.7 years, and an average cost of debt of 3.70%. Gearing remained low at 32.2% and allows a comfortable debt headroom for potential acquisition growth.

#### RESILIENT COMMUNITY-MALL FOCUSED STRATEGY

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

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

## LETTER TO UNITHOLDERS



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

To embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. This segment, which typically requires consumers to visit the mall, contributed about 60% and 80% of gross rental income and net lettable area respectively of the entire portfolio as at 31 December 2017.

### PROACTIVE INVESTOR ENGAGEMENT

2017 has been an exciting year on the investor relations front. Our investor relations team intensified efforts to engage both retail and institutional investors through the media, webinar (live video conference seminar), seminars, roadshows, and one-to-one meetings.

With firm partnership between Singapore Exchange ("SGX"), REIT Association of Singapore ("REITAS"), Shareinvestor and financial institutions, we participated in a number of events, including the REIT Symposium 2017, SGX-REITAS Educational Series, SGX-REITAS Webinar, SGX-Phillip luncheon seminar, and SGX-Credit Suisse Real Estate Corporate Day. Besides regular one-to-one meetings with Singapore investors, the investor

relations team also conducted non-deal roadshows in Kuala Lumpur and Hong Kong to widen our investor outreach. Furthermore, BHG Retail REIT was featured in Fortune Times magazine, and SGX Market Dialogues' Kopi-C article and video interview.

In addition, we also had the opportunity to create awareness of the REIT at the International Council of Shopping Centers' Recon Asia-Pacific conference in Bangkok, as well as Singapore Management University Business Society's Bondue networking event.

### ACCOLADES & RECOGNITION

In August 2017, BHG Retail REIT won the Bronze Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2017, under the Retail REITs category.



WITH PROACTIVE ENGAGEMENT OF THE SURROUNDING COMMUNITIES AND STRONG COLLABORATION WITH TENANTS, THE REIT IS ABLE TO PROMPTLY IDENTIFY THE FAST CHANGING DEMANDS OF SHOPPERS AND COMMUNITIES THAT WE SERVE, THEREBY MAINTAINING THE RELEVANCY OF OUR MALLS.

With continuous emphasis in good corporate governance practices and transparency, BHG Retail REIT was ranked 17th amongst 43 real-estate investment trusts and business trust in Singapore's inaugural Governance Index For Trust ("GIFT").

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

## OUTLOOK

China's GDP and retail sales registered 6.9% and 10.2% year-on-year growth in 2017. Disposable income and expenditure per capita of urban residents increased 6.5% and 5.4% year-on-year in 2017.

Despite uncertainties from China's regulatory changes and structural

reforms, the near-term China economy outlook is expected to remain stable. We remain confident that our portfolio of quality community malls will stay robust going forward, underpinned by rising domestic consumption, higher disposable income, increasing middle-income population, rural-urban migration (urbanisation) and implementation of the two-child policy.

Looking ahead, we will be watchful of changes in consumer preferences, developments in the economy and changes in government policies that may have an adverse impact on our business. We will continue to undertake proactive lease management and asset enhancement to enhance the value of the malls under our portfolio.

To lay a strong foundation for the REIT's next phase of growth, we will continue to seek potential DPU yield-accretive acquisition opportunities through both Right of First Refusal ("ROFR"), as well as third-party properties.

## WITH APPRECIATION

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

Thank you.

**Mr Francis Siu Wai Keung**  
Chairman

**Ms Chan Iz-Lynn**  
Chief Executive Officer

15 March 2018



## 致信托单位持有人

尊敬的信托单位持有人：

我们很荣幸代表北京华联商业信托管理有限公司董事会及管理层公布北京华联商业信托2017财政年度（“2017财年”）业绩报告。

在全球经济持续复苏的背景下，2017年市场的氛围明显好转，全球经济表现优于预期。中国经济以平稳的节奏，向可持续发展方向推进。在商业房地产信托领域，我们精挑细选，投资组合为位于高密度人口城市、以社区为枢纽的购物中心，在2017财年取得了突出的业绩表现。

### 业绩表现突出

管理团队一直为追求定期、稳定的分红回报和可持续增长做出不懈努力，使商业信托保持良好的运作。2017财年，以人民币计量，总收入和物业净收入同比增长幅度分别为5.0%和8.7%。增长主要原因为新租约和续租的租金基础有所增长，同时，租赁期内的租金标准也按预期实现递增。

可派发给单位持有人的收益年同比增长7.5%。2017财年平均每单位派息为5.47分，比2016年高出2.8%。按照2017年12月31日的收盘价\$0.74新元计，收益率为7.39%。



截至2017年12月31日，本信托组合的出租率为99.7%。旗下五个商场出租率全年保持在90%以上。2017财年新增租约和续租租约每季度都保持良好的增长。旗下商场采取积极主动的租赁管理方式，与租户保持良好的互动，再加上优良的物业管理，不仅留住现有的优质租户，也成功吸引了新租户，2017财年的平均租金同比正向增长。

2017财年，北京华联商业信托旗下多租户商场取得的收益，占整个投资组合物业净收益的88.1%。其中，北京万柳购物中心、成都空港购物中心以及合肥蒙城路购物中心分别占2017财年物业净收益的59.3%，14.9%和13.9%。这三家多租户商场在本财年平均客流同比增长。上述业绩表现要归功于管理团队专心致力于不断提高各商场人气，深

化各商场租户经营的首选地位，同时使周边居民将我们商场作为购物首选。

为配合中国的全民健身计划，成都空港购物中心在本财年推出物业改良计划，塑造商场倡导积极生活方式的形象。对商场地下一层及时换新，聚集了家喻户晓的流行运动品牌如耐克、阿迪达斯、斯凯奇、乔丹和李宁等，满足消费者对运动装备产品上升的需求。我们很高兴的宣布，改良计划大受好评，地下一层翻新后，明显带动了整个商场客流量增长。

在北京万柳购物中心，2017财年增加了一些新概念和商铺。这些商铺包括，儿童品牌-卡特童装和耐克童装 (Carter's and Nike Kids)，服饰品牌-法国鳄鱼 (Lacoste)，以及本土餐饮品



牌-江边城外和旺顺阁。另外，我们也成功的引进了新概念儿童娱乐品牌-快乐小马 (Happy Pony)，一间占地508平米 (约5,400平方尺) 的儿童马术训练学校，该商铺在2017年下半年取得了不错的反响。随着北京领导性消费群体的增长，消费者总是渴望得到质量更好的产品和更佳消费体验。据此，我们将在租赁战略中保持高度敏锐性。

### 强化财务状况

截至2017年12月31日，北京华联商业信托旗下五个优质商场总值39.46亿人民币，与2016年12月31日的估值相比，提高了1.4%。

我们采取稳健的资本管理策略来支持营运上的需要。截至2017年12月31日，我们的贷款总额为2.422亿新元，加权平均还款期限为1.7年，平均贷款成本为3.70%，负债比率依然维持在32.2%的低水平，这给予我们足够的空间来促成潜在的整体增长。

### 社区商场聚焦的弹性策略

我们希望为单位持有人提供定期、稳定的分红以及保持长远的可持续增长，为此，我们所采取的弹性策略是建立社区商场和体验式购物，瞄准中等收入群体的增长趋势。

在购物中心管理、奢侈品百货商店管理、超市经营和国际零售伙伴关系管理方面，北京华联集团拥有丰厚经验，本信托和物业经理人得益于集团对中国各消费模式敏锐的洞察力。

本信托采取积极主动的措施带动商场周边的社区，并与租户建立紧密的合作关系，因此能够及时识别购物群体和社区消费者快速多变的需求，确保能够持续提供服务满足消费者需求。此外，北京华联集团广阔的零售脉络也有助于我们引入新商户进驻旗下商场，不断为商场注入新鲜的零售娱乐体验。

为了确保旗下商场能迎合并适应消费者全渠道零售需求，本信托将继续致力于打造体验型服务市场，这类市场通常需要消费者亲临商场，截至2017

年12月31日，这一领域占本投资组合租金收益的60%，可租用面积的80%。

### 积极主动地接触投资者

2017年对于投资者关系部是非常有意义的一年。我们利用各种渠道，包括媒体、网络研讨会 (实况视频研讨会)、研讨会、路演和一对一面谈，深化与个人投资者和机构投资者合作关系。

我们也与新加坡交易所 (SGX)、新加坡房地产投资信托协会 (REITAS)、智科 (亚太) 资讯中心和其他金融机构建立了紧密的伙伴关系，并参与一系列活动，包括2017年房地产投资信托大会、SGX-REITAS教育讲座系列、SGX-REITAS网络研讨会、SGX-Phillip午餐会议，以及SGX-瑞信银行房地产企业推介日等。除了日常与新加坡投资者一对一面谈，投资者关系部也在吉隆坡和香港举行非交易性质路演，旨在拓展投资者延伸范围。除此之外，《时代财智》、新加坡交易所网上定期栏目《Kopi-C》对北京华联商业信托管理有限公司进行专访，并上传了采访视频。

## 致信托单位持有人

本信托采取积极主动的措施带动商场周边的社区,并与租户建立紧密的合作关系,因此能够及时识别购物群体和社区消费者快速多变的需求,确保能够持续提供服务满足消费者需求。

另外,通过出席国际购物中心协会在曼谷举办的全球商业地产亚太大会,以及新加坡管理大学商业学会的Bondue联谊活动,使得本信托有更多展示机会,提高大众对商业房地产信托的认知度。

### 荣誉认证

2017年8月北京华联商业信托管理有限公司荣获2017年“Asia Pacific Best of the Breeds REITs Awards”零售房地产信托级别中的铜奖。

北京华联商业信托管理有限公司一直重视良好的企业治理和透明度。在新加坡首届信托监管指数排行榜中,本信托在43家房地产投资信托和商业信托中名列第17位。

这些荣誉肯定了我们为基金持有人创造价值付出的努力。我们以谦逊的态度接受荣誉,并将其转化为动力,践行目标牢记使命,为信托持有人持续带来回报,在企业治理方面更上一层楼。

### 展望

2017年,中国国内生产总值年同比增长率为6.9%,零售销售年同比增幅为10.2%,可支配收入年同比增长6.5%,城市居民人均开支年同比上升5.4%。

尽管中国法律监管和结构改革仍处于调整阶段,但中国近期经济趋势依然十分稳定。我们对旗下优质商场能够在未来持续保持强劲势头有信心。利好方面,国内消费趋势、可支配收入、中等收入人口都呈上升趋势,城市化进程和“二孩政策”同样对我们有利。

展望未来,我们密切关注与业务相关的消费走势、经济发展变化和政策调整。我们将继续积极进行租赁管理和物业改善计划,提升旗下商场价值。

为了本信托下一阶段的增长奠定坚实基础,我们会持续在拥有优先购买权(“ROFR”)以及第三方持有物业中寻找收购机会,并通过收购获得每股派息增值的潜力。

### 鸣谢

最后,我们借此机会对董事会成员、管理层以及员工过去一年来的辛勤奉献致以诚挚的谢意,同时也感谢我们的商业伙伴、租户和顾客一贯的支持。我们也由衷感谢各基金持有人对我们的信任和支持。让我们共同期待未来业绩稳健,持续发展。

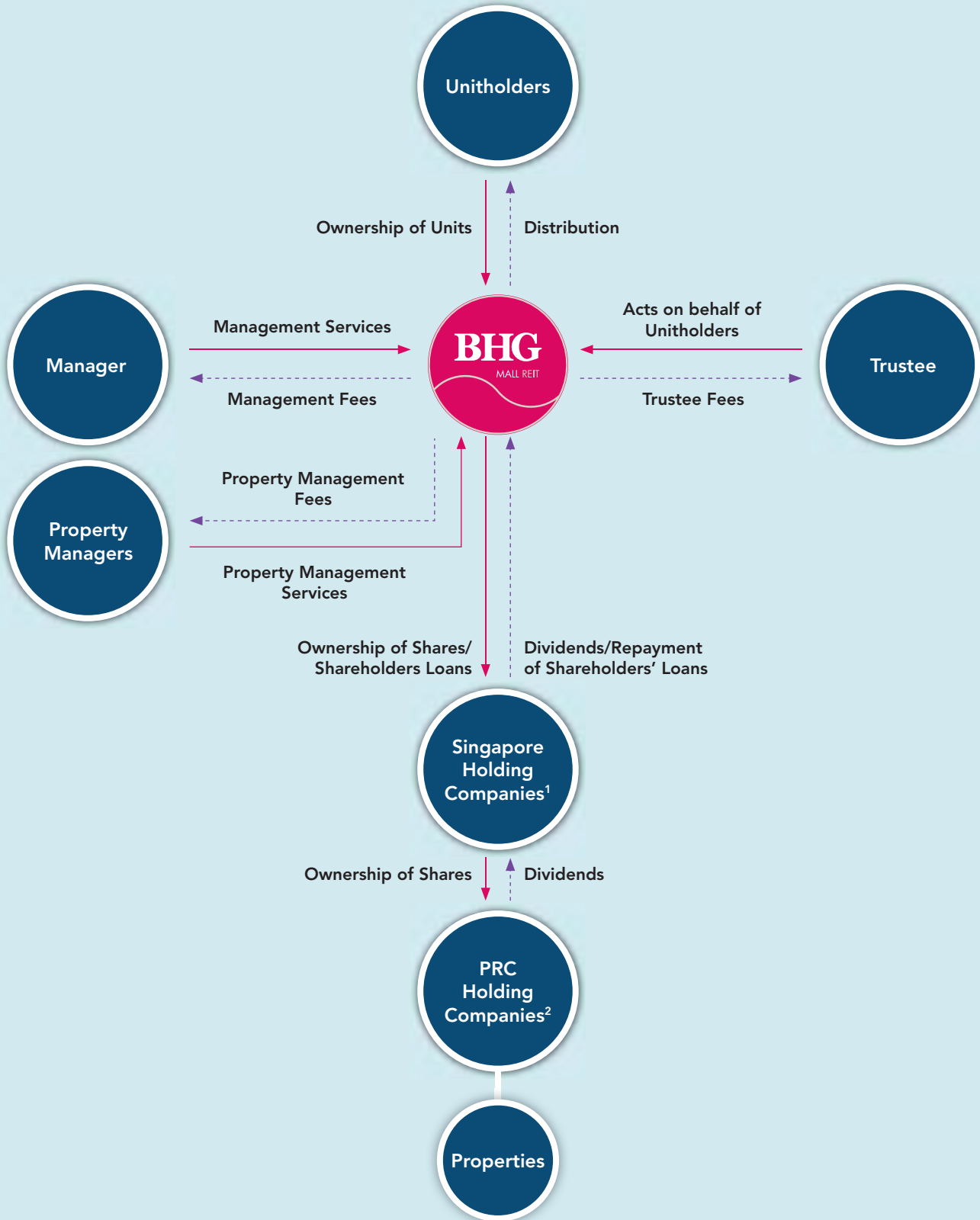
谢谢!

**萧伟强**  
主席

**陈懿璘**  
首席执行官

2018年3月15日

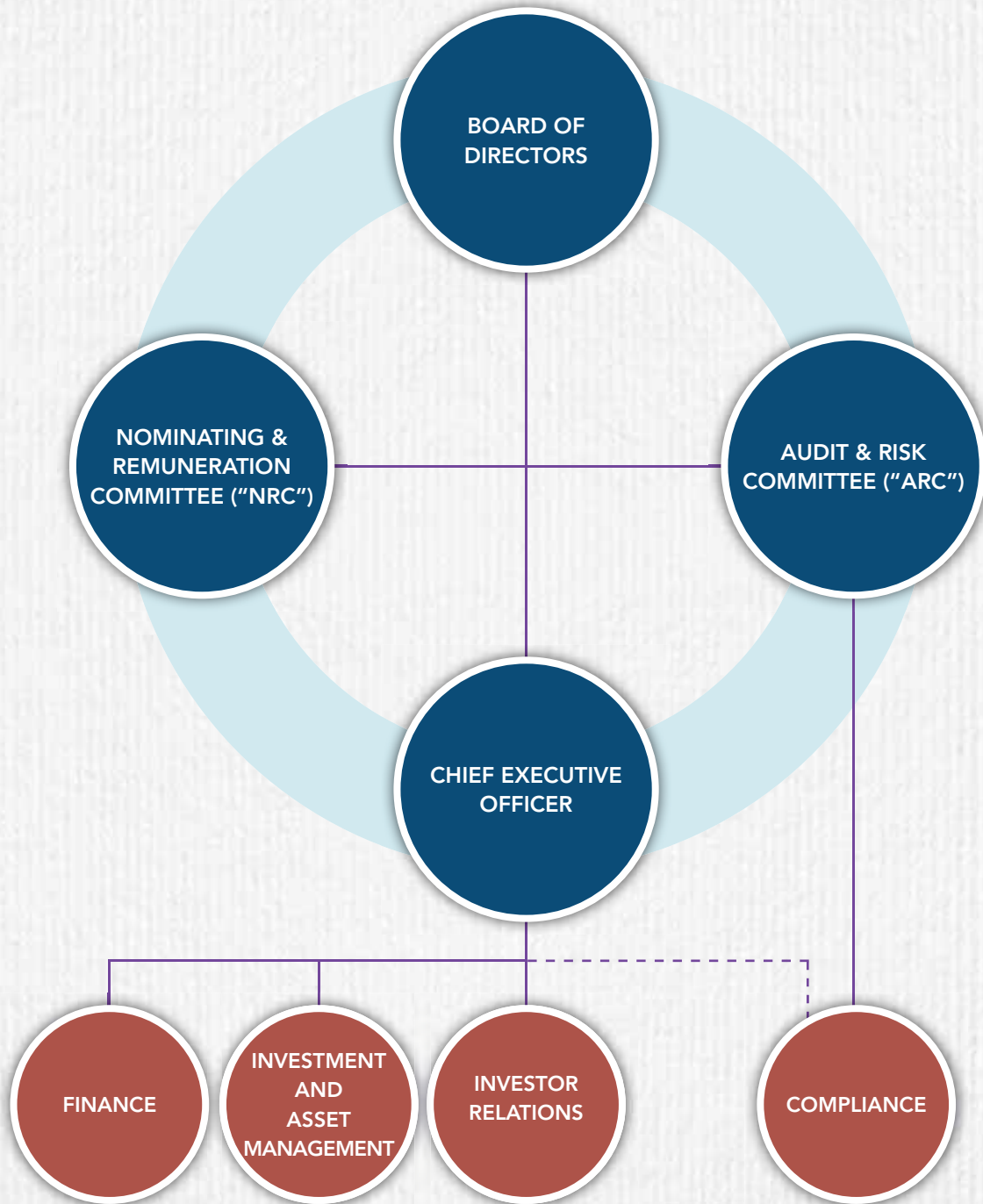
# TRUST STRUCTURE



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

# ORGANISATION STRUCTURE

THE MANAGER  
BHG RETAIL TRUST MANAGEMENT PTE. LTD.



# BOARD OF DIRECTORS

## MR FRANCIS SIU WAI KEUNG (63)

Chairman  
Independent Director

### Date of first appointment as a director

12 November 2015

### Date of last re-election as a director

6 April 2017

### Board committees served on

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

### Present directorships in other listed companies

- Guocoland Limited
- China International Capital Corporation Limited
- CITIC Limited
- China Communications Services Corporation Limited
- CGN Power Co. Ltd.

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

- China Huishan Dairy Holdings Co. Ltd
- Shunfeng International Clean Energy Limited
- Hop Hing Group Holdings Limited
- Beijing Hualian Hypermarket Co. Ltd.
- Hua Xia Bank Co. Limited

### Other principal commitments

Nil

### Background and working experience

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

### Academic and professional qualifications

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

## MR BEN YEO CHEE SEONG (66)

Independent Director

### Date of first appointment as a director

12 February 2015

### Date of last re-election as a director

Not applicable

### 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 Chartered Accountants in England and Wales (Associate Member)
- Institute of Singapore Chartered Accountants (Member)
- Association of Certified Accountants (Fellow Member)

## MR LAU TECK SIEN (46)

Independent Director

### Date of first appointment as a director

12 November 2015

### Date of last re-election as a director

Not applicable

### Board committees served on

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

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

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

### Background and working experience

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

### Academic and professional qualifications

- Nanyang Technological University of Singapore (Bachelor of Business)

# BOARD OF DIRECTORS

## MR YANG FENG (55)

Non-Executive Director

### Date of first appointment as a director

6 April 2017

### Date of last re-election as a director

Not applicable

### Board committees served on

Nil

### Present directorships in other listed companies

- Chairman of Beijing Hualian Department Store Co., Ltd.

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

Nil

### Other principal commitments

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

### Background and working experience

- Branch President, Bank of Communications (Guangdong Province Branch)

### Academic and professional qualifications

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

## MR XIONG ZHEN (43)

Non-Executive Director

### Date of first appointment as a director

12 November 2015

### Date of last re-election as a director

Not applicable

### Board committees served on

Nil

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

- Vice 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 (46)

Non-Executive Director

### Date of first appointment as a director

12 November 2015

### Date of last re-election as a director

Not applicable

### Board committees served on

Nil

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

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

### Background and working experience

- Vice General Manager of 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)

# KEY MANAGEMENT

## MS CHAN IZ-LYNN

Chief Executive Officer  
Head of Investor Relations

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

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

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

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

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

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

## MR VICTOR TEN

Chief Financial Officer

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

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

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

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



## KEY MANAGEMENT

### MS YVONNE LEW

Senior Finance Manager

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

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

### MR ERIC LIU

Investment and Asset Management Manager

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

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

### MR NIGEL NAI ZI

Investor Relations Manager

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

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

### MR MELVYN LEE

Compliance Manager

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

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

# ENTERPRISE RISK MANAGEMENT

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

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

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

## ERM FRAMEWORK

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

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

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

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

Further, the ERM Framework is supplemented by an outsourced Internal Audit function, which measures and evaluates the effectiveness of the procedures in place under the Framework. An internal audit exercise is conducted annually. In 2017, the exercise was conducted at the REIT’s portfolio properties in Chengdu and Hefei, China.

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 2017

### Real Estate Risks

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

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

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

### Investment Risks

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

# ENTERPRISE RISK MANAGEMENT

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

## Disaster and Business Interruption Risk

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

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

## Financial and Interest Rate Risk

The Manager ensures that financial market risks are closely monitored by the Manager, and reported to the Board. The Manager adopts a proactive strategy to manage the risks associated with the changes in interest rates on any loan facilities. As at the date of this report, the REIT has entered approximately a quarter of the offshore loan into an interest rate swap transaction.

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

BHG Retail REIT is exposed to fluctuations of the Chinese Renminbi ("RMB") against the Singapore Dollar. Our aim is to maximize returns to our Unitholders, and accordingly

the Manager monitors currency exchange trends closely and explores methods to mitigate foreign exchange risk. These methods may include foreign exchange hedging on the expected dividends from our China project companies, as well as other measures.

Where feasible, BHG 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 2017, about 30% of the Group's borrowings is RMB-denominated.

## Compliance Risks

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

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

## Technology Risks

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

# CORPORATE GOVERNANCE

## INTRODUCTION

BHG Retail REIT (the "REIT") is a trust constituted by a deed of trust dated 18 November 2015 (the "Trust Deed") entered between BHG Retail Trust Management Pte Ltd (the "Manager"), as manager of 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 ("Unitholders") present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

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

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

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

## THE MANAGER

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

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

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

## BOARD MATTERS

### The Board's Conduct of Affairs

#### *Principle 1: Effective Board to lead and control the Company*

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

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

# CORPORATE GOVERNANCE

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

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

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

- Audit and Risk Committee ("ARC"); and
- Nominating and Remuneration Committee ("NRC").

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

The Board and the ARC meet at least once every quarter to review key business activities. The NRC meets at least annually. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, videoconferencing, or other similar means of telecommunication. Four Board meetings were held during the financial year ended 31 December 2017 ("FY 2017"). The attendance of the Directors at Board meetings and Board committee meetings are set out at page 29 of this report.

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

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

or enhance their performance as Directors of the Board, or of the Board's Committees. In FY 2017, Directors were briefed and updated on sustainability reporting and changes to the Companies Act.

## Board Composition and Guidance

### *Principle 2: Strong and Independent Element on the Board*

The Board presently comprises six members:

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

Each Director is a respected individual with the appropriate experience to act as the Directors of the Manager. The profiles of the Directors may be found from page 19 to 20 of the Annual Report. The Board is headed by Mr Francis Siu Wai Keung, who presides as Chairman. The Board encompasses a diverse set of skills, experience, and knowledge of the REIT and its portfolio properties. The Board will review the composition of the Board from time to time to ensure that the size of the Board provides effective and efficient decision-making, and that the Board is sufficiently independent.

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

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

Mr Yang Feng, Mr Xiong Zhen and Mr Peng Ge are salaried employees of other entities within the Beijing Hualian Group and accordingly are treated as Non-Independent Directors. The independence of Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien are assessed against the requirements of the 2012 Code and Regulation 13E of the draft amendments to 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 2012 Code that would otherwise deem a director not to be independent.

For FY 2017, the NRC has reviewed and determined that the Independent Directors of the Manager are independent according to the 2012 Code and Regulation 13E of the draft amendments to the Securities and Futures (Licencing and Conduct of Business) Regulations.

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

The Board is confident that the Directors act in good faith and exercise due diligence and care in the exercise of their duties, and is presently of an appropriate size. For FY 2017, the Board is of the opinion that its current Board size and composition is reasonable, effective and efficient considering the nature, size and scope of the Manager's and the REIT's business operation.

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

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

### Chairman and Chief Executive Officer

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

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

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

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of the Manager and the REIT.

# CORPORATE GOVERNANCE

## Board Membership

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

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

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

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

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

- Developing a process for evaluation of the performance of the Board, its Board committees, and Directors.
- Reviewing and nominating the appointment and re-election appointment of Directors, having regard to the composition and progressive renewal of the Board and each Director’s competencies, commitment, contribution and performance including, if applicable, as an Independent Director; and
- Deciding if a Director is able to and has been adequately carrying out his activities as a Director of the Manager, taking into consideration the Director’s principal commitments.

The NRC reviews the independence of each Director annually. In respect of the Company’s Independent Directors, Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien, the Board is of the view that they are independent for the financial year under review, taking into account the circumstances set

forth in the 2012 Code and any other salient factors. The Independent Directors had also confirmed their independence in accordance with the 2012 Code.

In appointing a new Director to the Board, the Board considers the needs of the REIT and the relevant expertise of the candidate. Further, the Board considers the principles stated on page 26 of the Annual Report. The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director’s 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. The Board does not appoint alternate directors as recommended by the 2012 Code.

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

The 2012 Code further recommends that the Board should determine the maximum number of listed company board representations, which any Director may hold. The Board has voluntarily and unanimously agreed that with effect from FY 2018, each Director may hold a maximum of six listed company directorships.

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 2017, the Directors have attended Board meetings and have participated constructively in discussion of the activities of the REIT. The Board is of the view that, despite the external appointments, the Directors are not hindered from carrying out their duties as Directors of the Manager.

The number of meetings held by the Board, the ARC and the NRC and the attendance of Directors at the meetings during FY 2017 are set out as follows:

	Board Meetings No. of meetings held: 4 Attended	ARC Meetings No. of meetings held: 4 Attended	NRC Meetings No. of meetings held: 1 Attended
Francis Siu Wai Keung	4	4	1
Ben Yeo Chee Seong	4	4	1
Lau Teck Sien	4	4	1
Yang Feng	3	-	-
Xiong Zhen	4	-	-
Peng Ge	4	-	-

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

### Board Performance

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

The Board has implemented a formal system of evaluating Board's performance, which is carried out by the NRC, for assessing the effectiveness of the Board as a whole, the Board Committees and the individual Directors through the use of a performance assessment checklist.

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

Each Director is required to objectively assess his personal performance and collectively, the performance of the Board as a whole and its Board Committees. For FY 2017, each Director completed the performance assessment checklists and returned them to the Company Secretary. The Company Secretary has compiled the results of the evaluation and tabled the summary at the NRC meeting for the NRC's review. The NRC is satisfied that:

- All performance objectives for FY 2017 have been met for the Board, Board committees and for each individual Director; and
- Each Independent Director has met and continues to meet the requirements of the 2012 Code.

Pursuant to the NRC's review, the Board is satisfied that it has achieved its performance objectives for FY 2017.

The Manager believes the Board's performance is best evidenced and reflected through the REIT's achievements. For FY 2017, the distribution per unit ("DPU") for the financial period from 1 January 2017 to 31 December 2017 of 5.47 cents has exceeded the DPU for the same period in 2016 by 2.8%. Similarly, the amount available for distribution to Unitholders was 7.5% higher year-on-year. The net property income in RMB was 8.7% higher year-on-year. The Board's performance is reviewed once a year by the NRC.



# CORPORATE GOVERNANCE

## Access To Information

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

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

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

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

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

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

## REMUNERATION MATTERS

### Procedure for Developing Remuneration Policies

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

## Level and Mix of Remuneration

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

### Disclosure on Remuneration

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

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

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

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

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

The NRC operates on delegated authority from the Board. For FY 2017, the Manager has not engaged a remuneration consultant. The Manager has put in place a remuneration policy with an aim toward retention of talent, building the strength of management, and developing key executives. This ensures that the business of the Manager remains sustainable, and provides a stable environment with room for continual growth and improvement.

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

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

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

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

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

The Directors' fees for Independent Directors for FY 2017 are set out as follows:

Director	S(\$)
Mr Francis Siu Wai Keung	98,294
Mr Ben Yeo Chee Seong	86,706
Mr Lau Teck Sien	85,000

The Manager does not use contractual provisions to allow the Manager to reclaim incentive components of remuneration from the CEO and key management

personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Manager. The CEO owes a fiduciary duty to the Manager. The Manager should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

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

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

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

There were no employees who were immediate family members of a Director or the CEO during FY 2017 and whose remuneration exceeds S\$50,000 during the year. Based on the Listing Manual of the SGX-ST "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

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

# CORPORATE GOVERNANCE

## ACCOUNTABILITY AND AUDIT

### Accountability

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

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

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

### Risk Management and Internal Controls

#### *Principle 11: Sound system of risk management and internal controls*

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

The Manager recognizes the importance of having in place an effective and sound system of risk management and internal control. Accordingly, Deloitte & Touche Enterprise Risk Services Pte Ltd ("Deloitte") was engaged 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 quarterly reviews to mitigate the risk of non-compliance with regulatory requirements. The ARC is kept updated on findings reported by Deloitte and KPMG, and the ARC takes these findings into consideration when assessing the Manager's risk appetite. The Manager has also adopted

an Enterprise Risk Management ("ERM") Framework, which formalises the Manager's risk management and internal controls practice.

For FY 2017, the Manager has conducted two Control Self-Assessment Exercises on itself and on each of the portfolio properties in the REIT to evaluate its ERM Framework. More information on the ERM Framework can be found on the Enterprise and Risk Management section of the Annual Report.

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by the Management, the Board with the concurrence of the ARC, is of the opinion that the Manager's risk management and internal controls put in place during the financial year, addressing financial, operational, compliance and information technology risks, and risk management systems were adequate and effective taking into account the nature, scale and complexity of the Manager's operations. For FY 2017, the Board has received assurances from the CEO and Chief Financial Officer of the Manager that:

- the financial records of the Group (comprising the REIT and its subsidiaries) have been properly maintained and the financial statements for FY 2017 give a true and fair view of the Group's operations and finances, and are prepared in accordance with the relevant accounting standards; and
- the system of risk management and internal controls in place within the Group (including financial, operational, compliance, and information technology) are adequate and effective in addressing the material risks in the Group in its current business environment.

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

## Audit and Risk Committee

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

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

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

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

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

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

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

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

The ARC has full access to and the cooperation of Management and reasonable resources to enable it to discharge its functions properly. The ARC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The ARC also meets with the external and internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The ARC had met with the internal and external auditors, Deloitte and Messrs KPMG LLP, in the absence of Management during FY 2017.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2017 and the fees paid for such services. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees paid and payable to the external auditors for audit services is approximately S\$289,000. There are no non-audit fees paid and payable to the external auditors for FY 2017.

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

The Manager has established a whistleblowing policy, which is overseen by the ARC. The whistleblowing policy allows for any wrongful act, impropriety or statutory non-compliance by the Manager's Directors, key executives or employees to be reported, and for appropriate follow-up action to be taken.

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

# CORPORATE GOVERNANCE

ARC reviewed, amongst other matters, the key audit matter, as reported by external auditors for the financial year ended 31 December 2017, relating to the valuation of investment properties.

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

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

## Internal Audit

### *Principle 13: Effective and independent internal audit function*

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

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

During FY 2017, Deloitte conducts an audit review based on the approved internal audit plan. The results of the review are reported to the ARC. Key findings are highlighted for follow-up action. The ARC has reviewed the internal audit function and has concluded that the internal audit function was adequately resourced and effective.

The ARC is satisfied that the appointed internal auditors are adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Manager to discharge its duties effectively and independently. This is evidenced through the unimpeded access to the Manager's documents and records and the access the ARC has to Deloitte without the presence of Management.

## UNITHOLDERS RIGHTS AND RESPONSIBILITIES

### *Principle 14: Unitholder Rights*

### *Principle 15: Communication with Unitholders*

### *Principle 16: Conduct of Unitholder Meetings*

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

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

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

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

The Manager has a dedicated Investor Relations Manager who facilitates communication with Unitholders, members of the investment community and potential investors. In FY 2017, the CEO and Investor Relations Manager have met with potential investors and analysts through meetings and roadshows.

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

For FY 2017, the Manager had made a distribution of 2.74 Singapore cents per unit for the period from 1 January 2017 to 30 June 2017 on 27 September 2017. A second distribution of 2.73 Singapore cents per unit for the period from 1 July 2017 to 31 December 2017 will be made on 28 March 2018.

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

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

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

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

## ADDITIONAL INFORMATION

### Dealings in BHG Retail REIT Units

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

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

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

### Conflict of Interests

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

- The Manager will not manage any other REIT which invests in the same type of properties as BHG Retail REIT;
- All key executive officers will work exclusively for the Manager and will not hold other executive positions in other entities;
- In respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors (excluding such Interested Directors);
- All resolutions in writing of the Directors in relation to matters concerning the REIT must be decided by at least a majority vote of the Directors (excluding any Interested Director), including at least one Independent Director;

## CORPORATE GOVERNANCE

- At least one-third of the Board shall comprise Independent Directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly owned subsidiary of the Sponsor; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to BHG Retail 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 Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

### Interested Party Transactions

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

Further, the Manager maintains a register to record all transactions which may be considered as Interested Party Transactions. The register is subject to regular review by the ARC in ensuring that the Manager conducts itself in accordance with the Listing Manual and the Property Funds Appendix of the CIS Code.

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

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

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

### Fees Payable to the Manager

Under the revised 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 2017, the Manager has elected to receive its management fee in the form of Units and cash. The fee comprises two components: the base fee and performance fee, which are detailed as follows:

### Base Fee

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

### Performance Fee

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

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of the REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of the REIT, but exclude one-off income such as income arising from any sale or disposal of real estate (whether directly or indirectly through one or more 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 2017, the DPU for 2017 (being 1 January 2017 to 31 December 2017, both dates inclusive) is compared against the DPU in 2016. 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 Unitholders with regular and

stable distributions. The fee is equivalent to 0.75% for acquisitions from Interested Parties and 1.0% for all other cases. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT acquires real estate from an Interested Party, the acquisition fee should be in the form of Units issued by the REIT, and these Units may not be sold within one year from the date of their issuance.

### Other Fees – Divestment Fee

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





## **PRESERVING BEST ASSET MANAGEMENT PRACTICES**

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



NURTURING  
ORGANIC  
GROWTH



# OPERATIONS REVIEW

## OCCUPANCY RATE

BHG Retail REIT recorded a portfolio committed occupancy rate of 99.7% as at 31 December 2017. Occupancy rate for each of the five properties stayed robust quarter after quarter.

Occupancy Rate <sup>1</sup>	1Q 2017	2Q 2017	3Q 2017	4Q 2017
	%	%	%	%
Beijing Wanliu	99.5	100.0	100.0	100.0
Chengdu Konggang	95.0	95.8	96.1	96.8
Hefei Mengchenglu	100.0	100.0	100.0	100.0
Xining Huayuan	100.0	100.0	100.0	100.0
Dalian Jinsanjiao	100.0	100.0	100.0	100.0
Portfolio (NLA Weighted)	98.6	98.9	99.0	99.7

## LEASING ACTIVITIES

Portfolio rental reversion from the three multi-tenanted malls registered healthy to strong rental uplift in 2017. Overall retention rate remained strong. Most tenancy agreements have a gross turnover component, as well as an inbuilt rental escalation. The malls' strong success in attracting new retailers while retaining quality tenants was attributed to proactive leasing activities, tenant engagement, as well as astute asset management. To stay relevant and to embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. Average passing rents registered positive increase year-on-year in 2017.

Several new stores opened doors in Beijing Wanliu Mall during the year. They include, children apparel (Carter's and Nike Kids), fashion retailer (Lacoste) and local cuisines (江边城外 and 旺顺阁). We also successfully brought in Happy Pony 快乐小马, a 508 square metre (approximately 5,400 square feet) children's horse-riding stable and training school, which drew overwhelming response in 2H 2017. With growing aspirational demographics in Beijing, shoppers often desire better quality products and experiences. In view of these rising trends, we will remain astute in our leasing strategies, and strive to maintain the relevancy of our offerings.



1. Based on committed occupancy.

In line with the national fitness drive in China, Chengdu Konggang Mall embarked on an asset enhancement initiative in 2017 to elevate its active lifestyle offering. In light of rising demand for sports apparel and products, the cluster in basement one now houses popular international and local sporting brands including Nike, Adidas, Skechers, Jordan, and Li-Ning (李宁). The enhancement was well received by surrounding communities, and has led to strong growth in shopper traffic for the entire mall since the reopening of the cluster.

## TOP TEN TENANTS<sup>2</sup>

No.	Tenant Name	Brand Name	City	Trade Sector	Lease Expiry	% Gross Rental Income
1	北京华联综合超市股份有限公司	BHG Hypermarket	Beijing, Chengdu, Hefei, Xining, Dalian	Supermarket	May 2030 Dec 2033 Dec 2033 Dec 2034 Dec 2034	20.2
2	成都华联影院管理有限公司	BHG Shuangliu Cinema	Chengdu	Recreation	Dec 2023	2.8
3	合肥华联影院经营管理有限公司	BHG Hefei Cinema	Hefei	Recreation	Apr 2023	1.1
4	北京橙天嘉禾万贸影城有限公司	Golden Harvest Cinema	Beijing	Recreation	Aug 2020	1.1
5	北京全棉时代科技有限公司	全棉时代	Beijing	Fashion	Dec 2020	0.7
6	合肥领骋贸易有限公司	滔搏运动城	Hefei	Fashion	Jan 2018	0.7
7	北京优尔康健口腔门诊部有限公司	优尔齿科	Beijing	Service	Mar 2019	0.7
8	眉州东坡餐饮管理(北京)有限公司	眉州东坡	Beijing	Food & Beverage	May 2022	0.6
9	上海拉夏贝尔休闲服饰有限公司	La Chapelle 拉夏贝尔	Beijing	Fashion	Oct 2018	0.6
10	成都乐微服饰有限公司	La Chapelle 拉夏贝尔	Chengdu	Fashion	Oct 2022	0.6
<b>Total</b>						<b>29.1</b>

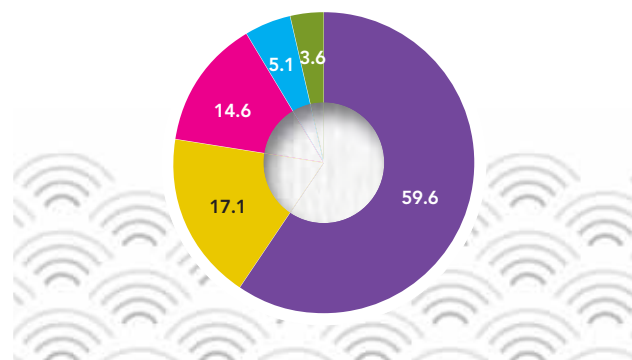
2. The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2017.

# FINANCIAL REVIEW

## GROSS REVENUE<sup>1</sup>

Gross revenue in RMB and SGD was RMB 15.2 million (5.0%) and S\$1.9 million (3.1%) higher year-on-year respectively. These were due mainly to strong rental reversion for new and renewed leases, and an increase in occupancy in the current financial year. The higher revenue was partially offset by the adoption of nationwide VAT reform in China which came into effect from 1 May 2016 where 5% VAT was netted off against gross revenue, where the full effect was recorded for the full year 2017.

## GROSS REVENUE (%) (12M 2017<sup>1</sup>)



- Beijing Wanliu
- Chengdu Konggang
- Hefei Mengchenglu
- Xining Huayuan
- Dalian Jinsanjiao

Gross Revenue <sup>1</sup>	RMB'000		Change (%)	S\$'000		Change (%)
	12M 2017 <sup>1</sup>	12M 2016 <sup>1</sup>		12M 2017 <sup>1</sup>	12M 2016 <sup>1</sup>	
<b>MULTI-TENANTED MALLS</b>						
Beijing Wanliu	188,315	177,101	6.3	38,478	36,873	4.4
Chengdu Konggang	53,844	51,900	3.7	11,002	10,805	1.8
Hefei Mengchenglu	46,148	44,020	4.8	9,430	9,164	2.9
	288,307	273,021	5.6	58,910	56,842	3.6
<b>MASTER-LEASED MALLS</b>						
Xining Huayuan	16,141	16,198	(0.4)	3,298	3,372	(2.2)
Dalian Jinsanjiao	11,312	11,388	(0.7)	2,311	2,371	(2.5)
	27,453	27,586	(0.5)	5,609	5,743	(2.3)
<b>Portfolio</b>	<b>315,760</b>	<b>300,607</b>	<b>5.0</b>	<b>64,519</b>	<b>62,585</b>	<b>3.1</b>

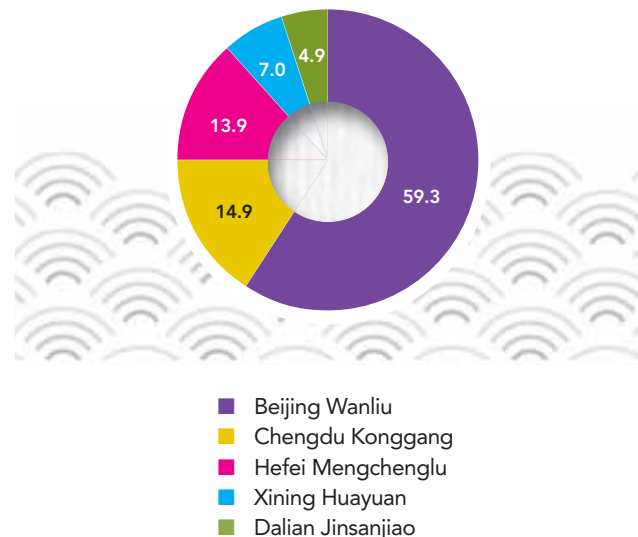
1. "12M 2017" and "12M 2016" refers to "1 January to 31 December 2017", and "1 January to 31 December 2016". "12M" was adopted in place of "FY" to facilitate comparative purposes, as the financial period 2016 ("FY 2016") included an additional 21 days from 11 December 2015 ("Listing Date") to 31 December 2015.

## NET PROPERTY INCOME<sup>1</sup>

Net property income in RMB and SGD was RMB 16.8 million (8.7%) and SGD 2.7 million (6.6%) higher year-on-year respectively. The higher net property income was due mainly to an increase in rental revenue, as well as lower property operating expenses.

Lower property operating expenses were due mainly to the VAT reform where Business Tax (which was previously parked under Property Operating Expenses) was replaced with VAT with effect from 1 May 2016, where VAT is netted off against gross revenue, where the full effect was recorded for the full year 2017. The portfolio property operating expenses decreased in spite of an increase in property tax as a result of the change in Beijing's property tax policy, which took effect on 1 July 2016. The change was a move by the Beijing State Government to charge property tax based on revenue. This change in treatment aligns Beijing's property tax policy with the other cities where the four other portfolio properties are situated.

## NET PROPERTY INCOME (%) (12M 2017<sup>1</sup>)



Net Property Income <sup>1</sup>	RMB'000			S\$'000		
	12M 2017 <sup>1</sup>	12M 2016 <sup>1</sup>	Change (%)	12M 2017 <sup>1</sup>	12M 2016 <sup>1</sup>	Change (%)
<b>MULTI-TENANTED MALLS</b>						
Beijing Wanliu	124,532	114,653	8.6	25,445	23,882	6.5
Chengdu Konggang	31,271	27,362	14.3	6,390	5,702	12.1
Hefei Mengchenglu	29,407	26,738	10.0	6,009	5,569	7.9
	185,210	168,753	9.8	37,844	35,153	7.7
<b>MASTER-LEASED MALLS</b>						
Xining Huayuan	14,659	14,603	0.4	2,995	3,040	(1.5)
Dalian Jinsanjiao	10,303	10,051	2.5	2,105	2,093	0.6
	24,962	24,654	1.2	5,100	5,133	(0.6)
<b>Portfolio</b>	<b>210,172</b>	<b>193,407</b>	<b>8.7</b>	<b>42,944</b>	<b>40,286</b>	<b>6.6</b>

1. "12M 2017" and "12M 2016" refers to "1 January to 31 December 2017", and "1 January to 31 December 2016". "12M" was adopted in place of "FY" to facilitate comparative purposes, as the financial period 2016 ("FY 2016") included an additional 21 days from 11 December 2015 ("Listing Date") to 31 December 2015.

# FINANCIAL REVIEW

## DISTRIBUTION

Total distribution per unit (“DPU”) for 12M 2017 was 5.47 cents, exceeding 12M 2016 DPU of 5.32 cents by 2.8%. The aggregate distribution per unit translated to a distribution yield of 7.39%, based on the closing price of S\$0.74 as at 31 December 2017.

DPU (cents)	12M 2017	12M 2016	Change (%)
1Q 2017	1.39	1.37	1.5
2Q 2017	1.35	1.35	-
3Q 2017	1.41	1.29	9.3
4Q 2017	1.32	1.31	0.8
<b>Total</b>	<b>5.47</b>	<b>5.32</b>	<b>2.8</b>

1. “12M 2017” and “12M 2016” refers to “1 January to 31 December 2017”, and “1 January to 31 December 2016”. “12M” was adopted in place of “FY” to facilitate comparative purposes, as the financial period 2016 (“FY 2016”) included an additional 21 days from 11 December 2015 (“Listing Date”) to 31 December 2015.



# +2.8%

Distribution per Unit  
("DPU")

## INDEPENDENT VALUATION OF INVESTMENT PROPERTIES

As at 31 December 2017, BHG Retail REIT's investment properties were valued at RMB 3,946 million. The valuation represents an increase of RMB 56 million, or 1.4%, from the independent valuation as at 31 December 2016 of RMB 3,890 million.

Investment Properties	RMB millions		S\$ millions	
	As at 31 Dec 2017 <sup>1</sup>	As at 31 Dec 2016 <sup>2</sup>	As at 31 Dec 2017 <sup>1</sup>	As at 31 Dec 2016 <sup>2</sup>
Beijing Wanliu	2,287.0	2,235.0	470.1	465.8
Chengdu Konggang	633.0	631.0	130.1	131.5
Hefei Mengchenglu	584.0	584.0	120.0	121.7
Xining Huayuan	280.0	278.0	57.6	57.9
Dalian Jinsanjiao	162.0	162.0	33.3	33.8
<b>Portfolio</b>	<b>3,946.0</b>	<b>3,890.0</b>	<b>811.1</b>	<b>810.7</b>

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

2. Based on independent valuation from Knight Frank Petty Limited as at 31 December 2016.



**7.39%**  
Annualised  
Distribution Yield



# FINANCIAL REVIEW

## CAPITAL MANAGEMENT

BHG Retail REIT has put in place an offshore secured borrowing facility of S\$148 million ("Facility 1"), and two onshore secured borrowing facilities of RMB 280 million and RMB 71 million ("Facility 2" and "Facility 3", respectively). As at 31 December 2017, Facility 1 and Facility 2 were fully drawn down, while RMB 70 million was drawn down from Facility 3.

Facility 2 and Facility 3 have been each repaid RMB 3.0 million in the prior financial year, and a further RMB 3.0 million this year, in accordance to the facility agreements.

In addition to the abovementioned facilities, BHG Retail REIT has obtained and drawn down further credit facilities of S\$24.8 million. The facilities were obtained mainly for the purpose of financing the payment of distribution, and interest payment of the borrowings. The credit facilities are secured by restricted cash from the REIT's five subsidiaries in China. The REIT has repaid S\$10.0 million in September 2017 from dividends declaration and partial repayment by subsidiaries in Singapore.

The REIT has refinanced its loan of S\$77.0 million that matured in December 2017 from part of the S\$148 million facility.

Total borrowings drawn down as at 31 December 2017 aggregated to S\$242.2 million, with about 70% of debt denominated in SGD and 30% denominated in RMB.

BHG Retail REIT adopts a prudent and proactive capital management strategy. Gearing remained low at 32.2%. Weighted average term to maturity was 1.7 years as at 31 December 2017.

With regard to the REIT's debt maturity profile, S\$24.8 million of SGD-denominated borrowings and S\$1.2 million of RMB-denominated borrowings will be due in 2018, while S\$148.0 million of SGD-denominated borrowings and S\$68.2 million of RMB-denominated borrowings will be due in 2019.

### Key Financial Indicators as at 31 December 2017

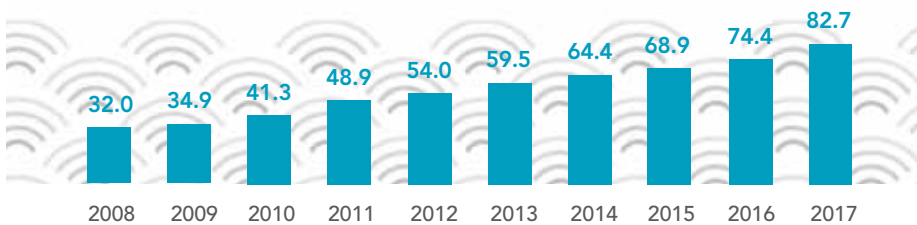
Gearing (%)	32.2
Interest coverage ratio (times)	5.6
Weighted average term to maturity (years)	1.7
Average cost of debt (%)	3.70

# OUTLOOK ON CHINA

## STEADY GROWTH MOMENTUM

China’s economy achieved a stable momentum in 2017. Gross domestic product expanded 6.9%<sup>1</sup> year-on-year to RMB 82.7 trillion for the full year 2017. This exceeded the government’s target of 6.5%<sup>1</sup> and International Monetary Fund’s (“IMF”) forecast of 6.8%<sup>3</sup>. Amidst the economy’s rebalancing and structural reforms, the China government reiterated their focus on growth quality and efficiency before pace.

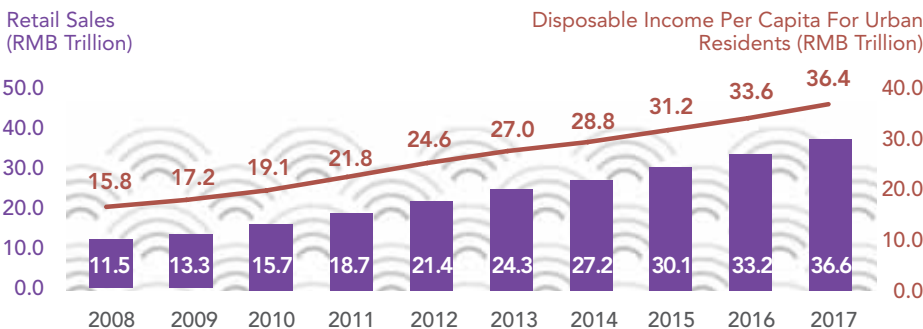
### CHINA’S GROSS DOMESTIC PRODUCT<sup>1</sup> (RMB TRILLION)



Despite China’s economic transformation, the nation has remained the single highest contributor of the world’s GDP growth. According to World Bank, over the past five years, China’s GDP rose from RMB 54 trillion to over RMB 80 trillion, contributing more than 30 percent of global economic growth<sup>2</sup>. According to growth projections from the World Bank, China’s economy is expected to contribute about 35% of the world’s GDP growth between 2017 and 2019, far exceeding the second highest contributor, United States at around 18%<sup>2</sup>. China economy’s massive amount of growth relative to its peers continued to be driven by the rising domestic consumption, which was fuelled by steadily increasing residents’ income and urbanisation.

### DOMESTIC CONSUMPTION EXPENDITURE AND RESIDENTS’ INCOME ON UPTREND<sup>1</sup>

China’s domestic consumption contributed 58.8% to its nation’s GDP growth in 2017. Retail sales continued to be on an upward trajectory. For the full year 2017, total retail sales of consumer goods rose 10.2% year-on-year to RMB 36.6 trillion. China’s increasing domestic consumption remained underpinned by the sturdy rise of residents’ income. Disposable income and expenditure per capita of urban residents increased 6.5% and 5.4% year-on-year respectively in 2017.



1. Source: National Bureau of Statistics of China  
 2. Source: World Bank, World Economic Forum  
 3. Source: International Monetary Fund

**+6.9%**  
 CHINA GDP GROWTH  
 IN 2017<sup>1</sup>  
 (Y-O-Y)

**+10.2%**  
 CHINA RETAIL  
 SALES GROWTH  
 IN 2017<sup>1</sup>  
 (Y-O-Y)

**+6.5%**  
 DISPOSABLE INCOME  
 PER CAPITA FOR  
 URBAN RESIDENTS  
 IN 2017<sup>1</sup>  
 (Y-O-Y)

**+5.4%**  
 EXPENDITURE PER  
 CAPITA FOR URBAN  
 RESIDENTS  
 IN 2017<sup>1</sup>  
 (Y-O-Y)

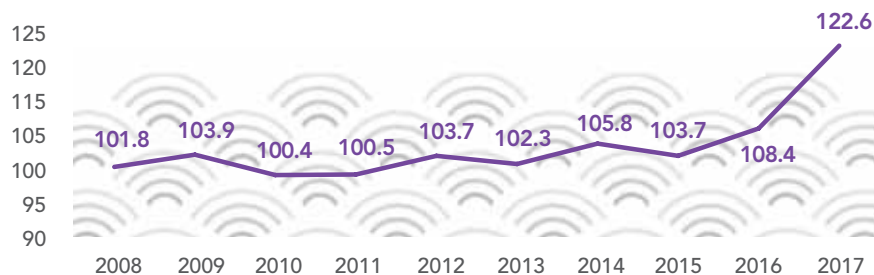
**58.8%**  
 CONSUMPTION  
 EXPENDITURE  
 CONTRIBUTION TO  
 CHINA GDP  
 IN 2017<sup>1</sup>

# OUTLOOK ON CHINA

## CONSUMER CONFIDENCE INDEX AT RECORD HIGH<sup>4</sup>

China's Consumer Confidence Index, which is commonly used to measure the degree of economic optimism among consumers, grew from 108.4 in December 2016 to 122.6 in December 2017. According to Vishal Bali, Managing Director of Nielsen China, China is at a critical stage of consumption upgrade. The rising consumer confidence index was due to consumers' optimistic perceptions of local job prospects, personal finances and immediate spending intentions. Households' steady growth in income will translate into a potential demand for purchase and investment. New consumption structures and growth momentum are also forming at a fast pace. As the national economy gains a steady momentum, Chinese consumers are becoming more willing to spend, with nationwide buying spree driving upgrade.

### CHINA CONSUMER CONFIDENCE INDEX<sup>1</sup> (AS AT 31 DECEMBER)



## RURAL-URBAN MIGRATION CONTINUES

The scale and pace of China's urbanisation continues at an unprecedented rate. Urbanisation rate increased from 57.3% in 2016 to 58.5% in 2017<sup>1</sup>. If current trends hold, China's urban population will hit the one billion mark by 2030. For retailers in China, the scale of China's urbanization promises substantial new markets and investment opportunities.

## "NEW RETAIL" & OMNI-CHANNEL TRENDS

For the full year 2017, China's online sales of goods amounted to RMB 5.5 trillion and accounted for 15.0% of total retail sales of consumer goods<sup>1</sup>.

China's consumerism has evolved. Today's consumers are no longer pure offline consumers, and neither are they pure online consumers. They continue to engage with brands both online and offline. Retailers continue to adapt and to appeal to customers through one or more channels to maintain their relevancy and market share. As a result, e-commerce players and pure-clicks enterprises are increasingly expanding their offline presence; while brick-and-mortar companies are actively pursuing digital

expansion to generate more customer traffic and meet the new demands.

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

## BHG RETAIL REIT'S PARTICIPATION IN CHINA'S GROWTH

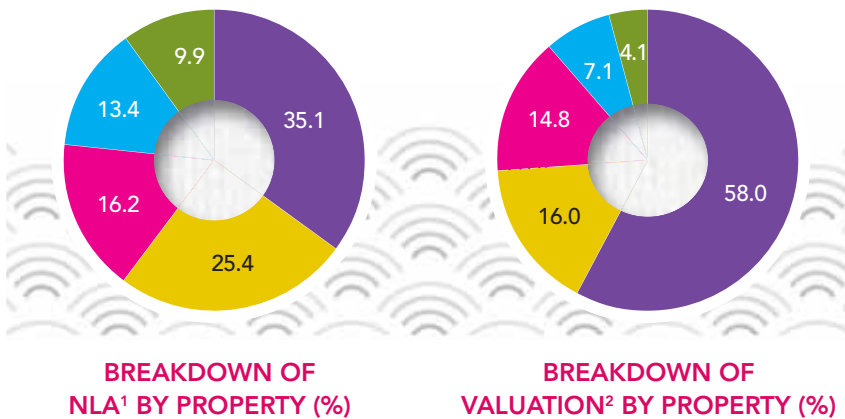
Against this backdrop, BHG Retail REIT's current portfolio of community-focused retail properties in prudently selected locales with high population density is expected to stay robust. The REIT's multi-tenanted malls which contributed 88.1% of the entire portfolio's net property income in FY 2017, continued to see strong leasing demand, positive increase in average passing rents, and strong rental uplift during the year. This is underpinned by rising domestic consumption, higher disposable income, increasing middle-income population, rural-urban migration (urbanisation) and implementation of the two-child policy.

4. Source: Nielsen China

# PORTFOLIO OVERVIEW

BHG Retail REIT’s portfolio consists of five retail properties located in areas surrounded by growing middle or upper-middle income families. Our retail malls serve their communities through their wide range of products, excellent experiential services and popular community engagement activities.

Of the five properties, three are multi-tenanted, namely Beijing Wanliu Mall, Chengdu Konggang Mall, and Hefei Mengchenglu Mall. The remaining two properties, Xining Huayuan Mall and Dalian Jinsanjiao Property, are master-leased to BHG Hypermarket Co., Ltd.



- Beijing Wanliu
- Chengdu Konggang
- Hefei Mengchenglu
- Xining Huayuan
- Dalian Jinsanjiao

As at 31 December 2017

**263,688 sqm**  
GROSS FLOOR AREA (GFA)

**155,415 sqm**  
NET LETTABLE AREA (NLA)

**613**  
NO. OF LEASES

**S\$811.1 million**  
(100%)

**S\$623.1 million**  
(Based on 60% interest of Beijing Wanliu)  
INDEPENDENT VALUATION

**S\$64.5 million**  
12M 2017 GROSS REVENUE

**S\$42.9 million**  
12M 2017 NET PROPERTY INCOME

**99.7%**  
OCCUPANCY RATE

**7.1 years**  
WEIGHTED AVERAGE LEASE EXPIRY BY NLA

**4.0 years**  
WEIGHTED AVERAGE LEASE EXPIRY BY GROSS RENTAL INCOME

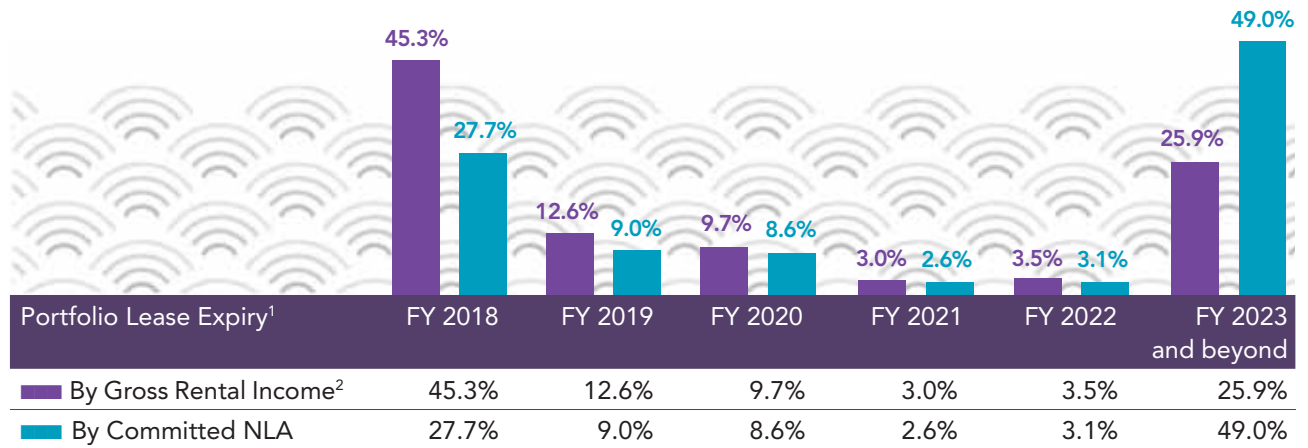
1. As at 31 December 2017  
2. Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2017.

# PORTFOLIO OVERVIEW

## PORTFOLIO LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2017

As at 31 December 2017, the portfolio has a weighted average lease expiry of 4.0 years by gross rental income, and 7.1 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 2017, the weighted average lease expiry based on the date of commencement of the leases is 1.5 years (by gross rental income) and accounts for 19.9% of the gross rental income for the month of December 2017.



## TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2017



### BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup> (%)

23.5	F&B	18.5
20.2	Supermarket	40.5
10.9	Services	7.2
8.1	Recreation	11.5
2.9	Lifestyle	1.6
33.8	Fashion	20.4
0.6	Specialty stores	0.3

### BREAKDOWN BY NLA (%)

1. Excludes vacancy.

2. As percentage of the portfolio's gross rental income for the month of December 2017.

## AS AT 31 DECEMBER 2017



Name	Beijing Wanliu	Chengdu Konggang	Hefei Mengchenglu	Xining Huayuan	Dalian Jinsanjiao
Address	No. 2 Bagou Road, Haidian District, Beijing	No. 166 Jinhua Road, Second Section, Shuangliu County, Chengdu	No. 99 Mengcheng Road, Luyang District, Hefei	No. 16-19 Shipo Street, Chengzhong District, Xining	No. 18 Huadong Road, Ganjingzi District, Dalian
Commencement of Operations	Aug 2010	Dec 2013	Feb 2013	Aug 2000	Jul 2000
Gross Floor Area (GFA)	105,920 sqm	71,917 sqm	49,699 sqm	20,807 sqm	15,345 sqm
Net Lettable Area (NLA)	54,611 sqm	39,413 sqm	25,239 sqm	20,807 sqm	15,345 sqm
Number of leases	301	194	116	1	1
Independent Valuation (S\$ million)	470.1 (100%) 282.1 (60%)	130.1	120.0	57.6	33.3
Purchase Price (S\$ million)	399.7 (100%) 239.8 (60%)	130.9	122.5	55.3	29.5
12M 2017 Gross Revenue (S\$ million)	38.5	11.0	9.4	3.3	2.3
12M 2017 Net Property Income (S\$ million)	25.4	6.4	6.0	3.0	2.1
Occupancy rate (%)	100.0	96.8	100.0	100.0	100.0
Weighted Average Lease Expiry by NLA (years)	3.4	4.6	6.0	16.0	16.0
Weighted Average Lease Expiry by Gross Rental Income (years)	1.9	3.4	3.3	16.0	16.0
Term of Land Use	Expiring on 29 Aug 2044 (29 Aug 2054 for car park)	Expiring on 23 May 2047	Expiring on 31 Aug 2044	Expiring on 19 Aug 2048	Expiring on 27 Feb 2042

## PROPERTY HIGHLIGHTS

### BEIJING WANLIU MALL

北京华联万柳购物中心

Premium Community Mall in Beijing's High Income Residential District



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

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

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

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

As at 31 December 2017

**\$470.1 million**

INDEPENDENT VALUATION

**54,611 sqm**

NET LETTABLE AREA

**301**

NO. OF TENANTS

**100.0%**

OCCUPANCY RATE

**3.4 years**

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

**\$38.5 million**

12M 2017 GROSS REVENUE

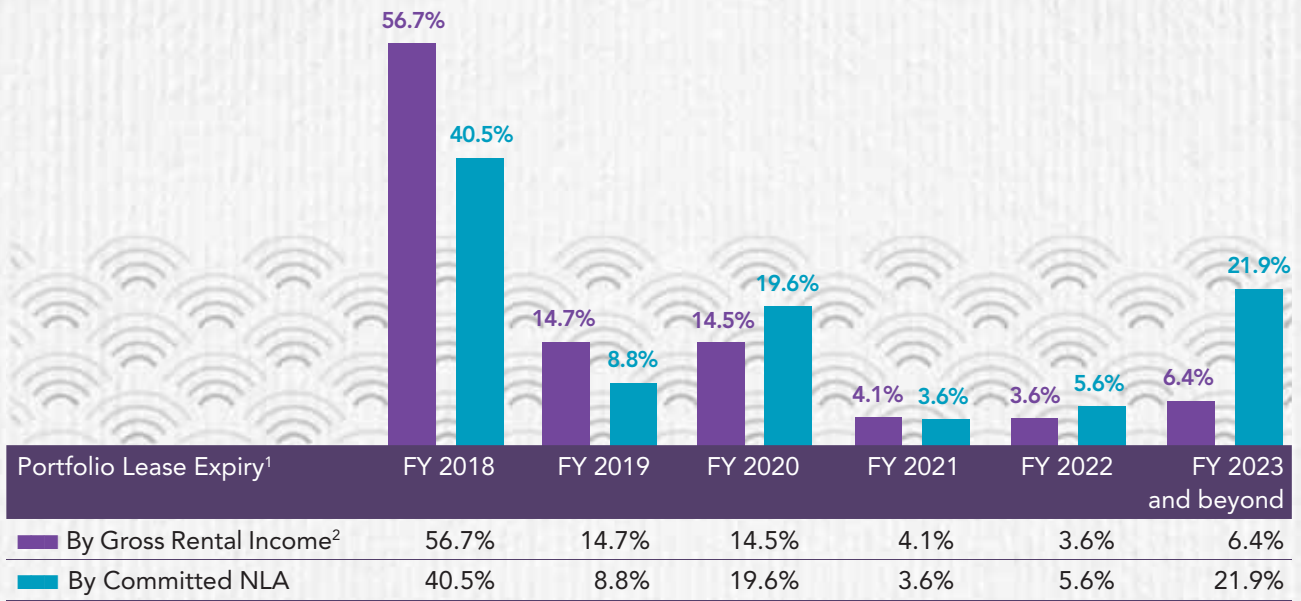
**\$25.4 million**

12M 2017 NET PROPERTY INCOME

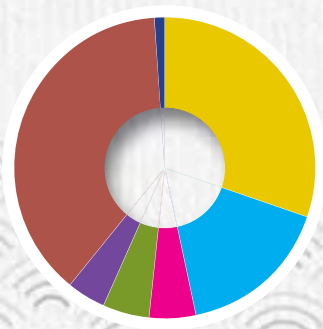
#### TENANTS INCLUDE:

BHG Hypermarket, Golden Harvest Cinema, H&M, Uniqlo, Muji, C&A, Calvin Klein Jeans, Tommy Hilfiger, Lacoste, Nike Kids, Carter's, Etude House, Element Fresh, Bellagio, Hai Di Lao, Pizza Hut, 江边城外, 旺顺阁, Costa Coffee, 唱吧麦颂, Chow Tai Fook(周大福), Happy Pony 快乐小马

**LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2017**

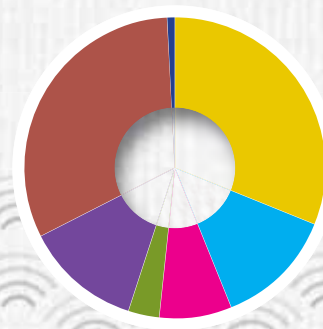


**TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2017**



**BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup> (%)**

30.3	F&B
16.5	Services
5.1	Recreation
5.0	Lifestyle
4.2	Supermarket
37.9	Fashion
1.0	Specialty stores



**BREAKDOWN BY NLA (%)**

31.2
12.7
8.0
3.3
12.3
31.8
0.7

1. Excludes vacancy.  
 2. As percentage of the portfolio's gross rental income for the month of December 2017.



## PROPERTY HIGHLIGHTS

### CHENGDU KONGGANG MALL

北京华联成都空港购物中心

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



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

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

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

As at 31 December 2017

**\$130.1 million**

INDEPENDENT VALUATION

**39,413 sqm**

NET LETTABLE AREA

**194**

NO. OF TENANTS

**96.8%**

OCCUPANCY RATE

**4.6 years**

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

**\$11.0 million**

12M 2017 GROSS REVENUE

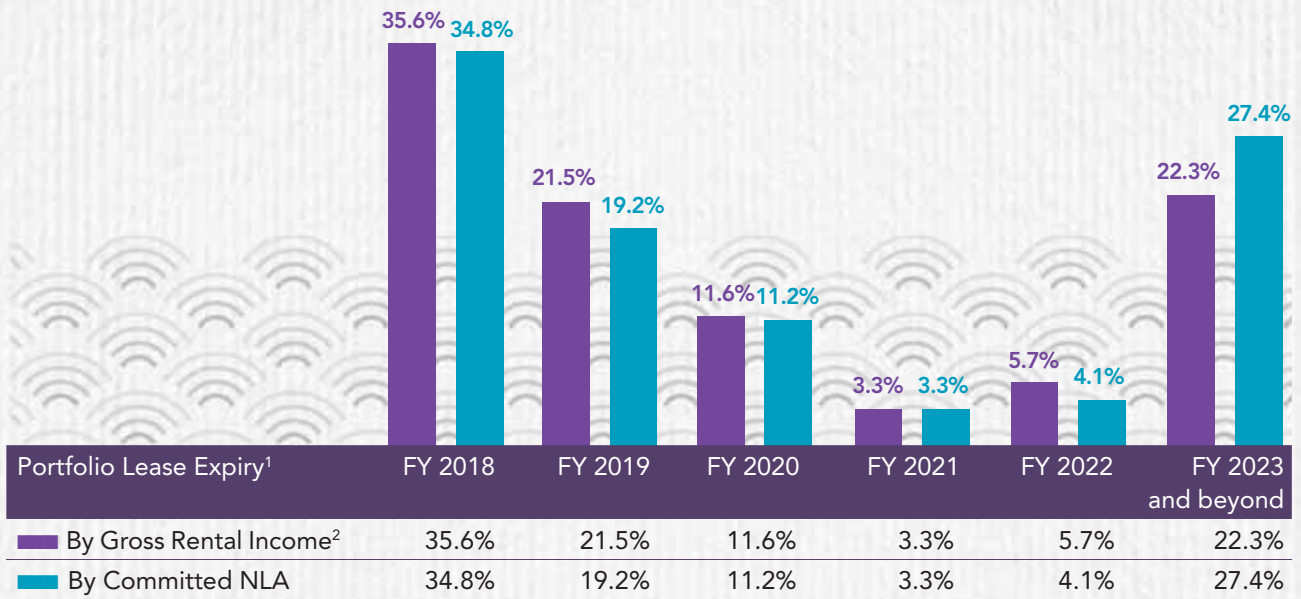
**\$6.4 million**

12M 2017 NET PROPERTY INCOME

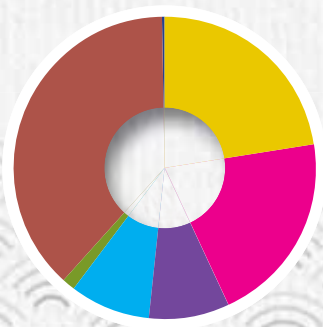
#### TENANTS INCLUDE:

BHG Hypermarket, BHG Shuangliu Cinema, Watsons, Legou Liangfan KTV, Top Feeling, La Chapelle, Nike, Adidas, Burger King, 美航国际健身

**LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2017**

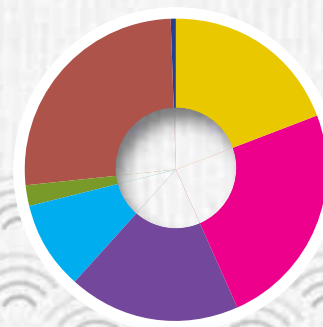


**TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2017**



**BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup> (%)**

22.7	F&B
20.6	Recreation
8.6	Supermarket
8.5	Services
1.5	Lifestyle
37.9	Fashion
0.2	Specialty stores



**BREAKDOWN BY NLA (%)**

19.4
24.0
18.3
9.6
2.1
26.2
0.4

1. Excludes vacancy.  
 2. As percentage of the portfolio's gross rental income for the month of December 2017.

## PROPERTY HIGHLIGHTS

### HEFEI MENGCHENGLU MALL

北京华联合合肥蒙城路购物中心

One of Hefei City's Most Popular Shopping Centres



Hefei Mengchenglu Mall is one of Hefei City's first multi-tenanted retail mall, with six levels of diversified retail services to meet the lifestyle needs of the growing middle income population.

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

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

In 2016, Hefei Mengchenglu Mall beat over 40 participating malls and was one of the winners in "Hefei's Most Popular Shopping Centre of the Year" by a local media platform, "Hefei Forum (合肥论坛)".

As at 31 December 2017

**\$S120.0 million**

INDEPENDENT VALUATION

**25,239 sqm**

NET LETTABLE AREA

**116**

NO. OF TENANTS

**100.0%**

OCCUPANCY RATE

**6.0 years**

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

**\$S9.4 million**

12M 2017 GROSS REVENUE

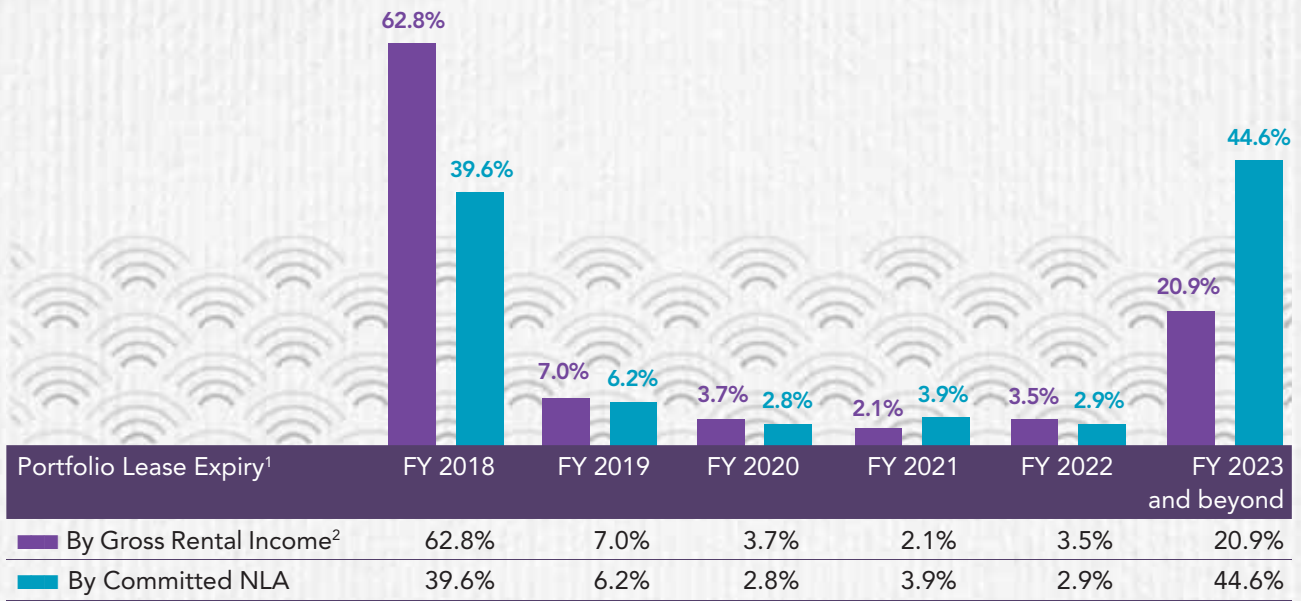
**\$S6.0 million**

12M 2017 NET PROPERTY INCOME

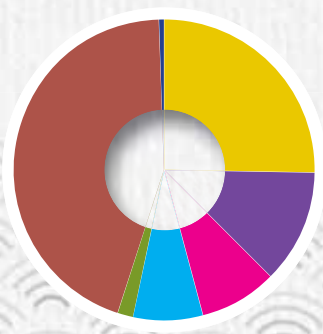
#### TENANTS INCLUDE:

BHG Hypermarket, BHG Hefei Cinema, Hai Di Lao, Pizza Hut, Gymboree, La Chapelle

**LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2017**

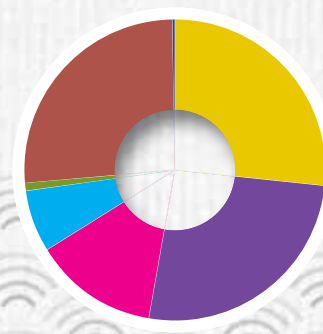


**TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2017**



**BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup> (%)**

25.5	F&B
12.0	Supermarket
8.6	Recreation
7.4	Services
1.5	Lifestyle
44.6	Fashion
0.4	Specialty stores



**BREAKDOWN BY NLA (%)**

26.7
26.1
13.5
6.6
0.9
26.1
0.1

1. Excludes vacancy.  
 2. As percentage of the portfolio's gross rental income for the month of December 2017.

## PROPERTY HIGHLIGHTS

### XINING HUAYUAN MALL

北京华联西宁花园店

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



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

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

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

As at 31 December 2017

**\$57.6 million**  
INDEPENDENT VALUATION

**20,807 sqm**  
NET LETTABLE AREA

**16.0 years**  
LEASE EXPIRY

**\$3.3 million**  
12M 2017 GROSS REVENUE

**\$3.0 million**  
12M 2017 NET PROPERTY INCOME

**DALIAN JINSANJIAO PROPERTY**

北京华联大连金三角店

A Key Destination for Daily Essentials



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

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

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

As at 31 December 2017

**S\$33.3 million**

INDEPENDENT VALUATION

**15,345 sqm**

NET LETTABLE AREA

**16.0 years**

LEASE EXPIRY

**S\$2.3 million**

12M 2017 GROSS REVENUE

**S\$2.1 million**12M 2017 NET PROPERTY  
INCOME

## INVESTOR RELATIONS

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

### PROACTIVE INVESTORS ENGAGEMENT

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

In 2017, BHG Retail REIT expanded the scope of its investor relations initiatives by participating in a range of events. These include the REIT Symposium 2017, SGX-REITAS Educational Series, SGX-REITAS Webinar, SGX-Phillip luncheon seminar, and SGX-Credit Suisse Real Estate Corporate Day. Besides regular one-to-one meetings with Singapore investors, the investor relations team also conducted non-deal roadshows in Kuala Lumpur and Hong Kong to widen our investors outreach. The REIT's investor relations function also had the opportunity to create further awareness of BHG Retail REIT at events such as the International Council of Shopping Centers RECon in Bangkok, as well as Singapore Management University's Bondue Business Forum. BHG Retail REIT was also featured in the Fortune Times magazine, and SGX Market Dialogues' Kopi-C article and video interview.

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

### ACCOLADES & RECOGNITION

In August 2017, BHG Retail REIT won the Bronze Award for the Best Retail REIT (Singapore) at the prestigious Asia Pacific Best of the Breeds REITs Awards 2017.

In recognition of the Manager's commitment towards a preserving a strong corporate governance culture, BHG Retail REIT was ranked 17th by the Governance Index for Trust in June 2017, amongst 43 REITs and business trusts.



*Ms Chan receiving the Bronze Award for the Best Retail REIT (Singapore) from Professor Deng, the Guest of Honour at the Asia Pacific Best Of The Breeds REITs Awards.*

## FY 2017 INVESTOR RELATIONS CALENDAR

2017	
March	<ul style="list-style-type: none"> <li>• Kuala Lumpur Non-Deal Roadshow</li> <li>• Release of FY 2016 Annual Report</li> </ul>
April	<ul style="list-style-type: none"> <li>• FY 2016 Annual General Meeting</li> </ul>
May	<ul style="list-style-type: none"> <li>• 1Q 2017 Results Announcement</li> <li>• SGX-Phillip Luncheon Seminar</li> <li>• REIT Symposium 2017 (REITAS &amp; Shareinvestor)</li> </ul>
June	<ul style="list-style-type: none"> <li>• Fortune Times: May/June 2017 Issue</li> <li>• Governance Index For Trust (GIFT) (Ranked 17th amongst 43 REITs and business trusts)</li> </ul>
July	<ul style="list-style-type: none"> <li>• SGX-REITAS Webinar</li> <li>• SGX Kopi-C Market Dialogues (article &amp; video interview)</li> </ul>
August	<ul style="list-style-type: none"> <li>• BHG Retail REIT won the Bronze Award for the Best Retail REIT (Singapore) at the Asia Pacific Best of the Breeds REITs Awards 2017</li> <li>• 2Q 2017 Results Announcement</li> <li>• SGX-REITAS Education Series</li> </ul>
October	<ul style="list-style-type: none"> <li>• 2017 SGX-Credit Suisse Real Estate Corporate Day</li> <li>• International Council of Shopping Centers (ICSC) Bangkok</li> <li>• Singapore Management University (SMU) Bondue Business Forum</li> </ul>
November	<ul style="list-style-type: none"> <li>• 3Q 2017 Results Announcement</li> <li>• Hong Kong Non-Deal Roadshow</li> </ul>
2018	
February	<ul style="list-style-type: none"> <li>• 4Q 2017 Results Announcement</li> </ul>

## FY 2018 FINANCIAL CALENDAR\*

2018	
May	1Q 2018 Results Announcement
August	2Q 2018 Results Announcement
September	1H 2018 Distribution Payment
November	3Q 2018 Results Announcement
2019	
February	4Q 2018 Results Announcement
March	2H 2018 Distribution Payment
April	FY 2018 Annual General Meeting

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



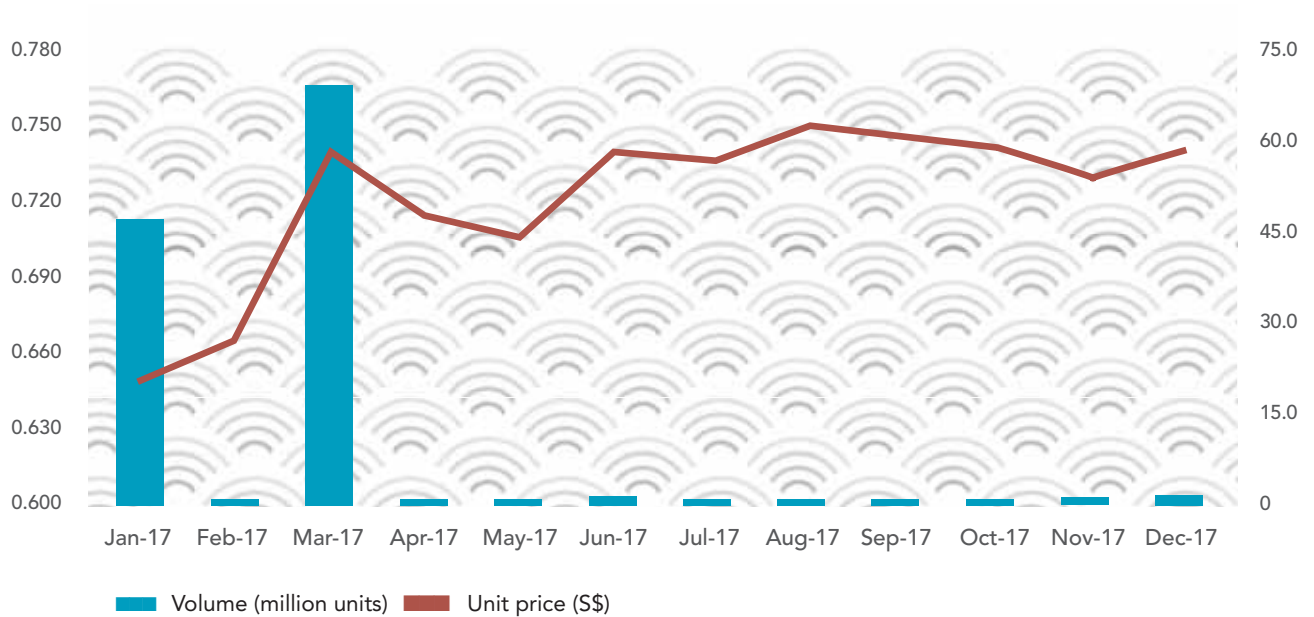
# INVESTOR RELATIONS

## UNIT PRICE PERFORMANCE

BHG Retail REIT's unit price registered a 13.0% capital appreciation between 3 January 2017<sup>1</sup> and 29 December 2017<sup>1</sup>. Taking into account the 12M 2017 full year Distribution per Unit ("DPU") of 5.47 cents, the total return on investment in BHG Retail REIT was 21.3%, based on the closing unit price last year.

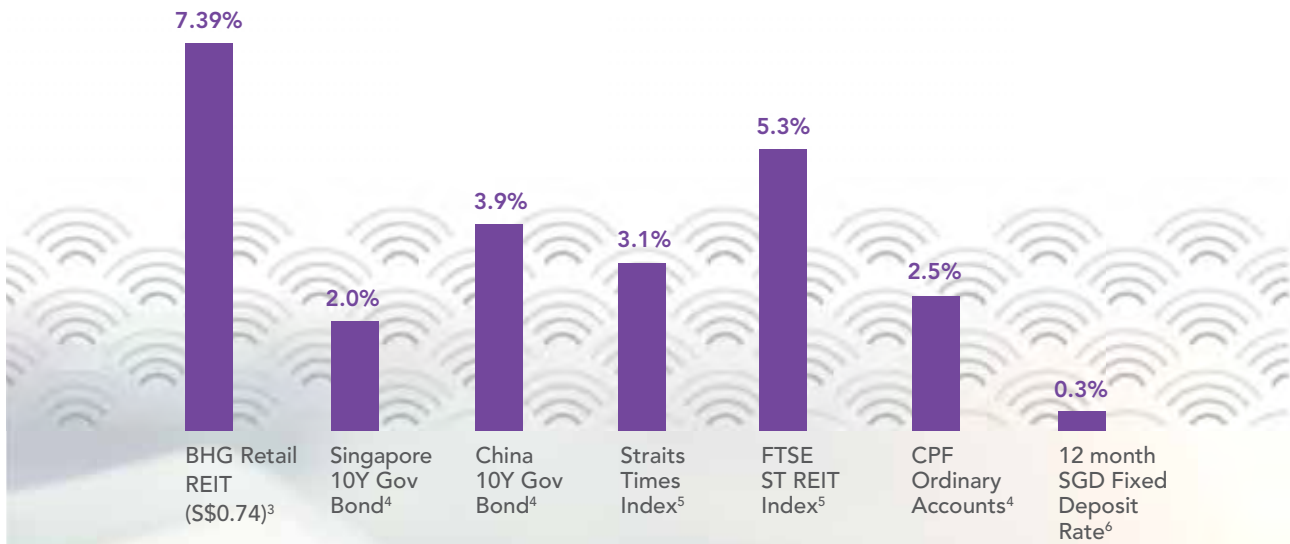
Key Trading Statistics	2017	2016
Year-end closing unit price (S\$)	<b>0.740</b>	0.655
Highest unit price (S\$)	<b>0.780</b>	0.850
Lowest unit price (S\$)	<b>0.610</b>	0.570
Total trading volume (million units)	<b>121.6</b>	57.2

## MONTHLY TRADING PERFORMANCE<sup>2</sup>



1. 3 January being the first trading day and 29 December being the last trading day in 2017.  
 2. Based on closing price as at last trading day of the month.

**ATTRACTIVE YIELD (%)**



Sources: Bloomberg, CPF Board, Monetary Authority of Singapore



3. Based on closing price of S\$0.74 as at 31 December 2017.  
 4. As at 31 December 2017.  
 5. Based on the average gross dividend yield for the 12 months ended 31 December 2017.  
 6. Based on the average SGD fixed deposit rate for the 12 months ended 31 December 2017.



**DELIVERING  
SUSTAINABLE  
GROWTH**





## LAYING FOUNDATIONS FOR THE NEXT PHASE OF GROWTH

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

## SUSTAINABILITY REPORT INTRODUCTION

### ABOUT BHG RETAIL REIT

BHG Retail REIT, which was listed on Singapore Stock Exchange in 2015, is Singapore's first pure-play China retail REIT sponsored by a China-based group. The REIT is managed by BHG Retail Trust Management Pte. Ltd. (the "REIT Manager") which is based in Singapore. Accordingly, our significant operations span between Singapore and China at the moment, with the company headquartered in Singapore.

The REIT Manager is 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.

All of our malls are located in high population density areas frequented by growing middle class professionals and families. Designed as lifestyle destinations, each multi-tenanted mall features a compelling mix of shopping, dining, education and entertainment establishments.

There are five Singapore Holding Companies, one holding a 60.0% interest in a PRC Holding Company and the remaining four each holding 100.0% equity interest in the relevant PRC Holding Companies. There are five PRC Holding Companies, each holding one Property. We believe in providing services that excel in quality and comfort, together with operating a business that is both environmentally sustainable and socially responsible. [\[G4-3, G4-4, G4-5, G4-6, G4-7, G4-8\]](#)

### 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.

### ABOUT THIS REPORT

This is our inaugural sustainability report which has been prepared in accordance with the Global Reporting Initiative ("GRI") G4 Guidelines: Core option, the international standard for sustainability reporting.

This report aims to disclose our environmental, social and governance ("ESG") performance against the issues that are considered most material to the stakeholders – which include investors, suppliers, regulators, management and employees. We prepare this report annually to inform our stakeholders of the initiatives and strategies related to sustainability.

We have not sought external assurance for this report. However, we intend to seek external assurance for future sustainability reports.

[\[G4-30, G4-32, G4-33\]](#)

### REPORTING SCOPE AND BOUNDARIES

This report covers the sustainability performance of our operations in Singapore and the People's Republic of China ("PRC") for the financial year 2017. All data and activities reported were from 1 January 2017 to 31 December 2017, unless stated otherwise.

As we operate as a REIT, we refer to the activities and performance of the REIT Manager when discussing employee-related performance.

Environmental data disclosed the sustainability report covers the multi-tenanted properties of the REIT.

The content of this report was defined by the four reporting principles established by GRI G4 Guidelines: Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

Stakeholder Inclusiveness principle was implemented in determining the report context through the stakeholder engagement and materiality assessment workshop conducted in June 2017. The workshop was conducted to understand the reasonable expectations as well as interests of our stakeholders.

Sustainability Context principle was implemented in determining the report context which covered the ESG aspects.

Materiality principle was implemented in determining the report context through the stakeholder engagement and materiality assessment workshop. Internal and external factors that were considered when assessing whether a topic is material.

Completeness principle was implemented by examining specific and material topics to check the data availability and determination of the topics' boundaries.

[G4-18, G4-28]

### SUSTAINABILITY ACROSS OUR SUPPLY CHAIN

BHG Retail REIT and the Manager are committed to ensuring appropriate risk management procedures for outsourcing across our supply chain.

[G4-12]

### SUSTAINABILITY AT BHG RETAIL REIT

BHG Retail REIT manages its sustainability through relevant policies, programmes and operating procedures. There is an established Enterprise Risk Management ("ERM") Framework that informs the decision-making of all employees at BHG Retail REIT. It is a risk-based management approach that is integral to our business and culture.

Precautionary approach is adopted in our business to manage any unforeseen circumstances that may interrupt the business – such as natural disasters, fire hazards and equipment failures. Each portfolio property has implemented recovery plans, which are tested at intervals throughout the year. The REIT Manager has also set proactive initiatives to ensure maintenance of the premises and equipment within each portfolio property.

The REIT Manager is required to observe multiple laws and regulations to keep track of any compliance breaches. In ensuring that all laws and regulations are followed, the REIT Manager has implemented corporate policies and procedures to provide clear instructions for all staff to abide by. Furthermore, the REIT Manager ensures that all employees are aware of the latest developments in the law through training, seminars and briefings conducted by professionals.

Following the listing of the REIT in December 2015, we have determined that the ERM Framework will be reviewed every two years. The ERM Framework will also

be reviewed and updated 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 Chief Executive Officer ("CEO") and Compliance Manager, under the oversight of the Board, work together to manage sustainability matters within the REIT.

[G4-14, G4-34]

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

Our vendors, suppliers and service providers are being assessed regularly with a risk-based approach. As such, due diligence checks are performed in line with Monetary Authority of Singapore ("MAS") guidelines before or during the course of engagement.

[G4-12]

### CONTACT US

For questions or to deliver feedback about this report, please contact:

Compliance Manager  
**Melvyn Alexander Lee**  
 BHG Retail Trust Management Pte. Ltd.  
 100 Beach Road, Shaw Tower #25-11  
 Singapore 189702

Tel.: (65) 6805 8276  
 Fax: (65) 6805 8277  
 E-mail: melvyn.lee@bhgreit.com

[G4-31]

## SUSTAINABILITY REPORT INTRODUCTION

### EXTERNAL CHARTERS AND PRINCIPLES

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

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

Ms Chan Iz-Lynn, the CEO of the REIT, is a member of the China Leadership Board of the International Council of Shopping Centres. BHG Retail REIT also holds membership in the Singapore Business Federation and the REIT's management holds membership of the Investor Relations Professionals Association (Singapore). [G4-15, G4-16]

### AWARDS

We are proud to report that our business has been recognised for its high standard and performance in the Asia Pacific region. The Asia Pacific Best of the Breed REITs Awards recognises companies and managers with the highest standards and performance in the Asia Pacific REITs sector. BHG Retail REIT has won the Bronze Award in Retail REITs Category in 2017.

The winners of the awards are evaluated based on:

- Financial performance
- Market performance
- Corporate governance
- Quality of underlying assets
- Quality of REIT Manager
- Adequacy of risk management policies and methodology
- Sustainability of performance over the long term

Despite being newly listed, the REIT has also achieved a respectable ranking in the Governance Index for Trusts ("GIFT"), an inaugural corporate governance ranking for Singapore-listed REITs and business trusts. The index was published in June 2017, by Associate Professor Mak Yuen Teen and Chew Yi Hong, and is supported by CPA Australia. The index was noted and reported by the Business Times in Singapore. The REIT was ranked 17th out of 43 REITs and business trusts, which indicates confidence in our corporate governance practices.



Figure 1: Associations where BHG Retail REIT and Management hold Membership

## SUSTAINABILITY REPORT

# BOARD STATEMENT



Mr Francis Siu Wai Keung, Chairman

BHG Retail REIT strongly believes that sustainability is integral to our business in achieving long-lasting commercial success. We have embarked on the journey by looking at our responsibility for the ESG issues to create a sustainable future for the organisation, the stakeholders and the society. To manage our stakeholder engagement, we cultivate relationships through regular and systematically planned meetings.

We recognise the importance of attracting, developing and retaining a high quality workforce to ensure the long-term success of its business. We have invested in employee trainings to provide updates on regulatory compliance matters. In 2017, all employees attended trainings as part of their overall learning and development, with management and executives clocking an average of at least 30 training hours in that year.

Corporate governance is at the centre of our business in achieving sustainability goals. We uphold the belief that good corporate governance is essential in building a sound organisation and operating in an ethical environment, thereby protecting the interests of all stakeholders.

We strive to put in place a robust governance framework to maintain integrity, transparency, accountability and discipline in all of our business activities.

For our efforts, we have gained recognition in the region. We have recently won the Bronze Award in Retail REITs Category for the Asia Pacific Best of the Breed REITs Awards 2017 that recognises companies and managers of their highest standards and performance.

We will make efforts to improve the overall sustainability performance across our property portfolio, as well as extend our communication approach to all stakeholders. Looking ahead, we will progressively include more metrics and quantitative targets to measure our sustainability performance – with the ultimate goal to build a sustainable business for the future.

[\[G4-1, G4-13\]](#)

**Mr Francis Siu Wai Keung**  
Chairman



## SUSTAINABILITY REPORT

# STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

### STAKEHOLDER ENGAGEMENT

BHG Retail REIT recognises that stakeholders play an important strategic role in maintaining the company's long-term growth as well as responsible business development in ESG aspects.

Our business activities involve a diverse range of stakeholders, but we have identified stakeholders who are instrumental to the success of our business and have the ability to influence our sustainability performance.

The stakeholders include investors, suppliers, regulators, management and employees.

We communicate regularly with our stakeholders by providing an open and transparent channels for their concerns, reviewing and considering those concerns, as well as responding in a timely manner.

The table below shows our relationship and interaction with stakeholders during the financial year 2017. [\[G4-24, G4-25, G4-26, G4-27\]](#)

Table 1: Stakeholder Engagement

STAKEHOLDERS	MODE OF ENGAGEMENT	TOP SUSTAINABILITY CONCERNS/ISSUES
Investors	<ul style="list-style-type: none"> <li>Annual General Meeting (AGM)</li> <li>Analyst Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Anti-Corruption</li> <li>Customer Health and Safety</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Supplier performance feedback</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Procurement practice</li> <li>Customer Privacy</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Electronic communications</li> </ul>	<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>
Management	<ul style="list-style-type: none"> <li>Board meetings</li> <li>Management meetings</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Employment</li> <li>Training and Education</li> <li>Compliance</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Performance appraisals</li> <li>Staff meetings</li> <li>One-to-one engagement</li> </ul>	<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>

### MATERIALITY ASSESSMENT

The materiality assessment process was conducted based on a three-step approach to identify the material Environment, Social and Governance ("ESG") factors:

1. Identification of ESG factors;
2. Prioritisation of ESG factors;
3. Validation of ESG factors:

Prioritisation of ESG factors was performed during the Stakeholder Engagement and Materiality Assessment Workshop ("Workshop") conducted in June 2017. During the Workshop, we reviewed the ESG factors raised by respective stakeholders by evaluating the importance of information for reflecting significant economic, environmental, and/or social impacts, as well as for stakeholders' decision making.

Identification of ESG factors was performed by distributing the survey forms to the respective stakeholders to gather their concerns and inputs with regards to these factors.

Validation of ESG factors was performed by the management of BHG Retail REIT to review and endorse the results consolidated from the workshop.

The materiality assessment process was concluded with six ESG factors being identified as material. Four of these ESG factors were considered as top priorities in this sustainability report. The other two ESG factors which are classified as emerging priorities, will be covered in greater detail in our future reports. [\[G4-18\]](#)

**MATERIAL ASPECTS AND INDICATORS IDENTIFIED**

**Table 2: List of Identified ESG Factors**

TOP PRIORITIES	
G4-EC1	Direct economic value generated and distributed
G4-EC6	Senior management hired from the local community
G4-LA9	Average hours of training per year per employee by gender, and by employee category.
G4-LA11	Percentage of employees receiving regular performance and career development review, by gender and by employee category.
EMERGING PRIORITIES	
G4-EN3	Energy consumption within the organisation
G4-EN8	Total water withdrawal by source

This sustainability report will be focusing on ESG factors classified as top priorities. ESG factors classified as emerging priorities will be covered in our future reports.

[\[G4-19, G4-20\]](#)

**Table 3: List of Material Aspects**

CATEGORY	MATERIAL ASPECTS	LIST OF INDICATORS	ASPECT BOUNDARY
<b>Economic</b>	Economic Performance	G4-EC1: Direct economic value generated and distributed	Within organisation
<b>Economic</b>	Market Presence	G4-EC6: Senior management hired from the local community	Within organisation
<b>Social: Labour Practices and Decent Work</b>	Training & Education	G4-LA9: Average hours of training per year per employee by gender, and by employee category	Within organisation
<b>Social: Labour Practices and Decent Work</b>	Training & Education	G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Within organisation

[\[G4-18, G4-19, G4-20\]](#)

## SUSTAINABILITY REPORT

# PEOPLE

### OUR APPROACH

BHG Retail REIT has a total of nine employees (three males and six females), all of whom are permanent staff based in Singapore.

[G4-9, G4-10, G4-EC6]

At BHG Retail REIT, we strongly value the importance of our employees. Through our internal talent management process, we ensure that there is succession planning for important positions within the organisation.

Strong emphasis is placed on continual training and education to drive staff performance and enhance professional skillsets. We continue to invest in our employees through courses and on-the-job training. Throughout 2017, subject matter experts from well-known organisations have been invited to our office to conduct training for.

We provide refreshers and updates on regulatory compliance matters over the year to mitigate risk of compliance breaches. All these activities were carried out to ensure that employees remain updated with relevant developments and adhere to the laws, regulations, and all applicable internal company policies.

[G4-DMA]

### CAREER DEVELOPMENT AND PERFORMANCE REVIEWS

We believe that personal development of individual employees will help enhance and develop human capital within the organisation. Hence, employee performance reviews and career development are considered of utmost importance within the firm.

BHG Retail REIT's internal talent management process assesses the development of our employees and reviews our training programmes and courses. This is to ensure that the areas of strength and development of key personnels are identified and concurrent plans for employee skill enhancement are drawn up.

[G4-LA11]

#### Our performance:

**In 2017, all of our employees have received regular performance and career development review.**

**In future, we aim to consistently achieve 100 percent of regular performance and career development review for our employees.**



**TRAINING AND EDUCATION**

All staff attended relevant training as part of their overall learning and development.

In 2017, BHG Retail REIT achieved a total of 328 hours of training for all employees. We ensure easy access to training for both genders, across all job profiles, highlighting the effort to also improve diversity in the workplace. In 2017, our three male employees received 102 hours of training and our six female employees received 226 hours of training respectively.

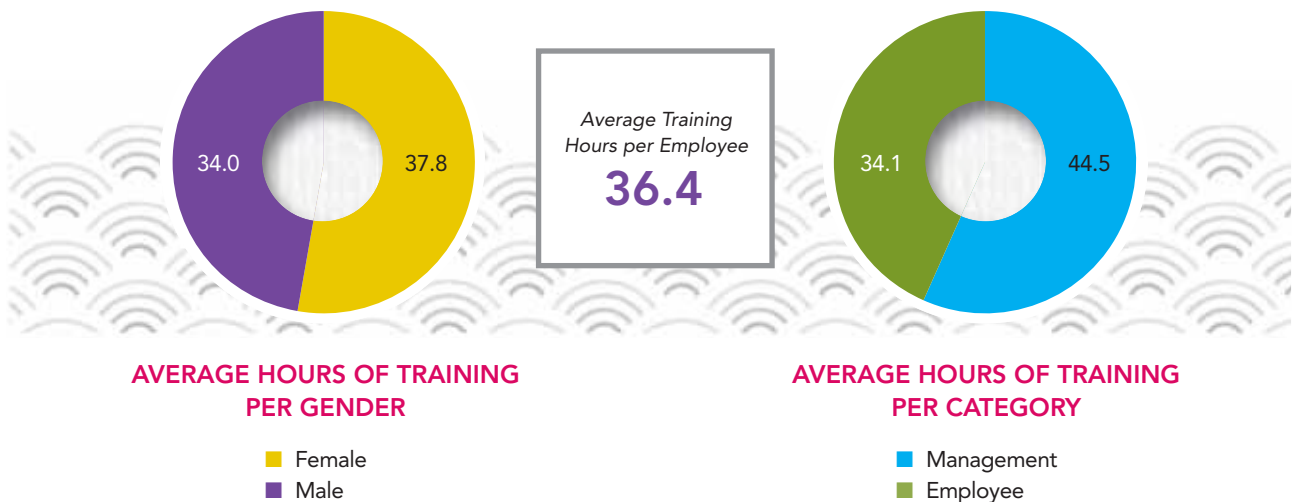
The Manager also recognises that people contribute largely to the success of the business. In 2017, the total hours of training received by management was 89 hours and total hours of training received by employees was 239 hours.

The topics of training include, but are not limited to, compliance, financing, risk governance, enterprise risk management (ERM) and property management.

In future, we aim to consistently meet our internal target for Continuing Professional Development (CPD) training. *[G4-LA9]*

**Our performance:**

**In 2017, management and executives have each achieved at least 30 hours of CPD training. We have thus met our internal target for the number of CPD training hours.**



## SUSTAINABILITY REPORT

# ENVIRONMENT

### OUR APPROACH

We are conscious of how our business impacts the environment. The built environment accounts for a large proportion of energy and water usage. These are material issues that were identified as part of our growing business which require our immediate attention. Therefore, we are committed to identify, manage and reduce the environmental impacts of our operations.

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

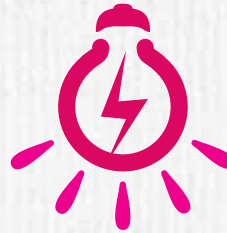
### ENERGY

For energy usage, we seek continuous improvement in energy efficiency by investing in innovative and practical solutions to mitigate our environmental impacts. Where possible, we take the opportunity to review and improve the practices throughout the life-cycle of our buildings. Our initiatives in good energy management include reducing excessive lighting and air-conditioning to minimise usage of cooling towers during low loading periods for air-conditioning.

### WATER

For water usage, we take several initiatives to track our water usage to conserve the resource and prevent wastage. Initiatives such as utilising water-efficient flushing cisterns, installing motion sensor water faucets and reducing the tap flow rate are in place to manage our water consumption.

#### Highlight of 2018 targets include:



#### Energy

- Installing energy-efficient lighting and equipment in pathway, car park, and store units within premise and for landscaping
- Selecting compressor units based on the weather conditions to improve usage rate
- Utilising the auto-illumination system and light-emitting diode (LED) lightings



#### Water

- Reducing water consumption in toilets to a reasonably low level by adjusting the water discharge
- Monitoring the water usage in our properties on a monthly basis to identify sudden spikes in consumption as well as water leakage in the piping system

# SUSTAINABILITY REPORT CORPORATE SOCIAL RESPONSIBILITY

BHG Retail REIT strives to give back to society by actively engaging the community that it operates in.

## BEIJING WANLIU MALL

### April 2017 – Green Ride

Beijing Wanliu Mall organised ‘Green Ride’ on 15th April 2017, to advocate for a low-carbon lifestyle.



### May 2017 – Flea Market

Beijing Wanliu Mall hosted a flea market to raise funds for its beneficiaries. At the same time, the event was an opportunity to foster kindness in young children.



### June 2017 – Public Service Newspaper Selling Charity

Beijing Wanliu Mall hosted a public service newspaper selling charity event to raise funds for its beneficiaries. At the same time, the event was an opportunity to foster kindness in young children.



## CHENGDU KONGGANG MALL

### April 2017 – Care for Autistic Kids

In collaboration with public service community, Chengdu Konggang Mall hosted a “Care for Autistic Kids” charity to increase awareness on Autism Spectrum Disorder (“ASD”).



## SUSTAINABILITY REPORT

# CORPORATE SOCIAL RESPONSIBILITY

### May 2017 – Floristry Experience Event

Chengdu Konggang Mall hosted a floristry experience event to increase awareness on environmental friendliness as well as to promote floristry to the public.



### September 2017 – Free Lunch

Chengdu Konggang Mall hosted a free lunch for children from low income families.



### August 2017 – Support Victims of Jiuzhaigou's Earthquake

Chengdu Konggang Mall provided support by donating daily necessities to victims who suffered from Jiuzhaigou's earthquake disaster.



### HEFEI MENGCHENGLU MALL

### January 2017 – Cultural Festival

In conjunction with the Chinese Lunar New Year, Hefei Mengchenglu Mall organized a Cultural Festival – presenting a variety of traditional Chinese culture and art activities to the younger generation.



**April 2017 – Kindness Flea Market**

Hefei Mengchenglu Mall hosted a kindness flea market charity to foster kindness in young children.



**July 2017 – Little Dentist Event**

Hefei Mengchenglu Mall hosted a “Little Dentist” event to promote and increase awareness on oral hygiene among the young generation.



**June 2017 – Summer Community Event**

As part of our efforts to engage the community, Hefei Mengchenglu Mall provided a venue in its mall for the prize giving ceremony of a college in Hefei.



**January 2018 – Willing Hearts Soup Kitchen**

REIT Manager prepared and distributed food at Willing Hearts Soup Kitchen.





# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Description	Chapter, Page Reference, Performance and/or Explanation for Omissions
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<b>ORGANISATIONAL PROFILE</b>		
G4-3	Name of the organisation	Page 66
G4-4	Primary brands, products and services	Page 66
G4-5	Location of organisation's headquarters	Page 66
G4-6	Number and names of countries where the organisation operates	Page 66
G4-7	Nature of ownership and legal form	Page 66
G4-8	Markets served	Page 66
G4-9	Scale of organisation	Page 72
G4-10	Workforce	Page 72
G4-11	Percentage of employees covered by collective bargaining agreements	Not applicable
G4-12	Organisation's supply chain	Page 67
G4-13	Significant changes during the reporting period	Not applicable
G4-14	How the precautionary approach is addressed	Page 67
G4-15	Charters, principles or other initiatives to which the organisation is subscribed to	Page 68
G4-16	List of memberships or associations and national/international advocacy in which the organisation holds a position, participates, provides substantive funding or view membership as strategic	Page 68
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
G4-17	Entities included in the organisation's consolidated financial statements. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the Report	Financial Statements
G4-18	Process for defining Report content and Aspect Boundaries, and how the organisation has implemented the Reporting Principles for Defining Report Content	Page 67, 71
G4-19	List all Material Aspects identified in the process for defining Report content	Page 71

**GENERAL STANDARD DISCLOSURES**

General Standard Disclosures	Description	Chapter, Page Reference, Performance and/or Explanation for Omissions
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**IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES**

G4-20	For each Material Aspect, report the Aspect Boundary within the organisation	Page 71
G4-21	For each Material Aspect, report the Aspect Boundary outside the organisation	Not applicable
G4-22	Restatements	Not applicable
G4-23	Significant changes in Scope and Aspect Boundary	Not applicable

**STAKEHOLDER ENGAGEMENT**

G4-24	List of stakeholder groups	Page 70
G4-25	Basis for identification and selection of stakeholders	Page 70
G4-26	Organisation's approach to stakeholder engagement	Page 70
G4-27	Key topics raised through stakeholder engagement	Page 70

**REPORT PROFILE**

G4-28	Report profile	Page 66
G4-29	Date of most recent previous report	Not applicable
G4-30	Reporting cycle	Page 66
G4-31	Contact point	Page 67
G4-32	GRI Content Index	Page 78, 79
G4-33	External assurance	Page 66

**GOVERNANCE**

G4-34	Governance structure and composition	Page 65 Financial Statements
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G4-56	Values, principles, standards and codes of conduct and ethics	Page 66
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## SUSTAINABILITY REPORT

# GRI CONTENT INDEX

SPECIFIC STANDARD DISCLOSURES		
DMA and Indicators	Description	Page Number (or Link)
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G4-DMA	Disclosures on Management Approach	Financial Statements
G4-EC1	Direct economic value generated and distributed	Financial Statements
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Page 72
<b>CATEGORY: SOCIAL</b>		
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>		
G4-DMA	Disclosures on Management Approach	Page 72
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Page 73
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Page 72

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82	Report of the Trustee
83	Statement by the Manager
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88	Statements of Financial Position
89	Statements of Total Return
90	Distribution Statements
92	Statements of Movements in Unitholders' Funds
93	Portfolio Statement
94	Statement of Cash Flows
96	Notes to the Financial Statements

## REPORT OF THE TRUSTEE

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of BHG Retail REIT (the "REIT") in trust for the Unitholders (the "Unitholders"). In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of BHG Retail Trust Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 18 November 2015 (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 88 to 142 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

**Jane Lim**  
*Director*

**Singapore**  
15 March 2018

## 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 88 to 142 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in Unitholders’ funds of BHG Retail REIT (the “REIT”) and its subsidiaries (the “Group”), the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the REIT and the portfolio of the Group as at 31 December 2017, the total return, distributable income and movements in Unitholders’ funds of the Group and of the REIT and cash flows of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

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

**Francis Siu Wai Keung**  
*Director*

**Singapore**  
15 March 2018

# INDEPENDENT AUDITORS' REPORT

UNITHOLDERS

BHG RETAIL REIT

(CONSTITUTED UNDER A TRUST DEED DATED 18 NOVEMBER 2015 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 statements of financial position of the REIT as at 31 December 2017, the statements 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 88 to 142.

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 of the Group and the REIT as at 31 December 2017 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.

# INDEPENDENT AUDITORS' REPORT

UNITHOLDERS

BHG RETAIL REIT

(CONSTITUTED UNDER A TRUST DEED DATED 18 NOVEMBER 2015 IN THE REPUBLIC OF SINGAPORE)

## 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.

<b>Valuation of investment properties</b>	
Refer to Note 4 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has investment properties comprising retail malls in the People's Republic of China. These investment properties represent the single largest category of assets on the statements of financial position, at \$811.1 million (2016: \$810.7 million) as at 31 December 2017.</p> <p>These investment properties are stated at their fair values based on independent external valuations.</p> <p>The valuation process involves significant judgement in determining the appropriate valuation methodology, and in estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions, including those relating to the discount rates, terminal rates, term yields and reversionary rates and a change in the assumptions will have an impact on the valuation.</p>	<p>We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.</p> <p>We compared the valuation methodologies used, which included the discounted cash flow method and income capitalisation method, against those applied for similar property types by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We assessed the reasonableness of the discount rates, terminal rates, term yields and reversionary rates used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors.</p> <p>We also considered the adequacy of the disclosures in the financial statements.</p>
	<i>Our findings</i>
	<p>The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are comparable to the methods used for similar property types by other valuers and the key assumptions used are within the range of market data.</p> <p>The disclosures in the financial statements are appropriate in their description of the judgement inherent in the key assumptions used in the valuations and the relationships between the key unobservable inputs and fair values.</p>



# INDEPENDENT AUDITORS' REPORT

UNITHOLDERS

BHG RETAIL REIT

(CONSTITUTED UNDER A TRUST DEED DATED 18 NOVEMBER 2015 IN THE REPUBLIC OF SINGAPORE)

## *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 Highlight, Corporate Social Responsibility and Interested Person Transactions, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditors' report, and the Statistics of Unitholders (the "Report") which is expected to be made available to us after that date.

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

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

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

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

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

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit 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.

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.

# INDEPENDENT AUDITORS' REPORT

UNITHOLDERS

BHG RETAIL REIT

(CONSTITUTED UNDER A TRUST DEED DATED 18 NOVEMBER 2015 IN THE REPUBLIC OF SINGAPORE)

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

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

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

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

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

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

15 March 2018

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		REIT	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Non-current assets</b>					
Investment properties	4	811,116	810,692	–	–
Plant and equipment	5	690	733	–	–
Interests in subsidiaries	6	–	–	525,088	526,707
Trade and other receivables	7	123	46	–	–
Deferred tax assets	8	22	208	–	–
		<u>811,951</u>	<u>811,679</u>	<u>525,088</u>	<u>526,707</u>
<b>Current assets</b>					
Trade and other receivables	7	4,160	8,279	189	1,290
Cash and cash equivalents	9	72,081	51,669	547	382
		<u>76,241</u>	<u>59,948</u>	<u>736</u>	<u>1,672</u>
<b>Total assets</b>		<u>888,192</u>	<u>871,627</u>	<u>525,824</u>	<u>528,379</u>
<b>Non-current liabilities</b>					
Loans and borrowings	10	215,500	140,442	147,690	70,657
Trade and other payables	11	1,843	1,869	–	–
Security deposits		4,461	6,693	–	–
Deferred tax liabilities	8	24,404	22,564	–	–
		<u>246,208</u>	<u>171,568</u>	<u>147,690</u>	<u>70,657</u>
<b>Current liabilities</b>					
Loans and borrowings	10	25,972	90,020	24,760	88,800
Trade and other payables	11	19,401	19,169	1,334	1,138
Security deposits		11,730	7,991	–	–
Current tax liabilities		1,832	1,493	–	–
		<u>58,935</u>	<u>118,673</u>	<u>26,094</u>	<u>89,938</u>
<b>Total liabilities</b>		<u>305,143</u>	<u>290,241</u>	<u>173,784</u>	<u>160,595</u>
<b>Net assets</b>		<u>583,049</u>	<u>581,386</u>	<u>352,040</u>	<u>367,784</u>
<b>Represented by:</b>					
Unitholders' funds	12	416,454	421,177	352,040	367,784
Non-controlling interests	13	166,595	160,209	–	–
		<u>583,049</u>	<u>581,386</u>	<u>352,040</u>	<u>367,784</u>
<b>Units in issue ('000)</b>	14	<u>500,934</u>	<u>496,877</u>	<u>500,934</u>	<u>496,877</u>
<b>Net asset value per Unit attributable to Unitholders (\$)</b>		<u>0.83</u>	<u>0.85</u>	<u>0.70</u>	<u>0.74</u>

# STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2017

	Note	Group		REIT	
		Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
Gross rental income		57,725	59,172	–	–
Dividend income		–	–	8,300	–
Other income		6,794	7,062	–	–
<b>Gross revenue</b>		<b>64,519</b>	<b>66,234</b>	<b>8,300</b>	<b>–</b>
Business tax		(409)	(1,539)	–	–
Property-related tax		(5,035)	(5,069)	–	–
Property management fees and reimbursables		(2,179)	(2,182)	–	–
Other property operating expenses	16	(13,952)	(15,247)	–	–
<b>Total property operating expenses</b>		<b>(21,575)</b>	<b>(24,037)</b>	<b>–</b>	<b>–</b>
<b>Net property income</b>		<b>42,944</b>	<b>42,197</b>	<b>8,300</b>	<b>–</b>
Audit fees		(289)	(314)	(145)	(145)
Manager's management fees					
– Base fee		(2,000)	(1,904)	(2,000)	(1,904)
– Performance fee		(282)	(209)	(282)	(209)
Trustee's fees		(127)	(144)	(127)	(144)
Valuation fee		(62)	(60)	(62)	(60)
Other income (non-operating)		513	222	–	–
Other operating expenses	17	(606)	(490)	(514)	(395)
Finance income		720	427	–	–
Finance costs		(8,952)	(9,177)	(4,834)	(4,778)
Net finance costs	18	(8,232)	(8,750)	(4,834)	(4,778)
<b>Total return before change in fair value of investment properties and unrealised foreign exchange loss</b>		<b>31,859</b>	<b>30,548</b>	<b>336</b>	<b>(7,635)</b>
Change in fair value of investment properties	4	8,298	85,966	–	–
Foreign exchange loss – unrealised		(1)	(65)	–	–
<b>Total return for the year/period before taxation</b>		<b>40,156</b>	<b>116,449</b>	<b>336</b>	<b>(7,635)</b>
Taxation	19	(8,683)	(28,334)	–	–
<b>Total return for the year/period after taxation</b>		<b>31,473</b>	<b>88,115</b>	<b>336</b>	<b>(7,635)</b>
<b>Attributable to:</b>					
Unitholders		20,942	58,603	336	(7,635)
Non-controlling interests	13	10,531	29,512	–	–
<b>Total return for the year/period after taxation</b>		<b>31,473</b>	<b>88,115</b>	<b>336</b>	<b>(7,635)</b>
<b>Earnings per Unit (cents)</b>	20				
– Basic		4.20	11.86		
– Diluted		4.18	11.79		

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

# DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2017

	Note	Group		REIT	
		Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
<b>Amount available for distribution to Unitholders at 1 January 2017/ 18 November 2015 ("Date of Constitution")</b>		9,154	–	9,154	–
Total return for the year/period attributable to Unitholders		20,942	58,603	336	(7,635)
Distribution adjustments	A	(941)	(39,565)	19,665	26,673
Income for the year/period available for distribution to Unitholders	B	20,001	19,038	20,001	19,038
<b>Distribution to Unitholders during the year/ period:</b>					
– Distribution of 2.85 cents per Unit for period from 11 December 2015 to 30 June 2016		–	(9,884)	–	(9,884)
– Distribution of 2.60 cents per Unit for period from 1 July 2016 to 31 December 2016		(9,075)	–	(9,075)	–
– Distribution of 2.74 cents per Unit for period from 1 January 2017 to 30 June 2017		(9,954)	–	(9,954)	–
		(19,029)	(9,884)	(19,029)	(9,884)
<b>Amount available for distribution to Unitholders at end of the year/period</b>		10,126	9,154	10,126	9,154
<b>Distribution per unit (cents)</b>	*	5.47	5.45		

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

The distribution relating to 1 July 2017 to 31 December 2017 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 2017 and for the period from the Listing Date to 31 December 2016 amounted to approximately S\$5.4 million and S\$5.6 million respectively.

# DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## Note A – Distribution adjustments

Note	Group		REIT	
	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
<b>Distribution adjustment items:</b>				
– Amortisation of debt establishment costs	330	327	110	105
– Change in fair value of investment properties <sup>(1)</sup>	(4,369)	(56,597)	–	–
– Deferred taxation <sup>(1)</sup>	1,275	14,700	–	–
– Manager's management fees paid/payable in Units	2,212	2,113	2,212	2,113
– Net income of subsidiaries not distributed to the REIT <sup>(1)</sup>	–	–	17,343	24,455
– Property Manager's management fees paid/payable in Units	737	737	–	–
– Transfer to statutory reserve	(1,241)	(1,082)	–	–
– Other adjustments <sup>(1)</sup>	115	237	–	–
<b>Net effect of distribution adjustments</b>	<b>(941)</b>	<b>(39,565)</b>	<b>19,665</b>	<b>26,673</b>

(1) Excludes share attributable to non-controlling interests

## Note B – Income for the year/period available for distribution to Unitholders

### Comprises:

– from operations	–	–	–	–
– from Unitholders' contribution	20,001	19,038	20,001	19,038
<b>Total Unitholders' distribution</b>	<b>20,001</b>	<b>19,038</b>	<b>20,001</b>	<b>19,038</b>

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# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2017

	Group		REIT	
	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
<b>Unitholders' funds as at beginning of the year/ period</b>	421,177	–	367,784	–
<b>Operations</b>				
Total return for the year/period after taxation attributable to Unitholders	20,942	58,603	336	(7,635)
Transfer to statutory reserve	(1,241)	(1,082)	–	–
<b>Net increase/(decrease) in net assets resulting from operations</b>	19,701	57,521	336	(7,635)
<b>Foreign currency translation reserve</b>				
Translation differences from financial statements of foreign operations	(9,585)	(12,845)	–	–
<b>Statutory reserve</b>				
Transfer from operation	1,241	1,082	–	–
<b>Unitholders' transactions</b>				
Issue of new Units on listing	–	394,180	–	394,180
Creation of Units paid/payable to manager				
– Units issued and to be issued as satisfaction of the portion of Manager's management fees payable in Units	2,212	2,113	2,212	2,113
– Units issued and to be issued as satisfaction of the portion of Property Manager's management fees payable in Units	737	737	737	737
Issue expenses	–	(11,727)	–	(11,727)
Distributions to Unitholders	(19,029)	(9,884)	(19,029)	(9,884)
	(16,080)	375,419	(16,080)	375,419
<b>Unitholders' funds as at end of the year/period</b>	416,454	421,177	352,040	367,784

# PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2017

Group Description of leasehold property	Location	Term of lease (years)	Lease expiry	Valuation as at		Valuation as at		Percentage of Unitholders' funds	
				2017 RMB'000	2016 RMB'000	2017 SGD'000	2016 SGD'000	2017 %	2016 %
Beijing Wanliu	No.2 Bagou Road, Haidian District, Beijing	30	2044	2,287,000	2,235,000	470,101	465,784	113	111
Chengdu Konggang	No. 166 Jinhua Road second section, Shuangliu County, Chengdu	32	2047	633,000	631,000	130,116	131,503	31	31
Hefei Mengchenglu	No.99 Mengcheng Road, Luyang District, Hefei	30	2044	584,000	584,000	120,044	121,708	29	29
Xining Huayuan	Nos.16-19 Shipo street, Chengzhong District, Xining	34	2048	280,000	278,000	57,555	57,936	14	14
Dalian Jinsanjiao	No.18 Huadong Road, Ganjingzi District, Dalian	33	2042	162,000	162,000	33,300	33,761	8	8
Investment properties, at valuation						811,116	810,692	195	193
Other assets and liabilities (net)						(228,067)	(229,306)	(55)	(54)
Net assets						583,049	581,386	140	139
Net assets attributable to non-controlling interests						(166,595)	(160,209)	(40)	(39)
Net assets attributable to Unitholders						416,454	421,177	100	100

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



# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 \$'000	Group Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
<b>Cash flows from operating activities</b>		
Total return for the year/period before taxation	40,156	116,449
Adjustments for:		
Finance income	(720)	(427)
Finance costs	8,952	9,177
Loss on disposal of plant and equipment	2	–
Depreciation of plant and equipment	135	239
Manager's management fees paid/payable in Units	2,212	2,113
Property Manager's management fees paid/payable in Units	737	737
Change in fair value of investment properties	(8,298)	(85,966)
Foreign exchange loss – unrealised	1	65
<b>Operating income before working capital changes</b>	<u>43,177</u>	<u>42,387</u>
<b>Changes in:</b>		
Trade and other receivables	4,002	(4,215)
Trade and other payables	1,397	(8,486)
<b>Cash generated from operating activities</b>	<u>48,576</u>	<u>29,686</u>
Tax paid	(5,555)	(4,807)
<b>Net cash generated from operating activities</b>	<u>43,021</u>	<u>24,879</u>
<b>Cash flows from investing activities</b>		
Acquisition of investment properties and other assets, net of cash acquired	–	(468,709)
Capital expenditure on investment properties	(3,213)	(6,037)
Purchase of plant and equipment	(105)	(124)
Interest received	720	427
<b>Net cash used in investing activities</b>	<u>(2,598)</u>	<u>(474,443)</u>
<b>Cash flows from financing activities</b>		
Distribution to Unitholders	(19,029)	(9,884)
Dividend paid to non-controlling interests	(3,719)	–
Increase in restricted cash	(15,433)	(13,296)
Proceeds from issue of Units	–	394,180
Payment of transaction costs related to the issue of Units	–	(11,727)
Payment of transaction costs related to loans and borrowings	(77)	(1,386)
Proceeds from borrowings	24,760	174,877
Repayment of borrowings	(13,026)	(34,442)
Interest paid	(8,345)	(9,421)
<b>Net cash (used in)/generated from financing activities</b>	<u>(34,869)</u>	<u>488,901</u>

# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 \$'000	Group Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
<b>Increase in cash and cash equivalents</b>	5,554	39,337
Cash and cash equivalents at 1 January 2017/ 18 November 2015 (Date of Constitution)	38,373	–
Effect of foreign exchange rate changes on cash balances	(575)	(964)
<b>Cash and cash equivalents at 31 December</b>	9      43,352	38,373

## Notes:

### Significant non-cash transactions

- (i) The Manager's management fees for the year was \$2,282,000. \$1,512,000 was paid during the year through the issuance of 2,103,000 Units. The remaining \$770,000 will be paid through the issuance of 939,000 Units and \$70,000 in cash subsequent to the year end. The Manager's management fees for the period from Date of Constitution to 31 December 2016 was \$2,113,000. \$1,441,000 was paid during the period through the issuance of 2,042,000 Units. The remaining \$672,000 have been paid through the issuance of 1,046,000 Units subsequent to the period end.
- (ii) The Property Manager's management fees for the year was \$737,000. \$545,000 was paid during the year through the issuance of 757,000 Units. The remaining \$192,000 will be paid through the issuance of 258,000 Units subsequent to the year end. The Property Manager's management fees for the period from Date of Constitution to 31 December 2016 was \$737,000. \$562,000 was paid during the period through the issuance of 793,000 Units. The remaining \$175,000 have been paid through the issuance of 271,000 Units subsequent to the period end.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 15 March 2018.

## 1. GENERAL

BHG Retail REIT (the "REIT") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 18 November 2015 ("Date of Constitution") (the "Trust Deed") between BHG Retail Trust Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the REIT held by it or through its subsidiaries (the "Group") in trust for the holders of units ("Units") in the REIT.

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

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

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

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

### (i) Trustee's fees

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

### (ii) Manager's management fees

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

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

For the purpose of computing the performance fee for FY 2016, the DPU for 2016 (being 1 January 2016 to 31 December 2016, both dates inclusive) was compared against the projected DPU set out in the Prospectus.

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 2017

## 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 tax 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; and
- 2.5% per annum of the net property income of the property.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

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

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

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 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 described below.

### *Disclosure Initiative (Amendments to FRS 7)*

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 10).

### 3.1 Basis of consolidation

#### (i) Subsidiaries

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

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

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

#### (ii) Loss of control

Upon the loss of control, the REIT derecognises the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of total return.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or 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.

#### (iv) Accounting for subsidiaries by the REIT

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### 3.2 Foreign currency

#### (i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the foreign exchange rates at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the statement of total return, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see Note 3.2 (iii)) and financial derivatives designated as hedges of the net investment in a foreign operation (see Note 3.2 (iv)).

#### (ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, 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 the statement of total return on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### 3.2 Foreign currency (cont'd)

#### (iv) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial instrument designated as a hedge of a net investment in a foreign operation are recognised in Unitholders' funds to the extent that the hedge is effective, and are presented in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the statement of total return. When the hedged net investment is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the statement of total return as an adjustment to the gain or loss arising on disposal.

### 3.3 Financial instruments

#### (i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has loans and receivables as its non-derivative financial assets.

#### *Loans and receivables*

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

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

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### 3.3 Financial instruments (cont'd)

#### (ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group has the following non-derivative financial liabilities: trade and other payables, security deposits and loans and borrowings. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

### 3.4 Investment properties

Investment property is property 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 property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of total return.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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.

Subsequent expenditure relating to investment properties that have already been recognised is added to the carrying amount when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between the net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### 3.5 Plant and equipment

#### (i) Recognition and measurement

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

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

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

#### (ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. 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.

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 2017

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

### 3.6 Impairment

#### (i) Non-derivative financial assets

A financial asset not carried at fair value through the statement of total return is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statements of total return and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of total return.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 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 related 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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of the 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods 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 2017

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

### 3.8 Employee benefits

#### (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of total return as incurred.

#### (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 provision 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 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 on an earned basis. No contingent rental is recognised if there are uncertainties due to the possible return of the 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 2017

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

### 3.11 Lease payments

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

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

### 3.12 Expenses

#### (i) Property expenses

Property expenses are recognised on an accrual basis.

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

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

### 3.13 Finance income and finance costs

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

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

### 3.14 Taxation

Tax expenses comprises current and deferred tax. Taxation is 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 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; 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### 3.14 Taxation (cont'd)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

### 3.15 Earnings per Unit

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

### 3.16 Segment reporting

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### 3.17 New standards and interpretations not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however the Group has not early applied the following new or amended standards in preparing these financial statements.

#### (a) Applicable to 2018 financial statements

##### (i) FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group does not expect the impact on the financial statements to be significant. The Group plans to adopt the standard when it becomes effective in 2018.

##### (ii) FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group does not expect the impact on the financial statements to be significant.

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109.

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. On adoption of FRS 109, the Group does not expect a significant increase in the impairment loss allowance.

The Group plans to adopt the standard when it becomes effective in 2018.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

#### (b) Applicable to 2019 financial statements

##### (i) FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Based on initial assessment, management does not expect adoption of these standards to have significant impact to the financial statements of the Group.

The Group plans to adopt the standard when it becomes effective in 2019.

## 4. INVESTMENT PROPERTIES

	Group	
	2017	2016
	\$'000	\$'000
At beginning of the year/period	810,692	–
Acquisition of initial portfolio	–	737,865
Additions during the year/period	3,213	6,037
	813,905	743,902
Changes in fair value	8,298	85,966
Translation differences	(11,087)	(19,176)
At end of the year/period	811,116	810,692

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

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the year amounted to \$4.6 million (2016: \$5.1 million).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 4. INVESTMENT PROPERTIES (CONT'D)

### *Fair value*

Investment properties are stated at fair value based on valuation as at 31 December 2017 performed by independent professional valuers, Cushman & Wakefield, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The Manager reviews the key valuation parameters and underlying data including market-corroborated capitalisation rates, term and reversionary rates and discount rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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

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

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

### *Level 3 fair values*

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

Valuation methods	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows approach	Discount rates from 7.0% to 8.0% (2016: 7.25% to 8.50%) per annum  Terminal rates from 3.0% to 5.0% (2016: 3.25% to 4.50%)	The fair value increases as discount rates and terminal rates decrease.
Income capitalisation approach	Term yield from 4.5% to 6.0% (2016: 4.00% to 5.50%)  Reversionary rates from 5.0% to 6.5% (2016: 5.75% to 6.75%)	The fair value increases as term yield and reversionary rate decrease.

### *Security*

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 5. PLANT AND EQUIPMENT

	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<b>Group</b>				
<b>Cost</b>				
At 18 November 2015				
(Date of Constitution)	–	–	–	–
Acquisition of initial portfolio*	3,813	533	3,271	7,617
Additions during the period	–	–	124	124
Translation difference on consolidation	(182)	(25)	(156)	(363)
At 31 December 2016	3,631	508	3,239	7,378
Additions during the year	–	–	105	105
Reclassification	205	(237)	32	–
Disposal/written off	–	–	(7)	(7)
Translation difference on consolidation	(52)	(4)	(45)	(101)
At 31 December 2017	3,784	267	3,324	7,375
<b>Accumulated depreciation</b>				
At 18 November 2015				
(Date of Constitution)	–	–	–	–
Acquisition of initial portfolio*	3,622	323	2,865	6,810
Charge for the period	–	–	239	239
Translation difference on consolidation	(173)	(15)	(216)	(404)
At 31 December 2016	3,449	308	2,888	6,645
Charge for the year	4	–	131	135
Reclassification	188	(51)	(137)	–
Disposal/written off	–	–	(5)	(5)
Translation difference on consolidation	(50)	(3)	(37)	(90)
At 31 December 2017	3,591	254	2,840	6,685
<b>Carrying amounts</b>				
At 18 November 2015				
(Date of Constitution)	–	–	–	–
At 31 December 2016	182	200	351	733
At 31 December 2017	193	13	484	690

\* Plant and equipment with carrying amounts of \$807,000 was acquired at the same time as the retail properties on Listing Date.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 6. INTERESTS IN SUBSIDIARIES

	REIT	
	2017 \$'000	2016 \$'000
Equity investment, at cost	1,474	737
Non-trade amounts due from subsidiaries	523,614	525,970
	<u>525,088</u>	<u>526,707</u>

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/business	Effective equity held by the Group	
		2017 %	2016 %
<b><u>Held by the REIT</u></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%
<b><u>Held through subsidiaries</u></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%

\* Audited by KPMG LLP Singapore

\*\* Audited by KPMG China

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

- (b) The non-trade amounts due from subsidiaries are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the REIT's net investments in the subsidiaries, they are stated at cost, less accumulated impairment losses.

## 7. TRADE AND OTHER RECEIVABLES

	Group		REIT	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	31	23	–	–
Impairment losses	–	(1)	–	–
	31	22	–	–
Other receivables	1,573	1,922	97	1,212
Impairment losses	(89)	(86)	–	–
	1,484	1,836	97	1,212
Loans and receivables	1,515	1,858	97	1,212
Prepayments	2,768	6,467	92	78
	4,283	8,325	189	1,290
Current	4,160	8,279	189	1,290
Non-current	123	46	–	–
	4,283	8,325	189	1,290

Concentration of credit risk relating to loans and 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.

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

	Group		REIT	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beijing	556	516	–	–
Chengdu	177	136	–	–
Hefei	442	248	–	–
Qinghai	224	8	–	–
Dalian	19	8	–	–
Singapore	97	942	97	1,212
	1,515	1,858	97	1,212

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### Impairment losses

The ageing of loans and receivables at the reporting date is:

	Gross		Impairment	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Group</b>				
Not past due	950	1,544	–	73
Past due 1 – 30 days	37	2	12	–
Past due 31 – 60 days	112	19	–	1
Past due 61 – 90 days	109	10	–	–
More than 90 days past due	396	370	77	13
	<u>1,604</u>	<u>1,945</u>	<u>89</u>	<u>87</u>

### REIT

The ageing of the loans and receivables of the REIT at the reporting date are not past due.

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

	Group	
	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
At 1 January 2017/18 November 2015 (Date of Constitution)	(87)	–
Impairment losses on loans and receivables	(2)	(87)
At 31 December	<u>(89)</u>	<u>(87)</u>

The majority of the trade receivables are mainly from tenants that have good credit records with the Group. The allowance account in respect of trade 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 amounts are considered irrecoverable and are written off against the financial asset directly.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 8. DEFERRED TAX ASSETS/(LIABILITIES)

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

Group	At 18 November 2015 (Date of Constitution) \$'000	Recognised in statements of total return (Note 19) \$'000	Translation difference \$'000	At 31 December 2016 \$'000	Recognised in statements of total return (Note 19) \$'000	Translation difference \$'000	At 31 December 2017 \$'000
<b>Deferred tax assets</b>							
Allowance for doubtful receivables and unutilised losses	805	(555)	(42)	208	(182)	(4)	22
<b>Deferred tax liabilities</b>							
Investment properties	–	21,489	–	21,489	2,075	(235)	23,329
Tax on unrepatriated profits	–	1,077	(2)	1,075	–	–	1,075
	–	22,566	(2)	22,564	2,075	(235)	24,404

## 9. CASH AND CASH EQUIVALENTS

	Group		REIT	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at banks and in hand	72,081	51,669	547	382
Restricted cash	(28,729)	(13,296)	–	–
Cash and cash equivalents in statement of cash flows	43,352	38,373	547	382

## 10. LOANS AND BORROWINGS

	Group		REIT	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Secured loan	242,237	231,491	172,760	159,800
Less: Unamortised transaction costs	(765)	(1,029)	(310)	(343)
	241,472	230,462	172,450	159,457
Current	25,972	90,020	24,760	88,800
Non-current	215,500	140,442	147,690	70,657
	241,472	230,462	172,450	159,457

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 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 \$'000	Carrying amount \$'000
<b>2017</b>				
<b>Group</b>				
SGD secured floating rate loan	1.49-1.62	2018	500	500
SGD secured floating rate loan	1.24-1.79	2018	9,100	9,100
SGD secured floating rate loan	1.40-1.71	2018	1,700	1,700
SGD secured floating rate loan	1.56-1.77	2018	9,960	9,960
SGD secured floating rate loan	1.70	2018	1,000	1,000
SGD secured floating rate loan	1.71	2018	700	700
SGD secured floating rate loan	1.71	2018	1,800	1,800
SGD secured floating rate loan	2.87	2019	77,000	76,923
SGD secured floating rate loan	3.25-3.38	2019	32,000	32,000
SGD secured floating rate loan	3.41-3.47	2019	39,000	38,767
RMB secured floating rate loan	5.08	2017-2019	56,322	56,322
RMB secured floating rate loan	5.08	2017-2019	13,155	12,700
			<u>242,237</u>	<u>241,472</u>
<b>REIT</b>				
SGD secured floating rate loan	1.49-1.62	2018	500	500
SGD secured floating rate loan	1.24-1.79	2018	9,100	9,100
SGD secured floating rate loan	1.40-1.71	2018	1,700	1,700
SGD secured floating rate loan	1.56-1.77	2018	9,960	9,960
SGD secured floating rate loan	1.70	2018	1,000	1,000
SGD secured floating rate loan	1.71	2018	700	700
SGD secured floating rate loan	1.71	2018	1,800	1,800
SGD secured floating rate loan	2.87	2019	77,000	76,923
SGD secured floating rate loan	3.25-3.38	2019	32,000	32,000
SGD secured floating rate loan	3.41-3.47	2019	39,000	38,767
			<u>172,760</u>	<u>172,450</u>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

	Nominal interest rate per annum %	Year of maturity	Face value \$'000	Carrying amount \$'000
<b>2016</b>				
<b>Group</b>				
SGD secured floating rate loan	1.31	2017	1,800	1,800
SGD secured floating rate loan	1.28-1.56	2017	10,000	10,000
SGD secured fixed rate loan	2.65	2017	77,000	77,000
SGD secured floating rate loan	3.38	2019	32,000	32,000
SGD secured floating rate loan	3.35-3.44	2019	39,000	38,657
RMB secured floating rate loan	5.08	2017-2019	57,728	57,728
RMB secured floating rate loan	5.08	2017-2019	13,963	13,277
			<u>231,491</u>	<u>230,462</u>
<b>REIT</b>				
SGD secured floating rate loan	1.31	2017	1,800	1,800
SGD secured floating rate loan	1.28-1.56	2017	10,000	10,000
SGD secured fixed rate loan	2.65	2017	77,000	77,000
SGD secured floating rate loan	3.38	2019	32,000	32,000
SGD secured floating rate loan	3.35-3.44	2019	39,000	38,657
			<u>159,800</u>	<u>159,457</u>

### *Facilities and securities*

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million, and an offshore secured borrowing facility of \$148 million. As at 31 December 2017, the RMB 280 million facility and \$148 million facility were fully drawn down, while RMB 70 million was drawn down from the RMB 71 million onshore facility. The REIT has refinanced part of its \$148 million facility due in December 2017. During 2017, the Group had repaid RMB 3 million of each 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 five subsidiaries in China.

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

In addition to the above facilities, the REIT has obtained and drawn down from other bank facilities an amount totalling \$24.8 million. The facilities were obtained mainly for the purpose of financing the payment of distribution and interest payment of the borrowings. The credit facilities are secured by the restricted cash from the five subsidiaries in China.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

	Loans and borrowings \$'000	Interest payables \$'000	Total \$'000
<b>Balance at 1 January 2017</b>	230,462	915	231,377
<b>Changes from financing cash flows</b>			
Payment of transaction costs related to loans and borrowings	(77)	–	(77)
Proceeds from borrowings	24,760	–	24,760
Repayment of borrowings	(13,026)	–	(13,026)
Interest paid	–	(8,345)	(8,345)
	11,657	(8,345)	3,312
<b>Non-cash changes</b>			
Effects of changes in foreign exchange rates	(317)	(153)	(470)
Amortisation of borrowing costs	(330)	–	(330)
Interest expense	–	8,622	8,622
	(647)	8,469	7,822
<b>Balance at 31 December 2017</b>	241,472	1,039	242,511

## 11. TRADE AND OTHER PAYABLES

	Group		REIT	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables	8,983	6,474	–	–
Dividend payable	–	713	–	–
Interest payable	1,039	915	702	693
Other payables	4,700	7,185	72	–
Accrued operating expenses	2,562	1,898	560	445
Deposits and advances from tenants	3,960	3,853	–	–
	21,244	21,038	1,334	1,138
Current	19,401	19,169	1,334	1,138
Non-current	1,843	1,869	–	–
	21,244	21,038	1,334	1,138

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 12. UNITHOLDERS' FUNDS

	Note	Group		REIT	
		Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
At 1 January 2017/18 November 2015 (Date of Constitution)		421,177	–	367,784	–
Net assets resulting from operations		19,701	57,521	336	(7,635)
Statutory reserve	(a)	1,241	1,082	–	–
		442,119	58,603	368,120	(7,635)
Foreign currency translation reserve	(b)	(9,585)	(12,845)	–	–
Unitholders' (distributions)/ contributions		(16,080)	375,419	(16,080)	375,419
		416,454	421,177	352,040	367,784

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 13. NON-CONTROLLING INTERESTS

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

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

	2017 \$'000	2016 \$'000
Non-current assets	478,670	466,045
Current assets	38,340	34,776
Non-current liabilities	(79,690)	(80,773)
Current liabilities	(20,831)	(19,526)
<b>Net assets</b>	<u>416,489</u>	<u>400,522</u>
<b>Net assets attributable to NCI</b>	<u>166,595</u>	<u>160,209</u>
<b>Revenue</b>	38,478	38,993
<b>Total return after taxation</b>	<u>26,328</u>	<u>73,781</u>
<b>Total return after taxation attributable to NCI</b>	<u>10,531</u>	<u>29,512</u>
Cash flows from operating activities	14,156	17,296
Cash flows from investing activities	591	311
Cash flows used in financing activities	(10,562)	(3,638)
<b>Net increase in cash and cash equivalents</b>	<u>4,185</u>	<u>13,969</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 14. UNITS IN ISSUE

	2017 Number of Units '000	2016 Number of Units '000
<b>Issue of new Units relating to:</b>		
– as at beginning of the year/initial public offering	495,560	492,725
– payment of Manager's management fees	3,149	2,042
– payment of Property Manager's management fees	1,028	793
	<u>499,737</u>	<u>495,560</u>
<b>Units to be issued:</b>		
– payment of Manager's management base fees	561	720
– payment of Manager's management performance fees	378	326
– payment of Property Manager's management fees	258	271
	<u>1,197</u>	<u>1,317</u>
<b>Total Units in issue and to be issued at the end of year/period</b>	<u>500,934</u>	<u>496,877</u>

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

- (a) On 9 March 2017, the REIT issued 720,000 and 326,000 new Units at an issue price of \$0.6425 per Unit as payment of the base component of the Manager's management fee for the period from 1 October 2016 to 31 December 2016 and as payment of the performance component of the Manager's management fees for the period from 1 January 2016 to 31 December 2016 respectively. The REIT also issued 271,000 new Units at an issue price of \$0.6425 per Unit as payment of the Property Manager's management fees for the period from 1 October 2016 to 31 December 2016.
- (b) On 15 June 2017, the REIT issued 724,000 and 248,000 new Units at an issue price of \$0.6981 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 January 2017 to 31 March 2017.
- (c) On 4 September 2017, the REIT issued 680,000 and 250,000 new Units at an issue price of \$0.7240 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 April 2017 to 30 June 2017.
- (d) On 12 December 2017, the REIT issued 699,000 and 259,000 new Units at an issue price of \$0.7365 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 July 2017 to 30 September 2017.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Units issued during the period from 11 December 2015 (Listing Date) to 31 December 2016 are as follows:

- (e) On 11 December 2015, the REIT issued 492,725,000 new Units at an issue price of \$0.8000 per Unit as its initial public offering;
- (f) On 31 August 2016, the REIT issued 646,000 and 270,000 new Units at an issue price of \$0.8015 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 11 December 2015 to 31 March 2016;
- (g) On 5 September 2016, the REIT issued 726,000 and 267,000 new Units at an issue price of \$0.6489 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 2016 to 30 June 2016;
- (h) On 23 December 2016, the REIT issued 670,000 and 256,000 new Units at an issue price of \$0.6746 per Unit as payment of the base component of the Manager's management fees and Property Manager's management fees respectively, for the period from 1 July 2016 to 30 September 2016.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

- participate in the termination of the REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of the REIT less any liabilities, in accordance with their proportionate interests in the REIT. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the REIT and is not entitled to the transfer of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of the REIT; and
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of Unitholders, whichever is lesser) 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.

## 15. TOTAL UNITHOLDERS' DISTRIBUTION

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

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

Distributions for the period from 1 January 2017 to 30 June 2017 had been paid on 27 September 2017. Distributions for the period from 1 July 2017 to 31 December 2017 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

## 16. OTHER PROPERTY OPERATING EXPENSES

	Year ended 31 December 2017 \$'000	Group Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
Advertising and promotion	1,315	1,217
Depreciation of plant and equipment	135	239
Impairment losses on loans and receivables	2	87
Repair and maintenance	3,128	3,299
Staff costs	229	246
Utilities	8,561	9,542
Others	582	617
	13,952	15,247

Included in staff costs is contribution to defined contribution plans of \$30,000 (2016: \$23,000).



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 17. OTHER OPERATING EXPENSES

	Group		REIT	
	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
Professional fees	305	273	281	208
Others	301	217	233	187
	<u>606</u>	<u>490</u>	<u>514</u>	<u>395</u>

## 18. FINANCE INCOME AND FINANCE COSTS

	Group		REIT	
	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
Finance income:				
– financial institutions	720	427	–	–
Finance costs:				
– loans and borrowings	(8,952)	(9,177)	(4,834)	(4,778)
Net finance costs recognised in statements of total return	<u>(8,232)</u>	<u>(8,750)</u>	<u>(4,834)</u>	<u>(4,778)</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 19. TAXATION

	Note	Group		REIT	
		Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
<b>Current taxation</b>					
Current year/period		5,913	5,101	–	–
Withholding tax		513	112	–	–
		6,426	5,213	–	–
<b>Deferred taxation</b>					
Origination of temporary differences	8	2,257	23,121	–	–
<b>Income tax expense</b>		<b>8,683</b>	<b>28,334</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of effective tax rate</b>					
Total return for the year/period before taxation		40,156	116,449	336	(7,635)
Tax calculated using Singapore tax rate of 17%		6,827	19,796	57	(1,298)
Adjustments:					
Effect of different tax rates in foreign jurisdictions		2,614	7,090	–	–
Income not subject to tax		(2,639)	(63)	(1,411)	–
Expenses not deductible for tax purposes		4	–	–	–
Deferred tax assets not recognised		–	23	–	–
Tax losses not allowed to be carried forward		1,364	1,376	1,354	1,298
Withholding tax		513	112	–	–
		8,683	28,334	–	–

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 20. 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/period and total return for the year/period after taxation and non-controlling interests.

	Year ended 31 December 2017 \$'000	Group Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
Total return for the year/period after taxation and non-controlling interests	20,942	58,603

	Year ended 31 December 2017 Number of units '000	Group Period from 18 November 2015 (Date of Constitution) to 31 December 2016 Number of units '000
Issued Units		
– As at beginning of the year/initial public offering	496,877	492,725
– Manager's management fees paid/payable in Units	1,073	972
– Property Manager's management fees paid/payable in Units	381	382
Weighted average number of issued and issuable Units at end of the year/period	498,331	494,079

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 20. EARNINGS PER UNIT

### Diluted earnings per Unit

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

	Group	
	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000
Total return for the year/period after taxation and non-controlling interests	20,942	58,603
	Number of Units '000	Number of Units '000
Issued Units		
– As at beginning of the year/initial public offering	496,877	492,725
– Manager's management fees paid/payable in Units	3,042	3,088
– Property Manager's management fees paid/payable in Units	1,015	1,064
Weighted average number of issued and issuable Units at end of the year/period	500,934	496,877

## 21. RELATED PARTY TRANSACTIONS

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 22. FINANCIAL RATIOS

	Group	
	2017 %	2016 %
Ratio of expenses to average net asset value <sup>(1)</sup>		
– including performance component of Manager's management fees	0.79	0.70
– excluding performance component of Manager's management fees	0.72	0.65
Ratio of expenses to net asset value <sup>(2)</sup>	4.28	4.41
Portfolio turnover rate <sup>(3)</sup>	<u>Not applicable</u>	<u>Not applicable</u>

Notes:

- (1) The annualised ratio is computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses and borrowing costs.
- (2) The annualised ratio is computed based on total property expenses, including all fees and charges paid to the Manager and related parties for the financial year/period (2017: \$24,941 and 2016: \$25,614) and as a percentage of net asset value as at end of financial year/period.
- (3) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. There is no purchase or sales of the investment properties during the year/period.

## 23. OPERATING SEGMENTS

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 23. OPERATING SEGMENTS (CONT'D)

### Information about reportable segments

	Beijing Wanliu \$'000	Hefei Mengchenglu \$'000	Chengdu Konggang \$'000	Xining Huayuan \$'000	Dalian Jinsanjiao \$'000	Total \$'000
<b>2017</b>						
External revenues:						
– Gross rental income	34,962	7,903	9,251	3,298	2,311	57,725
– Others	3,516	1,527	1,751	–	–	6,794
– Gross revenue	38,478	9,430	11,002	3,298	2,311	64,519
<b>Segment net property income</b>	25,445	6,009	6,390	2,995	2,105	42,944
<b>Finance income</b>	198	508	79	32	36	853
<b>Finance costs</b>	2,907	1,346	–	–	–	4,253
<b>Reportable segment total return before taxation</b>	32,694	5,121	4,793	3,396	2,116	48,120
<b>Segment assets</b>	512,842	153,934	145,328	61,980	37,708	911,792
<b>Segment liabilities</b>	300,187	147,516	142,063	57,021	32,522	679,309
<b>Other segment items:</b>						
Depreciation	56	28	51	–	–	135
Impairment losses on loans and receivables, net	–	(4)	(6)	12	–	2
Net change in fair value of investment properties	9,822	(10)	(1,925)	411	–	8,298
Capital expenditure	867	15	2,436	–	–	3,318

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 23. OPERATING SEGMENTS (CONT'D)

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

	Beijing Wanliu \$'000	Hefei Mengchenglu \$'000	Chengdu Konggang \$'000	Xining Huayuan \$'000	Dalian Jinsanjiao \$'000	Total \$'000
<b>2016</b>						
External revenues:						
– Gross rental income	35,305	8,208	9,570	3,575	2,514	59,172
– Others	3,688	1,507	1,867	–	–	7,062
– Gross revenue	38,993	9,715	11,437	3,575	2,514	66,234
<b>Segment net property income</b>	24,994	5,846	5,922	3,218	2,217	42,197
<b>Finance income</b>	317	83	31	16	16	463
<b>Finance costs</b>	2,895	1,071	468	–	–	4,434
<b>Reportable segment total return before taxation</b>	95,772	8,030	5,224	7,386	7,305	123,717
<b>Segment assets</b>	500,941	138,409	141,172	62,281	37,637	880,440
<b>Segment liabilities</b>	299,386	134,413	140,763	58,506	33,030	666,098
<b>Other segment items:</b>						
Depreciation	167	31	40	1	–	239
Impairment losses on loans and receivables, net	13	49	25	–	–	87
Net change in fair value of investment properties	73,789	3,218	(358)	4,198	5,119	85,966
Capital expenditure	221	55	5,885	–	–	6,161

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 23. OPERATING SEGMENTS (CONT'D)

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

	Year ended 31 December 2017 \$'000	Period from 18 November 2015 (Date of Constitution) to 31 December 2016 \$'000	
<b>Revenue</b>			
Total revenue for reporting segments	64,519	66,234	
<b>Total return</b>			
Total return for reportable segments before taxation	48,120	123,717	
Unallocated amounts:			
– Other corporate expenses	(7,964)	(7,268)	
Total return before taxation	40,156	116,449	
<b>Assets</b>			
Total assets for reportable segments	911,792	880,440	
Other unallocated amounts	(23,600)	(8,813)	
Consolidated assets	888,192	871,627	
<b>Liabilities</b>			
Total liabilities for reportable segments	679,309	666,098	
Other unallocated amounts	(374,166)	(375,857)	
Consolidated liabilities	305,143	290,241	
	Reportable segment totals \$'000	Unallocated amounts \$'000	Consolidated totals \$'000

### Other material items 31 December 2017

Finance income	853	(133)	720
Finance costs	4,253	4,699	8,952

### Other material items 18 November 2015 (Date of Constitution) to 31 December 2016

Finance income	463	(36)	427
Finance costs	4,434	4,743	9,177



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 23. OPERATING SEGMENTS (CONT'D)

### Geographical segments

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

### Major tenant

Revenue from one tenant of the Group, which is a related party of the Sponsor, contributed approximately \$8.4 million (2016: \$9.8 million) of the Group's total revenue.

## 24. COMMITMENTS

The Group leases out its investment properties. Operating lease rentals are receivable as follows:

	Group	
	2017 \$'000	2016 \$'000
Receivable:		
– within 1 year	44,949	26,654
– after 1 year but within 5 years	56,605	60,909
– after 5 years	104,671	106,479
	206,225	194,042

## 25. CAPITAL AND FINANCIAL RISK MANAGEMENT

### Capital management

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

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Fund Appendix"). The Property Fund Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 45% (2016: 45.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 45% (2016: 45.0%) during the year, and was 32.2% (2016: 31.0%) as at 31 December 2017.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### *Financial risk management*

#### *Overview*

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

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

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

#### *Credit risk*

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 25. 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 \$'000	Contractual cash flow \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
<b>31 December 2017</b>					
<b>Group</b>					
Loans and borrowings	241,472	257,651	34,639	223,012	–
Trade and other payables	21,244	21,244	19,401	1,843	–
Security deposits	16,191	16,191	11,730	2,703	1,758
	<u>278,907</u>	<u>295,086</u>	<u>65,770</u>	<u>227,558</u>	<u>1,758</u>
<b>REIT</b>					
Loans and borrowings	172,450	183,160	29,943	153,217	–
Trade and other payables	1,334	1,334	1,334	–	–
	<u>173,784</u>	<u>184,494</u>	<u>31,277</u>	<u>153,217</u>	<u>–</u>
	Carrying amount \$'000	Contractual cash flow \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000

### 31 December 2016

#### Group

Loans and borrowings	230,462	231,491	90,050	141,441	–
Trade and other payables	21,038	21,038	19,169	1,869	–
Security deposits	14,684	14,684	7,991	6,209	484
	<u>266,184</u>	<u>267,213</u>	<u>117,210</u>	<u>149,519</u>	<u>484</u>

#### REIT

Loans and borrowings	159,457	159,800	88,800	71,000	–
Trade and other payables	1,138	1,138	1,138	–	–
	<u>160,595</u>	<u>160,938</u>	<u>89,938</u>	<u>71,000</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

In addition, the Group maintains the following debt facilities and programme as at 31 December 2017:

Chinese Renminbi ("RMB") denominated facility:

- RMB 338 million four-year secured term loan facilities

\$ denominated facilities:

- \$77 million four-year secured term loan facilities
- \$32 million three-year secured term loan facilities
- \$39 million four-year secured term loan facilities
- \$24.8 million credit facilities

As at 31 December 2017, the Group has drawn down \$24.8 million (2016: \$220.9 million) of its term loan facilities.

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

### *Interest rate risk*

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

The Manager proactively seeks to minimise the level of interest rate risk by exploring different avenues to securing a portion of the Group's borrowings at fixed rates.

Effects of a 100 basis point ("bp")\* movement in interest rate at the reporting date would increase/(decrease) statements 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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### *Interest rate risk (cont'd)*

	Statements of total return		Unitholders' funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
<b>Group and REIT</b>				
<b>31 December 2017</b>				
Variable rate instruments	(86)	86	–	–
Cash flow sensitivity (net)	(86)	86	–	–
<b>31 December 2016</b>				
Variable rate instruments	(88)	88	–	–
Cash flow sensitivity (net)	(88)	88	–	–

### *Foreign currency risk*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### Foreign currency risk (cont'd)

The Group exposures to foreign currency are as follows:

	RMB \$'000	Total \$'000
<b>Group</b>		
<b>31 December 2017</b>		
Cash and cash equivalents	70,655	70,655
<b>31 December 2016</b>		
Cash and cash equivalents	50,463	50,463

The REIT is not exposed to significant foreign currency risks.

### Sensitivity analysis

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

	Statements of total return	
	Group \$'000	REIT \$'000
<b>31 December 2017</b>		
RMB	(7,066)	–
<b>31 December 2016</b>		
RMB	(5,046)	–

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

## 25. 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			
	Loans and receivables \$'000	Other financial liabilities within scope of FRS 39 \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>							
<b>31 December 2017</b>							
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	1,515	–	1,515				
Cash and cash equivalents	72,081	–	72,081				
	<u>73,596</u>	<u>–</u>	<u>73,596</u>				
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	–	21,244	21,244				
Security deposits	–	16,191	16,191		15,674		15,674
Loans and borrowings	–	241,472	241,472				
	<u>–</u>	<u>278,907</u>	<u>278,907</u>				
<b>REIT</b>							
<b>31 December 2017</b>							
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	97	–	97				
Cash and cash equivalents	547	–	547				
	<u>644</u>	<u>–</u>	<u>644</u>				
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	–	1,334	1,334				
Loans and borrowings	–	172,450	172,450				
	<u>–</u>	<u>173,784</u>	<u>173,784</u>				

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

	Carrying amount			Fair value			
	Loans and receivables \$'000	Other financial liabilities within scope of FRS 39 \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>							
<b>31 December 2016</b>							
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	1,858	–	1,858				
Cash and cash equivalents	51,669	–	51,669				
	<u>53,527</u>	<u>–</u>	<u>53,527</u>				
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	–	21,038	21,038				
Security deposits	–	14,684	14,684		14,201		14,201
Loans and borrowings	–	230,462	230,462				
	<u>–</u>	<u>266,184</u>	<u>266,184</u>				
<b>REIT</b>							
<b>31 December 2016</b>							
<b>Financial assets not measured at fair value</b>							
Trade and other receivables	1,290	–	1,290				
Cash and cash equivalents	382	–	382				
	<u>1,672</u>	<u>–</u>	<u>1,672</u>				
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	–	1,138	1,138				
Loans and borrowings	–	159,457	159,457				
	<u>–</u>	<u>160,595</u>	<u>160,595</u>				



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

### *Estimation of fair value*

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

### *Interest-bearing borrowings*

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

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

### *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 2017 plus an adequate constant credit spread, and are as follows:

	2017 % p.a.	2016 % p.a.
Security deposits	3.71	3.75

## 26. SUBSEQUENT EVENTS

On 23 February 2018, the Manager declared a distribution of 2.73 cents per Unit to Unitholders in respect of the period from 1 July 2017 to 31 December 2017.

## INTERESTED PERSONS TRANSACTIONS

The transactions entered into with interested persons for the financial year ending 31 December 2017, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") and Appendix 6 of the Code on Collective Investment Schemes (excluding transactions of less than \$100,000 each) are as follows:

	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all interested person transactions during the financial period under review under Unitholders' mandate pursuant to Rule 920 (excluding transactions of less than \$100,000) \$'000
<b>Beijing Hualian Group Investment Holding Co., Ltd and its subsidiaries or associates</b>		
– Management fees		
– base component	2,000	–
– performance component	282	–
– reimbursables	5,241	–
– Property management fees	2,179	–
<b>DBS Trustee Limited</b>		
– Trustee's fees	127	–

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) or other material transactions entered into during the financial period under review.

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

### SUBSCRIPTION OF BHG RETAIL REIT UNITS

An aggregate of 4,177,000 Units were issued in relation to the base and performance components of the Manager's management fees and partial Property Manager's management fees paid during the year. As at 31 December 2017, 1,197,000 Units were in issue and outstanding. In the first quarter of 2018, 939,000 Units will be issued to the Manager as payment for the base component of its management fee for the fourth quarter of 2017 and performance component of its management fee for the period from 1 January 2017 to 31 December 2017. 258,000 Units will be issued to the Property Manager for its management fees for the fourth quarter of 2017.

# STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2018

## STATISTICS OF UNITHOLDINGS

Issued and fully paid-up Units: 499,736,586 (Voting rights: 1 vote per Unit)  
There is only one class of Units.

## DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	102	12.73	82,300	0.02
1,001 – 10,000	474	59.18	2,610,400	0.52
10,001 – 1,000,000	215	26.84	8,851,600	1.77
1,000,001 AND ABOVE	10	1.25	488,192,286	97.69
<b>TOTAL</b>	<b>801</b>	<b>100.00</b>	<b>499,736,586</b>	<b>100.00</b>

## TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	137,476,200	27.51
2	BEIJING HUA LIAN GROUP (SINGAPORE) INT'L TRADING PL	135,499,375	27.11
3	HSBC (SINGAPORE) NOMINEES PTE LTD	84,657,000	16.94
4	DBS NOMINEES (PRIVATE) LIMITED	72,098,600	14.43
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	23,401,700	4.68
6	BEIJING HUA LIAN GRP (S'PORE) INTERNATIONAL TRADING PTE LTD	12,810,925	2.56
7	BEIJING HUALIAN MALL (S) COMMERCIAL MANAGEMENT PTE LTD	9,111,900	1.82
8	BEIJING HUALIAN HYPERMARKET (SINGAPORE) PURCHASING PTE LTD	6,125,000	1.23
9	BHG RETAIL TRUST MANAGEMENT PTE LTD	5,190,665	1.04
10	BHG MALL (SINGAPORE) PROPERTY MANAGEMENT PTE LTD	1,820,921	0.36
11	SIU WAI KEUNG	625,000	0.13
12	MERRILL LYNCH (SINGAPORE) PTE LTD	498,900	0.10
13	LIM CHIN GUAN	394,500	0.08
14	LAU TECK SIEN LIU DEXIAN	375,000	0.08
15	RAFFLES NOMINEES (PTE) LIMITED	365,700	0.07
16	XU ZHE	167,600	0.03
17	CHAN IZ-LYNN	125,000	0.03
18	PENG GE	125,000	0.03
19	XIONG ZHEN	125,000	0.03
20	TAY CHANG MONG	114,900	0.02
	<b>TOTAL</b>	<b>491,108,886</b>	<b>98.28</b>

# STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2018

## SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

NAME	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF UNITS	%	NO. OF UNITS	%
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd	148,310,300	29.68	–	–
Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup>	–	–	170,558,786	34.13
Hainan Hong Ju Industrial Co. Ltd. <sup>(2)</sup>	–	–	170,558,786	34.13
Hainan Hong Ju Culture Media Group Limited <sup>(3)</sup>	–	–	170,558,786	34.13
China Merchants Bank Assets Management	84,475,000	16.90	–	–
China Citic Bank Asset Management	68,125,000	13.63	–	–
Chanchai Ruayrungruang <sup>(4)</sup>	–	–	67,970,600	13.60
Bank of Communications	46,219,000	9.25	–	–

### Notes:

- (1) Beijing Hualian Group Investment Holding Co., Ltd. ("Beijing Hualian Group") wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ("BHG SIT") and is deemed interested in the 148,310,300 Units held by BHG SIT.  
Beijing Hualian Group holds 25.00% 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 6,125,000 Units held by BHH SPP.  
Beijing Hualian Group holds 29.71% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("BHDS"), which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("BHM SCM"). Accordingly, Beijing Hualian Group is deemed interested in the 9,111,900 Units owned by BHM SCM.  
BHM SCM in turn wholly-owned BHG Mall (Singapore) Property Management Pte Ltd ("PM") and BHG Retail Trust Management Pte Ltd ("RM"). Accordingly, Beijing Hualian Group is deemed interested in the 1,820,921 Units owned by the PM and the 5,190,665 Units owned by the RM. Beijing Hualian Group is deemed interested in an aggregate of 170,558,786 Units, representing 34.13% of the total issued Units.
- (2) Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of Beijing Hualian Group and is deemed interested in the Units that Beijing Hualian Group is deemed interested in.
- (3) Hainan Hongju Culture Media Group Limited holds 51% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd and is deemed interested in the Units that Hainan Hong Ju Industrial Co., Ltd is deemed interested in.
- (4) Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,970,600 Units held through his nominee, DBS Private Bank.

## THE MANAGER'S DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2018

NAME	NO. OF UNITS	
	DIRECT INTEREST	DEEMED INTEREST
1 Francis Siu Wai Keung	625,000	–
2 Ben Yeo Chee Seong	–	–
3 Lau Teck Sien	375,000	–
4 Yang Feng	–	–
5 Xiong Zhen	125,000	–
6 Peng Ge	125,000	–
	1,250,000	–

## PERCENTAGE OF UNITHOLDINGS IN PUBLIC'S HANDS

Based on the information made available to the Manager as at 1 March 2018, approximately 12.21% 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 holders of units of BHG Retail REIT, "**Unitholders**") will be held at Level 2, Conrad Centennial Singapore, Grand Salon, 2 Temasek Boulevard, Singapore 038982 on Friday, 20 April 2018 at 10.00 a.m., to transact the following businesses:

### ORDINARY BUSINESSES:

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 2017 and the Auditors' Report thereon. *(Ordinary Resolution 1)*
2. To re-appoint Messrs KPMG LLP as the Auditors of BHG Retail REIT to hold office until the conclusion of the next AGM of BHG Retail REIT, and to authorise the Manager to fix their remuneration. *(Ordinary Resolution 2)*

### SPECIAL BUSINESS:

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

3. **General Mandate for the issue of new units and/or convertible securities** *(Ordinary Resolution 3)*

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 (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro-rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units, if any)(as calculated in accordance with sub-paragraph (2) below;
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
  - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting BHG Retail REIT (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of BHG Retail REIT; or (ii) the date by which the next AGM of BHG Retail REIT is required by applicable laws or regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

## NOTICE OF ANNUAL GENERAL MEETING

- (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)

#### 4. **Amendment to the Trust Deed**

*(Extraordinary Resolution 4)*

That:

- (a) approval be and is hereby given to amend the Trust Deed to include provisions regarding electronic communication of notices and documents to Unitholders in the manner set out in Annex A of the appendix to the Notice of AGM (the “**Appendix**”) dated 27 March 2018 (the “**Proposed Electronic Communications Trust Deed Supplement**”); and
- (b) the Manager and 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 or, as the case may be, the Trustee, may consider expedient or necessary or in the interests of BHG Retail REIT to give effect to the Proposed Electronic Communications Trust Deed Supplement.

(Please see Explanatory Note)

#### **BY ORDER OF THE BOARD**

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

Kiar Lee Noi  
Secretary

Singapore,  
27 March 2018

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES:

### Ordinary Resolution 3

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

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time Ordinary Resolution 3 above is passed and any subsequent bonus issue, consolidation or subdivision of Units.

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

### Extraordinary Resolution 4

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the "**Deemed Consent Regime**" and the "**Implied Consent Regime**", respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the "**Companies Act Electronic Communications Amendments**"). The SGX-ST has recently amended the listing rules of the SGX-ST (the "**Listing Rules**") to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or Unitholders, in the case of a listed real estate investment trust ("**REIT**") such as BHG Retail REIT) electronically with express, deemed or implied consent of shareholders.

Although BHG Retail REIT is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a listed REIT. Accordingly, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to BHG Retail REIT.

(See the Appendix in relation to the Proposed Electronic Communications Trust Deed Supplement for further details.)



# NOTICE OF ANNUAL GENERAL MEETING

## NOTES:

1. (a) A Unitholder who is not a Relevant Intermediary (as defined below) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote at the AGM in the Unitholder's stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the proportion of the holdings (expressed as a percentage of the whole) to be represented by each proxy.
- (b) A Unitholder who is a Relevant Intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies in the Proxy Form the number of Units in relation to which each proxy has been appointed.

**"Relevant Intermediary"** means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (ii) a person holding a capital market services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
  - (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board hold those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. The Proxy Form must be deposited at the office of Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the AGM.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of BHG Retail REIT and/or adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM of BHG Retail REIT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of BHG Retail REIT (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

## BHG RETAIL REIT

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

## PROXY FORM

### ANNUAL GENERAL MEETING

#### IMPORTANT:

1. For CPF/SRS investors, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. A Relevant Intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF/SRS Investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. If they wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
5. PLEASE READ THE NOTES TO THE PROXY FORM.

#### Personal Data Privacy

By submitting an instrument appointing proxy or proxies and/or representative(s), a Unitholder of BHG Retail REIT accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 March 2018.

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport no.)

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

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

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

\*and/or (delete as appropriate)

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

or failing \*him/her/them, the Chairman of the Annual General Meeting (the "AGM") as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf at the AGM of BHG Retail REIT to be held at Level 2, Conrad Centennial Singapore, Grand Salon, 2 Temasek Boulevard Singapore 038982 on Friday, 20 April 2018 at 10.00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion as \*he/she/they may on any other matter arising at the AGM.

No.	Resolutions	Number of Votes For#	Number of Votes Against#
1.	To receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of BHG Retail REIT for the financial year ended 31 December 2017.		
2.	To re-appoint KPMG LLP as Auditors of BHG Retail REIT and authorise the Manager to fix the Auditors' remuneration.		
3.	To authorise the Manager to issue Units and make or grant convertible instruments.		
4.	To approve the Proposed Electronic Communications Trust Deed Supplement		

\* Delete accordingly

# If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total number of Units held

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

**Notes:**

1. A Unitholder of BHG Retail REIT ("Unitholder") who is not a Relevant Intermediary entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a Relevant Intermediary entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.  
"Relevant Intermediary" means:
  - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital market services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board hold those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of BHG Retail REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.

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4. The Proxy Form must be deposited at the office of the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the AGM.
5. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointments of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the AGM.
6. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing where the Proxy Form is executed by a corporation, it must be executed under the common seal or under the hand of an officer or attorney so authorised. The Manager and the Trustee shall be entitled and be bound, in determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, to have regard to any instructions and/or notes set out in the Proxy Form.
7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. The Manager and the Trustee shall have the right to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, each of the Trustee and the Manager: (a) may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
10. CPF Approved Nominees acting on the request of the CPF/SRS investors who wish to attend the AGM as observers are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) shall reach the office of the Unit Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the AGM.

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AFFIX  
STAMP

**BHG RETAIL TRUST MANAGEMENT PTE. LTD.**  
**(As Manager of BHG Retail REIT)**  
c/o Boardroom Corporate & Advisory Services Pte. Ltd.,  
50 Raffles Place,  
#32-01 Singapore Land Tower,  
Singapore 048623

3rd fold.  
Fold and Glue overleaf. Do not staple

# CORPORATE DIRECTORY

## BHG RETAIL REIT

### Registered Address

**DBS Trustee Limited**  
12 Marina Boulevard  
Marina Bay Financial Centre  
Singapore 018982  
Telephone: +65 6878 8888  
Fax: +65 6878 3977

Stockcode: BMGU  
ISIN Code: SG1CD7000009  
Email: ir@bhgreit.com  
Website: www.bhgreit.com

### Trustee

**DBS Trustee Limited**  
12 Marina Boulevard  
Marina Bay Financial Centre  
Singapore 018982  
Telephone: +65 6878 8888  
Fax: +65 6878 3977

### Auditor

**KPMG LLP**  
Partner-in-charge:  
Mr Lim Pang Yew, Victor  
Appointed: 17 June 2016  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581  
Telephone: +65 6213 3388  
Fax: +65 6225 0984

### Unit Registrar

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

## THE MANAGER

### Registered Address

**BHG Retail Trust Management Pte. Ltd.**  
100 Beach Road  
#25-11 Shaw Tower  
Singapore 189702  
Telephone: +65 6805 8288  
Fax: +65 6805 8277

### Board of Directors

**Mr Francis Siu Wai Keung**  
Chairman & Independent Director

**Mr Ben Yeo Chee Seong**  
Independent Director

**Mr Lau Teck Sien**  
Independent Director

**Mr Yang Feng**  
Non-Executive Director

**Mr Xiong Zhen**  
Non-Executive Director

**Mr Peng Ge**  
Non-Executive Director

### Audit and Risk Committee

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

### Nominating and Remuneration Committee

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

### Company Secretary

**Ms Kiar Lee Noi**

**BHG Retail Trust Management  
Pte. Ltd.**

100 Beach Road,  
Shaw Tower #25-11  
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