



CREATING VALUE

P U R S U I N G   G R O W T H

BHG RETAIL REIT  
ANNUAL REPORT 2019

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## BHG RETAIL REIT

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

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



### OUR VISION

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



### OUR MISSION

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

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

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

As of 31 December 2019, BHG Retail REIT's portfolio comprises:

1. 60.0% interest in Beijing Wanliu (北京华联万柳购物中心) in Beijing
2. Chengdu Konggang (北京华联成都空港购物中心) in Chengdu, Sichuan Province
3. Hefei Mengchenglu (北京华联合肥蒙城路购物中心) in Hefei, Anhui Province
4. Hefei Changjiangxilu (北京华联合肥长江西路购物中心) in Hefei, Anhui Province (Acquired on 2 April 2019)
5. Xining Huayuan (北京华联西宁花园店) in Xining, Qinghai Province
6. Dalian Jinsanjiao (北京华联大连金三角店) in Dalian, Liaoning Province

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

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

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# PROPERTY PORTFOLIO

## MULTI-TENANTED



**BEIJING WANLIU**



**CHENGDU KONGGANG**



**HEFEI MENGCHENGLU**



**HEFEI CHANGJIANGXILU**

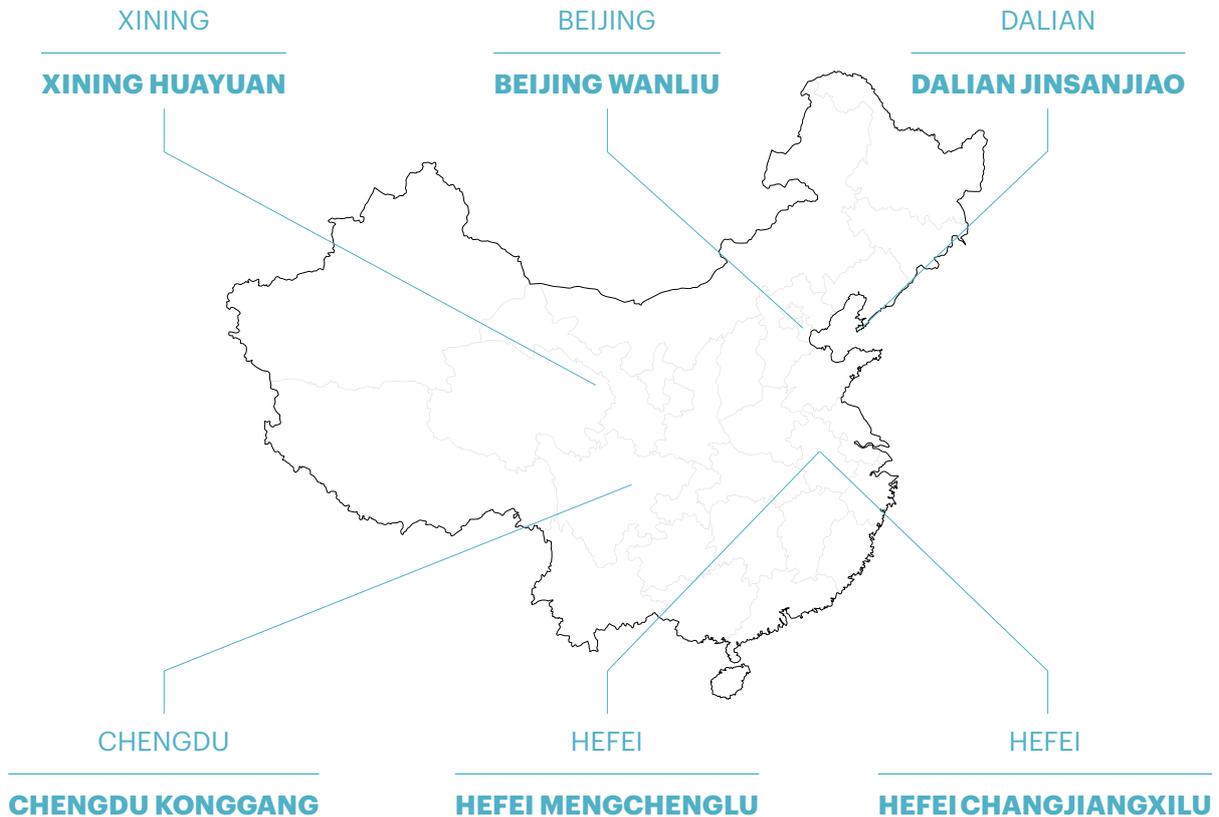
## MASTER-LEASED



**XINING HUAYUAN**



**DALIAN JINSANJIAO**



# KEY HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2019

## GROSS REVENUE

+13.5%  
year-on-year

## NET PROPERTY INCOME

+10.6%  
year-on-year

## PORTFOLIO COMMITTED OCCUPANCY

96.7%

## AMOUNT TO BE DISTRIBUTED TO UNITHOLDERS<sup>1</sup>

S\$16.8  
million

## DISTRIBUTION PER UNIT<sup>1</sup>

3.87  
Singapore cents

## ANNUAL DISTRIBUTION YIELD<sup>1,2</sup>

5.6%

## GEARING<sup>3</sup>

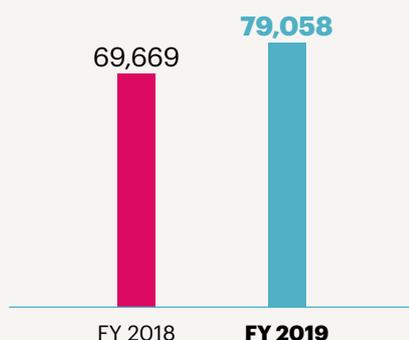
35.7%

## INDEPENDENT VALUATION<sup>4, 5</sup>

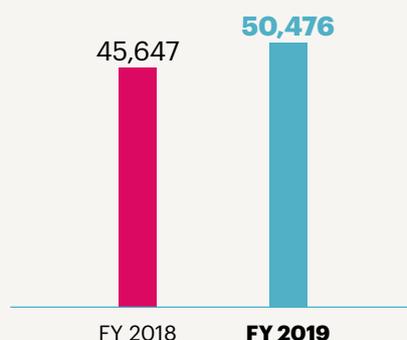
+15.3%  
year-on-year

+RMB625.9  
million

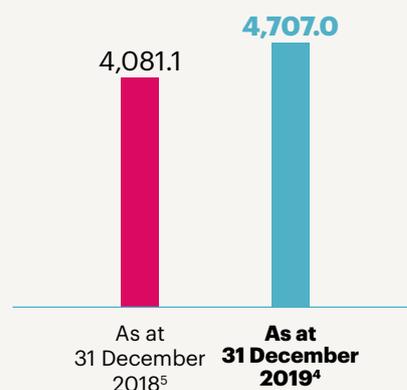
## GROSS REVENUE (S\$'000)



## NET PROPERTY INCOME (S\$'000)



## INDEPENDENT VALUATION (RMB 'MILLION)



- 1 In FY 2019, approximately S\$1.9 million of the amount available for distribution has been retained in anticipation of higher operational expenses and working capital requirements of the REIT's enlarged portfolio.
- 2 Based on closing price of S\$0.685 as at 31 December 2019, and FY 2019 Distribution per Unit.
- 3 Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders.
- 4 Based on independent valuation from Jones Lang LaSalle Corporate Appraisal and Advisory Limited as at 31 December 2019.
- 5 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018.

# YEAR AT A GLANCE

## JANUARY

- Beijing, Shanghai, Shenzhen, Hong Kong Investors' Meetings

## APRIL

- Completion of Hefei Changjiangxilu Acquisition
- **THE GLOBAL GOOD GOVERNANCE AWARDS 2019™**  
BHG Retail REIT received Gold award for the 'Best Corporate Communications and Investor Relations' and Silver award for the 'Best Governed and Transparent Company' categories
- FY 2018 Annual General Meeting

## AUGUST

- **SINGAPORE GOVERNANCE AND TRANSPARENCY INDEX 2019**  
BHG Retail REIT was ranked 7<sup>th</sup> amongst 46 REITs and business trusts jointly organised by CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations, and Singapore Institute of Directors
- **ASIA PACIFIC BEST OF THE BREEDS REITS AWARDS™ 2019**  
BHG Retail REIT received Gold Award, under Retail REIT category (market capitalisation of less than US\$1 billion)
- **2Q 2019 RESULTS ANNOUNCEMENT**  
Gross revenue and net property income grew 13.9% and 11.8% respectively year-on-year during the quarter. Amount available for distribution for 2Q 2019 of S\$5.3 million increased 2.9% year-on-year

JANUARY 2019

FEBRUARY 2019

APRIL 2019

MAY 2019

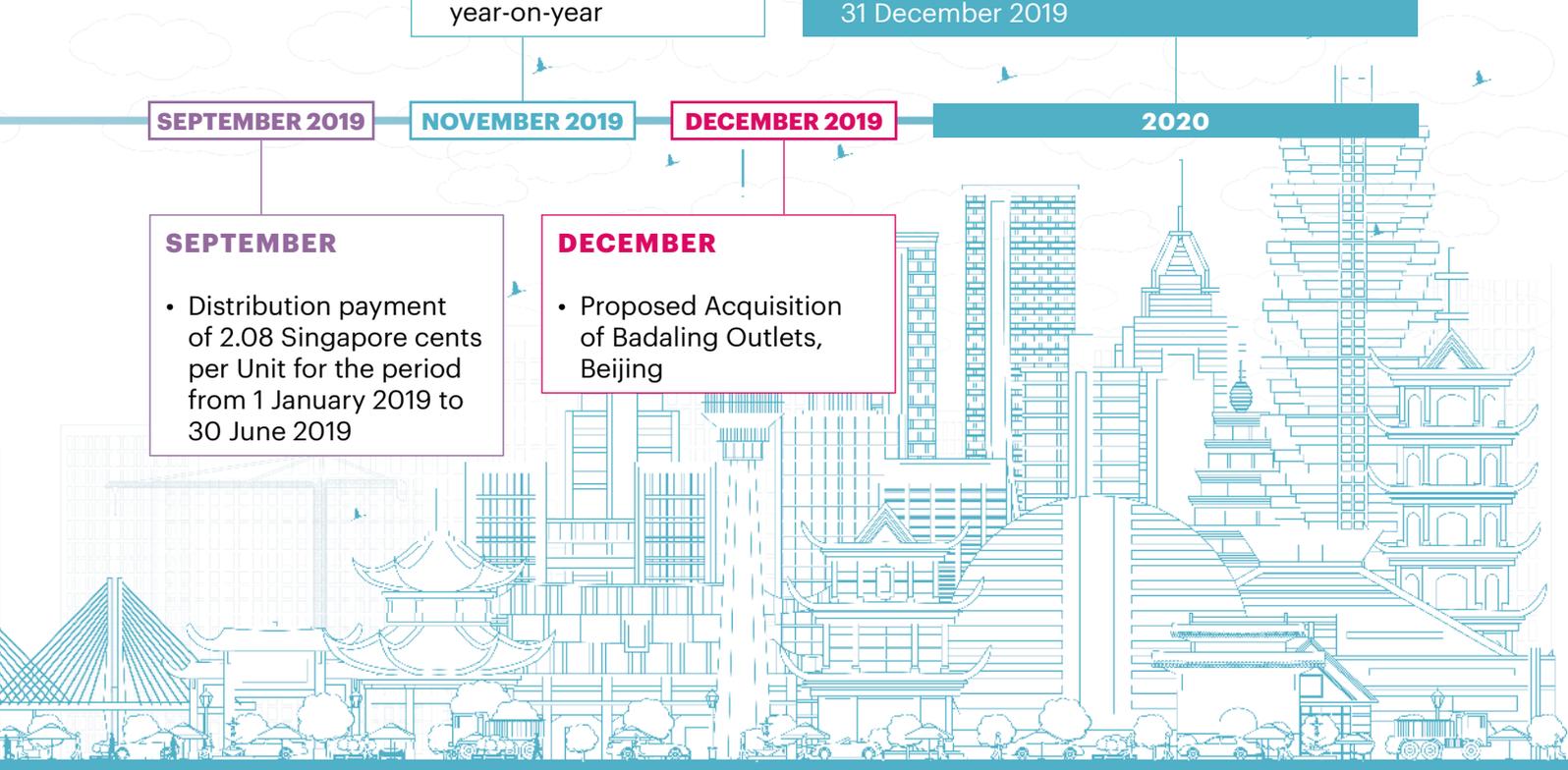
AUGUST 2019

## FEBRUARY

- Bangkok Investors' Meetings

## MAY

- **1Q 2019 RESULTS ANNOUNCEMENT**  
Gross revenue and net property income grew 2.6% and 1.6% respectively year-on-year
- REIT Symposium 2019 (organized by REITAS & Shareinvestor)



SEPTEMBER 2019

**SEPTEMBER**

- Distribution payment of 2.08 Singapore cents per Unit for the period from 1 January 2019 to 30 June 2019

NOVEMBER 2019

**NOVEMBER**

- **3Q 2019 RESULTS ANNOUNCEMENT**

Gross revenue and net property income for 3Q 2019 grew 18.9% and 17.7% respectively year-on-year

DECEMBER 2019

**DECEMBER**

- Proposed Acquisition of Badaling Outlets, Beijing

**JANUARY**

- Beijing Investors' Meetings

**FEBRUARY**

- 4Q 2019 Results Announcement  
Gross revenue and net property income for FY 2019 increased 13.5% and 10.6% respectively year-on-year

**MARCH**

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

2020





## CAPITALISING

**ON THE LONGER-  
TERM CONSUMPTION  
UPTREND**

+ 13.5%

**GROSS REVENUE (S\$)  
FY 2019 YEAR-ON-YEAR**

### **GROWING RESIDENTS' INCOME AND CONSUMER SPENDING**

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

## LETTER TO UNITHOLDERS

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

Right  
**Mr Francis Siu Wai Keung**  
Chairman

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

### **Dear Unitholders,**

On behalf of the Board of Directors and the management team of BHG Retail Trust Management Pte. Ltd. (as Manager of BHG Retail REIT or the "**Manager**"), we are pleased to present to you BHG Retail REIT's annual report for the financial year ended 31 December 2019 ("**FY 2019**").

It's been a rewarding and eventful year. BHG Retail REIT journeyed through key phases of growth amid ongoing economic uncertainties. BHG Retail REIT completed its maiden acquisition (of Hefei Changjiangxilu) in April 2019, reinforcing its community-focused strategy. Supported by the city's fairly new Metro Line 2, the newly acquired heartland mall is located in a catchment area that serves the densely populated residential communities of Shushan district in Hefei City.

Without resting on our laurels, we have announced the proposed acquisition of a premium outlet,

Badaling Outlets, Beijing, in December 2019. According to the independent market research conducted by Jones Lang LaSalle, Badaling Outlets is one of the five well-recognised outlet malls in Beijing. It also houses 200 brands of which more than 60 are international first-tier, more than any of the other outlets within the capital city. With a strong track record of revenue growth, this acquisition is expected to contribute significantly to BHG Retail REIT's portfolio size.

Going forward, we will continue to serve the growing middle-income segment via community-focused malls, and at the same time, tap on the consumption upgrade and consumer-savviness in China which have also supported the growth in demand for outlets shopping.

For FY 2019, gross revenue and net property income ("**NPI**") grew 13.5% and 10.6% respectively year-on-year. These were achieved in tandem with strong leasing demands, rental reversions and new income contribution from Hefei Changjiangxilu.

Amount to be distributed to Unitholders for FY 2019 of S\$16.8 million translated to a distribution per unit ("**DPU**") of 3.87 Singapore cents. Based on the year-end closing price of S\$0.685, BHG Retail REIT continued to deliver an attractive annual distribution yield of 5.6%.

### **STRONG LEASING DEMANDS**

Occupancy rate remained high through the year, with an overall commitment of 96.7% at year end. The management team had sought to capture opportunities for organic growth through tenant retention, forward lease renewals, as well as prospecting of new tenants. Consequently, our malls achieved very healthy rental uplifts, and average passing rents remained robust in FY 2019.

Multi-tenanted malls contributed about 90% of the entire portfolio's NPI in FY 2019. The key contributors, namely Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu, and Hefei Changjiangxilu accounted for 58.8%, 14.1%, 10.3% and 6.8% respectively of FY 2019's NPI. Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2019. This was achieved through dedicated efforts to continually enhance the quality and popularity of our malls

and to position our malls as the mall of choice for tenants and the surrounding communities.

Several new tenants were introduced to Beijing Wanliu this year. They include (i) active lifestyle brands such as Adidas NEO, Sketchers, The North Face and ANTA; (ii) fashion brands such as Teenie Weenie, Polo Sport and Vans; (iii) children brands such as Lego and Folli Follie Kids; (iv) a Yoga centre (Kamal Yoga 卡莫瑜伽); as well as (v) food & beverage operators such as Chao Zhou Ren 潮粥人和 鱼你在一起. Further, a new and popular concept "Amazing Art Space 阿美滋艺术中心" was also brought into Beijing Wanliu. The tenant provides a refreshing art-making experience using materials such as strings, lego blocks and used clothing to create unique pieces of art. The Amazing Art Space caters to both adults and children, and parents and their children often attend classes together as a form of family-bonding activity.

### **CREATING VALUE VIA ASSET ENHANCEMENTS**

With a philosophy to continually maintain our malls' relevance and attractiveness, Chengdu Konggang introduced an exterior rejuvenation exercise early this year. The mall unveiled its new façade exterior enhancement in the first quarter 2019. Following which, in April 2019, Chengdu Konggang introduced a new concept named, "Food Lane 食来巷", a stretch of 10 container street-style eateries along its outdoor walkway. This exciting concept engages its audience from a fresh angle, and has since elevated the overall visibility, vibrancy and appeal of the mall's offerings.

At Hefei Mengchenglu, a supermarket resizing exercise was completed in the first half of 2019. The exercise allowed us to unlock the underlying potential of the newly released space, rejuvenate the cluster and widen the range of offerings for its customers, while retaining the supermarket's competitive mass to serve its surrounding community residents. With the unlocked space, several new local eateries and authentic themed cuisines were introduced. Additional set of escalators were also installed. This enhancement which created synergy between supermarket and adjacent dining options, improved overall traffic flow, and also ultimately increased the average rent for the cluster.

# LETTER TO UNITHOLDERS

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## COMMUNITY-MALL FOCUSED STRATEGY

With the mission of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we endeavor 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, BHG Retail REIT and property managers benefit from the Group's strong understanding of Chinese consumption patterns.

Coupled with proactive engagement of the surrounding communities and strong collaboration with tenants, BHG Retail REIT is able to promptly identify the fast-changing demands of shoppers and communities that we serve, thereby maintaining the relevance of our malls.

To embrace consumers' omni-channel retailing trends, BHG Retail 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 2019.

## HEALTHY FINANCIAL POSITION

As of 31 December 2019, BHG Retail REIT's appraised portfolio value was RMB4,707.0 million. The valuation represents an increase of RMB625.9 million (15.3%) or S\$100.7 million (12.5%) from the independent valuation as at 31 December 2018 of RMB4,081.1 million or S\$808.3 million. Excluding the contribution from Hefei Changjiangxilu which was acquired in April 2019, overall valuation of existing properties in RMB rose 3.3% year-on-year.

The Manager remains prudent in its capital management strategy. As at 31 December 2019, total borrowings drawn down aggregated to S\$284.2 million, with above 80% of borrowings denominated in Singapore dollars and US dollars, and the remaining 20% denominated in Renminbi. In addition to the natural hedge provided by the Renminbi-denominated debt to the matching

revenue stream, about 60% of the offshore debt has been hedged from a floating to fixed rate via interest rate swap instruments. Weighted average term to maturity was 2.2 years as at 31 December 2019.

Gearing remained healthy at 35.7%, and this allows a comfortable debt headroom for growth via future acquisitions.

## ACCOLADES & RECOGNITION

BHG Retail REIT was ranked 7<sup>th</sup> amongst 46 REITs and Real Estate Business Trust on the 2019 Singapore Governance & Transparency Index ranking. The independent and leading index aimed at assessing entities on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcement. The index results, which was released in August 2019, was put together by NUS Business School's Centre for Governance, Institutions and Organisations.

Over the course of the year, BHG Retail REIT received several other accolades for our commitment and efforts. In the same month, BHG Retail REIT also won the Gold Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2019, under the Retail REITs (small capitalisation) category.

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.

## PURSUING ACQUISITION GROWTH

To build upon our portfolio of six community-focused retail properties, and to generate strong and consistent returns for our stakeholders, BHG Retail REIT will continually take further steps to invest beyond its present portfolio.

In FY 2019, apart from completing the acquisition of Hefei Changjiangxilu in April, we have also announced in December, the proposed acquisition of Badaling Outlets, Beijing, for the purchase consideration of S\$455.0 million. The agreed property value of Badaling Outlets of RMB2,482.3

million (or S\$480.1 million) reflected a 16.8% discount compared to average independent valuations. This translated to an NPI yield of 8.7% based on the financial year 2018 NPI of Badaling Outlets. Based on the pro forma for the period from 1 January 2019 to 30 June 2019, this exciting and substantial proposed transaction is expected to deliver a DPU accretion and net asset value (NAV) per unit accretion of 5.8% and 2.4% respectively. Upon completion of this transaction, Badaling Outlets is expected to provide significant impetus to the REIT's growth going forward.

### OUTLOOK

China's economy grew 6.1% year-on-year to RMB99.1 trillion for the full year 2019. Retail sales of consumer goods rose 8.0% year-on-year to RMB41.2 trillion in the corresponding period. Disposable income and expenditure per capita of urban residents increased 7.9% and 7.5% year-on-year respectively in 2019.

Despite easing of trade tensions, the Chinese economy is expected to face new challenges in 2020 subsequent to the outbreak of the Novel Coronavirus ("**COVID-19**"). Chinese authorities are expected to roll out more support measures to stabilise the economy, reduce economic shocks, and support companies as a result of the COVID-19 outbreak. These measures include liquidity injection and credit easing. In tandem with various precautionary measures adopted across China, BHG Retail REIT's properties and its tenants, along with many other businesses, have faced disruptions caused by the COVID-19. As a socially-responsible owner of retail malls that operate in the community space, BHG Retail REIT is exploring various strategies to support and reinforce its relationship with stakeholders.

Notwithstanding the near-term headwinds in relation to the COVID-19, BHG Retail REIT's long-term strategy remains consistent. Underpinned by the increasing income and consumption upgrade in China, underlying fundamentals of our properties remain strong. Post-completion of the acquisition of Badaling Outlets, BHG Retail REIT is also expected to benefit from the fast-growing luxury outlet segment, and the reduction of tariffs on luxury imports imposed in recent years. We, however, will remain 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 properties in our portfolio.

The Manager endeavors to continue the inorganic growth momentum. To lay a strong foundation for BHG Retail REIT's next phase of growth, the Manager will seek potential opportunities through both BHG Retail REIT's right of first refusal (ROFR), as well as third-party properties. Our key acquisition considerations include the acquisition being DPU-yield accretive, having sustainable operating performance, as well as possessing potential for future organic growth.

Lastly, with prudence, expertise and commitment of the Manager, we are confident that BHG Retail REIT will continue to position itself as an attractive yield-play investment, and deliver long-term sustainable growth to our Unitholders.

### WITH APPRECIATION

In closing, we extend our sincere appreciation to the Board members, and the management team and staff, for their invaluable dedication and commitment 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 healthy returns and growth.

**Mr Francis Siu Wai Keung**  
Chairman

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

19 March 2020

## 致信托单位持有人之信函

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

尊敬的信托单位持有人：

我们十分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（作为北京华联商业信托管理人，以下简称“管理人”），公布北京华联商业信托（以下简称“本信托”）的2019财政年度（以下简称“2019财年”）业绩报告。

2019年是活动频密且硕果累累的一年。经济形势虽一直不明朗，但本信托平稳度过了关键的增长阶段。2019年4月，本信托顺利完成第一个收购项目——即合肥长江西路购物中心，巩固了以社区为本的策略。这座处于心脏地带的购物中心毗邻新开通的地铁二号线，处于人流交汇处，服务于合肥市蜀山区居住人口密集社区。

本信托没有自满自足，安于现状。2019年12月我们宣布了对北京八达岭奥莱的收购提议。根据仲量联行独立市场调查的结果显示，八达岭奥莱是北京五大知名奥莱之一，共汇集了200多个品牌，其中约60多个为国际一线品牌，这个比例超越了北京任何



一家奥莱。鉴于其过往收入增幅强劲的业绩，我们预计该项目将如明珠般为本信托资产组合锦上添花。

阔步向前，我们将继续通过以社区为本的商业，服务于增长中的中等收入阶层。与此同时，充分利用中国的消费升级和消费者精明度这两个因素来推动奥莱购物需求的增长。

2019财年，在强劲的租赁需求和续约租金增长，以及新项目合肥长江西路购物中心贡献的共同作用下，本信托总收入和净物业收入各自同比增长13.5%和10.6%。

2019财年本信托给信托单位持有人派发共1680万新元，约等于每单位派息（DPU）0.0387新元。以年终闭市价0.685新元计算，本信托的年度收益派息率为5.6%，仍十分具有吸引力。

### 强劲的租赁需求

出租率全年保持在高位，年末整体承诺出租率达到96.7%。管理团队抓准时机，通过保留优质租户，提前续租，以及探寻新租户的方式来实现内生性增长。因此，我们的商场实现了良好的租金增长，同时2019财年平均现时租金也保持稳健上升。

2019财年，多租户商场的收入约占旗下商场净物业收入的90%。主要创收者为北京万柳购物中心，成都空港购物中心，合肥蒙城路购物中心，以及合肥长江西路购物中心，2019财年净物业收入各占比58.8%，14.1%，10.3%和6.8%。在2019财年，我们的多租户商场在平均客流量方面实现了更高的同比增长。之所以能取得优良业绩，是因为我们不断提升商场的素质与知名度，让租户和周边社区居民深信这里就是他们开店和购物的不二选择。

北京万柳购物中心今年迎来了一些新租户，包括：（1）活力生活品牌：Adidas NEO（阿迪达斯）、斯凯奇（Sketchers）、乐斯菲斯（The North Face）和安踏；（2）时尚品牌：维尼熊服饰（Teenie Weenie）、保罗运动（Polo Sport）和凡客（Vans）；（3）儿童品牌：乐高（Lego）和芙丽芙丽童装（Folli Follie kids）；（4）瑜伽中心：卡莫瑜伽（Kamal Yoga）；（5）餐饮品牌：潮粥人（Chao Zhou Ren）和鱼你在一起。此外，北京万柳购物中心还引进了目前十分受欢迎的新概念——开辟阿美滋艺术空间（Amazing Art Space）。阿美滋利用线绳、乐高积木、旧衣服等材料创造出独一无二的艺术作品，为学生提供全新的艺术创作感受。阿美滋开设的课程不仅能满足儿童的需要，成人同样也可以在此学习艺术创作。许多家长将这些课程当做亲子活动，与孩子一起参与课程的学习。

### 通过资产提升创造价值

秉持商场与时俱进并保持吸引力的理念，成都空港购物中心在今年年初进行了建筑外部翻新的活动，于2019年第一季度揭下了商场优化过后的神秘面纱。成都空港购物中心紧接着在2019年4月又引入了“食来巷”这一令人兴奋的新概念。在商场外的步道边，10个由集装箱改造的餐饮店一字排开，从一个全新的角度增强了与顾客的互动，并自此提升了购物中心整体的能见度，活跃度和吸引力。

2019上半年，合肥蒙城路购物中心完成了商场空间扩建的工作，充分释放了新增空间的潜能，不仅为租户群注入了新鲜的活力，给购物者提供了更多的购物选择，同时还保留超市的竞争优势保留了下来，更好地服务于周边社区居民。新增空间里引入了许多新的当地餐馆和正宗的主题餐厅，并且增加了自动扶梯的数量来疏导人流。优化之后，商场和相邻的餐厅相辅相成，相得益彰，不仅提升了整体客流量，并且从根本上提高了租户群的平均租金。

### 以社区型商场为本的策略

以长期可持续性增长并为信托单位持有人提供定期稳定的派息为使命，我们致力于构建富有弹性的社区型商场和体验性策略，充分利用不断扩大的中等收入群体再创佳绩。

得益于北京华联集团在零售商场管理、奢华百货商店管理、超市运营及国际零售合作等方面的丰富知识和雄厚根基，以及对消费模式的深刻理解，使得本信托和物业管理团队从中获益匪浅。

加上积极主动融入周边社区，以及与租户强有力的合作，本信托迅速掌握了购物者及社区日新月异的购物需求，确保商场能不断地与时俱进。

为了顺应消费者全渠道零售的发展趋势，本信托将继续侧重于消费者体验环节，吸引消费者亲自光临商场。截至2019年12月31日，体验类业态的贡献分别占旗下商场总租金收入的60%和净出租面积的80%。

### 健康的财务状况

截至2019年12月31日，本信托旗下商场总估值约47.070亿人民币，较2018年12月31日的独立估值结果40.811亿人民币（8.083亿新元），增长6.259亿人民币（15.3%）或1.007亿新元（12.5%）。除去2019年4月完成收购的合肥长江西路购物中心带来的价值，现有物业的总估值同比增长了3.3%。

管理团队在资本管理策略方面继续谨慎以对。截至2019年12月31日，已提取的借贷总额为2.842亿新元，其中约80%是以新元和美元计值的借款，余下约20%是以人民币计值的借款。除了以人民币计值债务

## 致信托单位持有人之信函

为匹配收入来源进行自然对冲外，约60%的境外债务还可以通过利率互换，将浮动利率转换成固定利率进行对冲。截止2019年12月31日，加权平均到期期限为2.2年。

负债率维持在35.7%的健康水平，为未来项目收购保留了适当的债务增长空间。

### 荣誉认证

在2019年发布的《新加坡治理与透明度指数》，本信托在46家房地产投资信托和商业信托中排名第7。这份起主导作用的独立指数报告旨在评估各公司在其公司治理方面的信息披露和实践，以及财务业绩公布的及时性、可得性和透明性。该报告由新加坡国立大学商学院的治理制度与机构研究中心于2019年8月公布。

这一年里，本信托还斩获了另几项荣誉，这是对我们工作努力不懈的肯定。同月，本信托还荣获了2019亚洲最佳房地产投资信托（Asia Pacific Best of the Breeds REITs Awards）零售房地产投资（小市值）组金奖。

我们怀着谦虚和喜悦的心情接受这些荣誉，这是我们对信托单位持有人追求价值而努力的肯定。这些荣誉将激励我们继续专注于为信托单位持有人提供持续回报的使命，并致力于良好的公司治理与实践。

### 通过收购拉动增长

建立在目前投资组合的6个社区型购物中心并为权益所有人创造强劲且稳定的回报之上，本信托将继续采取进一步措施，投资超出目前投资组合的范围。

在2019财年，除了四月份对于合肥长江西路购物中心的成功收购，我们在十二月份也宣布了以4.55亿新元的交易对价收购北京八达岭奥莱的提案。八达岭奥莱的约定资产价值为24.823亿人民币（4.801亿新元），低于平均独立评估值16.8%。这意味着基于2018财年，八达岭奥莱的净物业收入收益率为8.7%。基于对2019年1月1日至2019年6月30日做出的预测与分析，这一可观的拟定交易有望强力拉动我们的业绩，预计每单位派息（DPU）和每单位资产净值（NAV）将分别增加5.8%和2.4%。收购完成后，八达岭奥莱有望为本信托的发展提供重要推动力。

### 展望

2019年全年，中国经济同比增长6.1%，达到99.1万亿元人民币。同期社会消费品零售总额为41.2万亿元，同比增长8.0%。2019年，城镇居民人均可支配收入和支出同比分别增长7.9%和7.5%。

尽管贸易摩擦有所缓解，但由于新型冠状病毒（COVID-19）的爆发，中国经济将在2020年面临新的

挑战。中国政府预计将会采取更多措施支持和稳定经济，减少受到的冲击，对受到疫情影响的企业提供帮助。这些措施包括为市场注入流动性以及放松信贷政策。在中国采取各种防范措施的同时，本信托的物业、租户，以及许多其他企业的业务持续性，也都面临着由新型冠状病毒带来的各种威胁。本信托作为社区型购物中心的所有者，秉持着对社会负责的态度，积极探索多种策略，维护并加强与权益所有人的关系。

虽然近期新型冠状病毒带来了一些不利因素，但是本信托始终保持着稳定的长期战略。在中国收入不断增加、消费升级不断上涨的基础之上，我们的物业基本面维持在依旧强稳的状态。在完成对八达岭奥莱的收购后，本信托也预计将会受益于奥莱快速增长的奢侈品领域，以及近年来奢侈品进口关税的下降。但是我们仍会继续留意消费者喜好的转变，经济的发展，以及可能对我们的业务产生不利影响的政策改变。我们将继续积极主动的进行租务管理和资产提升，来提高投资组合内物业的价值。

管理团队将继续保持非内生性增长的势头，为本信托下一阶段的增长奠定更加牢靠的基础。管理团队会持续在本信托拥有优先购买权（ROFR）和第三方物业中寻找收购机会。收购主要考虑因素包括每单位派息收益增长，业务运营的可持续性，以及实现未来内生增长的潜能。

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

### 鸣谢

最后，我们诚挚的向公司董事、管理层和员工表达由衷的感谢。感谢他们在过去一年里的无私奉献和敬业精神。同时，我们也要感谢业务合作伙伴、租户及购物者的锲而不舍的支持。

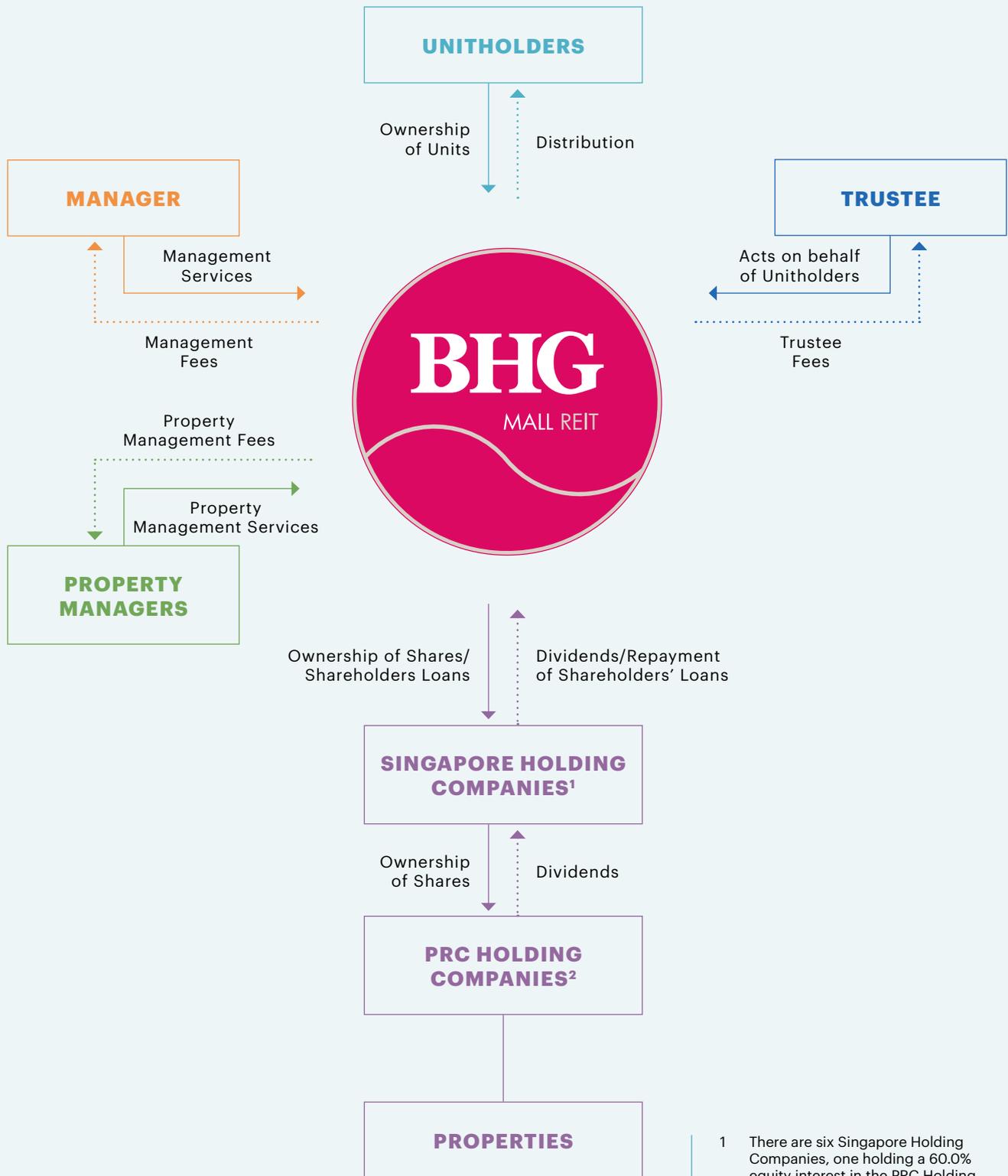
我们也真诚地感谢信托单位持有人对我们坚定的支持和强大的信心。让我们一起展望未来，期待来年有更亮丽的表现，回报和增长稳步攀升。

主席  
萧伟强

首席执行官  
陈懿璘

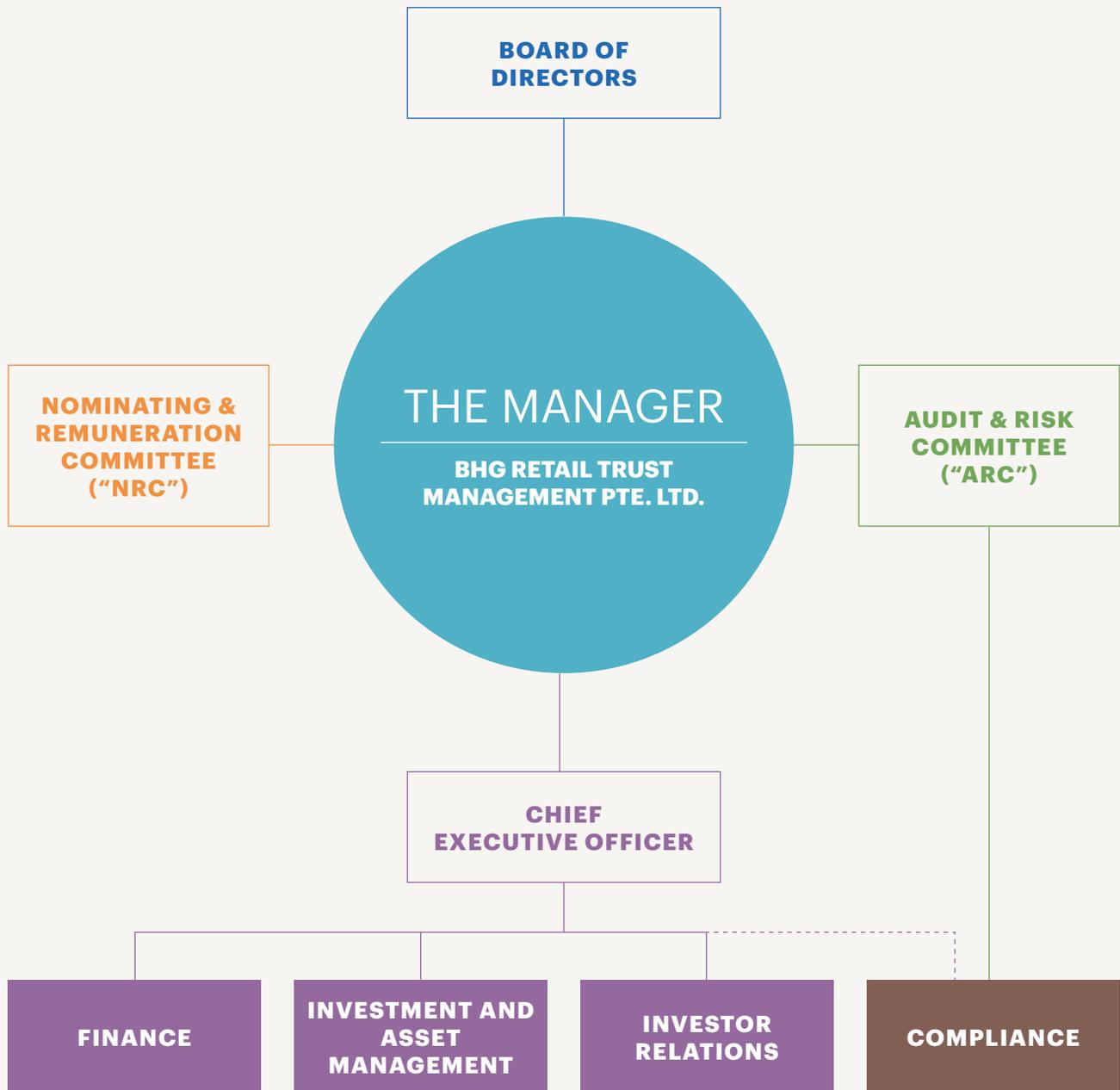
2020年3月19日

# TRUST STRUCTURE



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

# ORGANISATION STRUCTURE



# BOARD OF DIRECTORS

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## MR FRANCIS SIU WAI KEUNG (65)

Chairman  
Independent Director

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### 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 Communication Services Corporation Limited
- CGN Power Co. Ltd.

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

Nil

### Other principal commitments

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

### Background and working experience

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

### Academic and professional qualifications

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

## MR BEN YEO CHEE SEONG (68)

Independent Director

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### Date of first appointment as a director

12 February 2015

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

18 April 2018

### Board committees served on

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

### Present directorships in other listed companies

- RE&S Holdings Ltd

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

Nil

### Other principal commitments

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

### Background and working experience

- Group Managing Director of Guthrie GTS Limited

### Academic and professional qualifications

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

# BOARD OF DIRECTORS

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## MR LAU TECK SIEN (48)

Independent Director

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### Date of first appointment as a director

12 November 2015

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

8 May 2019

### Board committees served on

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

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

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

### Background and working experience

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

### Academic and professional qualifications

- Nanyang Technological University of Singapore (Bachelor of Business)

## MR XIONG ZHEN (45)

Non-Executive Director

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### Date of first appointment as a director

12 November 2015

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

18 April 2018

### Board committees served on

Nil

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

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

### Background and working experience

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

### Academic and professional qualifications

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

## MR PENG GE (48)

Non-Executive Director

### Date of first appointment as a director

12 November 2015

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

8 May 2019

### Board committees served on

Nil

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

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

### Background and working experience

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

### Academic and professional qualifications

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



## MANAGEMENT TEAM

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### MS CHAN IZ-LYNN

Chief Executive Officer  
Head of Investor Relations

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

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

From 2005 to 2013, Iz-Lynn held various positions in Far East Organization. She was the Assistant Director of the Retail Business Group where her primary responsibility included maximizing the business performance of the flagship asset Orchard Central, while her concurrent role as Vice-President (Retail Consultancy) involved the exploration of international new-to market brands to the retail portfolio. In the Hospitality Business Group, comprising hotels and serviced residences, she was responsible for the delivery of the business unit's operational and service excellence. During her tenure, Iz-Lynn also concurrently held the position of the Head of Service Quality at the group's corporate level.

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

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

### MR VICTOR TEN

Chief Financial Officer

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

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

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

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

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## **MR CHEAH KOK YONG**

Senior Finance Manager

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

Prior to joining BHG Retail REIT, Kok Yong served as a Finance Manager in ARA Asset Management (Singapore) Limited. As a part of the ARA Group, the private real estate fund's asset under management aggregated to US\$3.0 billion, and the assets are situated primarily in the main cities of China, Singapore, Hong Kong and Malaysia. Onboarded as an Assistant Finance Manager, and promoted to a Finance Manager, he supported various functions of the fund, including that of finance, administrative & operations, and financial reporting.

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

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

## **MR ERIC LIU**

Investment and  
Asset Management Manager

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

Prior to joining BHG Retail REIT, Eric was an Asset Manager in Straits Real Estate Pte. Ltd. where he provided direction and oversight of the company's business plan and strategy with regard to the company's asset portfolio in the Asia Pacific region. Prior to Straits Real Estate Pte. Ltd., he was the Investment and Asset Manager of Bright Ruby Resources Pte. Ltd. where he provided market research, deal sourcing, and strategic direction for real estate investments for their global portfolio. In addition, Eric also actively led and managed transaction procedures from concept through to completion.

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

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

## MANAGEMENT TEAM

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### MR NIGEL NAI ZI

Investor Relations Manager

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

Prior to the current role, Nigel held a managerial role in SPH REIT and was instrumental in building the finance and investor relations functions in the REIT's initial years. He was called upon to join SPH REIT from the Singapore Press Holding ("SPH")'s Group Finance, when the REIT announced its listing in July 2013. Before joining SPH, Nigel was a consultant in JP Morgan Singapore's finance, where he was involved in the bank's financial control and regulatory reporting.

Nigel's professional career began to sprout in 2008, as an external auditor in Ernst & Young LLP. In his fourth year, as a Senior Auditor, he actively oversaw audit engagements, spanning multiple industries and geographies including China, India, Indonesia, and Singapore.

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

### MR ISAAC LIAN

Senior Compliance Manager

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

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

Prior to joining the Manager, Isaac was Compliance Manager for Manulife US REIT from 2017 to 2019, where he was responsible for regulatory compliance and corporate governance matters. Before joining Manulife US REIT, Isaac spent a year as Cofounder of Coopita, a platform created to preserve, promote and sustain Pan-Asian Art and Craft.

Isaac's professional career began in the Monetary Authority of Singapore when he joined the central bank's graduate officer program in 2012. He was drafted into the Financial Supervisory Group, first to the Investment Intermediaries Department as a Graduate Officer and Associate and then to Capital Markets Intermediaries Department II as an Assistant Director. During his four years in the group, he was exposed to a wide range of financial intermediaries (which included REITs) for admission and supervision purposes.

Isaac holds a Bachelor of Arts (Honours) in Accounting and Finance from Durham University, United Kingdom.

# 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 2019, the exercise was conducted at the REIT’s portfolio property in Chengdu.

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 2019

### *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 Trading 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, equipment failures and global pandemics.

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

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

## **Financial and Interest Rate Risk**

The Manager ensures that financial market risks are closely monitored 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 31 December 2019, the REIT has entered approximately 60% of its offshore loan into interest rate swap transactions.

The Manager closely monitors its debt profile to ensure it maintains compliance with the gearing limit established by the Monetary Authority of Singapore ("**MAS**") in the Code of Collective Investment Schemes. The Manager also actively monitors the 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 Chinese subsidiaries as well as other measures.

Where feasible, BHG Retail REIT also adopts a natural hedging by borrowing in RMB. This matches the revenue stream generated from its investment, balancing the interest rate and foreign exchange risk. As at 31 December 2019, about 20% of the Group's borrowings is RMB-denominated.

## **Compliance Risks**

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

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

## **Technology Risks**

The Manager is aware of the modern-day risks associated with Information Technology. In accordance with the MAS Notice on Technology Risk Management, the Manager conducts periodic reviews of its technology risks, with a view towards minimizing the risk of downtime caused by information technology system failures. The Manager had also in 2019 requested for Deloitte to conduct training and review its readiness in this respect.

# CORPORATE GOVERNANCE

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## INTRODUCTION

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

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

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

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

# CORPORATE GOVERNANCE

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## THE MANAGER

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

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

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

## BOARD MATTERS

### The Board's Conduct of Affairs

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

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

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

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

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

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

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

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

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

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

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

The Board and the ARC meet 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. In each meeting where matters requiring the Board’s approval are to be considered, all members of the Board attend and actively participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval. A Director with multiple directorships is expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of the REIT for the benefit of Unitholders. Four Board meetings were held during the financial year ended 31 December 2019 (“**FY 2019**”). The number of such meetings and the attendance of each of the Directors at Board meetings and Board Committee meetings are set out at page 33 of this Report.

## CORPORATE GOVERNANCE

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The Manager provides the Board with complete, adequate and timely information prior to Board meetings, and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. This includes periodic business updates, financial reports and financial statements from the Manager. The Manager's executives and external consultants may also provide presentations on specific business areas. Further, the Board has separate and independent access to Management and the company secretary of the Manager ("**Company Secretary**") at the Manager's expense, at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board and Board Committee meetings. The Board also has access to external advisers where necessary and when requested at the Manager's expense. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole. This ensures that the Directors are not dependent solely on what is volunteered by the Manager.

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

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

Induction, training and development programmes are provided to new and existing Directors. These programmes aim to familiarise the new Director with his or her duties as a director and how to discharge those duties, the laws and regulations that govern the operation of a REIT, and to familiarise the new Director with the REIT's business and organisation structure and governance practices. Following their appointment, Directors are provided with opportunities for developing and maintaining their skills and knowledge at the Manager's expense and continuing education in areas such as Director's duties and responsibilities, changes to laws, regulations, accounting standards, and industry-related matters so as to be updated on matters that may affect or enhance their performance as Directors of the Board, or of the Board Committees. In FY 2019, Directors were briefed and updated on sustainability reporting and changes to the 2018 Code and the Listing Manual of the SGX-ST.

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

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

### Board Composition and Guidance

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

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

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

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

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

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

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

Mr Xiong Zhen and Mr Peng Ge are salaried employees of other entities within the Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") and accordingly are treated as Non-Independent Directors. The independence of Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien are assessed against the requirements of the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations. There are no instances where the Board considers a director to be independent where there is the existence of a relationship as stated in the 2018 Code and the Listing Manual of the SGX-ST that would otherwise deem a director not to be independent. For FY 2019, the NRC has reviewed and determined that the Independent Directors of the Manager are independent according to the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations. None of the Independent Directors have served the Board beyond nine (9) years from the date of their first appointments.

## CORPORATE GOVERNANCE

The following further sets out the assessment of each Director's independence against the requirements under the Securities and Futures (Licencing and Conduct of Business) Regulations.

	Francis Siu	Ben Yeo	Lau Teck Sien	Peng Ge	Xiong Zhen
had been independent from the management of the Manager and BHG Retail REIT during FY 2019	X	X	X		
had been independent from any business relationship with the Manager and BHG Retail REIT during FY 2019	X	X	X	X	X
had been independent from every Substantial Shareholder of the Manager and every Substantial Unitholder of BHG Retail REIT during FY 2019	X	X	X		
had not been a Substantial Shareholder of the Manager or a Substantial Unitholder of BHG Retail REIT during FY 2019	X	X	X	X	X
has not served as a Director of the Manager for a continuous period of nine (9) years or longer as at the last day of FY 2019	X	X	X	X	X

**Note:**

Each of Mr Peng Ge and Mr Xiong Zhen is currently employed by related corporation of the Manager. As such, during FY 2019, each of them is deemed (a) to have a management relationship with the Manager and the REIT; and (b) connected to a Substantial Shareholder of the Manager and substantial Unitholder. The Board of the Manager is satisfied that, as at the last day of FY2019, each of Mr Peng Ge and Mr Xiong Zhen was able to act in the best interests of all Unitholders as a whole. As at the last day of FY2019, each of Mr Peng Ge and Mr Xiong Zhen was able to act in the best interests of all Unitholders as a whole.

The Board is confident that the Directors act in good faith and exercise due diligence and care in the exercise of their duties, and is presently of an appropriate size. For FY 2019, the Board is of the opinion that its current Board size and composition is reasonable, effective and efficient considering the nature, size and scope of the Manager's and the REIT's business operation.

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

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

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### Chairman and Chief Executive Officer

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

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of Chairman and CEO are held by separate individuals. Mr Francis Siu Wai Keung is 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 provisions on corporate governance and facilitates the effective contribution of Non-Executive Directors. The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.

The CEO, Ms Chan Iz-Lynn, works with the Board to determine the strategy for the REIT. She also works with the other members of the management 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 the REIT, and works with the Manager's investment, asset management, financial and compliance personnel in meeting the strategic, investment and operational objectives of the REIT.

In view of the fact that the Chairman of the Board and CEO is not the same person, are not immediate family members and have no close family ties; and he is not part of the management team and is an Independent Director, the Manager does not have a Lead Independent Director.

During FY 2019, the Independent Directors have met at least once in the absence of Management, to discuss matters and provide relevant feedback.

### Board Membership

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

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

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<b>Mr Ben Yeo Chee Seong</b>	Chairman
<b>Mr Francis Siu Wai Keung</b>	Member
<b>Mr Lau Teck Sien</b>	Member

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

## CORPORATE GOVERNANCE

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

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

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

- The NRC reviews the independence of each Director annually.
- In appointing a new Director to the Board, the Board considers the needs of the REIT and the relevant expertise of the candidate. Further, the Board refers to the Board Diversity Policy and considers the principles stated on page 29 of the Annual Report.
- The NRC ensures that a new Director is aware of his or her duties and obligations. A newly appointed Director receives a formal appointment letter which sets out his or her relevant duties and obligations. The NRC also decides if a Director is able to and has been adequately carrying out his or her duties as a Director of the Manager.

- The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. Candidates with the appropriate profile are shortlisted for nomination and are recommended to the Board for approval. The search for candidates is conducted through referrals, and the NRC may seek advice from external search consultants where necessary.

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

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

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

The NRC has evaluated and is satisfied that each Director has provided sufficient time and attention on the affairs of the Manager to fulfil their responsibilities, notwithstanding their other commitments. For FY 2019, the Directors have attended Board meetings and have participated constructively in discussion of the activities of the REIT. The Board is of the view that, despite the external appointments, the Directors are not hindered from diligently discharging his or her duties as Directors of the Manager.

The number of meetings held by the Board, the ARC and the NRC and the attendance of Directors at the meetings during FY 2019 are set out as follows:

	Board Meetings	ARC Meetings	NRC Meetings	General Meetings
<b>Francis Siu Wai Keung</b>	4	4	1	1
<b>Ben Yeo Chee Seong</b>	4	4	1	1
<b>Lau Teck Sien</b>	4	4	1	1
<b>Xiong Zhen</b>	4	N.A.	N.A.	1
<b>Peng Ge</b>	4	N.A.	N.A.	1
<b>Yang Feng<sup>1</sup></b>	3	N.A.	N.A.	-

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

N.A. – Not applicable

<sup>1</sup> Resigned as Non-Executive Non-Independent Director on 8 November 2019.

# CORPORATE GOVERNANCE

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## Board Performance

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

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

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

Each Director is required to objectively assess his or her personal performance and collectively, the performance of the Board as a whole and its Board Committees. For FY 2019, 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 2019 have been met for the Board, Board committees and for each individual Director; and
- Each Independent Director has met and continues to meet the requirements of the 2018 Code.

Pursuant to the NRC's review, the Board is satisfied that it has achieved its performance objectives for FY 2019.

The Manager believes the Board's performance is best evidenced and reflected through the REIT's achievements. FY 2019, the REIT's gross revenue and net property income ("**NPI**") grew 13.5% and 10.6% respectively year-on-year. The distribution per unit ("**DPU**") for the full year was 3.87 Singapore cents and based on the year-end closing price of S\$0.685, the REIT continued to deliver to its Unitholders an attractive annual distribution yield of 5.6%.

The Board's performance is reviewed once a year by the NRC.

## REMUNERATION MATTERS

### Procedure for Developing Remuneration Policies

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

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

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

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

In FY 2019, an independent remuneration consultant, Korn Ferry Hay Group Pte. Ltd. ("**Korn Ferry**"), provided advice including compensation benchmarking analysis, incentive plan and scorecard development and the review of benefits and perquisites including policies. Korn Ferry is a global organizational consulting firm. They have a strong team of 8,600 employees in 50 countries. Korn Ferry offers five core solutions in the area of organization strategy, assessment and succession, talent acquisition, leadership development, rewards and benefits. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

#### **Level and Mix of Remuneration**

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

#### **Disclosure on Remuneration**

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

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

- Reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers;
- Reviewing the REIT's obligations arising in the event of termination of Executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses;
- Developing an assessment matrix to review the performance, consider and recommend to the Board on the appropriate quantum of remuneration in view of a Director's level of contributions, taking into account his or her responsibilities and time spent;
- Setting the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and KMP;

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- Monitoring the level and structure of remuneration for KMP relative to the internal and external peers and competitors;
- Reviewing the remuneration of employees related to the Directors, CEO or Substantial Shareholders or employees who are Substantial Shareholders, if any, to ensure that their remuneration packages are in line with employee remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subject to the review and approval of the NRC;
- Obtaining reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information at the expense of the Manager, subject to the budgetary constraints imposed by the Board;
- Overseeing any major changes in employee benefits or remuneration structures; and
- Reviewing the design of all long-term and short-term incentive plans for approval by the Board and Unitholders.

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

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

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

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

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

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

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

Fees received by each Independent Director consist only of Director's fees component, which is paid in cash. Such fees are appropriate to their level of contribution, taking into account factors such as effort, time spent, and responsibilities. In addition, the Manager also conducted a benchmarking process to ensure that the Directors' fees are in line with the market. Provision 7.2 of the 2018 Code on the remuneration of the Non-Executive Non-Independent Directors does not apply to the Manager as the Non-Executive Non-Independent Directors of the Manager do not receive any fees. They are salaried employees of other entities of the Beijing Hualian Group. For the avoidance of doubt, Mr Yang Feng who resigned as Non-Executive Non-Independent Director on 8 November 2019 did not receive fees in FY 2019. Directors and KMP are not paid in Units.

The Directors' fees for Independent Directors for FY 2019 are set out as follows:

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

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

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

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

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

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

There were no employees who were Substantial Shareholders of the Manager, Substantial Unitholders of the REIT, or were immediate family members of a Director, the CEO, a Substantial Shareholder of the Manager or a Substantial Unitholder of the REIT during FY 2019 and whose remuneration exceeds S\$100,000 during the year. Based on the Listing Manual of the SGX-ST, "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

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

### ACCOUNTABILITY AND AUDIT

#### Risk Management and Internal Controls

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

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

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

Further, the Manager has further engaged KPMG Services Pte. Ltd. ("**KPMG**") to conduct 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 2019, the Manager has conducted two Control Self-Assessment Exercises on itself and on its subsidiaries to evaluate its ERM Framework. More information on the ERM Framework can be found on the Enterprise and Risk Management section of the Annual Report.

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Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, as well as the said assurances set out above, the Board is satisfied and the ARC concurs with the Board that the Manager's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at FY 2019 to address the risks taking into account the nature, scale and complexity of the Manager's operations. For FY 2019, the Board has received written assurances from:

- the CEO and Chief Financial Officer ("**CFO**") that, as at FY 2019, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- the CEO and the relevant KMP that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at FY 2019 to address the risks that the Group considers relevant and material to its business operations.

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

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

### **Audit and Risk Committee**

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

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

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

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

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

<b>Mr Francis Siu Wai Keung</b>	Chairman
<b>Mr Ben Yeo Chee Seong</b>	Member
<b>Mr Lau Teck Sien</b>	Member

The Board is of the opinion that at least two (2) members, including the ARC Chairman, have recent and relevant experience in audit, accounting and fund management. Further, the ARC meets 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 KMP 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:

- Reviewing significant financial reporting issues and key areas of management judgment so as to ensure the integrity of the financial statements of the Manager and any announcements relating to the Manager's financial performance;
- Monitoring the integrity of the financial information provided by the Manager, in particular, by reviewing the relevance and consistency of the accounting standards used by the REIT (i.e. entity level) and for the Group (i.e. consolidation level);
- Keeping abreast of changes in accounting standards and issues which have a direct impact on financial statements;
- Overseeing and review the adequacy and effectiveness of the risk management function including the plans, activities, staffing, budget, resources and organizational structure;
- Reviewing risk management and capabilities including risk identification, risk systems, risk management training, risk communication channels, crisis readiness and recovery capabilities;
- Reviewing and monitor Management's responsiveness to the risk mitigating actions;
- Reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of the REIT's internal controls and risk management systems;
- Reviewing the assurance from the CEO and the CFO on the financial records being properly maintained and the financial statements giving a true and fair view of the REIT's operations and finances;
- Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual of the SGX-ST and the provisions of the Property Funds Appendix;
- Monitoring the procedures established to ensure compliance with the provisions of the Listing Manual of the SGX-ST relating to interested person transactions, and the provisions of the Property Funds Appendix relating to interested party transactions (collectively, "Related Party Transactions");
- Reviewing the effectiveness, independence, adequacy, scope and results of the external audit and the internal audit function, audit reviews, the annual audit plan and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within the REIT;
- Overseeing the Manager's relations with the external auditors, including its audit scope, approach, remuneration and terms of engagement;

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- Making recommendations to the Board on the nomination for the appointment, re-appointment and removal of external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;
  - Monitoring and assess annually whether the external auditors' independence or objectivity is impaired. The factors to consider include the amount of fees for audit and non-audit services provided by the external auditors;
  - Discussing key audit matters with the external auditors and ascertain if there are any follow-up actions which should be taken to reduce the extent of uncertainty and corresponding need for judgement for future periods;
  - Ensuring that the external auditors have direct and unrestricted access to the Chairman of the ARC and the Chairman of the Board;
  - Ensuring that there are programs and policies in place to identify and prevent fraud; and
  - Reviewing the Whistle-blowing Policy and arrangements put in place by which employees and external parties may, in confidence, safely raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions.

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

The ARC has full access to and the cooperation of Management and reasonable resources to enable it to discharge its functions properly. The ARC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The ARC also meets with the external and internal auditors, in each case, without the presence of Management, at least annually, to discuss any problems and concerns they may have. The ARC had met with the internal and external auditors, Deloitte and Messrs KPMG LLP, in the absence of Management during FY 2019.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2019 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 FY 2019 in respect of the audit services is approximately S\$522,000 and non-audit fees is approximately S\$37,000. The ARC confirms that the non-audit services provided by the external auditors would not affect their independence.

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

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

In the review of the Group's financial statements, the ARC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the ARC reviewed, amongst other matters, the key audit matter, as reported by external auditors for the financial year ended 31 December 2019, relating to the valuation of investment properties.

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In view of the change in independent valuer to satisfy the regulatory requirement of not engaging the same valuer to value the same property for more than two (2) consecutive financial years, the ARC reviewed the outcome of the established valuation process and discussed the details of the valuation with Management. The ARC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of investment properties. The ARC is satisfied with the valuation process the methodologies used and the valuation of the investment properties as adopted and disclosed in the financial statements.

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

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

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

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 2019, 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 independent, effective and adequately resourced.

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

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

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## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

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

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. The Manager informs the Unitholders of the rules governing general meetings, and they are entitled to attend general meetings and are accorded the opportunity to participate effectively in and vote at general meetings. Unitholders will receive the notices of general meetings and may download these notices from the REIT's website. Notices of the general meetings will also be advertised in the press and issued on SGXNet.

The Manager tables separate resolutions at general meetings of Unitholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager explains the reasons and material implications in the notice of meeting. Resolution by poll is carried out systematically with proper recording of votes cast and the resolutions passed.

Representatives of the Trustee, all the Directors (including the chairpersons of the Board, the ARC and the NRC), the Manager's senior management and the external auditors, are present at general meetings to address any queries that Unitholders may have. A record of the Directors' attendance at the general meeting can be found in the records of their attendance of meetings set out at page 33 of this Annual Report. Before and after the general meetings, the Chairman and other members of the Board will actively engage in dialogue with Unitholders, to gather views or inputs, and address Unitholders' concerns. Such interactions allow the Board to understand and consider the views and feedback from Unitholders and the Investment Community before formulating its key strategic decisions.

For greater transparency, the Manager has implemented electronic poll voting at general meetings. This entails Unitholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing all Unitholders present or represented at the meeting to vote on a one Unit, one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. The Manager will continue to use the electronic poll voting system at the forthcoming annual general meeting. As the authentication of Unitholder identity and other related security and integrity issues still remain a concern, the Manager has decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax (as recommended by Provision 11.4).

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

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

In accordance with the Prospectus for Initial Public Offering of the REIT dated 2 December 2015, the REIT's distribution policy is to distribute 100.0% of the REIT's Distributable Income for the Forecast Period 2015 and the Projection Year 2016. Thereafter, the REIT will distribute at least 90.0% of its Distributable Income for each financial year. For FY 2019, the Manager had made a distribution of 2.08 Singapore cents per unit for the period from 1 January 2019 to 30 June 2019 on 27 September 2019. A second distribution of 1.79 Singapore cents per unit for the period from 1 July 2019 to 31 December 2019 has been made on 30 March 2020.

### Engagement with Shareholders

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

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

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

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

Continuous and informed dialogue between the Manager and Unitholders is a central tenet of good corporate governance. Regular engagement between these parties will promote greater transparency. Material and other pertinent information such as press releases and presentation slides are released to the SGX-ST via SGXNET and the REIT's website. Both announcements through the REIT's website and the SGXNET are the principal media of communication with Unitholders. In FY 2019, the CEO and IR Manager have met with potential investors and analysts through meetings and roadshows. Further details on the various activities organised by IR during the year can be found in the IR section of the FY 2019 Annual Report on pages 72 to 75.

An electronic copy of the FY2019 Annual Report has been uploaded on the REIT's website. Unitholders can access the FY 2019 Annual Report at <http://bhgreit.listedcompany.com/ar.html>.

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

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

## Engagement with Stakeholders

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

The Board's role includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for the REIT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of BHG Retail REIT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in the REIT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups and to manage the REIT's relationships with such groups. Such arrangements include maintaining the Website, which is kept updated with current information to facilitate communication and engagement with the REIT's stakeholders.

## ADDITIONAL INFORMATION

### Dealings in BHG Retail REIT Units

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

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

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

### Conflict of Interests

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

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as the REIT;
- All key executive officers will work exclusively for the Manager and will not hold other executive positions in other entities;
- In respect of matters in which a Director or his or her associates (as defined in the Listing Manual of the SGX-ST) has an interest, direct or indirect, such Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors (excluding such Interested Directors);
- All resolutions in writing of the Directors in relation to matters concerning the REIT must be decided by at least a majority vote of the Directors (excluding any Interested Director), including at least one (1) Independent Director;

## CORPORATE GOVERNANCE

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- At least one-third ( $\frac{1}{3}$ ) of the Board shall comprise Independent Directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly owned subsidiary of the Sponsor; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to the REIT.

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

### Related Party/Interested Person Transactions

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

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

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

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

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

## Fees Payable to the Manager

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

The Manager earns a management fee for the management of the REIT's portfolio. For FY 2019, the Manager has elected to receive 100% of its management fee in the form of Units. The fee comprises two (2) components: the base fee and performance fee, which are detailed as follows:

- **Base Fee**  
The base fee is calculated as a percentage of the distributable income and is payable on a quarterly basis. This fee allows the Manager to cover administrative and operation overheads. The Manager is entitled to receive a base fee not exceeding 10.0% per annum (or such lower percentage as the Manager may determine in its absolute discretion) of the annual distributable income. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the base fee shall be payable quarterly in arrears.
- **Performance Fee**  
The performance fee is calculated based on an objective which aligns with the interest of Unitholders as a whole – it is payable only if the DPU in any financial year exceeds the DPU in the preceding financial year. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the performance fee shall be payable annually.

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of the REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of the REIT, but exclude one-off income such as income arising from any sale or disposal of real estate (whether directly or indirectly through one or more SPVs) or any part thereof, and any investments forming part of the deposited property or any part thereof. For the purpose of computation of the performance fee for FY 2019, the DPU for 2019 (being 1 January 2019 to 31 December 2019, both dates inclusive) is compared against the DPU in 2018. This method of computation is provided for in the Trust Deed.

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





## NURTURING

### ORGANIC GROWTH

5.6%

**ANNUAL DISTRIBUTION YIELD  
(FY 2019)**

### **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.

## OPERATIONS REVIEW



### OCCUPANCY RATE<sup>1</sup>

BHG Retail REIT recorded a portfolio committed occupancy rate of 96.7% as at 31 December 2019. Occupancy rate for each of the six properties remained robust over the year.

OCCUPANCY RATE (AS AT 31 DECEMBER)	2019 (%)	2018 (%)
<b>Multi-Tenanted</b>		
<b>Beijing Wanliu</b>	96.2	100.0
<b>Chengdu Konggang</b>	94.7	97.0
<b>Hefei Mengchenglu</b>	95.1	96.2
<b>Hefei Changjiangxilu</b> (Acquired on 2 April 2019)	97.6	N.A.*
<b>Master-Leased</b>		
<b>Xining Huayuan</b>	100.0	100.0
<b>Dalian Jinsanjiao</b>	100.0	100.0
<b>Portfolio</b>	<b>96.7</b>	<b>98.7</b>

<sup>1</sup> In relation to the distributions undertaking for FY 2019 as set out in the IPO prospectus, each of the IPO multi-tenanted malls (Beijing Wanliu, Hefei Mengchenglu and Chengdu Konggang) has met the projected annual rental growth rates in FY 2019, while tenancy rejuvenation and asset enhancement initiatives in FY 2019, led to lower-than-projected occupancy rates at each of the malls.

\* Not applicable

### LEASING & ASSET MANAGEMENT ACTIVITIES

Most of the leases are on a model that takes the higher of either base rents or percentage of gross turnover component. For the financial year ended 31 December 2019, above 90% of our gross rental income was from fixed rental income, and less than 10% was from variable rental income. While a high proportion of our rental income is fixed in nature, we also receive an upside when our tenants do well. In addition, most leases above a year comes with an inbuilt rental escalation arrangement.

Portfolio rental reversion from the four multi-tenanted malls registered healthy to strong rental uplift in FY 2019. Overall retention rate remained strong. 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 remained robust in FY 2019.

### Chengdu Konggang Exterior Enhancement and New Concept

With a philosophy to continually maintain our malls' relevance and attractiveness, Chengdu Konggang embarked on an exterior rejuvenation exercise early this year. The exercise consists of a facade and exterior enhancement and introduction of new concepts. In order to proactively engage and captivate its audience, Chengdu Konggang introduced "Food Lane 食来巷", a stretch of 10 container-style food & beverage ("F&B") stores along its exterior walkway. The new concept which commenced operations in April 2019 has since injected additional vibrancy along the exterior walkway, and enhanced the overall visibility, vibrancy and appeal of the mall's offerings.

In addition, a double-storey traditional Chinese architecture teahouse (霓裳茶舞) was introduced in the exterior of the Chengdu Konggang in the third quarter. The teahouse gained popularity quickly amongst customers, due to its mastery in blending the best of traditional tea with modern recipes.



Exterior enhancement and new concept at Chengdu Konggang



Exterior enhancement and new concept at Chengdu Konggang

### Hefei Mengchenglu Supermarket Resizing Exercise

At Hefei Mengchenglu, the supermarket resizing exercise was completed in the first half of 2019. The exercise unlocked the underlying potential of the newly released space with a range of F&B and ancillary stores. With the unlocked spaces, several new local eateries and authentic themed cuisines were introduced. Additional set of escalators were duly installed. The exercise which created synergy between supermarket and adjacent tenants, also enhanced and increased the overall traffic flow.



Supermarket Resizing Exercise at Hefei Mengchenglu



Supermarket Resizing Exercise at Hefei Mengchenglu

## OPERATIONS REVIEW



Tenancy Rejuvenation at Beijing Wanliu



Tenancy Rejuvenation at Beijing Wanliu



New concept introduced at Beijing Wanliu

### Beijing Wanliu Tenancies Rejuvenation and New Concept

Several tenants were introduced at Beijing Wanliu this year. They include active lifestyle brands such as Adidas NEO, Sketchers, The North Face, ANTA; fashion brands such as Teenie Weenie, Polo Sport, Vans; children brands such as Lego, Folli Follie Kids; a Yoga centre (Kamal Yoga卡莫瑜伽); as well as F&B operators such as Chao Zhao Ren潮粥人, 鱼你在一起.

A popular concept "Amazing Art Space 阿美滋艺术中心" was also brought into Beijing Wanliu. The tenant provides a refreshing art-making experience, using materials such as pins, strings, lego blocks, used clothings, newspaper strips, etc. to create unique pieces of art. The art space caters to both adults and children, and offers joint participation by parents and kids as a form of family-bonding activity.

## TOP TEN TENANTS<sup>1</sup>

NO.	TENANT NAME	BRAND NAME	MALL	TRADE SECTOR	LEASE EXPIRY	% GROSS RENTAL INCOME
1	北京华联综合超市股份有限公司	BHG Hypermarket	Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu, Hefei Changjiangxilu, Xining Huayuan, Dalian Jinsanjiao	Supermarket	May 2030 Nov 2030 Dec 2033 Dec 2033 Dec 2034 Dec 2034	15.8%
2	绫致时装(天津)有限公司	Only, Jack Jones, Selected, Vero Moda	Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu	Fashion	Oct 2021 Jun 2021 Jan 2021	2.0%
3	宝盛道吉(北京)贸易有限公司	Adidas, Nike Kids, Skechers, UGG, YYSPOOTS, 彪马	Beijing Wanliu	Fashion	Feb 2020 Jul 2020 Nov 2020 Sep 2021 Nov 2021 Sep 2022	1.0%
4	成都华联影院管理有限公司	BHG Chengdu Shuangliu Cinema	Chengdu Konggang	Recreation	Dec 2023	0.9%
5	合肥华联影院经营管理有限公司	BHG Hefei Mengchenglu Cinema	Hefei Mengchenglu	Recreation	Apr 2023	0.9%
6	合肥华联湖东影院经营管理有限公司	BHG Hefei Changjiangxilu Cinema	Hefei Changjiangxilu	Recreation	Aug 2031	0.8%
7	北京橙天嘉禾万贸影城有限公司	Golden Harvest Cinema	Beijing Wanliu	Recreation	Dec 2031	0.8%
8	拉夏贝尔服饰(太仓)有限公司	La Babite, Candie's, La Chapelle, Sports, 7 Modifier	Hefei Mengchenglu	Fashion	Dec 2020	0.8%
9	李治国	乐够	Chengdu Konggang	Recreation	Dec 2021	0.7%
10	爱贝涂图教育科技(北京)有限公司	ABRAKADOODLE	Beijing Wanliu	Services	Dec 2022	0.7%
						<b>24.4%</b>

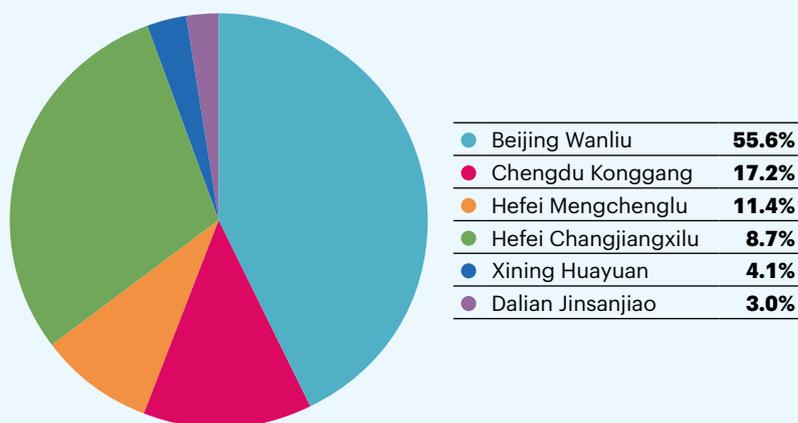
1 The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2019.

## FINANCIAL REVIEW

### GROSS REVENUE

Gross revenue in RMB and SGD was RMB58.9 million (17.3%) and S\$9.4 million (13.5%) higher year-on-year respectively. The increase in gross revenue was due to new contribution from Hefei Changjiangxilu, which was added into the portfolio commencing 2 April 2019, as well as stronger organic growth from the pre-acquisition portfolio. All properties displayed robust occupancy rates as well as healthy rental reversion for new and renewed leases.

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



GROSS REVENUE	RMB'000			S\$'000		
	FY 2019	FY 2018	Change (%)	FY 2019	FY 2018	Change (%)
<b>Multi-Tenanted</b>						
Beijing Wanliu	222,566	207,961	7.0	43,977	42,461	3.6
Chengdu Konggang	68,882	59,024	16.7	13,611	12,051	12.9
Hefei Mengchenglu <sup>3</sup>	45,708	46,504	-1.7	9,032	9,493	-4.9
Hefei Changjiangxilu <sup>4</sup>	34,937	-	NM*	6,903	-	NM*
	<b>372,093</b>	<b>313,489</b>	<b>18.7</b>	<b>73,523</b>	<b>64,005</b>	<b>14.9</b>
<b>Master-Leased</b>						
Xining Huayuan	16,466	16,303	1.0	3,253	3,330	-2.3
Dalian Jinsanjiao	11,548	11,424	1.1	2,282	2,334	-2.2
	<b>28,014</b>	<b>27,727</b>	<b>1.0</b>	<b>5,535</b>	<b>5,664</b>	<b>-2.3</b>
<b>Portfolio</b>	<b>400,107</b>	<b>341,216</b>	<b>17.3</b>	<b>79,058</b>	<b>69,669</b>	<b>13.5</b>

\* Not meaningful

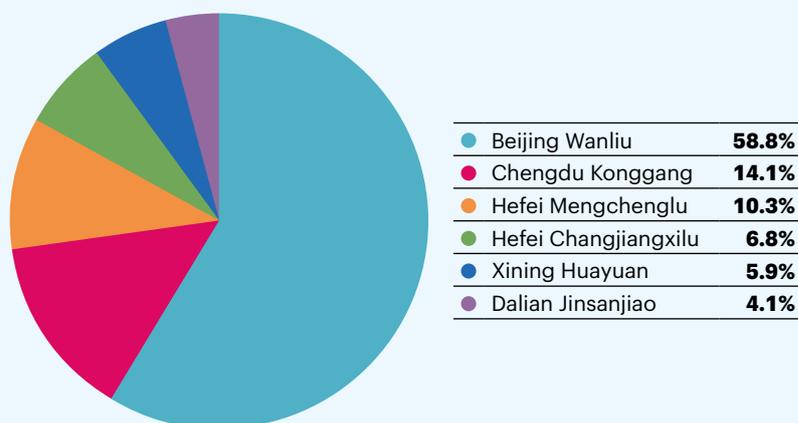
- 1 Based on FY 2019 results.
- 2 Based on 100% contribution from Beijing Wanliu.
- 3 Hefei Mengchenglu Supermarket Resizing and Asset Enhancement was completed in 2Q 2019.
- 4 Hefei Changjiangxilu Mall was acquired on 2 April 2019.

## NET PROPERTY INCOME

Net property income in RMB and SGD was RMB31.9 million (14.3%) and S\$4.8 million (10.6%) higher year-on-year respectively. The higher net property income was due mainly to the new contribution from the enlarged portfolio, as well as an increase in rental revenue, and partially offset by the higher property operating expenses.

Property Operating Expenses in FY 2019 was S\$4.6 million (19.0%) higher than FY 2018. This was mainly due to higher property tax and property management fees (as a result of higher revenue and higher net property income), as well as marketing-related expenses.

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



NET PROPERTY INCOME	RMB'000			S\$'000		
	FY 2019	FY 2018	Change (%)	FY 2019	FY 2018	Change (%)
<b>Multi-Tenanted</b>						
Beijing Wanliu	150,148	137,818	8.9	29,668	28,139	5.4
Chengdu Konggang	36,126	31,917	13.2	7,138	6,516	9.5
Hefei Mengchenglu <sup>3</sup>	26,220	28,368	-7.6	5,181	5,791	-10.5
Hefei Changjiangxilu <sup>4</sup>	17,392	-	NM*	3,436	-	NM*
	<b>229,886</b>	<b>198,103</b>	<b>16.0</b>	<b>45,423</b>	<b>40,446</b>	<b>12.3</b>
<b>Master-Leased</b>						
Xining Huayuan	15,121	15,044	0.5	2,988	3,073	-2.8
Dalian Jinsanjiao	10,451	10,418	0.3	2,065	2,128	-3.0
	<b>25,572</b>	<b>25,462</b>	<b>0.4</b>	<b>5,053</b>	<b>5,201</b>	<b>-2.8</b>
<b>Portfolio</b>	<b>255,458</b>	<b>223,565</b>	<b>14.3</b>	<b>50,476</b>	<b>45,647</b>	<b>10.6</b>

\* Not meaningful

- 1 Based on FY 2019 results.
- 2 Based on 100% contribution from Beijing Wanliu.
- 3 Hefei Mengchenglu Supermarket Resizing and Asset Enhancement was completed in 2Q 2019.
- 4 Hefei Changjiangxilu Mall was acquired on 2 April 2019.

## FINANCIAL REVIEW

### ANNUAL DISTRIBUTION YIELD (FY 2019)<sup>1</sup>

5.6%

### DISTRIBUTION<sup>1</sup>

Based on the closing price of S\$0.685 as at 31 December 2019, and aggregated distribution per unit (“DPU”) for FY 2019 of 3.87 Singapore cents, BHG Retail REIT’s annual distribution yield of 5.6% continues to represent an attractive long-term yield-play investment.

DPU (CENTS)	FY 2019	FY 2018
First Quarter	1.10	1.39
Second Quarter	0.98	1.35
Third Quarter	0.86	1.33
Four Quarter	0.93	1.09
<b>Total</b>	<b>3.87</b>	<b>5.16</b>

### INDEPENDENT VALUATION OF INVESTMENT PROPERTIES

As at 31 December 2019, BHG Retail REIT’s investment properties were valued at RMB4,707.0 million. The valuation represents an increase of RMB625.9 million (15.3%) or S\$100.7 million (12.5%) from the independent valuation as at 31 December 2018 of RMB4,081.1 million or S\$808.3 million respectively. Excluding the contribution from Hefei Changjiangxilu which was acquired in April 2019, overall valuation of existing properties in RMB and SGD rose 3.3% and 0.7% respectively year-on-year.

INDEPENDENT PROPERTIES (MILLIONS)	RMB		S\$	
	2019 <sup>2</sup>	2018 <sup>3</sup>	2019	2018
Beijing Wanliu	2,502.0	2,394.0	483.2	474.2
Chengdu Konggang	662.0	640.1	127.8	126.8
Hefei Mengchenglu	603.0	605.0	116.5	119.8
Hefei Changjiangxilu <sup>4</sup>	492.0	-	95.0	-
Xining Huayuan	280.0	280.0	54.1	55.4
Dalian Jinsanjiao	168.0	162.0	32.4	32.1
<b>Portfolio</b>	<b>4,707.0</b>	<b>4,081.1</b>	<b>909.0</b>	<b>808.3</b>

- 1 In FY 2019, approximately S\$1.9 million of the amount available for distribution has been retained in anticipation of higher operational expenses and working capital requirements of the REIT’s enlarged portfolio.
- 2 Based on independent valuation from Jones Lang LaSalle Corporate Appraisal and Advisory Limited as at 31 December 2019.
- 3 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018.
- 4 Hefei Changjiangxilu Mall was acquired on 2 April 2019.



Chengdu Konggang Exterior Enhancement and New Concept

## CAPITAL MANAGEMENT

In March 2019, BHG Retail REIT completed the refinancing of existing offshore secured borrowing facility of S\$240.0 million (“Facility 1”), and two existing onshore secured borrowing facilities of RMB241.0 million and RMB61.0 million (“Facility 2” and “Facility 3”, respectively). As at 31 December 2019, Facility 2 and Facility 3 were fully drawn down, while S\$232.7 million was drawn down from Facility 1.

In addition to the above facilities, the REIT obtained and drawn down from unsecured facilities of S\$6.4 million in FY 2019. The facilities were obtained mainly for the purpose of financing the payment of interest expenses and working capital.

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

As at 31 December 2019, borrowings drawn down of S\$284.2 million represented a gearing of 35.7%. The low gearing is well below the regulator’s limit of 45%, providing comfortable debt headroom to facilitate any potential acquisition growth. Above 80% of borrowings are denominated in Singapore dollars and US dollars, and of which, about 60% are hedged via interest rate swaps. Weighted average term to maturity was 2.2 years as at 31 December 2019.

With regard to the REIT’s debt maturity profile, S\$2.0 million of the SGD-denominated borrowings and S\$1.2 million of RMB-denominated borrowings will be due in 2020, and another S\$1.2 million of RMB-denominated borrowings will be due in 2021. In addition to the above, S\$174.5 million SGD-denominated borrowings, S\$57.9 million USD-denominated borrowings, and S\$47.5 million RMB denominated borrowings will be due in 2022.

### KEY FINANCIAL INDICATORS AS AT 31 DECEMBER 2019

<b>Gearing</b>	35.7%
<b>Interest cover ratio (times)</b>	2.5
<b>Weighted average term to maturity (years)</b>	2.2
<b>Average cost of debt</b>	4.3% <sup>^</sup>

<sup>^</sup> Average cost of debt will be 5.0% per annum if amortisation of loan establishment fee is included.

# PORTFOLIO OVERVIEW<sup>1</sup>

## GROSS FLOOR AREA

311,691 sqm

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

RMB 4,707.0 million (100%)

## OCCUPANCY RATE

96.7%

## NET LETTABLE AREA

180,751 sqm

RMB 3,706.2 million  
(Based on 60% interest of Beijing Wanliu)

## WEIGHTED AVERAGE LEASE EXPIRY BY NLA

7.1 years

## NO. OF LEASES

810

## FY 2019 GROSS REVENUE

S\$ 79.1 million

## WEIGHTED AVERAGE LEASE EXPIRY BY GROSS RENTAL INCOME

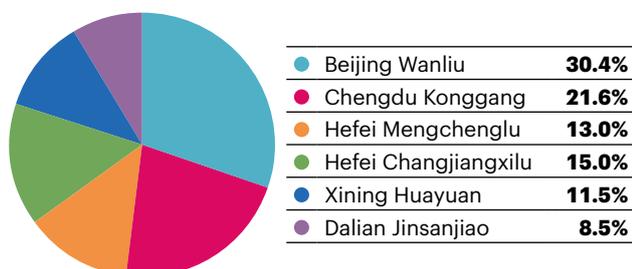
3.4 years

## FY 2019 NET PROPERTY INCOME

S\$ 50.5 million

Including Hefei Changjiangxilu which was acquired on 2 April 2019, BHG Retail REIT's portfolio consists of six retail properties located in areas surrounded by growing middle or upper-middle income households. Our retail malls serve their communities through their wide range of products, excellent experiential services and popular community engagement activities. Of the six properties, four are multi-tenanted, namely Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu. The remaining two properties, Xining Huayuan and Dalian Jinsanjiao, are master-leased to BHG Hypermarket Co., Ltd.

## BREAKDOWN OF NLA BY PROPERTY



## BREAKDOWN OF VALUATION BY PROPERTY



<sup>1</sup> As at 31 December 2019.

<sup>2</sup> Based on independent valuation from Jones Lang LaSalle Corporate Appraisal and Advisory Limited as at 31 December 2019.

## PORTFOLIO LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2019

As at 31 December 2019, the portfolio has a weighted average lease expiry of 3.4 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.

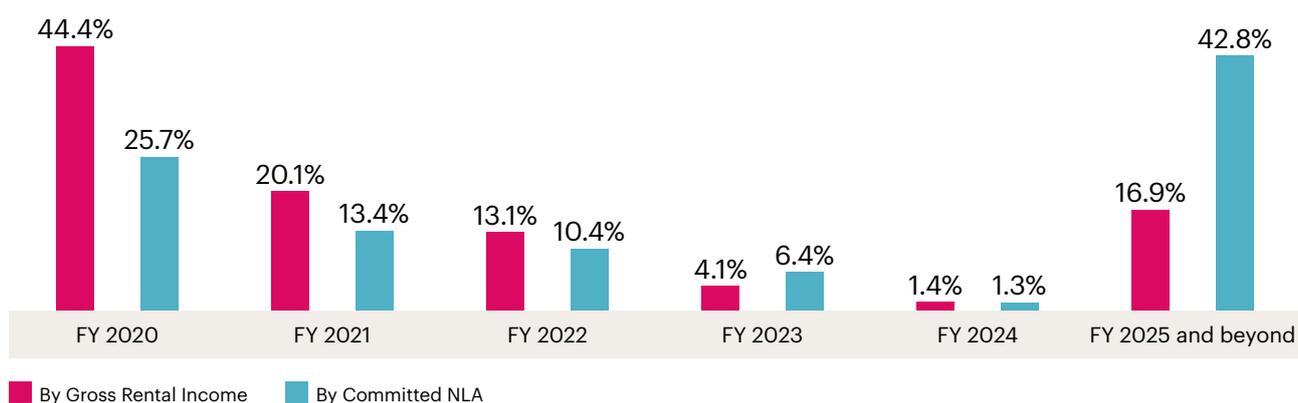
For new and renewed leases which commenced in FY 2019, the weighted average lease expiry based on the date of commencement of the leases is 1.6 years (by gross rental income) and accounts for 40.0% of the gross rental income for the month of December 2019.



Beijing Wanliu Tenancies Rejuvenation

## LEASE EXPIRY PROFILE<sup>1</sup>

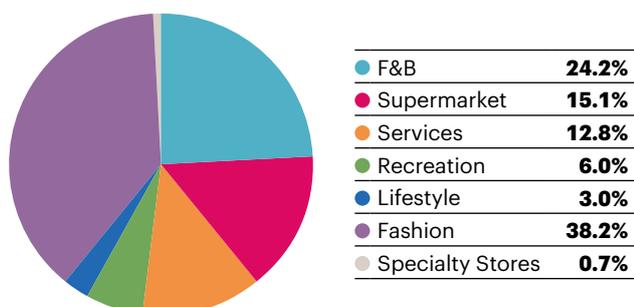
As at 31 December 2019



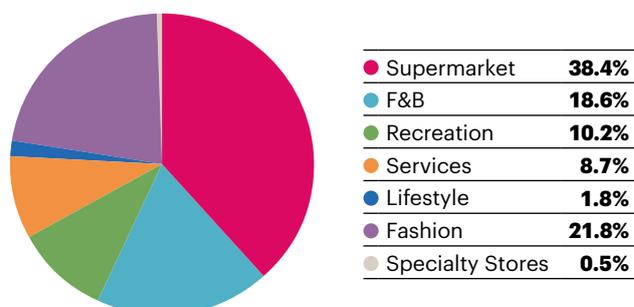
## TENANTS BY TRADE SECTOR

As at 31 December 2019

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



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



- 1 As percentage of the portfolio's gross rental income for the month of December 2019.
- 2 As percentage of the portfolio's net lettable area as at 31 December 2019.

## PORTFOLIO OVERVIEW

AS AT 31  
DECEMBER 2019



NAME	BEIJING WANLIU	CHENGDU KONGGANG	HEFEI MENGCHENGLU
Address	No. 2 Bagou Road, Haidian District, Beijing	No. 166 Jinhua Road, Second Section, Shuangliu County, Chengdu	No. 99 Mengcheng Road, Luyang District, Hefei
Commencement of Operations (Year)	Aug 2010	Dec 2013	Feb 2013
Gross Floor Area ("GFA") sqm	105,920 sqm	71,917 sqm	49,699 sqm
Net Lettable Area ("NLA") sqm	54,968 sqm	39,119 sqm	23,474 sqm
No. of Leases	309	204	128
Independent Valuation <sup>1</sup> (RMB million)	2,502.0 (100%) 1,501.2 (60%)	662.0	603.0
Purchase Price <sup>2</sup> (RMB million)	1,838.6 (100%) 1,103.1 (60%)	602.1	563.5
FY 2019 Gross Revenue (S\$ million)	44.0	13.6	9.0
FY 2019 Net Property Income (S\$ million)	29.7	7.1	5.2
Occupancy Rate (%)	96.2	94.7	95.1
Weighted Average Lease Expiry By NLA (years)	3.6	4.1	4.3
Weighted Average Lease Expiry By Gross Rental Income (years)	1.8	2.4	1.9
Term of Land Use	29 Aug 2044 (29 Aug 2054 for car park)	23 May 2047	31 Aug 2044



NAME	HEFEI CHANGJIANGXILU	XINING HUAYUAN	DALIAN JINSANJIAO
Address	No. 639 Changjiangxilu Road, Shushan District, Hefei	No. 16-19 Shipo Street, Chengzhong District, Xining	No. 18 Huadong Road, Ganjingzi District, Dalian
Commencement of Operations (Year)	Nov 2010	Aug 2000	Jul 2000
Gross Floor Area ("GFA") sqm	48,003 sqm	20,807 sqm	15,345 sqm
Net Lettable Area ("NLA") sqm	27,038 sqm	20,807 sqm	15,345 sqm
No. of Leases	167	1	1
Independent Valuation <sup>1</sup> (RMB million)	492.0	280.0	168.0
Purchase Price <sup>2</sup> (RMB million)	334.0 <sup>3</sup>	254.4	135.7
FY 2019 Gross Revenue (S\$ million)	6.9	3.3	2.3
FY 2019 Net Property Income (S\$ million)	3.4	3.0	2.1
Occupancy Rate (%)	97.6	100.0	100.0
Weighted Average Lease Expiry By NLA (years)	5.3	15.0 <sup>4</sup>	15.0 <sup>4</sup>
Weighted Average Lease Expiry By Gross Rental Income (years)	2.7	15.0 <sup>4</sup>	15.0 <sup>4</sup>
Term of Land Use	30 April 2043	19 Aug 2048	27 Feb 2042

- 1 Based on independent valuation from Jones Lang LaSalle Corporate Appraisal and Advisory Limited as at 31 December 2019.
- 2 Based on purchase price and SGD/RMB exchange rate as disclosed in the IPO prospectus.
- 3 Based on circular to Unitholders in relation to the proposed acquisition of Hefei Changjiangxilu.
- 4 Remaining lease (years)

## PROPERTY HIGHLIGHTS

# BEIJING WANLIU 北京万柳

Premium Community Mall in  
Beijing's High Income Residential District



### INDEPENDENT VALUATION

RMB2,502.0 million  
(100%)

RMB1,501.2 million  
(60%)

### NET LETTABLE AREA

54,968 sqm

### NO. OF TENANTS

309

### OCCUPANCY RATE

96.2%

### WEIGHTED AVERAGE LEASE EXPIRY

(BASED ON NET LETTABLE AREA)

3.6 years

### 2019 GROSS REVENUE

S\$44.0 million

### 2019 NET PROPERTY INCOME

S\$29.7 million

### TENANTS INCLUDE

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

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

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

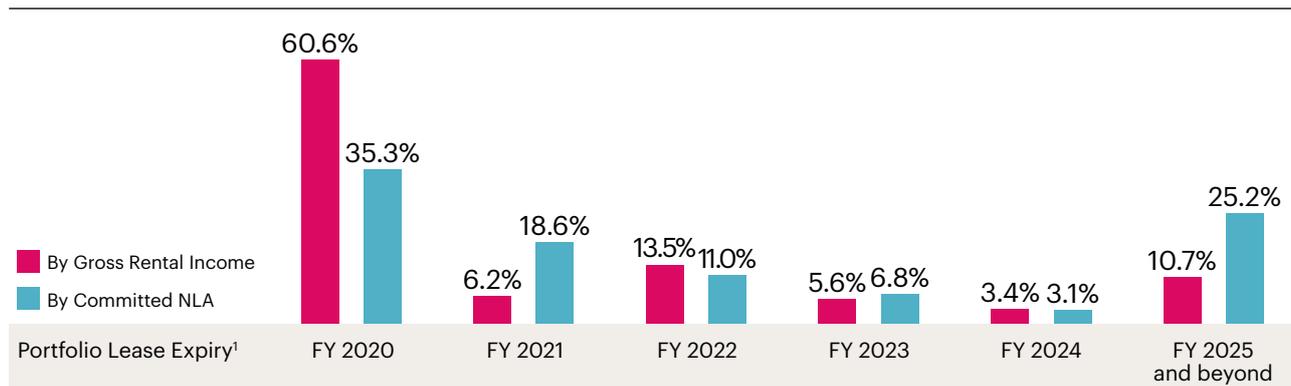
The multi-tenanted Beijing Wanliu is surrounded by high-end residential communities whose residents

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

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

### LEASE EXPIRY PROFILE<sup>1</sup>

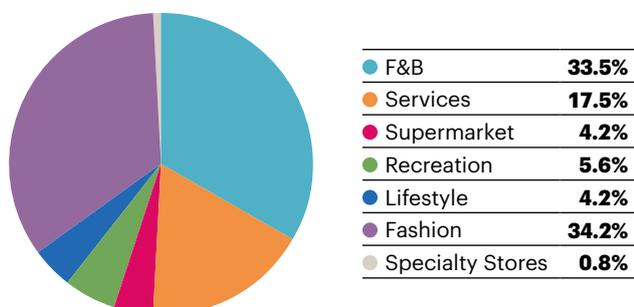
(As at 31 December 2019)



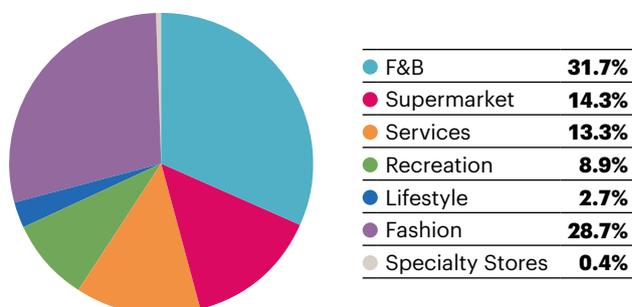
### TENANTS BY TRADE SECTOR

(As at 31 December 2019)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>2</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>3</sup>



- 1 Excludes Vacancy.
- 2 As percentage of the mall's gross rental income for the month of December 2019.
- 3 As percentage of the mall's net lettable area as at 31 December 2019.

## PROPERTY HIGHLIGHTS

# CHENGDU KONGGANG 成都空港

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



### INDEPENDENT VALUATION

RMB662.0 million

### NET LETTABLE AREA

39,119 sqm

### NO. OF TENANTS

204

### OCCUPANCY RATE

94.7%

### WEIGHTED AVERAGE LEASE EXPIRY (BASED ON NET LETTABLE AREA)

4.1 years

### FY 2019 GROSS REVENUE

S\$13.6 million

### FY 2019 NET PROPERTY INCOME

S\$7.1 million

### TENANTS INCLUDE

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

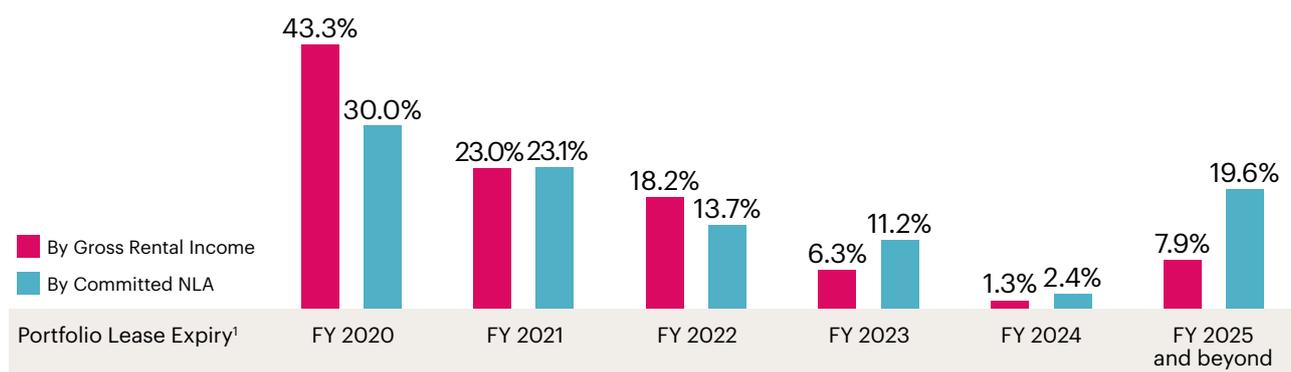
**CHENGDU KONGGANG** brings quality shopping and experiential lifestyle services to the city's growing middle and upper-middle families. The mall has a diversified tenant base offering residents in the neighbourhood a variety of services including a supermarket, fitness centre, KTV as well as a number of food and beverage outlets, restaurants and international and local brands for the best shopping experience. Shuangliu County is located at the south-western part of the city centre. It occupies an area of about 431 square kilometres, with a registered resident population of approximately 3.36 million in 2018.

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

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

### LEASE EXPIRY PROFILE<sup>1</sup>

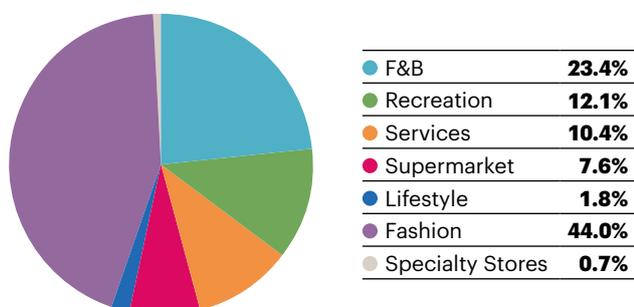
(As at 31 December 2019)



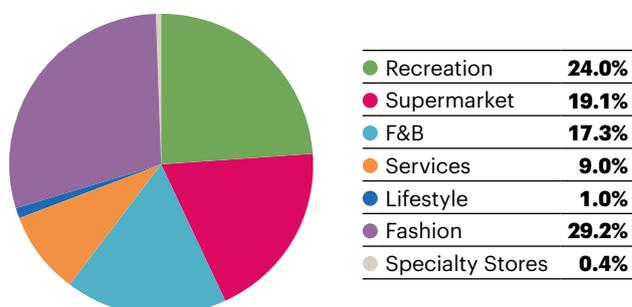
### TENANTS BY TRADE SECTOR

(As at 31 December 2019)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>2</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>3</sup>



- 1 Excludes Vacancy.
- 2 As percentage of the mall's gross rental income for the month of December 2019.
- 3 As percentage of the mall's net lettable area as at 31 December 2019.

## PROPERTY HIGHLIGHTS

# HEFEI MENGCHENGLU 合肥蒙城路

One of Hefei City's Most Popular Shopping Centres



### INDEPENDENT VALUATION

RMB603.0 million

### NET LETTABLE AREA

23,474 sqm

### NO. OF TENANTS

128

### OCCUPANCY RATE

95.1%

### WEIGHTED AVERAGE LEASE EXPIRY

(BASED ON NET LETTABLE AREA)

4.3 years

### FY 2019 GROSS REVENUE

S\$9.0 million

### FY 2019 NET PROPERTY INCOME

S\$5.2 million

### TENANTS INCLUDE

BHG Hypermarket, BHG Hefei Cinema, Hai Di Lao, Pizza Hut, Starbucks, Popofish 魔石泡泡, ZanKee 詹記, Biwoosoo 百武西, Gymboree, Balabala, Topsport 滔搏运动城, La Chapelle Sport, 7 Modifier, Vero Moda, Only, La Babite, Candie's

**HEFEI MENGCHENGLU** is located in Hefei City, the provincial capital and largest city of Anhui Province in China. As of 31 December 2018, Hefei total population aggregated to 8.09 million, and registered a urbanisation rate of 75.0%. Hefei enjoyed rapid economic development in recent years, with nominal GDP growth CAGR of 11.0% from RMB515.8 billion in 2014 to RMB782.3 billion in 2018

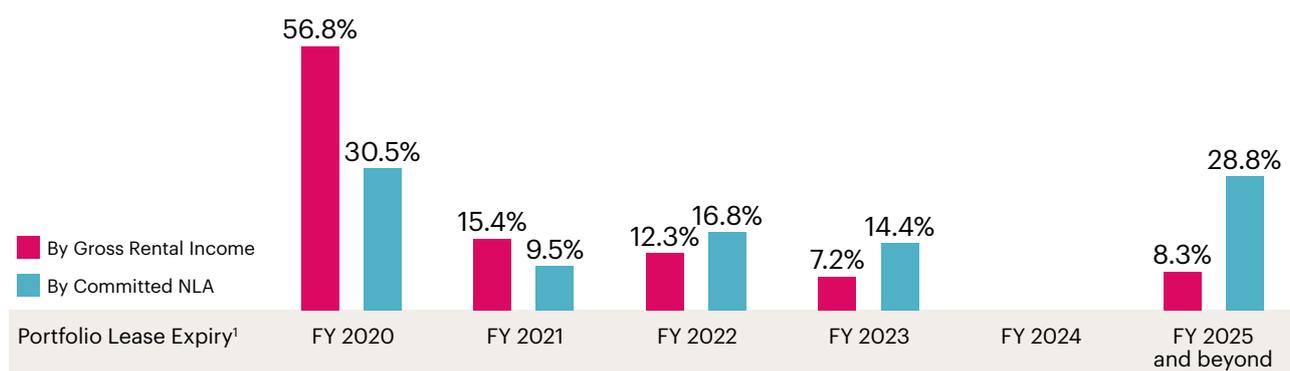
Hefei Mengchenglu is located in Hefei's North First Ring retail hub, which comprises several mature residents of communities, high quality office projects and commercial facilities. The mall is frequented

by families and professionals for retail goods and services such as fashion, dining and entertainment.

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

### LEASE EXPIRY PROFILE<sup>1</sup>

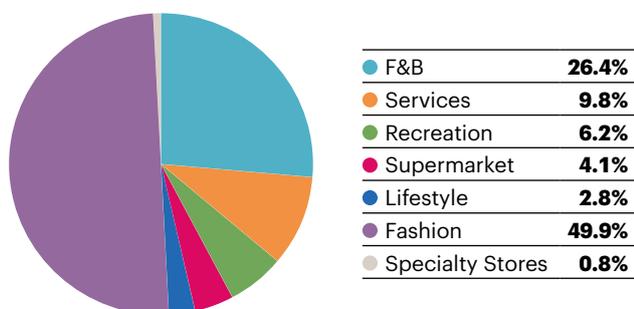
(As at 31 December 2019)



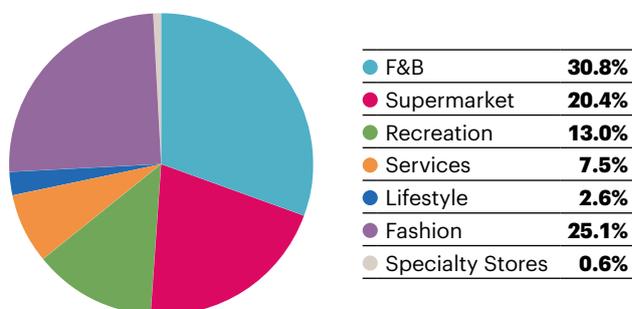
### TENANTS BY TRADE SECTOR

(As at 31 December 2019)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>2</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>3</sup>



- 1 Excludes Vacancy.
- 2 As percentage of the mall's gross rental income for the month of December 2019.
- 3 As percentage of the mall's net lettable area as at 31 December 2019.

## PROPERTY HIGHLIGHTS

# HEFEI CHANGJIANGXILU 合肥长江西路

A Heartland Mall That Serves  
Neighbouring Residential Communities

### INDEPENDENT VALUATION

RMB492.0 million

### NET LETTABLE AREA

27,038 sqm

### NO. OF TENANTS

167

### OCCUPANCY RATE

97.6%

### WEIGHTED AVERAGE LEASE EXPIRY (BASED ON NET LETTABLE AREA)

5.3 years

### 2019 GROSS REVENUE

S\$6.9 million

### 2019 NET PROPERTY INCOME

S\$3.4 million

### TENANTS INCLUDE

BHG Supermarket, BHG Cinema,  
Watsons, KFC, Pizza Hut, 詹記,  
Coco都可茶饮, La Chapelle



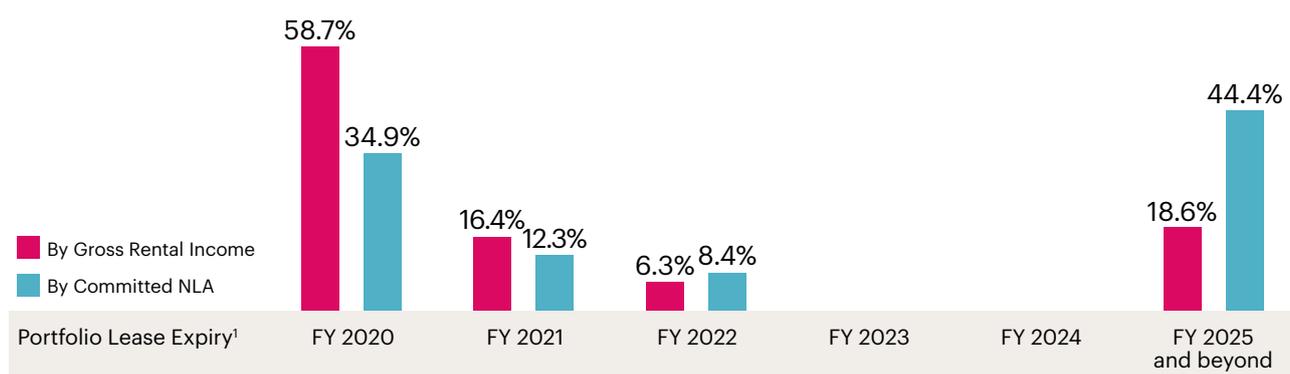
**HEFEI CHANGJIANGXILU** is located in Shilimiao Community, Jinggang Town, Shushan District. Shushan District is located at the west part of the city center and occupies an area of about 663 square kilometres with a registered residential population of approximately 1.5 million in 2018. Shushan District is clustered with many research institutions, high-tech firms and industrial park in Hefei.

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

to the Hefei Metro Line 2, which only commenced operations on 26 December 2017 and connects Shushan District with two other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu by approximately 20.0%. Hefei Changjiangxilu is also situated approximately 10 km away from Hefei's central business district, 13 km away from the Zhengzhou East Railway Station, 14.5 km from Hefei South Railway Station, and 32.6 km away from Hefei Xinqiao International Airport.

### LEASE EXPIRY PROFILE<sup>1</sup>

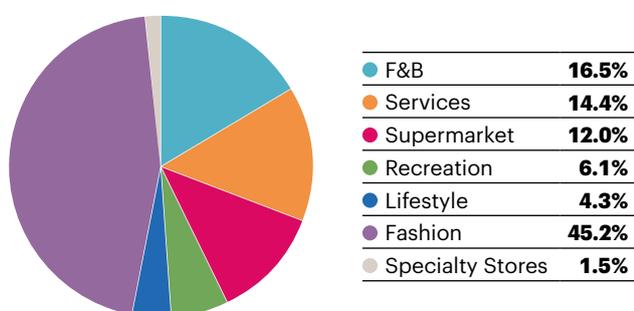
(As at 31 December 2019)



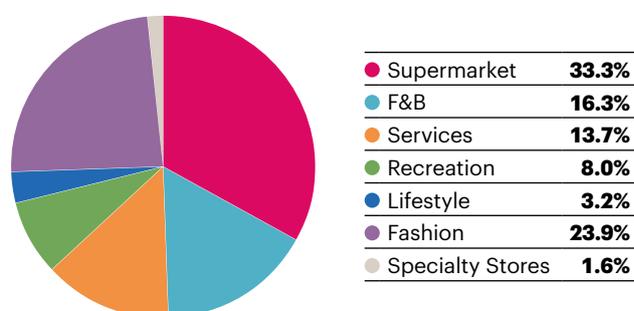
### TENANTS BY TRADE SECTOR

(As at 31 December 2019)

BREAKDOWN OF GROSS RENTAL INCOME BY TRADE SECTOR<sup>2</sup>



BREAKDOWN OF NLA BY TRADE SECTOR<sup>3</sup>

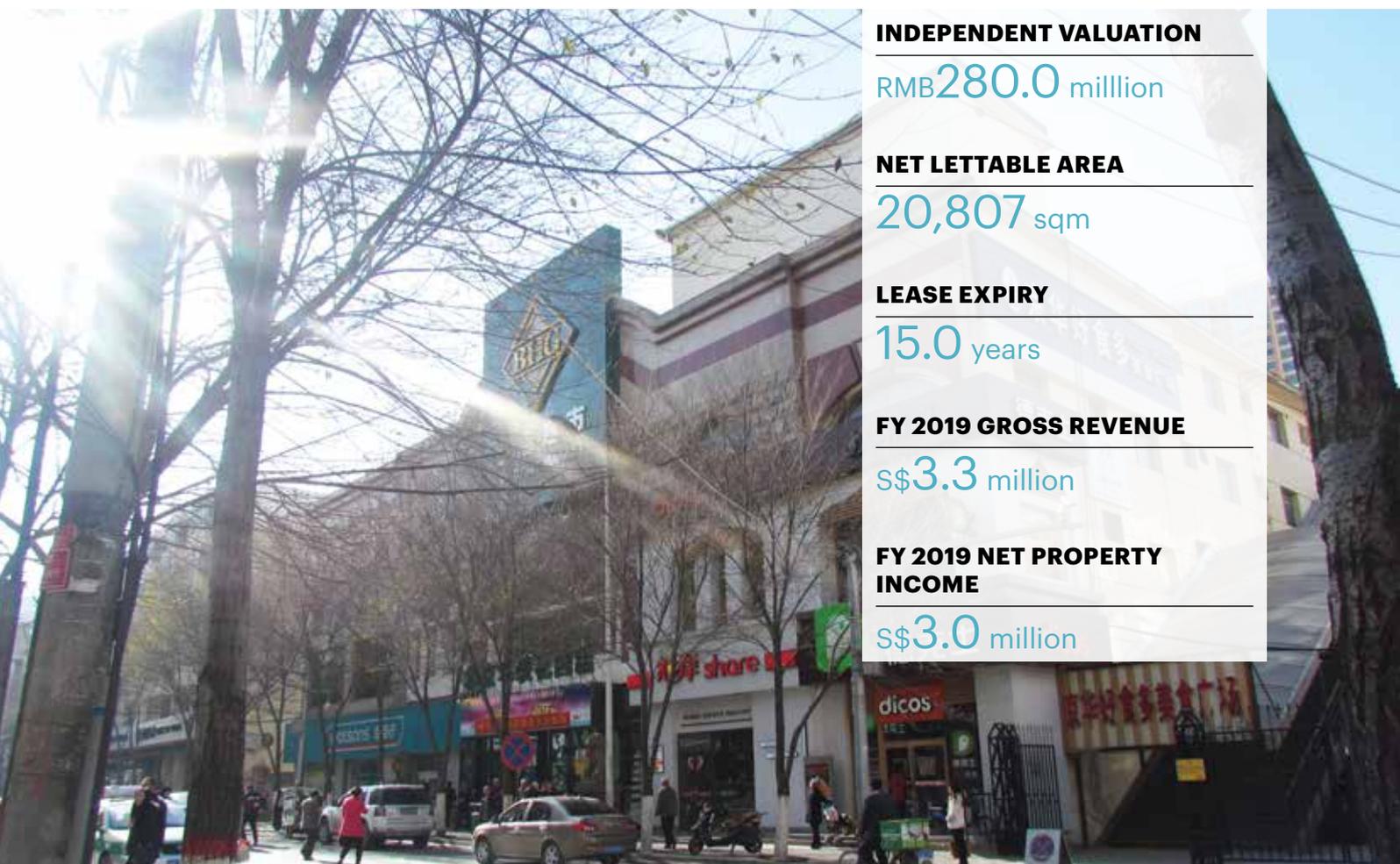


- 1 Excludes Vacancy.
- 2 As percentage of the mall's gross rental income for the month of December 2019.
- 3 As percentage of the mall's net lettable area as at 31 December 2019.

## PROPERTY HIGHLIGHTS

# XINING HUAYUAN 西宁花园

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



### INDEPENDENT VALUATION

RMB280.0 million

### NET LETTABLE AREA

20,807 sqm

### LEASE EXPIRY

15.0 years

### FY 2019 GROSS REVENUE

S\$3.3 million

### FY 2019 NET PROPERTY INCOME

S\$3.0 million

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

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

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

# DALIAN JINSANJIAO

## 大连金三角

**A Key Destination for Daily Essentials**



### INDEPENDENT VALUATION

RMB168.0 million

### NET LETTABLE AREA

15,345sqm

### LEASE EXPIRY

15.0 years

### FY 2019 GROSS REVENUE

S\$2.3 million

### FY 2019 NET PROPERTY INCOME

S\$2.1 million

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

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

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

# INVESTOR RELATIONS



Mr Victor Ten (Chief Financial Officer) receiving the Gold Award for the Best Retail REIT (Singapore) at the Asia Pacific Best of The Breeds REITs Awards.

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

## PROACTIVE INVESTORS ENGAGEMENT

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

In 2019, BHG Retail REIT increased one-to-one meetings and conversations with potential investors in various key cities, mainly Singapore, Hong Kong, Beijing, Shanghai, Shenzhen, and Bangkok, etc.

Besides one-to-one engagement with potential investors, BHG Retail REIT continued to participate

in a range of investor relations events such as REIT Symposium 2019, investor luncheons, and seminars to widen our investors outreach.

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 April 2019, BHG Retail REIT received two prestigious awards at The Global Good Governance Awards 2019™. These awards include a Gold award for the 'Best Corporate Communications and Investor Relations' and a Silver award for the 'Best Governed and Transparent Company' categories.

In August 2019, results of the Singapore Governance & Transparency Index 2019 ranking was made public. BHG Retail REIT was ranked 7<sup>th</sup> amongst 46 REITs and Real Estate Business Trusts for our commitment in adhering to exemplary corporate governance practices and disclosure standards. In the same month, BHG Retail REIT also won the Gold Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2019, under the Retail REITs (market capitalisation of less than US\$1 billion) category.

## FY 2019 INVESTOR RELATIONS CALENDAR

2019	
<b>January</b>	13 <sup>th</sup> Asia Investment Forum, Shenzhen Beijing, Shanghai, Hong Kong Investors' Meetings
<b>February</b>	Bangkok Investors' Meetings Completion of Acquisition of Hefei Changjiangxilu
<b>April</b>	<b>The Global Good Governance Awards 2019™</b> BHG Retail REIT received Gold award for the 'Best Corporate Communications and Investor Relations' and Silver award for the 'Best Governed and Transparent Company' categories FY 2018 Annual General Meeting
<b>May</b>	REIT Symposium 2019 (organized by REITAS & Shareinvestor)
<b>August</b>	<b>Singapore Governance and Transparency Index 2019</b> BHG Retail REIT was ranked 7 <sup>th</sup> amongst 46 REITs and business trusts by CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations, and Singapore Institute of Directors <b>Asia Pacific Best of The Breeds REITs Awards™ 2019</b> BHG Retail REIT received Gold Award, under Retail REIT category (market capitalisation of less than US\$1 billion)
<b>December</b>	Proposed Acquisition of Badaling Outlets, Beijing

2020	
<b>January</b>	Beijing Investors' Meetings

## FY 2020 FINANCIAL CALENDAR\*

2020	
<b>May</b>	1Q 2020 Results Announcement
<b>August</b>	2Q 2020 Results Announcement
<b>September</b>	1H 2020 Distribution Payment
<b>November</b>	3Q 2020 Results Announcement

2021	
<b>February</b>	4Q 2020 Results Announcement
<b>March</b>	2H 2020 Distribution Payment
<b>April</b>	FY 2020 Annual General Meeting

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

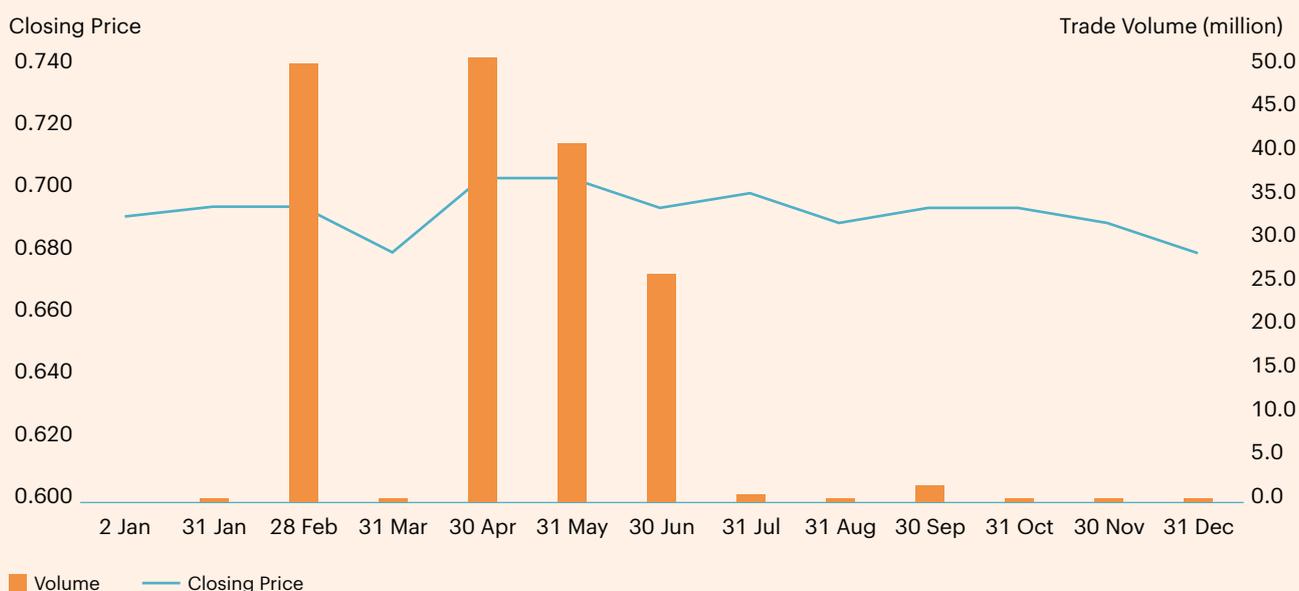
# INVESTOR RELATIONS

## UNIT PRICE PERFORMANCE

Taking into account the FY 2019 full year distribution per unit (DPU) of 3.87 Singapore cents, the total return on investment in BHG Retail REIT was 1.2%<sup>1,2</sup>. Total trading volume in 2019 aggregated to 159.7 million units, compared to 5.6 million units in 2018. The higher trade volume was mainly due to the absence of large married transactions in the previous year.

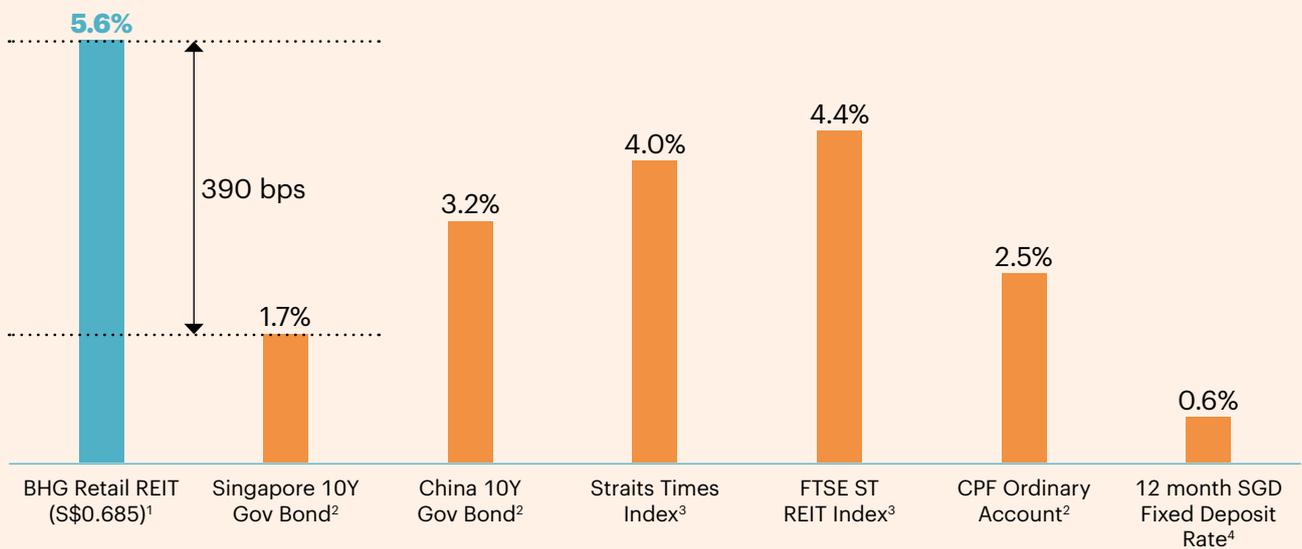
Key Trading Statistics	2019	2018
<b>Year-end closing unit price</b>	0.685	0.715
<b>Highest unit price (S\$)</b>	0.740	0.810
<b>Lowest unit price (S\$)</b>	0.680	0.640

## MONTHLY TRADING PERFORMANCE



- 1 2 January 2019 being the first trading day and 31 December 2019 being the last trading day in 2019.
- 2 Total return on investment assumes distributions paid during the period are reinvested.

## ATTRACTIVE DISTRIBUTION YIELD



Sources: Bloomberg, CPF Board, Monetary Authority of Singapore.



- 1 Based on closing price of S\$0.685 as at 31 December 2019, and FY 2019 Distribution per Unit.
- 2 As at 31 December 2019.
- 3 Based on the average gross dividend yield for the 12 months ended 31 December 2019.
- 4 Based on the average SGD fixed deposit rate for the 12 months ended 31 December 2019.





## PURSUING SUSTAINABLE GROWTH

+15.3%

**INDEPENDENT VALUATION (RMB)  
+RMB625.9 MILLION YEAR-ON-YEAR  
AS AT 31 DECEMBER 2019**

### **LAYING FOUNDATIONS FOR THE NEXT PHASE OF GROWTH**

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

# SUSTAINABILITY REPORT



## BOARD STATEMENT

### Dear Stakeholders,

This year's sustainability report sets out what we have accomplished in 2019 and demonstrates how far we have come in executing our sustainability agenda.

At BHG Retail REIT, sustainability is highly regarded by the Board and top management ("**Management**"). We believe that we can play our part in contributing to environmental preservation and social inclusion by minimising the impact of our operations on the environment and communities. Management also reviewed, monitored and managed sustainability risks and opportunities by enhancing the sustainability performance of business practices as well as the transparency of disclosure. In addition, we want to contribute to the society at large and to the communities that we operate in to build lasting relationships.

In 2019, the Board had considered sustainability issues as part of its strategic formulation, determined the material Environmental, Social and Governance ("**ESG**") factors and overseen the management and monitoring of the material ESG factors. In addition, the Audit and Risk Committee ("**ARC**"), under the oversight of the Board, ensures that material ESG matters are of continued relevance to the REIT's operations vis-a-vis local trends and emerging regulatory developments.

We are determined to maintain a high standard of corporate governance, accountability and transparency along our sustainability reporting journey. In this regard, we will strive for better performance while remaining vigilant and steadfast in our commitments to our sustainability efforts; to work towards the overall development of the communities and environment which we operate in and sustainable economic growth. [102-14]

## ABOUT THIS REPORT

BHG Retail REIT is proud to present its third Sustainability Report ("**SR**") which is in accordance with the Global Reporting Initiative ("**GRI**") Standards: Core option – the international standard for sustainability reporting, and with reference to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rules 711A and 711B.

This report details BHG Retail REIT's strategy in managing sustainability performance for the financial year ended 31 December 2019, unless otherwise stated. [102-01] [102-50] [102-54]

With our inaugural sustainability report published in 2017, we intend to report our sustainability performance and progress annually. The scope of this report covers the topics which were determined to be the most pertinent to our business and operations

| \* Data accurate as at 31 October 2019

based on a comprehensive materiality assessment. We intend to provide a holistic overview of our ESG performance across our business operations. [102-51] [102-52]

### In-Scope Properties

The assets covered in this report are our operations in Singapore and three of our malls in People's

Republic of China ("PRC"). We have also included Hefei Changjiangxilu Mall, which was acquired in 2019, in this report where appropriate for reference. Our Dalian Jinsanjiao and Xining Huayuan properties are not included in this report as they are master-leased. As we operate as a REIT, we refer to the activities and performance of the REIT Manager when discussing employee-related performance.

Category	Topic	Disclosure Sub-topic	Singapore (HQ)	PRC (Beijing, Hefei, Chengdu)
<b>Economic</b> 	Economic Performance	GRI 201-1: Direct economic value generated and distributed	In-scope	In-scope
	Market Presence	GRI 202-2: Proportion of senior management hired from the local community	In-scope	Not applicable
<b>Social</b> 	Training and Education	GRI 404-1: Average hours of training per year per employee by gender, and by employee category.	In-scope	Not applicable
	Training and education	GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	In-scope	Not applicable
	Local Communities	GRI 413-1: Operations with local community engagement, impact assessments, and development programmes	In-scope	In-scope
<b>Environmental</b> 	Energy	GRI 302-1: Energy consumption within the organisation	Not applicable	In-scope
	Water	GRI 303-1: Total water withdrawal by source	Not applicable	In-scope

\* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## Defining Report Content and Topics

This report follows GRI-defined reporting principles for defining report content. These principles include:

- **Stakeholder Inclusiveness** – Identifying our key stakeholders and considering their expectation and interest in defining the report content
- **Sustainability Context** – Presenting our performance in the context of the limits and demands of economic, social and environmental conditions at the local, regional, and global level
- **Materiality** – Determining which topics that significantly impact our performance and influence the decisions of the stakeholders, are required to be reported.
- **Completeness** – Reporting covering all aspects of key material topics, where their impacts occur, and in which time period. [102-46]

## External Assurance

We have not sought external assurance for this report. However, we may consider doing so in the future as sustainability reporting matures. [102-56]

## Report queries and feedback [102-53]

We hope that this report is useful for all our stakeholders, in understanding our sustainability journey, performance, and commitment to sustainable growth. For questions or to deliver feedback about this report, please contact:

### Sustainability Officer

#### Isaac Lian

BHG Retail Trust Management Pte. Ltd.  
100 Beach Road, Shaw Tower  
#25-11 Singapore 189702  
Tel.: (65) 6805 8288, Fax: (65) 6805 8277  
E-mail: isaac.lian@bhgreit.com

## ABOUT BHG RETAIL REIT

BHG Retail REIT has been listed on the Singapore stock exchange since 2015, it is Singapore's first pure-play China Retail REIT sponsored by a China-based group. We are headquartered in Singapore and have six retail properties strategically located in major cities in China, mainly Hefei, Chengdu, Beijing, Xining and Dalian. Currently, significant operations span between Singapore and China. [102-01] [102-02] [102-03] [102-4] [102-06]

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

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. [102-06]

## Driving Sustainable Growth

At BHG Retail REIT, our purpose is to serve the community by enhancing our properties and delivering exceptional retail and lifestyle experiences. Our strategic focus is to create long-term value and sustainable growth by managing quality assets across the retail spectrum. Our Vision and Mission reinforce our commitment to this purpose. [102-16]

### Vision

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

### Mission

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

\* Data accurate as at 31 October 2019

## Managing Sustainability-related Risks

We are committed to adopting relevant “ESG” practices and managing the risks that arise in operations through a precautionary approach. We believe that this is key to driving sustainable growth and creating long-term value for all our stakeholders.

The Chief Executive Officer and Sustainability Officer, under the oversight of the Board, work together to introduce and manage sustainability matters within the REIT. The Board is responsible for overall risk strategy and risk governance of BHG Retail REIT. The Board is supported by the ARC. BHG Retail REIT’s Enterprise Risk Management (“**ERM**”) framework effectively manages and controls risks in the Manager’s governance and operations. The ERM framework is supplemented by an outsourced Internal Audit function which evaluates the effectiveness of the framework. [102-18]

Recovery plans and proactive initiatives are implemented at each portfolio property to ensure that the maintenance of premises and its equipments are up to standard. Recovery plans aim to manage potential risks that may arise from unforeseen circumstances that may interrupt business operations, such as natural disasters, fire hazards and equipment failures.

The REIT Manager complies with multiple laws and regulations and constantly tracks for any compliance breaches. The REIT Manager is dedicated to formulating and implementing policies that mitigate potential risks and ensure that all employees are provided with clear instructions on abiding with the procedures. Moreover, training seminars and briefings are conducted for all employees to educate them of the latest developments in the law that affect them. [102-11]

## Sustainability in Supply Chain

The REIT Manager actively seeks to promote best practices to manage sustainability-related risks across the supply chains. To enhance the value of its assets, the Manager and service providers have incorporated environmental-friendly and green features to its supply chains.

Due diligence checks are conducted on our vendors, suppliers and service providers to ensure that we



are in compliance with the Monetary Authority of Singapore (“**MAS**”) guidelines. We also consistently assess them based on a risk-based approach. In FY 2019, there has been no significant change to our supply chain, including location and changes of operations, share capital structure, the location of suppliers and structure of the supply chain. [102-9] [102-10]

## External Charters and Principles

BHG Retail REIT is regulated by the Securities and Futures Act (Cap 289), the Code on Collective Investment Schemes, the Listing Manual of SGX-ST, and other regulations. The REIT Manager is committed to upholding good standards of corporate governance.

The Board of the Manager has ensured that corporate governance practices are in line with the Code of Corporate Governance 2018. 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.

BHG Retail REIT holds membership in the Singapore Business Federation and the REIT’s management holds membership of the Investor Relations Professionals Association (Singapore). [102-12] [102-13]

| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## STAKEHOLDER ENGAGEMENT

We strongly believe that stakeholders play a significant role in the development of “ESG” practices and the long-term growth of our business. We are committed to maintaining strong and lasting relationships with our stakeholders through regular engagements. In turn, this will allow us to create better customer experiences and value for the communities which we operate in.

Even though our business activities involve a diverse range of stakeholders, we have identified key

stakeholders who are instrumental to the success of our business and have the abilities to influence our sustainability performance to be part of our sustainability journey. These stakeholders include investors, suppliers, regulators, management and employees. We communicate regularly with our stakeholders by providing an open and transparent channel 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 2019. [\[102-40\]](#) [\[102-42\]](#) [\[102-43\]](#) [\[102-44\]](#)

Table 1: Stakeholder Groups for BHG Retail REIT

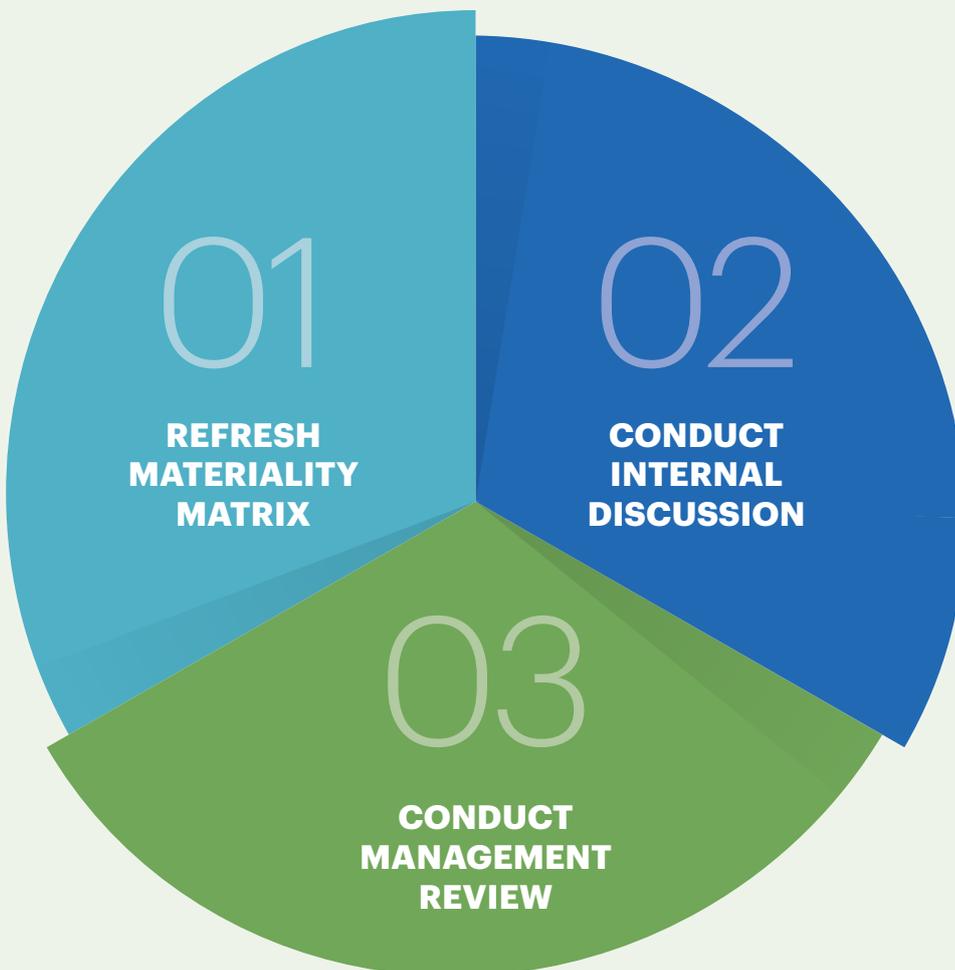
Stakeholders	Mode of Engagement	Frequency of Engagement	Top Sustainability Concerns/ Issues
<b>Investors</b> 	Annual General Meeting (AGM)	At least annually	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Anti-Corruption</li> <li>Customer Health and Safety</li> </ul>
	Analyst Meeting	At least annually	
<b>Suppliers</b> 	Supplier performance feedback	Periodically	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Procurement practice</li> <li>Customer Privacy</li> </ul>
<b>Regulators</b> 	Electronic communications	Periodically	<ul style="list-style-type: none"> <li>Market presence</li> <li>Training and Education</li> <li>Anti-Corruption</li> <li>Compliance</li> <li>Customer Privacy</li> </ul>
<b>Management</b> 	Board meeting	Periodically	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Employment</li> <li>Training and Education</li> <li>Compliance</li> </ul>
	Management meeting	Periodically	
<b>Employees</b> 	Performance appraisal	At least annually	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Training and Education</li> <li>Equal Remuneration for Women and Men</li> </ul>
	Staff meetings	Monthly	
	One-to-one engagements	At least annually	

\* Data accurate as at 31 October 2019

## MATERIALITY ASSESSMENT: MANAGING RISKS AND OPPORTUNITIES

In 2019, we reviewed the relevancy of the ESG topics identified in 2017 in the context of our sustainability focus areas. A materiality assessment was conducted to identify the material ESG topics. The materiality assessment and identification of ESG topics was conducted as follows:

1. Refreshment of materiality matrix was performed to evaluate the relevancy of the selected ESG factors against current business operations.
2. Several rounds of internal discussions were conducted between Management and employees that were proxy to the various stakeholder groups.
3. Management review was conducted to evaluate and prioritise the importance of the ESG factors raised by considering the Company's significant economic, environmental, and/or social impact in our daily operations. The top ESG factors consolidated and subsequently endorsed by our Management.



| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

All of the ESG topics reported in the previous year remained relevant for FY 2019 and an additional ESG topic which is “Local Communities” has been added into this round's reporting. The table below describes the list of ESG topics and sub-topics identified for SR 2019. [102-47]

## Material Aspects and Indicators Identified

Table 2: Material aspects and Indicators Identified for SR FY 2019

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

## OUR FINANCIAL CAPITAL

### Management Approach

Our financial capital is outlined by our economic performance through which we grow our business and give back to our stakeholders. To remain competitive in our industry, we strive to better our performance year after year. As a material topic selected by our key stakeholders, we are aware of the importance this topic carries for our business. [103-1] [103-2] [103-3]

\* Data accurate as at 31 October 2019



## ALL OUR SENIOR MANAGEMENT ARE HIRED FROM THE LOCAL COMMUNITY – SINGAPORE

### OUR HUMAN CAPITAL

#### Management Approach

At BHG Retail REIT, we place a strong emphasis on employee development and learning. We firmly believe that our employees are vital to value creation and development of human capital within the organisation. Therefore, we conduct regular employee trainings and performance reviews to keep track of our employees' growth. We also have an internal talent management process to ensure that there is succession planning for important positions within the organisation.

In FY 2019, numerous courses were held and trainings were conducted by subject-matter experts to enhance our staff's skillsets. Annual training plan was developed that covers a wide range of topics such as Code of Conduct and Ethics Training, capacity building trainings, mergers and acquisition training, etc. We also conducted a training on Sustainability Reporting: Progress and Challenges in 2019. BHG Retail REIT's internal management process assesses employee development, identifying their key strengths to better understand areas of support that can be provided to them. Further plans for employee skill development are also drawn up annually.

We provide refreshers and updates on regulatory compliance matters over the year to mitigate the risk of compliance breaches. These activities are carried out to ensure employees remain updated with relevant developments and adhere to the laws, regulations, and all applicable internal company policies. [103-1] [103-2] [103-3]

#### Training and Education

The Manager believes that a motivated and competent workforce is crucial to the success of its business. As such employees are provided with training opportunities to develop themselves to their fullest potential. In 2019, the total training hours for all employees was 335 hours; with 120.5 hours of training received by the Management, and 214.5 hours of training received by the employees. Management received on average 60 hours of training while employees received an average of 36 hours. We also ensure easy access to training for both genders, across all job profiles, highlighting the effort to also improve diversity in the workplace. In 2019, our male and female employees received a total of 221 hours of training and 114 hours of training, respectively. This translate to an average of 37 hours of training for males and 57 hours for females [404-1]

| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## Career Development and Performance Reviews

In FY 2019, we have achieved our target of 30 Continuing Professional Development ("CPD") training hours provided to all our employees. [404-3]

Disclosure Sub-topic	2019 Performance Highlights	2020 Targets
<b>Career Development and Performance Reviews</b> 	We achieved 100% of regular performance and career development review for our employees	<ul style="list-style-type: none"> <li>Maintain a diverse and relevant training programme for staff career development</li> <li>Maintain a fair and effective performance appraisal system</li> </ul>
<b>Training and Education</b> 	Achieved 30 CPD training hours	<ul style="list-style-type: none"> <li>Continue to ensure that staff achieve the minimum CPD training hours as part of the requirement for representatives</li> <li>Encourage staff to attend both functional and technical course to keep one's knowledge relevant</li> </ul>

## OUR ENVIRONMENTAL CAPITAL

### Management Approach

The built environment accounts for a large proportion of energy and water usage. We are highly committed to promoting good environmental stewardship and best practices to manage potential environmental impacts from our operations. We have put in place a system to track and monitor our energy and water consumption across our malls in Beijing, Chengdu and Hefei.

We have set Energy Saving Plans to better manage our energy usage in our malls. For example, we plan to install more sound sensor lightings at certain shopping mall areas and emergency evacuation routes to promote energy saving. To reduce our energy consumption, we plan to use natural lighting where possible. We plan to regulate the amount of lights to be kept on based on weather conditions to avoid overconsumption of energy. As the day-to-day temperature varies, we are determined to control the usage of air-conditioning based on the temperature within the mall. In summer, we noted that the highest temperature in the malls was between 10a.m. and 2p.m. Therefore, during this time, we would increase the air-conditioning system's output.

In our Beijing Wanliu mall, we have put in place a summer season energy-saving operation recommendation for air-conditioning systems. The mall would conduct seasonal maintenance of air-conditioning systems such as chillers, cooling tower, air-conditioning unit and panel replacement to ensure its working efficiencies. This is essential to prevent such systems from breaking down during higher intensity usage. During summer, the mall would ensure special maintenance of the air-conditioning filters to allow for a more free flowing air supply to all shoppers. The mall would also install air or strip curtains at the main entrances/exits on the first floor of the mall and basement carpark to prevent cool air inside the mall from escaping outdoors.

The mall is also looking at adjusting and operating the air-conditioning system design according to the weather and the characteristics of the mall's building structure. This may also include the use of cooler outdoor air to reduce indoor temperature. The new wind turbine installed is also aimed to operate fresh air valve at 100% capacity for fresh air ventilation. While Beijing Wanliu mall has developed these recommendations and initiatives, our other malls are encouraged to implement the same where appropriate.

\* Data accurate as at 31 October 2019

### BHG Retail REIT's Energy Saving Plan 2020



Install sound activated lighting systems at all emergency evacuation routes for shopping malls

Install motion sensing lighting systems at certain areas within the shopping malls

Increase monitoring and adjustment of the air-conditioning based on the ambient temperature within the shopping malls

Water consumption is also a material issue in our operations. China's water stress is on the rise. Water stress levels in many parts of China are very high, due to low levels of water supply and very high levels of demand. As China is where all of our malls operate, we are especially concerned on the amount of water consumed in the malls to not add to the water stress. We consider it our duty to manage water resources responsibly and have taken various measures to ensure that water usage is optimised. [103-1] [103-3]

### Energy

We are continuously improving our energy efficiency to mitigate our impacts on the environment. Where possible, we take the opportunity to review

and improve the practices throughout the life-cycle of our buildings. In FY 2019, the total energy consumption for BHG Retail REIT's multi-tenanted malls<sup>1</sup> was recorded at 15000MWh. This represents a 6% decrease in BHG Retail REIT's energy consumption year-on-year.



### CHENGDU KONGGANG MALL'S ENERGY SAVING INITIATIVE

Chengdu Mall is taking various steps to ensure continuous improvement in energy efficiency. The mall is keen on investing in innovative and practical solutions to mitigate their environmental impacts. One such example is the reducing of air-conditioning to minimise the usage of cooling towers during low loading. [302-1] [103-2]

Disclosure Sub-topic	2019 Performance Highlights	2020 Targets
<b>Energy</b> 	<p>Maintaining energy-efficient lightings and equipments</p> <hr/> <p>Continuous monitoring to optimize usage rate</p> <hr/> <p>Maintaining auto illumination systems and LED lightings</p>	<ul style="list-style-type: none"> <li>• Maintain or improve electricity consumption</li> <li>• Maintaining energy-efficient lightings and equipments</li> <li>• Continuous monitoring to optimize usage rate</li> <li>• Maintaining auto illumination systems and LED lightings</li> </ul>

<sup>1</sup> Hefei Changjiangxilu is not included in this calculation as it is a newly added property. It will be included in 2020's SR.

\* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## Water

We are committed to reducing water consumption and encouraging the use of treated/recycled water in our daily operations. In FY 2019, the total water consumption for BHG Retail REIT's multi-tenanted malls<sup>2</sup> was recorded at 174,700 m<sup>3</sup>. This represents a 4% drop in BHG Retail REIT's water consumption year-on-year. We implemented several initiatives to track our water usage to conserve the resource

and prevent wastage. Initiatives such as utilizing water-efficient flushing cisterns, installing motion sensor water faucets and reducing the tap flow rate are in place to manage our water consumption. [303-1] [103-2]

We look forward to furthering our efforts to conserve energy and water in our properties in the year 2020.

Disclosure Sub-topic	2019 Performance Highlights	2020 Targets
<b>Water</b> 	Monitoring water consumption in toilets <hr/> Monitoring water usage in our properties on a monthly basis	<ul style="list-style-type: none"> <li>Maintain or improve electricity consumption</li> <li>Monitoring water consumption in toilets</li> <li>Monitoring water usage in our properties on a monthly basis</li> </ul>

## OUR SOCIAL AND RELATIONSHIP CAPITAL

### Management Approach

BHG Retail REIT actively organises community engagement activities and other developmental activities to uplift the local communities as part of its value proposition. Through such activities BHG Retail REIT hopes to create awareness of social issues, promote local talent and improve the

overall local environment around the properties. We strongly believe that building strong rapports and communication channels with local communities will in turn translate to smoother operations at the mall. Dedicated teams in our malls plan and develop their own community development activities based on the need, interests and demographics of the community in which it operates in. [103-1] [103-2] [103-3]

Disclosure Sub-topic	2020 Targets
<b>Operations with local community engagement, impact assessments, and development programmes</b> 	Maintain or increase the number of external community engagement and development activities

2 Hefei Changjiangxilu is not included in this calculation as it is a newly added property. It will be included in 2020's SR.

\* Data accurate as at 31 October 2019

In FY 2019, several events were held to promote cultural and social inclusivity, and employee well-being.  
[413-1] [413-2]

## BEIJING WANLIU MALL'S COMMUNITY ENGAGEMENT AND DEVELOPMENT PROGRAMMES



### Joint Community Recruitment Fair

BHG Retail REIT organised a joint recruitment fair with 20 enterprises for the surrounding communities.

### Mother's Day Community Illustration Activities

The local Fengniao community collaborated with BHG Retail REIT to celebrate Mother's day by allowing participants to display their love and affection to their mothers.



### Food Festival

BHG Retail REIT and Bige Pizza invited the local community to the mall to participate in a variety of food preparation activities and enjoy the food together.

| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## CHENGDU KONGGANG MALL'S COMMUNITY ENGAGEMENT AND DEVELOPMENT PROGRAMMES



### Free Community Shuttle Bus Service

To meet the needs of the residents of the surrounding community to travel for shopping, BHG Retail REIT initiated a free shuttle bus service.



### Winter Solstice Festival Activity

To show appreciation of the community's cleaning workers, BHG Retail REIT served glutinous rice ball soup to them during its Winter Solstice Festival activity.



### Community Dance

BHG Retail REIT partnered with Westport Street to organise a community dance competition, attracting the participation of many surrounding communities.

\* Data accurate as at 31 October 2019

## CHENGDU KONGGANG MALL'S COMMUNITY ENGAGEMENT AND DEVELOPMENT PROGRAMMES



### Tree Planting Drive

In response to the community's needs, BHG Retail REIT planted trees at elderly nursing homes to introduce more greenery to the facilities.



### Public Welfare Thematic Activities

Partnering with the Sub-District Offices of the Department of Industry and Commerce to organise thematic activities to share knowledge of consumer law.



### Charity Drive

Sale of leftover gifts in the inventory with all sales proceeds donated to Chengdu's education association.

| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## CHENGDU KONGGANG MALL'S COMMUNITY ENGAGEMENT AND DEVELOPMENT PROGRAMMES



### Community Dynamic Cycling Class

In partnership with fitness centres, BHG Retail REIT organised an open community class to promote and cultivate a healthy lifestyle.



### Dragonboat Festival Activity

BHG Retail REIT invited the community to experience traditional Chinese food preparation by preparing rice dumplings.



### Knowledge Sharing on Waste Classification

BHG Retail REIT organised waste classification knowledge sharing and interactive session at the community square. This advocated to community members the importance of and the need to pay attention to waste classification.



### Community Performance

BHG Retail REIT partnered with the Community Caring Association of Chengdu University of Information Technology to organise a community performance. All proceeds were donated to support educational causes.

\* Data accurate as at 31 October 2019

## HEFEI MENGCHENGLU AND HEFEI CHANGJIANGXILU MALLS' COMMUNITY ENGAGEMENT AND DEVELOPMENT PROGRAMMES



### Family Sports Camp

BHG Retail REIT organised a series of parent-child sports camp to promote a healthy family lifestyle and family bonding opportunities.

### Promoting Chinese Culture

BHG Retail REIT promoted the Chinese traditional culture and enriched community residents' activity space.



### Community Cycling Event

BHG Retail REIT collaborated with Halo Bike China to organize a community-led cycling event to advocate a low-carbon lifestyle.

| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

### GRI 102: GENERAL DISCLOSURES 2016

General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
<b>ORGANISATIONAL PROFILE</b>			
<b>GRI 102: General Disclosures 2016</b>	102-1 Name of the organisation	i	
	102-2 Activities, brands, products and services	i	
	102-3 Location of headquarters	i	
	102-4 Location of operations	Page 02	
	102-5 Ownership and legal form	i	
	102-6 Markets served	Page 01	
	102-7 Scale of the organisation	Page 02	
	102-8 Information on employees and other workers	Page 86	
	102-9 Supply chain	Page 81	
	102-10 Significant changes to organisation and its supply chain	Page 81	
	102-11 Precautionary principle or approach	Page 81	
	102-12 External initiatives	Page 81	
	102-13 Membership of associations	Page 81	
<b>STRATEGY</b>			
<b>GRI 102: General Disclosures 2016</b>	102-14 Statement from senior decision-maker	Page 78	
<b>ETHICS AND INTEGRITY</b>			
<b>GRI 102: General Disclosures 2016</b>	102-16 Values, principles, standards, and norms of behaviour	Page 80	
<b>GOVERNANCE</b>			
<b>GRI 102: General Disclosures 2016</b>	102-18 Governance structure	Page 81	
<b>GRI 102: General Disclosures 2016</b>	102-40 List of stakeholder groups	Page 82	
	102-41 Collective bargaining agreements		Not Applicable
	102-42 Identifying and selecting stakeholders	Page 82	
	102-43 Approach to stakeholder engagement	Page 82	
	102-44 Key topics and concerns raised	Page 82	

| \* Data accurate as at 31 October 2019

## GRI 102: GENERAL DISCLOSURES 2016

General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
<b>REPORTING PRACTICE</b>			
<b>GRI 102: General Disclosures 2016</b>	102-45 Entities included in the consolidated financial statements		Refer to Annual Report
	102-46 Defining report content and topic boundaries	Page 80	
	102-47 List of material topics	Page 84	
	102-48 Restatements of information		Not Applicable
	102-49 Changes in reporting		Not Applicable
	102-50 Reporting period	Page 78	
	102-51 Date of most recent report	BHG Retail REIT Sustainability Report 2018	
	102-52 Reporting cycle	Page 78	
	102-53 Contact point for questions regarding the report	Page 80	
	102-54 Claims of reporting in accordance with the GRI Standards	Page 78	
	102-55 Content Index	Page 94	
	102-56 External assurance	Page 80	
	<b>SPECIFIC DISCLOSURES 2016</b>		
<b>CATEGORY: ECONOMIC</b>			
<b>ECONOMIC PERFORMANCE</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary		Refer to Annual Report
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed		
<b>MARKET PRESENCE</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary		Refer to Annual Report
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
<b>GRI 202: Market Presence 2016</b>	202-2 Proportion of senior management hired from the local community	Page 85	

| \* Data accurate as at 31 October 2019

# SUSTAINABILITY REPORT

## SPECIFIC DISCLOSURES 2016

General Standard	GRI Disclosure	Page number(s) and/or Remark(s)	Omissions
<b>CATEGORY: ENVIRONMENTAL</b>			
<b>ENERGY</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	Page 86	
	103-2 The management approach and its components	Page 86	
	103-3 Evaluation of the management approach	Page 86	
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	Page 87	
<b>WATER</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	Page 86	
	103-2 The management approach and its components	Page 86	
	103-3 Evaluation of the management approach	Page 86	
<b>GRI 303: Water 2016</b>	303-1 Water withdrawal by source	Page 88	
<b>CATEGORY: SOCIAL</b>			
<b>TRAINING AND EDUCATION</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	Page 85	
	103-2 The management approach and its components	Page 85	
	103-3 Evaluation of the management approach	Page 85	
<b>GRI 404: Training and Education 2016</b>	404-3 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Page 86	
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	Page 85	
<b>LOCAL COMMUNITIES</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	Page 85	
	103-2 The management approach and its components	Page 85	
	103-3 Evaluation of the management approach	Page 85	
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	Page 88	

| \* Data accurate as at 31 October 2019

## FINANCIAL STATEMENTS

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## REPORT OF THE TRUSTEE

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DBS Trustee Limited (the “**Trustee**”) is under a duty to take into custody and hold the assets of BHG Retail REIT (the “**REIT**”) in trust for the unitholders (the “**Unitholders**”). In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of BHG Retail Trust Management Pte. Ltd. (the “**Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018 and a second supplemental deed dated 20 April 2018) (collectively the “**Trust Deed**”) between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the REIT during the year covered by these financial statements, set out on pages 105 to 168 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**  
19 March 2020

## STATEMENT BY THE MANAGER

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In the opinion of the directors of BHG Retail Trust Management Pte. Ltd. (the “**Manager**”), the accompanying financial statements set out on pages 105 to 168 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in unitholders’ (the “**Unitholders**”) funds of BHG Retail REIT (the “**REIT**”) and its subsidiaries (the “**Group**”), the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the REIT and the portfolio of the Group as at 31 December 2019, the total return, distributable income and movements in Unitholders’ funds of the Group and of the REIT and cash flows of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018 and a second supplemental deed dated 20 April 2018). At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

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

**Francis Siu Wai Keung**  
*Director*

**Singapore**  
19 March 2020

# INDEPENDENT AUDITORS' REPORT

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## Unitholders

### BHG Retail REIT

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of BHG Retail REIT (the “**REIT**”) and its subsidiaries (the “**Group**”), which comprise the statement of financial position and the portfolio statement of the Group and the statement of financial position of the REIT as at 31 December 2019, the statement of total return, distribution statement, statement of movements in unitholders’ (the “**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 105 to 168.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders’ funds of the REIT present fairly, in all material respects, the financial position and portfolio holdings of the Group and the financial position of the REIT as at 31 December 2019 and the total return, distributable income, movements in Unitholders’ funds and cash flows of the Group and the total return, distributable income and movements in Unitholders’ funds of the REIT for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants.

### *Basis for opinion*

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

### *Key audit matters*

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

# INDEPENDENT AUDITORS' REPORT

<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 statement of financial position, at S\$909.0 million (2018: S\$808.3 million) as at 31 December 2019.</p> <p>These investment properties are stated at their fair values based on independent external valuations.</p> <p>The valuation process involves significant judgement in determining the appropriate valuation methodology, and in estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions, including those relating to the discount rates, terminal growth rates, term yields and reversionary rates and a change in the assumptions will have an impact on the valuation.</p>	<p>We evaluated the qualification and competence of the external valuer. We also read the terms of engagement of the valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.</p> <p>We compared the valuation methodologies used, which included the discounted cash flow method and income capitalisation method, against those applied for similar property types by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We assessed the reasonableness of the discount rates, terminal growth rates, term yields and reversionary rates used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors.</p> <p>We also considered the adequacy of the disclosures in the financial statements.</p>
	<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

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## *Other information*

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

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

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

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

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

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

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

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

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

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

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

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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.

## INDEPENDENT AUDITORS' REPORT

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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**

19 March 2020

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		REIT	
		2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Non-current assets</b>					
Investment properties	4	909,021	808,303	-	-
Plant and equipment	5	678	630	-	-
Interests in subsidiaries	6	-	-	591,535	524,512
Trade and other receivables	7	-	36	-	-
Deferred tax assets	8	18	21	-	-
		<u>909,717</u>	<u>808,990</u>	<u>591,535</u>	<u>524,512</u>
<b>Current assets</b>					
Trade and other receivables	7	1,034	5,289	330	495
Cash and cash equivalents	9	47,033	55,590	3,353	112
		<u>48,067</u>	<u>60,879</u>	<u>3,683</u>	<u>607</u>
<b>Total assets</b>		<u>957,784</u>	<u>869,869</u>	<u>595,218</u>	<u>525,119</u>
<b>Non-current liabilities</b>					
Loans and borrowings	10	275,425	-	226,890	-
Trade and other payables	11	1,731	1,207	43,549	24,939
Security deposits		7,667	5,157	-	-
Deferred tax liabilities	8	41,195	29,952	-	-
Derivative liabilities	12	1,047	-	1,047	-
		<u>327,065</u>	<u>36,316</u>	<u>271,486</u>	<u>24,939</u>
<b>Current liabilities</b>					
Loans and borrowings	10	3,159	222,142	2,000	162,548
Trade and other payables	11	24,942	17,698	4,810	1,815
Security deposits		13,279	12,830	-	-
Current tax liabilities		1,204	1,801	-	-
Derivative liabilities	12	-	74	-	74
		<u>42,584</u>	<u>254,545</u>	<u>6,810</u>	<u>164,437</u>
<b>Total liabilities</b>		<u>369,649</u>	<u>290,861</u>	<u>278,296</u>	<u>189,376</u>
<b>Net assets</b>		<u>588,135</u>	<u>579,008</u>	<u>316,922</u>	<u>335,743</u>
<b>Represented by:</b>					
Unitholders' funds	13	422,517	410,423	316,922	335,743
Non-controlling interests	14	165,618	168,585	-	-
		<u>588,135</u>	<u>579,008</u>	<u>316,922</u>	<u>335,743</u>
<b>Units in issue ('000)</b>	15	<u>509,490</u>	<u>504,677</u>	<u>509,490</u>	<u>504,677</u>
<b>Net asset value per Unit attributable to Unitholders (S\$)</b>		<u>0.83</u>	<u>0.81</u>	<u>0.62</u>	<u>0.67</u>

# STATEMENTS OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2019

	Note	Group		REIT	
		2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Gross rental income		71,238	62,530	-	-
Dividend income		-	-	11,800	9,400
Other income		7,820	7,139	-	-
<b>Gross revenue</b>		<b>79,058</b>	<b>69,669</b>	<b>11,800</b>	<b>9,400</b>
Business tax		(495)	(395)	-	-
Property-related tax		(6,965)	(5,983)	-	-
Property management fees and reimbursables		(2,910)	(2,419)	-	-
Other property operating expenses	17	(18,212)	(15,225)	-	-
<b>Total property operating expenses</b>		<b>(28,582)</b>	<b>(24,022)</b>	<b>-</b>	<b>-</b>
<b>Net property income</b>		<b>50,476</b>	<b>45,647</b>	<b>11,800</b>	<b>9,400</b>
Audit fees		(322)	(301)	(152)	(145)
Manager's management fees					
- Base fee		(1,862)	(1,971)	(1,862)	(1,971)
- Acquisition fee		-	-	(489)	-
Trustee's fees		(148)	(135)	(148)	(135)
Valuation fee		(15)	(53)	(15)	(53)
Other income (non-operating)		482	309	-	-
Other operating expenses	18	(1,444)	(634)	(1,136)	(386)
Finance income		422	647	-	-
Finance costs		(14,815)	(9,709)	(11,861)	(6,030)
Net finance costs	19	(14,393)	(9,062)	(11,861)	(6,030)
<b>Total return before change in fair value of investment properties and unrealised foreign exchange gain</b>		<b>32,774</b>	<b>33,800</b>	<b>(3,863)</b>	<b>680</b>
Change in fair value of investment properties	4	48,856	25,664	-	-
Foreign exchange gain - unrealised		1,758	73	963	748
<b>Total return for the year before taxation</b>		<b>83,388</b>	<b>59,537</b>	<b>(2,900)</b>	<b>1,428</b>
Taxation	20	(20,788)	(13,889)	(73)	-
<b>Total return for the year after taxation</b>		<b>62,600</b>	<b>45,648</b>	<b>(2,973)</b>	<b>1,428</b>
<b>Attributable to:</b>					
Unitholders		48,006	31,157	(2,973)	1,428
Non-controlling interests	14	14,594	14,491	-	-
<b>Total return for the year after taxation</b>		<b>62,600</b>	<b>45,648</b>	<b>(2,973)</b>	<b>1,428</b>
<b>Earnings per Unit (cents)</b>	21				
- Basic		9.47	6.20		
- Diluted		9.42	6.17		

# DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2019

	Note	Group		REIT	
		2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Amount available for distribution to Unitholders at beginning of the year</b>		9,453	10,126	9,453	10,126
Total return for the year attributable to Unitholders		48,006	31,157	(2,973)	1,428
Distribution adjustments	A	(29,390)	(11,451)	21,589	18,278
Income for the year available for distribution to Unitholders		18,616	19,706	18,616	19,706
Amount retained <sup>(1)</sup>		(1,862)	-	(1,862)	-
Income for the year to be distributed to Unitholders		16,754	19,706	16,754	19,706
<b>Distribution to Unitholders during the year:</b>					
- Distribution of 2.73 cents per Unit for period from 1 July 2017 to 31 December 2017		-	(9,976)	-	(9,976)
- Distribution of 2.74 cents per Unit for period from 1 January 2018 to 30 June 2018		-	(10,403)	-	(10,403)
- Distribution of 2.42 cents per Unit for period from 1 July 2018 to 31 December 2018		(9,232)	-	(9,232)	-
- Distribution of 2.08 cents per Unit for period from 1 January 2019 to 30 June 2019		(9,018)	-	(9,018)	-
		(18,250)	(20,379)	(18,250)	(20,379)
<b>Amount available for distribution to Unitholders at end of the year</b>		7,957	9,453	7,957	9,453
<b>Distribution per unit (cents) <sup>(2)</sup></b>		3.87	5.16		

<sup>(1)</sup> For the year ended 31 December 2019, approximately S\$1.9 million of the amount available for distribution has been retained in anticipation of higher operational expenses and working capital requirements of the REIT's enlarged portfolio.

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

The distribution relating to 1 July 2019 to 31 December 2019 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 2019 and 2018 amounted to approximately S\$3.6 million and S\$5.3 million respectively.

# DISTRIBUTION STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## Note A – Distribution adjustments

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Distribution adjustment items:</b>				
– Amortisation of debt establishment costs	2,168	376	1,878	152
– Change in fair value of investment properties <sup>(1)</sup>	(41,340)	(17,510)	–	–
– Deferred taxation <sup>(1)</sup>	10,277	4,413	–	–
– Manager’s management fees paid/payable in Units	1,862	1,971	2,351	1,971
– Net income of subsidiaries not distributed to the REIT <sup>(1)</sup>	–	–	18,323	16,904
– Property Manager’s management fees paid/payable in Units	1,024	757	–	–
– Transfer to statutory reserve	(1,722)	(1,492)	–	–
– Other adjustments <sup>(1)</sup>	(1,659)	34	(963)	(749)
<b>Net effect of distribution adjustments</b>	<b>(29,390)</b>	<b>(11,451)</b>	<b>21,589</b>	<b>18,278</b>

(1) Excludes share attributable to non-controlling interests

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2019

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Unitholders' funds as at beginning of the year</b>	410,423	416,454	335,743	352,040
<b>Operations</b>				
Total return for the year after taxation attributable to Unitholders	48,006	31,157	(2,973)	1,428
Transfer to statutory reserve	(1,722)	(1,492)	-	-
<b>Net increase/(decrease) in net assets resulting from operations</b>	46,284	29,665	(2,973)	1,428
<b>Hedging reserve</b>				
Effective portion of changes in fair value of cash flow hedges	(973)	(74)	(973)	(74)
<b>Foreign currency translation reserve</b>				
Translation differences from financial statements of foreign operations	(20,064)	(19,463)	-	-
<b>Statutory reserve</b>				
Transfer from operations	1,722	1,492	-	-
<b>Unitholders' transactions</b>				
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	2,351	1,971	2,351	1,971
- Units issued and to be issued as satisfaction of the portion of Property Manager's management fees payable in Units	1,024	757	1,024	757
Distributions to Unitholders	(18,250)	(20,379)	(18,250)	(20,379)
	(14,875)	(17,651)	(14,875)	(17,651)
<b>Unitholders' funds as at end of the year</b>	422,517	410,423	316,922	335,743

# PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2019

Group	Description of leasehold property	Location	Term of lease (years)	Lease expiry	Valuation as at		Valuation as at		Percentage of Unitholders' funds	
					2019 RMB'000	2018 RMB'000	2019 S\$'000	2018 S\$'000	2019 %	2018 %
	Beijing Wanliu	No.2 Bagou Road, Haidian District, Beijing	30	2044	2,502,000	2,394,000	483,189	474,156	114	115
	Chengdu Konggang	No. 166 Jinhua Road second section, Shuangliu County, Chengdu	32	2047	662,000	640,100	127,846	126,778	30	31
	Hefei Mengchenglu	No.99 Mengcheng Road, Luyang District, Hefei	30	2044	603,000	605,000	116,452	119,826	28	29
	Xining Huayuan	Nos.16-19 Shipo street, Chengzhong District, Xining	34	2048	280,000	280,000	54,074	55,457	13	13
	Dalian Jinsanjiao	No.18 Huadong Road, Ganjingzi District, Dalian	33	2042	168,000	162,000	32,444	32,086	8	8
	Hefei Changjiangxilu	No. 639 Changjiangxilu Road, Shushan District, Hefei	30	2043	492,000	-	95,016	-	22	-
	Investment properties, at valuation						909,021	808,303	215	196
	Other assets and liabilities (net)						(320,886)	(229,295)	(75)	(56)
	Net assets						588,135	579,008	140	140
	Net assets attributable to non-controlling interests						(165,618)	(168,585)	(40)	(40)
	Net assets attributable to Unitholders						422,517	410,423	100	100

# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 S\$'000	2018 S\$'000
<b>Cash flows from operating activities</b>			
Total return for the year before taxation		83,388	59,537
Adjustments for:			
Finance income		(422)	(647)
Finance costs		14,815	9,709
Loss on disposal of plant and equipment		8	2
Depreciation of plant and equipment		111	125
Manager's management fees paid/payable in Units	(i)	1,862	1,971
Property Manager's management fees paid/payable in Units	(ii)	1,024	757
Change in fair value of investment properties		(48,856)	(25,664)
Foreign exchange gain – unrealised		(1,758)	(73)
<b>Operating income before working capital changes</b>		<u>50,172</u>	<u>45,717</u>
<b>Changes in:</b>			
Trade and other receivables		(997)	(323)
Trade and other payables		3,914	(38)
<b>Cash generated from operating activities</b>		<u>53,089</u>	<u>45,356</u>
Tax paid		(9,488)	(7,400)
<b>Net cash generated from operating activities</b>		<u>43,601</u>	<u>37,956</u>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	26	(63,055)	–
Capital expenditure on investment properties		(10,876)	(1,127)
Purchase of plant and equipment		(60)	(92)
Interest received		422	647
<b>Net cash used in investing activities</b>		<u>(73,569)</u>	<u>(572)</u>
<b>Cash flows from financing activities</b>			
Distribution to Unitholders		(18,250)	(20,379)
Dividend paid to non-controlling interests		(4,866)	(4,120)
Decrease in restricted cash		11,435	13,693
Proceeds from borrowings		84,900	37,170
Repayment of borrowings		(29,084)	(54,379)
Net settlement of derivative contracts		53	(108)
Interest paid		(10,173)	(9,246)
<b>Net cash from/(used in) financing activities</b>		<u>34,015</u>	<u>(37,369)</u>

# STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 S\$'000	2018 S\$'000
<b>Increase in cash and cash equivalents</b>		4,047	15
Cash and cash equivalents at 1 January		41,191	43,352
Effect of foreign exchange rate changes on cash balances		(1,135)	(2,176)
<b>Cash and cash equivalents at 31 December</b>	9	44,103	41,191

**Notes:**

**Significant non-cash transactions**

- (i) The Manager's management fees for the year was S\$2,351,000 (2018: S\$1,971,000), of which S\$489,000 (2018: Nil) was related to the acquisition of Hefei Changjiangxilu Mall and capitalised as part of the cost of investment property. S\$1,912,000 (2018: S\$1,551,000) was paid during the year through the issuance of 2,709,000 (2018: 2,118,000) Units. The remaining S\$439,000 (2018: S\$420,000) will be paid through the issuance of 638,000 (2018: 585,000) Units subsequent to the year end.
- (ii) The Property Manager's management fees for the year was S\$1,024,000 (2018: S\$757,000). S\$753,000 (2018: S\$579,000) was paid during the year through the issuance of 1,072,000 (2018: 791,000) Units. The remaining S\$271,000 (2018: S\$178,000) will be paid through the issuance of 394,000 (2018: 249,000) Units subsequent to the year end.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 19 March 2020.

## 1. GENERAL

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

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

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

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

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

### (i) Trustee's fees

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

### (ii) Manager's management fees

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 1. GENERAL (CONT'D)

### (iii) Property management fees

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

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

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

This is the first set of the Group's annual financial statements in which FRS 116 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 2.4 Use of estimates and judgements

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

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

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

#### Measurement of fair values

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 2.5 Changes in accounting policies

#### New standards and amendments

The Group has applied the following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2019 for the first time.

- FRS 116 *Leases*
- INT FRS 123 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28)
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109)
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and 111)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

The adoption of these FRS amendments to standards and interpretations did not have a material effect on the Group's and REIT's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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

(ii) Loss of control

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

(iii) Transactions eliminated on consolidation

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

(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.

### 3.2 Foreign currency

(i) Foreign currency transactions

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

Foreign currency differences arising on translation are generally recognised in statement of total return. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.2 Foreign currency (cont'd)

(ii) Foreign operations

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

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

(iii) Net investment in a foreign operation

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

(iv) Hedge of net investment in foreign operation

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

### 3.3 Financial instruments

(i) Recognition and initial measurement

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.3 Financial instruments (cont'd)

- (ii) Classification and subsequent measurement

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

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

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

#### *Financial assets at amortised cost*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.3 Financial instruments (cont'd)

- (iii) Derecognition

#### **Financial assets**

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantively all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### **Financial liabilities**

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

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

- (iv) Offsetting

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

- (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

- (vi) Derivative financial instruments and hedge accounting

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.3 Financial instruments (cont'd)

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

#### *Cash flow hedges*

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.4 Investment properties

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

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

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

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

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

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

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

### 3.5 Plant and equipment

(i) Recognition and measurement

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

### 3.6 Impairment

(i) Non-derivative financial assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.6 Impairment (cont'd)

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

#### *Simplified approach*

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

#### *General approach*

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

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

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

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

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

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

#### *Measurement of ECLs*

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.6 Impairment (cont'd)

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

*Credit-impaired financial assets*

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

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

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

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

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

*Write-off*

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

(ii) Non-financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.6 Impairment (cont'd)

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

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

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

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

### 3.7 Unitholders' funds

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

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

### 3.8 Employee benefits

#### (i) Defined contribution plans

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

#### (ii) Short-term benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.9 Distribution policy

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

### 3.10 Revenue recognition

(i) Rental income

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

(ii) Dividend income

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

### 3.11 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis.

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

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

### 3.12 Finance income and finance costs

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.13 Leases

The Group has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

#### Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.13 Leases (cont'd)

(ii) As a lessor

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

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

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

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

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from FRS 116.

#### Leases – Policy applicable before 1 January 2019

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.

### 3.14 Taxation

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.14 Taxation (cont'd)

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

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

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

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

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

### 3.15 Earnings per Unit

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### 3.16 Segment reporting

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

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

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

## 4. INVESTMENT PROPERTIES

	Group	
	2019	2018
	S\$'000	S\$'000
At beginning of the year	808,303	811,116
Acquisition of subsidiaries	64,876	-
Additions during the year	10,876	1,127
	884,055	812,243
Changes in fair value	48,856	25,664
Translation differences	(23,890)	(29,604)
At end of the year	909,021	808,303

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

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the year amounted to S\$3.7 million (2018: S\$4.6 million).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 4. INVESTMENT PROPERTIES (CONT'D)

### Fair value

Investment properties are stated at fair value based on valuation as at 31 December 2019 performed by independent professional valuers, Jones Lang LaSalle, 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 terminal growth rates, term yield and reversionary rates and discount rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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

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

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

### Level 3 fair values

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

<b>Valuation methods</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
Discounted cash flows approach	Discount rates from 7.5% to 8.0% (2018: 7.0% to 8.0%) per annum	The fair value increases as discount rate decreases.
	Terminal growth rates 3.0% (2018: 2.5% to 4.0%)	The fair value increases as terminal growth rate increases.
Income capitalisation approach	Term yield from 4.0% to 5.5% (2018: 4.5% to 6.0%) Reversionary rates from 4.5% to 6.0% (2018: 5.0% to 6.5%)	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 2019

## 5. PLANT AND EQUIPMENT

	Plant and machinery S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Total S\$'000
<b>Group</b>				
<b>Cost</b>				
At 1 January 2018	3,784	267	3,324	7,375
Additions during the year	3	-	89	92
Disposal/written off	(1)	-	(5)	(6)
Translation difference on consolidation	(138)	(10)	(123)	(271)
At 31 December 2018	3,648	257	3,285	7,190
Acquisition of subsidiaries	-	51	75	126
Additions during the year	28	-	32	60
Disposal/written off	-	(44)	(1)	(45)
Translation difference on consolidation	(92)	(9)	(96)	(197)
At 31 December 2019	3,584	255	3,295	7,134
<b>Accumulated depreciation</b>				
At 1 January 2018	3,591	254	2,840	6,685
Charge for the year	3	-	122	125
Disposal/written off	-	-	(4)	(4)
Translation difference on consolidation	(131)	(9)	(106)	(246)
At 31 December 2018	3,463	245	2,852	6,560
Charge for the year	2	6	103	111
Disposal/written off	-	(36)	(1)	(37)
Translation difference on consolidation	(86)	(8)	(84)	(178)
At 31 December 2019	3,379	207	2,870	6,456
<b>Carrying amounts</b>				
At 1 January 2018	193	13	484	690
At 31 December 2018	185	12	433	630
At 31 December 2019	205	48	425	678

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 6. INTERESTS IN SUBSIDIARIES

	REIT	
	2019 S\$'000	2018 S\$'000
Equity investment, at cost	3,925	2,231
Non-trade amounts due from subsidiaries	587,610	522,281
	<u>591,535</u>	<u>524,512</u>

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity held by the Group	
		2019 %	2018 %
<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
Fuchsia (China) Mall Pte. Ltd.*	Singapore	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
Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd.**	People's Republic of China	100	-

\* Audited by KPMG LLP Singapore

\*\* Audited by KPMG China

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 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. They are stated at amortised cost, less ECL that is measured on the 12-month expected loss which reflects the low credit risk of the exposures. The amount of the allowance on those balances is not material.

## 7. TRADE AND OTHER RECEIVABLES

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Trade receivables	108	37	-	-
Other receivables	877	1,512	303	398
Impairment losses	(55)	(82)	-	-
	822	1,430	303	398
Trade and other receivables	930	1,467	303	398
Prepayments	104	3,858	27	97
	1,034	5,325	330	495
Current	1,034	5,289	330	495
Non-current	-	36	-	-
	1,034	5,325	330	495

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

### Exposure to credit risk

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

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Beijing	218	304	-	-
Chengdu	237	119	-	-
Hefei	112	643	-	-
Qinghai	-	1	-	-
Dalian	1	2	-	-
Singapore	362	398	303	398
	930	1,467	303	398

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

*Expected credit loss assessment*

The following table provides information about the exposure to credit risk and ECL's for trade and other receivables as at 31 December 2019:

	<b>Gross carrying amount S\$'000</b>	<b>Group Impairment loss allowance S\$'000</b>	<b>Credit impaired</b>
<b>2019</b>			
Not past due	511	-	No
Past due 1 – 30 days	13	-	No
Past due 31 – 60 days	10	-	No
Past due 61 – 90 days	4	-	No
More than 90 days due	447	(55)	Yes
	<u>985</u>	<u>(55)</u>	
<b>2018</b>			
Not past due	838	-	No
Past due 1 – 30 days	2	-	No
Past due 31 – 60 days	21	-	No
Past due 61 – 90 days	5	-	No
More than 90 days due	683	(82)	Yes
	<u>1,549</u>	<u>(82)</u>	

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

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

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

	<b>Group Individually Impaired 2019 S\$'000</b>	<b>Group Individually Impaired 2018 S\$'000</b>
At 1 January per FRS 109	(82)	(89)
Impairment losses recovered	27	7
At 31 December per FRS 109	<u>(55)</u>	<u>(82)</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 8. DEFERRED TAX ASSETS/(LIABILITIES)

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

Group	At 1 January 2018 S\$'000	Recognised in statements of total return (Note 20) S\$'000	Translation difference S\$'000	At 31 December 2018 S\$'000	Recognised in statements of total return (Note 20) S\$'000	Acquisition of subsidiary S\$'000	Translation difference S\$'000	At 31 December 2019 S\$'000
<b>Deferred tax assets</b>								
Allowance for doubtful receivables and unutilised losses	22	-	(1)	21	(7)	6	(2)	18
<b>Deferred tax liabilities</b>								
Investment properties	(23,329)	(6,897)	946	(29,280)	(12,047)	-	889	(40,438)
Tax on unrepatriated profits	(1,075)	445	(42)	(672)	(103)	-	18	(757)
	(24,404)	(6,452)	904	(29,952)	(12,150)	-	907	(41,195)

## 9. CASH AND CASH EQUIVALENTS

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash at banks and in hand	47,033	55,590	3,353	112
Restricted cash	(2,930)	(14,399)	(2,930)	-
Cash and cash equivalents in statement of cash flows	44,103	41,191	423	112

## 10. LOANS AND BORROWINGS

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Unsecured loan	-	1,247	-	1,247
Secured loans	284,228	221,274	234,403	161,460
Less: Unamortised transaction costs	(5,644)	(379)	(5,513)	(159)
	278,584	222,142	228,890	162,548
Current	3,159	222,142	2,000	162,548
Non-current	275,425	-	226,890	-
	278,584	222,142	228,890	162,548

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Terms and debt repayment schedule

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

	Nominal interest rate per annum %	Year of maturity	Face value S\$'000	Carrying amount S\$'000
<b>2019</b>				
<b>Group</b>				
SGD secured floating rate loan	3.84-4.20	2022	174,478	170,380
USD secured floating rate loan	4.15-4.87	2022	57,925	56,510
SGD secured floating rate loan	4.37-4.64	2020	2,000	2,000
RMB secured floating rate loan	5.08-5.70	2020-2022	38,335	38,335
RMB secured floating rate loan	5.08-5.70	2020-2022	11,490	11,359
			284,228	278,584
<b>REIT</b>				
SGD secured floating rate loan	3.84-4.20	2022	174,478	170,380
USD secured floating rate loan	4.15-4.87	2022	57,925	56,510
SGD secured floating rate loan	4.37-4.64	2020	2,000	2,000
			234,403	228,890
<b>2018</b>				
<b>Group</b>				
USD unsecured fixed rate loan	4.50	2019	1,247	1,247
SGD secured floating rate loan	1.77-2.62	2019	9,960	9,960
SGD secured floating rate loan	1.70-2.51	2019	1,000	1,000
SGD secured floating rate loan	1.71-2.51	2019	700	700
SGD secured floating rate loan	1.71-2.51	2019	1,800	1,800
SGD secured floating rate loan	2.87-3.48	2019	77,000	76,961
SGD secured floating rate loan	3.25-3.68	2019	32,000	32,000
SGD secured floating rate loan	3.47-4.11	2019	39,000	38,880
RMB secured floating rate loan	5.08	2019	47,732	47,733
RMB secured floating rate loan	5.08	2019	12,082	11,861
			222,521	222,142
<b>REIT</b>				
USD unsecured fixed rate loan	4.50	2019	1,247	1,247
SGD secured floating rate loan	1.77-2.62	2019	9,960	9,960
SGD secured floating rate loan	1.70-2.51	2019	1,000	1,000
SGD secured floating rate loan	1.71-2.51	2019	700	700
SGD secured floating rate loan	1.71-2.51	2019	1,800	1,800
SGD secured floating rate loan	2.87-3.48	2019	77,000	76,961
SGD secured floating rate loan	3.25-3.68	2019	32,000	32,000
SGD secured floating rate loan	3.47-4.11	2019	39,000	38,880
			162,707	162,548

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Facilities and securities

The Group has put in place two onshore secured borrowing facilities of RMB 241.0 million and RMB 61.0 million, and an offshore secured borrowing facility of S\$240.0 million. As at 31 December 2019, the RMB 241.0 million facility and RMB 61.0 million facility were fully drawn down, while S\$232.7 million was drawn down from the S\$240.0 million offshore facility. During 2019, the Group had repaid RMB 3.0 million (2018: RMB 3.0 million) of each of the onshore facilities, in accordance with the facility agreements, and RMB 41.0 million of voluntary early repayment by an onshore subsidiary.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the six (2018: 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 five (2018: 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 unsecured facilities an amount totalling S\$6.4 million (2018: S\$14.0 million) and from other secured bank facilities an amount totalling Nil (2018: S\$23.2 million). The REIT had repaid S\$20.4 million (2018: S\$35.9 million) of these facilities during the year. The secured facilities outstanding as of 2018 year end were obtained mainly for the purpose of financing the payment of distribution and interest payment of the borrowings. The credit facilities were secured by the restricted cash from the five subsidiaries in China.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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

	Loans and borrowings S\$'000	Interest payable S\$'000	Total S\$'000
<b>Balance at 1 January 2018</b>	241,472	1,039	242,511
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	37,170	-	37,170
Repayment of borrowings	(54,379)	-	(54,379)
Interest paid	-	(9,246)	(9,246)
	(17,209)	(9,246)	(26,455)
<b>Non-cash changes</b>			
Effects of changes in foreign exchange rates	(2,497)	179	(2,318)
Amortisation of borrowing costs	376	-	376
Interest expense	-	9,333	9,333
	(2,121)	9,512	7,391
<b>Balance at 31 December 2018</b>	222,142	1,305	223,447

## 11. TRADE AND OTHER PAYABLES

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Trade payables	8,392	8,148	-	-
Interest payable	2,643	1,305	2,651	864
Other payables	9,133	4,979	33	2
Accrued operating expenses	2,773	2,740	566	908
Loan from subsidiaries	-	-	43,549	24,939
Amount owing to subsidiaries	-	-	1,560	41
Deposits and advances from tenants	3,732	1,733	-	-
	26,673	18,905	48,359	26,754
Current	24,942	17,698	4,810	1,815
Non-current	1,731	1,207	43,549	24,939
	26,673	18,905	48,359	26,754

The loan from subsidiaries are non-trade in nature, unsecured, interest-bearing and repayable within 3 to 5 years (2018: 4 years).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 12. FINANCIAL DERIVATIVES

	Group and REIT	
	2019	2018
	S\$'000	S\$'000
<b>Derivative liabilities</b>		
Interest rate swaps used for hedging	1,047	74
Current	-	74
Non-current	1,047	-
	1,047	74

### Interest rate swaps

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

Interest rate swaps of the Group and the REIT with a total notional amount of S\$145.0 million (2018: S\$77.0 million) and S\$145.0 million (2018: S\$77.0 million) respectively, have been entered into at the reporting date to provide fixed rate funding for average terms of 3 years (2018: 2 years) at an average interest rate of 1.84% (2018: 1.96%) per annum. These interest rate swaps are designated as hedging instruments in cash flow hedges. The fair value of financial derivatives represented 0.18% (2018: 0.01%) of the net assets of the Group as at 31 December 2019.

## 13. UNITHOLDERS' FUNDS

	Note	Group		REIT	
		2019	2018	2019	2018
		S\$'000	S\$'000	S\$'000	S\$'000
At 1 January		410,423	416,454	335,743	352,040
Net assets resulting from operations		46,284	29,665	(2,973)	1,428
Statutory reserve	(a)	1,722	1,492	-	-
		458,429	447,611	332,770	353,468
Foreign currency translation reserve	(b)	(20,064)	(19,463)	-	-
Hedging reserve	(c)	(973)	(74)	(973)	(74)
Unitholders' distributions		(14,875)	(17,651)	(14,875)	(17,651)
At 31 December		422,517	410,423	316,922	335,743

### (a) Statutory reserve

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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

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

## 14. NON-CONTROLLING INTERESTS

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

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

	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Non-current assets	483,283	478,222
Current assets	26,323	39,596
Non-current liabilities	(74,425)	(29,356)
Current liabilities	(21,136)	(67,000)
<b>Net assets</b>	<b>414,045</b>	<b>421,462</b>
<b>Net assets attributable to NCI</b>	<b>165,618</b>	<b>168,585</b>
<b>Revenue</b>	<b>43,977</b>	<b>42,461</b>
<b>Total return after taxation</b>	<b>36,484</b>	<b>36,229</b>
<b>Total return after taxation attributable to NCI</b>	<b>14,594</b>	<b>14,491</b>
Cash flows from operating activities	20,540	20,232
Cash flows (used in)/from investing activities	(2,105)	941
Cash flows used in financing activities	(22,625)	(18,825)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,190)</b>	<b>2,348</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 15. UNITS IN ISSUE

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
	<b>of Units</b>	<b>of Units</b>
	<b>'000</b>	<b>'000</b>
<b>Issue of new Units relating to:</b>		
- as at beginning of the year	503,843	499,737
- payment of Manager's management base fees	2,607	3,057
- payment of Manager's management acquisition fees	687	-
- payment of Property Manager's management fees	1,321	1,049
	<u>508,458</u>	<u>503,843</u>
<b>Units to be issued:</b>		
- payment of Manager's management base fees	638	585
- payment of Property Manager's management fees	394	249
	<u>1,032</u>	<u>834</u>
<b>Total Units in issue and to be issued at the end of year</b>	<u>509,490</u>	<u>504,677</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

Units issued during the year ended 31 December 2018 are as follows:

- (a) On 6 March 2018, the REIT issued 561,000 and 378,000 new Units at an issue price of S\$0.7450 per Unit as payment of the base component of the Manager's management fee for the period from 1 October 2017 to 31 December 2017 and as payment of the performance component of the Manager's management fees for the period from 1 January 2017 to 31 December 2017 respectively. The REIT also issued 258,000 new Units at an issue price of S\$0.7450 per Unit as payment of the Property Manager's management fees for the period from 1 October 2017 to 31 December 2017.
- (b) On 8 June 2018, the REIT issued 681,000 and 255,000 new Units at an issue price of S\$0.7764 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 2018 to 31 March 2018.
- (c) On 21 August 2018, the REIT issued 710,000 and 271,000 new Units at an issue price of S\$0.7205 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 2018 to 30 June 2018.
- (d) On 3 December 2018, the REIT issued 727,000 and 265,000 new Units at an issue price of S\$0.7030 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 2018 to 30 September 2018.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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:

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

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

The restrictions of a Unitholder include the following:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 16. TOTAL UNITHOLDERS' DISTRIBUTION

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

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

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

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

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

Distributions for the period from 1 January 2019 to 30 June 2019 had been paid on 27 September 2019. Distributions for the period from 1 July 2019 to 31 December 2019 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

## 17. OTHER PROPERTY OPERATING EXPENSES

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Advertising and promotion	2,702	2,160
Depreciation of plant and equipment	111	125
Impairment losses recovered on trade and other receivables	(27)	(7)
Repair and maintenance	4,784	3,231
Staff costs	1,694	818
Utilities	8,410	8,454
Others	538	444
	18,212	15,225

Included in staff costs is contribution to defined contribution plans of S\$283,000 (2018: S\$113,000).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 18. OTHER OPERATING EXPENSES

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Professional fees	937	316	907	291
Others	507	318	229	95
	1,444	634	1,136	386

## 19. FINANCE INCOME AND FINANCE COSTS

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Finance income:				
– financial institutions	422	647	–	–
Finance costs:				
– loans and borrowings	(14,815)	(9,709)	(11,861)	(6,030)
Net finance costs recognised in statement of total return	(14,393)	(9,062)	(11,861)	(6,030)

## 20. TAXATION

	Group		REIT	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Current taxation</b>				
Current year	7,918	6,894	–	–
Withholding tax	713	543	73	–
	8,631	7,437	73	–
<b>Deferred taxation</b>				
Origination of temporary differences (Note 8)	12,157	6,452	–	–
<b>Income tax expense</b>	20,788	13,889	73	–
<b>Reconciliation of effective tax rate</b>				
Total return for the year before taxation	83,388	59,537	(2,900)	1,428
Tax calculated using Singapore tax rate of 17%	14,176	10,121	(493)	243
Adjustments:				
Effect of different tax rates in foreign jurisdictions	6,531	4,256	–	–
Income not subject to tax	(5,552)	(2,412)	(2,006)	(1,598)
Expenses not deductible for tax purposes	2,408	16	–	–
Tax losses not allowed to be carried forward	2,511	1,365	2,499	1,355
Withholding tax	714	543	73	–
	20,788	13,889	73	–

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 21. EARNINGS PER UNIT

### Basic earnings per Unit

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Total return for the year after taxation and non-controlling interests	48,006	31,157

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>Number of</b>	<b>Number of</b>
	<b>units</b>	<b>units</b>
	<b>'000</b>	<b>'000</b>
Issued Units		
– As at beginning of the year	504,677	500,934
– Manager's management fees paid/payable in Units	1,557	1,062
– Property Manager's management fees paid/payable in Units	510	398
Weighted average number of issued and issuable Units at end of the year	506,744	502,394

### Diluted earnings per Unit

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

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Total return for the year after taxation and non-controlling interests	48,006	31,157

	<b>Number of</b>	<b>Number of</b>
	<b>Units</b>	<b>Units</b>
	<b>'000</b>	<b>'000</b>
Issued Units		
– As at beginning of the year	504,677	500,934
– Manager's management fees paid/payable in Units	3,347	2,703
– Property Manager's management fees paid/payable in Units	1,466	1,040
Weighted average number of issued and issuable Units at end of the year	509,490	504,677

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 22. RELATED PARTY TRANSACTIONS

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

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

## 23. FINANCIAL RATIOS

	Group	
	2019	2018
	%	%
Ratio of expenses to average net asset value <sup>(1)</sup>	0.91	0.71
Ratio of expenses to net asset value <sup>(2)</sup>	5.50	4.68
Portfolio turnover rate <sup>(3)</sup>	15.76	N.A.

Notes:

- (1) The annualised ratio is computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses and borrowing costs.
- (2) The annualised ratio is computed based on total operating expenses, including all fees and charges paid to the Manager and related parties for the financial year (2019: S\$32,373,000 and 2018: S\$27,117,000) and as a percentage of net asset value as at the financial year end.
- (3) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. There is no purchase or sale of the investment properties in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 24. OPERATING SEGMENTS

The Group has 6 (2018: 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")
- Chengdu Hairong Xingda Real Property Co., Ltd. ("Chengdu Konggang")
- Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd. ("Hefei Mengchenglu")
- Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. ("Hefei Changjiangxilu")
- Qinghai Xinglian Real Property Co., Ltd. ("Xining Huayuan")
- Dalian Hualian Commercial Facilities Operation Co., Ltd. ("Dalian Jinsanjiao")

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 24. OPERATING SEGMENTS (CONT'D)

### Information about reportable segments

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 24. OPERATING SEGMENTS (CONT'D)

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

	Beijing Wanliu S\$'000	Chengdu Konggang S\$'000	Hefei Mengchenglu S\$'000	Xining Huayuan S\$'000	Dalian Jinsanjiao S\$'000	Total S\$'000
<b>2018</b>						
<b>External revenues:</b>						
- Gross rental income	38,610	10,213	8,043	3,330	2,334	62,530
- Others	3,851	1,838	1,450	-	-	7,139
- Gross revenue	42,461	12,051	9,493	3,330	2,334	69,669
<b>Segment net property income</b>	28,139	6,516	5,791	3,073	2,128	45,647
<b>Finance income</b>	226	173	483	32	49	963
<b>Finance costs</b>	2,779	-	1,218	-	-	3,997
<b>Reportable segment total return before taxation</b>	46,072	7,062	9,145	3,082	2,148	67,509
<b>Segment assets</b>	517,939	158,164	144,244	60,963	37,271	918,581
<b>Segment liabilities</b>	294,182	154,665	135,122	56,780	32,335	673,084
<b>Other segment items:</b>						
Depreciation	47	68	10	-	-	125
Net change in fair value of investment properties	20,384	1,150	4,130	-	-	25,664
Capital expenditure	833	342	44	-	-	1,219

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 24. OPERATING SEGMENTS (CONT'D)

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

	2019 S\$'000	2018 S\$'000
<b>Revenue</b>		
Total revenue for reporting segments	79,058	69,669
<b>Total return</b>		
Total return for reportable segments before taxation	98,757	67,509
Unallocated amounts:		
- Other corporate expenses	(15,369)	(7,972)
Total return before taxation	83,388	59,537
<b>Assets</b>		
Total assets for reportable segments	1,031,902	918,581
Other unallocated amounts	(74,118)	(48,712)
Consolidated assets	957,784	869,869
<b>Liabilities</b>		
Total liabilities for reportable segments	756,764	673,084
Other unallocated amounts	(387,115)	(382,223)
Consolidated liabilities	369,649	290,861

	Reportable segment totals S\$'000	Unallocated amounts S\$'000	Consolidated totals S\$'000
<b>Other material items 31 December 2019</b>			
Finance income	945	(523)	422
Finance costs	3,475	11,340	14,815
<b>Other material items 31 December 2018</b>			
Finance income	963	(316)	647
Finance costs	3,997	5,712	9,709

### Geographical segments

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

### Major tenant

Revenue from one tenant of the Group, which is a related party of the Sponsor, contributed approximately S\$8.7 million (2018: S\$8.8 million) of the Group's total revenue.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 25. COMMITMENTS

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

	<b>Group S\$'000</b>
<hr/>	
2019 – Operating leases under FRS 116	
– within 1 year	60,416
– 1 to 2 years	63,012
– 2 to 3 years	29,847
– 3 to 4 years	19,584
– 4 to 5 years	21,885
– after 5 years	61,683
	<hr/>
	256,427
	<hr/>
2018 – Operating leases under FRS 17	
– within 1 year	51,436
– after 1 year but within 5 years	79,699
– after 5 years	90,589
	<hr/>
	221,724
	<hr/>

## 26. ACQUISITION OF SUBSIDIARIES

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 26. ACQUISITION OF SUBSIDIARIES (CONT'D)

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

## 27. CAPITAL AND FINANCIAL RISK MANAGEMENT

### *Capital management*

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

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Fund Appendix"). The Property Fund Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 45.0% (2018: 45.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 45.0% (2018: 45.0%) during the year, and was 35.7% (2018: 30.7%) as at 31 December 2019.

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 2019

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

### *Financial risk management*

#### *Overview*

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

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

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

#### *Credit risk*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Liquidity risk

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

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

	Carrying amount S\$'000	Contractual cash flow S\$'000	Within 1 year S\$'000	After 1 year but within 5 years S\$'000	After 5 years S\$'000
<b>31 December 2019</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	278,584	311,310	14,154	297,156	-
Trade and other payables	26,673	26,673	24,942	1,731	-
Security deposits	20,946	20,946	13,279	7,667	-
	<u>326,023</u>	<u>358,929</u>	<u>52,375</u>	<u>306,554</u>	<u>-</u>
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging (net-settled)	1,047	1,047	1,047	-	-
	<u>327,250</u>	<u>359,976</u>	<u>53,422</u>	<u>306,554</u>	<u>-</u>
<b>REIT</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	228,890	255,143	11,314	243,829	-
Trade and other payables	48,359	52,491	5,820	46,671	-
	<u>277,249</u>	<u>307,634</u>	<u>17,134</u>	<u>290,500</u>	<u>-</u>
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging (net-settled)	1,047	1,047	1,047	-	-
	<u>278,296</u>	<u>308,681</u>	<u>18,181</u>	<u>290,500</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Liquidity risk (cont'd)

	Carrying amount S\$'000	Contractual cash flow S\$'000	Within 1 year S\$'000	After 1 year but within 5 years S\$'000	After 5 years S\$'000
<b>31 December 2018</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	222,142	231,060	231,060	-	-
Trade and other payables	18,905	18,905	17,698	1,207	-
Security deposits	17,987	17,987	12,830	3,544	1,613
	259,034	267,952	261,588	4,751	1,613
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging (net-settled)	74	74	74	-	-
	259,108	268,026	261,662	4,751	1,613
<b>REIT</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	162,548	167,930	167,930	-	-
Trade and other payables	26,754	26,754	1,815	24,939	-
	189,302	194,684	169,745	24,939	-
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging (net-settled)	74	74	74	-	-
	189,376	194,758	169,819	24,939	-

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

The maturity analyses show the contractual undiscounted cash flows of the Group's and the REIT's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group and the REIT's floating rate loans.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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

In addition, the Group maintains the following debt facilities and programme as at 31 December 2019:

Chinese Renminbi ("RMB") denominated facility:

- RMB 302.0 million three-year secured term loan facilities

S\$ denominated facilities:

- S\$177.8 million three-year secured term loan facilities
- S\$2.0 million credit facilities

US\$ denominated facilities:

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

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

### *Market risk*

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

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) within alternative rates. In Singapore, the fundamental review and reform of the two key Singapore Dollar Interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates (SIBORs) and Singapore swap offer rates (SORs), and the transition from SOR to the Singapore Overnight Rate Average (SORA), is also ongoing.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships hedge the variability interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date of IBOR. In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Interest rate risk

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

The Manager proactively seeks to minimise the level of interest rate risk by locking a portion of the Group's borrowings at fixed rates. As at 31 December 2019, the Group has entered into interest rate swaps with a total notional amount of S\$145.0 million (2018: S\$77.0 million) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured term loans.

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

\* 100 basis point is equivalent to 1 percentage point

	Statements of total return		Unitholders' funds	
	100 bp increase S\$'000	100 bp decrease S\$'000	100 bp increase S\$'000	100 bp decrease S\$'000
<b>31 December 2019</b>				
<b>Group</b>				
Variable rate instruments	(2,842)	2,842	-	-
Interest rate swaps	377	(377)	687	(687)
Cash flow sensitivity (net)	(2,465)	2,465	687	(687)
<b>REIT</b>				
Variable rate instruments	(2,344)	2,344	-	-
Interest rate swaps	377	(377)	687	(687)
Cash flow sensitivity (net)	(1,967)	1,967	687	(687)
<b>31 December 2018</b>				
<b>Group</b>				
Variable rate instruments	(2,213)	2,213	-	-
Interest rate swaps	41	(41)	378	(378)
Cash flow sensitivity (net)	(2,172)	2,172	378	(378)
<b>REIT</b>				
Variable rate instruments	(1,615)	1,615	-	-
Interest rate swaps	41	(41)	378	(378)
Cash flow sensitivity (net)	(1,574)	1,574	378	(378)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Foreign currency risk

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

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

The Group exposures to foreign currency are as follows:

	USD S\$'000	RMB S\$'000	Total S\$'000
<b>31 December 2019</b>			
<b>Group</b>			
Cash and cash equivalents	23	43,393	43,416
Loans and borrowings	57,925	49,826	107,751
	<u>57,948</u>	<u>93,219</u>	<u>151,167</u>
<b>REIT</b>			
Cash and cash equivalents	20	-	20
Loans and borrowings	57,925	-	57,925
	<u>57,945</u>	<u>-</u>	<u>57,945</u>
<b>31 December 2018</b>			
<b>Group</b>			
Cash and cash equivalents	-	55,150	55,150

The REIT is not exposed to significant foreign currency risks as at 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of Singapore dollar against 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 S\$'000	REIT S\$'000
<b>31 December 2019</b>		
RMB	(9,322)	-
USD	(5,795)	(5,795)
	<u>(15,117)</u>	<u>(5,795)</u>
<b>31 December 2018</b>		
RMB	<u>(5,515)</u>	-

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.

### Hedge accounting

#### Cash flow hedges

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in interest rates.

Group	Maturity		
	1-6 months	6-12 months	More than one year
<b>2019</b>			
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Net exposure (in thousands of SGD)	-	-	145,000
Average fixed interest rate	-	-	1.84%
<b>2018</b>			
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Net exposure (in thousands of SGD)	-	77,000	-
Average fixed interest rate	-	1.96%	-

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Hedge accounting (cont'd)

Group	Change in value used for calculating hedge ineffective hedge ineffectiveness S\$'000	Cash flow hedge reserve S\$'000	Costs of hedging reserve S\$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied S\$'000
<b>2019</b>				
<b>Interest rate risk</b>				
Variable-rate instruments	-	1,047	-	-
<b>2018</b>				
<b>Interest rate risk</b>				
Variable-rate instruments	-	74	-	-

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

	2019			Line item in the statement of financial position where the hedging instrument is included	2018			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount S\$'000	Carrying amount - assets S\$'000	Carrying amount - liabilities S\$'000		Nominal amount S\$'000	Carrying amount - assets S\$'000	Carrying amount - liabilities S\$'000	
<b>Interest rate risk</b>								
Interest rate swaps	145,000	-	1,047	Derivative liabilities	77,000	-	74	Derivative liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Hedge accounting (cont'd)

	Group	
	Hedging reserve S\$'000	Cost of hedging reserve S\$'000
<b>Balance at 1 January 2019</b>	74	-
<b>Cash flow hedges</b>		
Change in fair value:		
Interest rate risk	973	-
Amount reclassified to profit or loss:		
Interest rate risk	-	-
Tax on movements on reserves during the year	-	-
<b>Balance at 31 December 2019</b>	1,047	-
<b>Balance at 1 January 2018</b>	-	-
<b>Cash flow hedges</b>		
Change in fair value:		
Interest rate risk	74	-
Amount reclassified to profit or loss:		
Interest rate risk	-	-
Tax on movements on reserves during the year	-	-
<b>Balance at 31 December 2018</b>	74	-

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Accounting classifications and fair values

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

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

	Carrying amount				Fair value			
	Fair value hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
<b>31 December 2018</b>								
<b>Financial assets not measured at fair value</b>								
Trade and other receivables	-	1,467	-	1,467				
Cash and cash equivalents	-	55,590	-	55,590				
	-	57,057	-	57,057				
<b>Financial liabilities measured at fair value</b>								
Interest rate swaps used for hedging	74	-	-	74	74	-	-	74
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	-	-	18,905	18,905				
Security deposits	-	-	17,987	17,987	-	17,343	-	17,343
Loans and borrowings	-	-	222,142	222,142				
	-	-	259,034	259,034				
<b>REIT</b>								
<b>31 December 2018</b>								
<b>Financial assets not measured at fair value</b>								
Trade and other receivables	-	398	-	398				
Cash and cash equivalents	-	112	-	112				
	-	510	-	510				
<b>Financial liabilities measured at fair value</b>								
Interest rate swaps used for hedging	74	-	-	74	74	-	-	74
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	-	-	26,754	26,754	-	21,036	-	21,036
Loans and borrowings	-	-	162,548	162,548				
	-	-	189,302	189,302				

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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

### Estimation of fair value

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

#### Interest-bearing borrowings

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

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

#### Interest rate swaps

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

#### Other financial assets and liabilities

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

#### Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve as at 31 December 2019 plus an adequate constant credit spread, and are as follows:

	Group		REIT	
	2019	2018	2019	2018
	% p.a.	% p.a.	% p.a.	% p.a.
Security deposits	5.15	4.35	-	-
Trade and other payables	-	-	5.15	4.35

### Transfer between Level 1 and 2

During the financial year ended 31 December 2019, there were no transfers between Level 1 and Level 2

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

## 28. SUBSEQUENT EVENTS

On 25 February 2020, the Manager declared a distribution of 1.79 cents per Unit to Unitholders in respect of the period from 1 July 2019 to 31 December 2019.

Pursuant to the Hefei's authorities' Notice on the Strengthening and Prevention and Control of the Epidemic Situation in Commercial Enterprises dated 6 February 2020 to contain the spread of the Novel Coronavirus ("COVID-19"), the Manager had immediately announced the REIT temporarily closed all stores other than certain food and beverages outlets providing delivery services and the supermarkets in Hefei Mengchenglu Mall and Hefei Changjiangxilu Mall while at this date of report, other malls continue to operate with reduced operation hours.

On 10 March 2020, the Manager had announced that Hefei Mengchenglu Mall and Hefei Changjiangxilu Mall had reopened upon approval from the relevant local authorities. In addition, the Group will offer relief arrangements such as rental rebates to qualifying tenants to help them tide over the COVID-19 situation.

With the evolvement of the COVID-19 situation, the Group will continuously assess the situation and the impact on its operations and its financial position, including its ability to meet its working capital requirements and loan commitments, while taking into consideration the unutilised loan facilities as of current financial year end. The Group will also work with the local authorities to support its effort to contain the spread of the COVID-19 and the measures to minimise the impact to its businesses. As the effect of the outbreak and its impending duration is subject to uncertainty, the full financial impact of the COVID-19 on BHG Retail REIT could not be ascertained yet.

On 2 December 2019, the Trustee entered into the share purchase agreement with Horizon Thrive International Limited for the acquisition of 100.0% of the shares in Premier Outlets Investment Pte. Ltd. which holds Beijing Badaling Outlets Co., Ltd., which in turn wholly owns Badaling Outlets for the purchase consideration of S\$455.0 million. The independent valuation of Badaling Outlets amounted to RMB 2,991.4 million as valued by Jones Lang LaSalle Corporate Appraisal which the Manager has commissioned, and RMB 2,973.0 million as valued by Knight Frank Petty Limited which the Trustee has commissioned. The methods used by the independent valuers were the discounted cash flow approach and the direct comparison/market approach. As of the date of these financial statements, the REIT has yet to hold the extraordinary general meeting to obtain unitholders' approval on the proposed acquisition of Badaling Outlets in Beijing which was announced on 2 December 2019.

## 29. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

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

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

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- *FRS 117 Insurance Contracts*

## INTERESTED PERSONS TRANSACTIONS

The transactions entered into with interested persons for the financial year ended 31 December 2019, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”) and Appendix 6 of the Code on Collective Investment Schemes (excluding transactions of less than S\$100,000 each) are as follows:

	<b>Nature of Relationship</b>	<b>Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than S\$100,000 and transactions conducted under unitholders’ mandate pursuant to Rule 920) S\$’000</b>	<b>Aggregate value of all interested person transactions during the financial period under review under unitholders’ mandate pursuant to Rule 920 (excluding transactions of less than S\$100,000) S\$’000</b>
<b>Beijing Hualian Group Investment Holding Co., Ltd. and its subsidiaries or associates</b>	<b>Controlling shareholder of the Manager and controlling Unitholder, and its subsidiaries and associates</b>		
• Management fees			
– base component		1,862	–
– performance component		–	–
– acquisition component		489	
– reimbursables		428	–
• Property maintenance fees		1,501	–
• Property management fees and reimbursables		3,169	–
• Rental and service income		5,739	–
<b>DBS Trustee Limited</b>	<b>Trustee</b>		
• Trustee’s fees		148	–

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than S\$100,000 each) entered into during the financial year under review nor any material contracts entered into by BHG Retail REIT and its subsidiaries involving the interests of the Chief Executive Officer or each Director or the controlling Unitholder of BHG Retail REIT, either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of FY2019.

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

## INTERESTED PERSONS TRANSACTIONS

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### SUBSCRIPTION OF BHG RETAIL REIT UNITS

An aggregate of 4,615,000 Units were issued in relation to the base component of the Manager's management fees and partial Property Manager's management fees paid during the year. As at 31 December 2019, the total number of BHG Retail REIT Units in issue and outstanding was 508,457,839. In the first quarter of 2020, 638,000 Units will be issued to the Manager as payment for the base component of its management fee for the fourth quarter of 2019. 394,000 Units will be issued to the Property Manager for its management fees for the fourth quarter of 2019.

## STATISTICS OF UNITHOLDINGS

AS AT 16 MARCH 2020

### ISSUED AND FULLY PAID UNITS

509,490,085 Units (Voting rights: one vote per Unit)

There is only one class of Units.

There are no treasury Units in BHG Retail REIT.

### DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 – 99	1	0.11	50	0.00
100 – 1,000	122	13.63	89,600	0.02
1,001 – 10,000	505	56.43	2,777,700	0.54
10,001 – 1,000,000	255	28.49	10,327,450	2.03
1,000,001 and above	12	1.34	496,295,285	97.41
Total	895	100.00	509,490,085	100.00

### TWENTY LARGEST UNITHOLDERS

No.	Name of Unitholders	No. of Units	%
1	Beijing Hua Lian GRP (S'pore) International Trading Pte Ltd	148,310,300	29.11
2	Citibank Nominees Singapore Pte Ltd	91,283,100	17.92
3	DBS Nominees (Private) Limited	72,194,900	14.17
4	DBSN Services Pte. Ltd.	67,062,900	13.16
5	CGS-Cimb Securities (Singapore) Pte. Ltd.	31,183,000	6.12
6	UOB Kay Hian Private Limited	24,932,500	4.89
7	DBS Vickers Securities (Singapore) Pte Ltd	23,386,400	4.59
8	Beijing Hualian Mall (S) Commercial Management Pte Ltd	11,197,200	2.20
9	Beijing Hualian Hypermarket (Singapore) Purchasing Pte Ltd	8,125,000	1.59
10	BHG Retail Trust Management Pte Ltd	7,620,493	1.50
11	United Overseas Bank Nominees (Private) Limited	6,414,500	1.26
12	BHG Mall (Singapore) Property Management Pte Ltd	4,584,992	0.90
13	Raffles Nominees (Pte.) Limited	875,400	0.17
14	Lim Chin Guan	394,500	0.08
15	Lau Teck Sien Liu Dexian	375,000	0.07
16	ABN Amro Clearing Bank N.v.	312,500	0.06
17	Ban Hong Kee Holdings Pte Ltd	300,000	0.06
18	Huang Shu Hua	285,100	0.06
19	iFast Financial Pte. Ltd.	266,600	0.05
20	Merrill Lynch (Singapore) Pte. Ltd.	265,200	0.05
Total		499,369,585	98.01

## STATISTICS OF UNITHOLDINGS

AS AT 16 MARCH 2020

### SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

Name	Direct Interest	%	Deemed Interest	%
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd	148,310,300	29.11	-	-
Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup>	-	-	179,837,985	35.30
Hainan Hong Ju Industrial Co. Ltd. <sup>(2)</sup>	-	-	179,837,985	35.30
Hainan Hong Ju Culture Media Group Limited <sup>(3)</sup>	-	-	179,837,985	35.30
China Citic Bank Asset Management Chanchai Ruayrungruang <sup>(4)</sup>	68,125,000	13.37	-	-
Zhang Chongyu <sup>(5)</sup>	-	-	67,062,900	13.16
			46,283,440	9.08

Notes:

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

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

Beijing Hualian Group holds 25.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("**BHDS**"), which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("**BHM SCM**"). Accordingly, Beijing Hualian Group is deemed interested in the 11,197,200 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 4,584,992 Units owned by the PM and the 7,620,493 Units owned by the RM. Beijing Hualian Group is deemed interested in an aggregate of 179,837,985 Units, representing 35.30% 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 Hong Ju 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 67,062,900 Units held through his nominee, DBS Private Bank.

(5) Mr Zhang Chongyu is deemed to have an interest in the 46,283,440 Units held through his nominee, DBS Private Bank.

### THE MANAGER'S DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2020

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

### PERCENTAGE OF UNITHOLDINGS IN PUBLIC'S HANDS

Based on the information made available to the Manager as at 16 March 2020, approximately 28.88% 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.

# CORPORATE DIRECTORY

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## BHG RETAIL REIT

### REGISTERED ADDRESS

#### DBS Trustee Limited

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

Stockcode : BMGU  
ISIN Code : SG1CD7000009  
Email : ir@bhgreit.com  
Website : www.bhgreit.com

### TRUSTEE

#### DBS Trustee Limited

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

### AUDITOR

#### KPMG LLP

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

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

### UNIT REGISTRAR

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

50 Raffles Place #32-01  
Singapore Land Tower,  
Singapore 048623  
Telephone : +65 6536 5355  
Fax : +65 6536 1360

## THE MANAGER

### REGISTERED ADDRESS

#### BHG Retail Trust Management Pte. Ltd.

100 Beach Road  
Shaw Tower #25-11  
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 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  
Singapore 189702

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