



**BHG RETAIL REIT**  
Annual Report 2022

STAYING FOCUSED,  
**KEEPING MOMENTUM**

## BHG RETAIL REIT

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

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

### OUR VISION

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

### OUR MISSION

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

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

### CORPORATE PROFILE

Listed on Singapore Exchange Securities Trading Limited, 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 2022, BHG Retail REIT's portfolio comprises:

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

BHG Retail REIT's asset portfolio consists of community focused retail properties situated in high population density areas frequented by growing middle class professionals and families. Designed as lifestyle destinations, each multi-tenanted mall features a compelling mix of shopping, dining, education and entertainment establishments. The highly popular Beijing Hualian Life Supermarket Co., Ltd. (北京华联生活超市有限公司) serves as an anchor tenant and master lessee, catering to the daily needs of residents of surrounding neighbourhoods.

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (北京华联商厦股份有限公司) (the "**Sponsor**"). The Sponsor and Beijing Hualian Life Supermarket 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.

# PROPERTY PORTFOLIO

## MULTI-TENANTED

**BEIJING  
WANLIU**



**CHENGDU  
KONGGANG**



**HEFEI  
MENGCHENGLU**

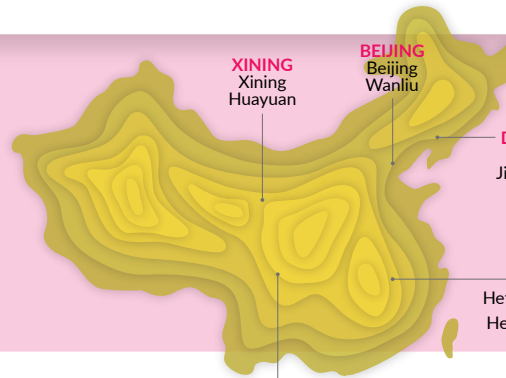


**HEFEI  
CHANGJIANGXILU**



**6**

STRATEGICALLY  
LOCATED  
PROPERTIES



**XINING**  
Xining  
Huayuan

**BEIJING**  
Beijing  
Wanliu

**DALIAN**  
Dalian  
Jinsanjiao

**HEFEI**  
Hefei Changjiangxilu  
Hefei Mengchenglu

**CHENGDU**  
Chengdu  
Konggang

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

## MASTER-LEASED

**XINING  
HUAYUAN**



**DALIAN  
JINSANJIAO**



# KEY HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2022

GROSS REVENUE

**S\$66.4**  
MILLION

NET PROPERTY  
INCOME

**S\$37.7**  
MILLION

AMOUNT TO BE  
DISTRIBUTED  
TO UNITHOLDERS

**S\$6.0**<sup>1,2</sup>  
MILLION

INDEPENDENT  
VALUATION<sup>3</sup>

**RMB4,703**  
MILLION

**+0.5%**  
year-on-year

PORTFOLIO  
COMMITTED  
OCCUPANCY

**95.2%**

DISTRIBUTION  
PER UNIT ("DPU")

**1.17**<sup>1,2</sup>  
Singapore Cents

GEARING<sup>4</sup>

**37.7%**

<sup>1</sup> For the FY 2022 approximately S\$0.7 million of the amount available for distribution has been retained for operational expenses and working capital requirements of the REIT.

<sup>2</sup> Lower year-on-year mainly due to rental rebates provided to support tenants in FY 2022 due to the COVID-19 situation in China while no rental rebates were given in FY 2021, as well as higher interest expenses, and refinancing expenses incurred during the refinancing exercise completed in March 2022.

<sup>3</sup> Based on independent valuation from Colliers International (Hong Kong) Limited as at 31 December 2022.

<sup>4</sup> Based on total loans and borrowings principal attributable to Unitholdings divided by total assets attributable to Unitholders.

# 2022

## February

### FY 2021 Results Announcement

Gross revenue and net property income ("NPI") increased by **16.6%** and **14.9%** year-on-year, respectively, amidst progressive recovery

## March

Completion of Refinancing Exercise

## April

Phillip Securities Webinar

FY 2021 Annual General Meeting

## May

### 1Q 2022 Business Updates

Committed occupancy rate remains high at **97.0%** (as at 31 March 2022)

CGS-CIMB Trading Representatives Briefing

REITs Symposium 2022 (organised by REITAS & ShareInvestor)

## August

### 1H 2022 Results Announcement

- Gross revenue and net property income were **S\$35.6 million** and **S\$21.0 million** respectively
- Robust committed occupancy rate of **97.6%** (as at 30 June 2022)

### Establishment of Maiden Distribution Reinvestment Plan



## November

### Conferred Three Platinum awards at The Global CSR & ESG Awards 2022™

BHG Retail REIT received Platinum awards for the 'Best Community Programme Award', 'Best Corporate Communications and Investor Relations Team', as well as the 'CSR & ESG Leadership Award' categories

### 3Q 2022 Business Updates

Committed occupancy rate remains strong at

**97.6%**

(as at 30 September 2022)

## February

### FY 2022 Results Announcement

Gross revenue and net property income were

**S\$66.4 million** and **S\$37.7 million** respectively

Strong committed occupancy rate of

**95.2%**

(as at 28 February 2023)

# 2023



# REFRESHING EXPERIENCES, ENRICHING LIVES

We are focused on attracting new brands, creating new concepts to refresh the experiences of consumers and enriching their lives with diversity of shopping and dining choices.







# LETTER TO UNITHOLDERS



**Amidst these challenging conditions, the Manager remained focused and prudent in executing its asset and capital management strategies, resulting in a rejuvenated portfolio with resilience, and rode out the pandemic with a healthy occupancy rate of 95.2%, a 0.5% increase year-on-year in portfolio valuation, as well as a successful completion of a refinancing exercise in March 2022, which was a significant milestone despite the challenging macro environment.**



**Mr Francis Siu Wai Keung**  
Chairman

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



Dear Unitholders,

On behalf of the Board of Directors (the **"Board"**) and the management team of BHG Retail Trust Management Pte. Ltd. (as manager of BHG Retail REIT, the **"Manager"**), we are pleased to present BHG Retail REIT's (or the **"REIT"**) annual report for the financial year ended 31 December 2022 (**"FY 2022"**).

In 2022, the global markets were weighed down by challenges such as rising energy prices and interest rates, supply-chain disruptions, as well as the heightened uncertainty in China especially during the second half of the year, as it continued with its zero COVID-19 policy.

Amidst these challenging conditions, the Manager remained focused and prudent in executing its asset and capital management strategies, resulting in a rejuvenated portfolio with resilience, and rode out the pandemic with a healthy occupancy rate of 95.2%, a 0.5% increase year-on-year in portfolio valuation, as well as a successful completion of a refinancing exercise in March 2022, which was a significant milestone despite the challenging macro environment.

BHG Retail REIT registered an amount to be distributed to unitholders of S\$6.0 million in FY 2022, lower compared to the corresponding period last year. This was mainly due to rental rebates provided to tenants to support their business recovery in FY 2022, higher interest expenses, as well as refinancing expenses incurred during the refinancing exercise that was completed in March 2022. BHG Retail REIT reported a distribution per unit of 1.17 Singapore Cents for FY 2022.

### **PRUDENT CAPITAL MANAGEMENT DESPITE CHALLENGING BUSINESS ENVIRONMENT**

Prudent capital management saw BHG Retail REIT completing its refinancing exercise for the loans due in March 2022. As at 31 December 2022, BHG Retail REIT's gearing ratio remained healthy at 37.7%, providing a comfortable debt headroom to facilitate any potential acquisition growth. The total borrowings drawn down aggregated to S\$297.2 million, with more than 80% of the borrowings denominated in Singapore Dollars while the remaining 20% denominated in Chinese Renminbi (**"RMB"**).

In addition to the natural hedge provided by the Renminbi-denominated debt to the matching revenue stream, as of the date of this report, approximately 50% of the REIT's offshore debt has also been hedged from a floating interest rate to a fixed interest rate via interest rate swap instruments, so as to mitigate the effects of volatility in the interest rates.

### **PROACTIVE ASSET MANAGEMENT AMIDST COVID-19**

BHG Retail REIT's performance in FY 2022 was impacted by disruptions caused by the COVID-19 situation in China, and provision of rental rebates to assist tenants with their business recovery. Despite these challenges, BHG Retail REIT's portfolio of quality retail assets continued to exhibit resilience. As at 31 December 2022, the REIT's appraised independent valuation in Renminbi was RMB 4,703.0 million, an increase of RMB 25.0 million (0.5%) from the independent valuation of RMB 4,678.0 million as at 31 December 2021, demonstrating its underlying strength. In addition, the Manager's proactive asset management strategy has ensured that the REIT maintains a strong portfolio occupancy rate at 95.2%, with healthy retention rates achieved as at 31 December 2022.

With the goal of building our malls into retail destinations of choice, the Manager sought out opportunities to improve the overall experience and appeal of our assets to shoppers and tenants in FY 2022. This commitment was demonstrated in the revitalisation of Hefei Mengchenglu, where a new entrance linked to basement 1 was created to enhance shopper traffic flow, improve connectivity between ground and the basement levels, as well as greater accessibility and convenience in its revamped layout.

Through refreshing our line-up of tenants with offerings that resonate with our shoppers, and working with our existing tenants to create satisfying experiences for our consumers, the vibrancy of our tenant mix was further enhanced in FY 2022 where a wide range of popular F&B, retail and lifestyle brands were introduced as part of the malls' tenancy rejuvenation efforts.

# LETTER TO UNITHOLDERS



Some of the new relevant lifestyle and sustainable offerings introduced included global providers of smart devices and electric vehicles such as 'Huawei' at Chengdu Konggang, 'Samsung' at Beijing Wanliu, and 'Honor' at Hefei Changjiangxilu. In addition, Chengdu Konggang's exterior area, Yuelai Square, was also rejuvenated with appealing F&B pushcarts and container-style stores to further enhance the vibrancy of the mall to the surrounding community.

## ADVANCING OUR SUSTAINABILITY REPORTING

The Manager remains committed to advancing its efforts in sustainability and good corporate governance practices. In line with the updates in the GRI Standards 2021, we have integrated considerations of our impact on human rights in FY 2022. The REIT, under the oversight of the Board, has refreshed its list of material Environmental, Social and Governance ("ESG") topics, and added one new material topic to this year's sustainability report. The REIT has also taken steps to align this year's reporting with the recommendations of the Task Force on Climate-related Financial Disclosures.

We believe that ethical business practices and sound corporate governance are vital for our long-term sustainable growth. The Manager's efforts in driving sustainability, good corporate governance practices and proactive communication with investors have won BHG Retail REIT three platinum awards at The Global CSR & ESG Awards 2022™, namely the 'Best Community Programme Award', 'Best Corporate Communications and Investor Relations Team', as well as the 'CSR & ESG Leadership Award'.

BHG Retail REIT continues to support and make positive impact to communities every year as part of Beijing Hualian Group's community-focused philosophy. Several corporate social initiatives were carried out by the Manager and retail malls. A few noteworthy events include the distribution of Chinese New Year packs to the elderly, movies for the disabled, and a tree planting programme to improve the surrounding community. The Manager also collaborated with Mr Wesley Seah, an SG Enable visually impaired artist, to conduct a Chinese calligraphy workshop in support of the special needs community.

Moving forward, we remain committed towards the well-being of the communities we work in, as well as continuing to grow our business responsibly. We continue to pursue excellence, with a focus on our material ESG topics that will positively impact the environment.

### LOOKING AHEAD

According to the National Bureau of Statistics, China's gross domestic product ("GDP") for 2022 increased by 3.0% year-on-year to RMB 212.0 trillion, beating market consensus of 1.8% expansion. The disposable income per capita of urban residents grew by 4.1% year-on-year in 2022 while retail sales of consumer goods fell by 0.2% year-on-year.

Despite the weaker growth in 2022, China's economy is expected to recover in 2023 due to its lifting of COVID-19 measures and the reopening of its borders. Against this backdrop, the International Monetary Fund (IMF) raised its China's GDP outlook for 2023 from 4.4% to 5.2%.

China's shift from its zero COVID-19 policy to the reopening of its borders is also seen as largely beneficial to the real estate sector. The retail sector is expected to be one of the main beneficiaries, with retail activities set to pick up while underpinned by a rising demand for prime retail space and bottoming of rents.

We believe that our quality portfolio of retail malls in high population density neighbourhoods are well-positioned to capitalise on China's recovery, meet the needs of the rising middle-income population, and provide a quality lifestyle experience to our shoppers. The Manager will continue to focus on refreshing our line-up of tenants with offerings that resonate with our shoppers, remain prudent in our capital management, and pursue accretive



95.2%

**PORTFOLIO COMMITTED  
OCCUPANCY**

acquisition opportunities, so as to remain as an attractive long-term yield play investment to our unitholders.

### ACKNOWLEDGEMENTS

We take this opportunity to thank our fellow Board members for their leadership and guidance over the years, as well as BHG Retail REIT's management and staff for their dedication and commitment. We would also like to thank our Unitholders, tenants, shoppers and business partners for their unwavering support and confidence, as we continue in our drive to capture and deliver value to our Unitholders.

**MR FRANCIS SIU WAI KEUNG**  
Chairman

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

24 March 2023

# 致信托单位 持有人之信函

尊敬的信托单位持有人，

我们很荣幸代表北京华联商业信托管理有限公司（作为北京华联商业信托管理人，以下简称“**管理人**”）的董事会及管理层，公布北京华联商业信托（以下简称“**本信托**”）的2022财政年度（以下简称“**2022财年**”）业绩报告。

2022年，全球市场面临能源价格和利率上涨、供应链中断、以及中国继续推行清零政策（尤其是下半年）所导致不确定性加剧等挑战。

在这些充满挑战的大环境下，管理人保持专注和谨慎地执行其资产和资本管理战略，从而使资产组合恢复活力的同时富有弹性，以95.2%的稳健出租率平稳地度过了疫情，同时资产组合的估值同比增长0.5%，并于2022年3月成功完成再融资，这在充满挑战的宏观环境中是一个重要的里程碑。

2022财年本信托将为信托单位持有人派发的金额为600万新元，低于去年同期。这主要是由于向租户提供租金减免以支持其在2022财年的业务复苏、更高的利息支出，以及在2022年3月再融资期间的相关费用。本信托公布的2022财年每单位派息为0.0117新元。

## 充满挑战商业环境下的审慎资本管理

审慎的资本管理使本信托顺利完成了对2022年3月到期贷款的再融资工作。截至2022年12月31日，本信托的负债率维持在37.7%的健康水平，为任何潜在的收购性增长保留了充裕的负债空间。已提取的借贷总额为2.972亿新元，其中80%以上是以新元计值的借款，其余约20%是以人民币计值的借款。

除了以人民币计值债务为匹配收入来源进行自然对冲外，截至本报告之日，本信托约50%的境外债务已通过利率掉期，将浮动利率转换成固定利率进行对冲，从而减轻了利率波动产生的影响。

## 新冠疫情下的积极资产管理

本信托在2022财年的业绩受到了中国新冠疫情局势的干扰，以及提供租金减免以帮助租户恢复业务的双重影响。尽管面临诸多挑战，北京华联商业信托的优质零售资产组合仍持续展现出弹性。经独立机构评定，截至2022年12月31日，本信托旗下商场的估值总额为47.03亿元人民币，同比2021年12月31日46.78亿元人民币的独立估值结果提升2500万元人民币（0.5%），表明其潜在的实力。此外，管理人的积极资产管理策略确保了本信托的投资组合截至2022年12月31日保持95.2%的强劲出租率，以及健康的续租率。

为了实现将商场打造成消费者首选的零售目的地这一目标，管理人积极寻找机会，致力于在2022财年提升资产对购物者和租户的整体体验与吸引力。这一目标在合肥蒙城路购物中心的复苏中得到了体现，该商场新建了一个连接地下一层的出入口，从而提升客流，并改善地面与地下层之间的连通性，这一布局的改造让商场的无障碍通行和便利性大大提高。

在2022财年，我们通过更新租户业态、提供更受消费者青睐的服务、以及与现有租户合作，为消费者打造满意的体验，并进一步加强了旗下商场的业态组合活力，通过引入了广受欢迎的餐饮、零售、与家居等品牌，以支持商场租赁的复兴。



一些与生活方式和可持续发展相关的新租户包括全球智能设备和电动车供应商,例如成都空港购物中心的“华为”、北京万柳购物中心的“三星”,以及合肥长江西路购物中心的“荣耀”等品牌。另外,成都空港购物中心的外部区域悦来广场也通过部署具有聚客力的餐车和集装箱风格的商店重新焕发生机,进一步增强了商场对周边社区的活力。

### 推进可持续发展报告

管理人将继续致力于推进本信托在可持续发展和良好公司治理实践方面的努力。为了配合2021年GRI标准的更新,我们在2022年纳入了对人权影响的考量。在董事会的监督下,本信托更新了其在环境、社会和治理(简称“ESG”)等问题上的重要性原则,同时在今年的可持续发展报告中增加了一项新的重要主题。本信托还采取措施,使今年的报告与气候相关财务信息披露工作组的建议保持一致。



**在这些充满挑战的大环境下,管理人保持专注和谨慎地执行其资产和资本管理战略,从而使资产组合恢复活力的同时富有弹性,以95.2%的稳健出租率平稳地度过了疫情,同时资产组合的估值同比增长0.5%,并于2022年3月成功完成再融资,这在充满挑战的宏观环境中是一个重要的里程碑。**



# 致信托单位 持有人之信函

我们相信，合乎道德的商业行为与健全的公司治理对我们的长期可持续增长至关重要。管理人在推动可持续发展、良好公司治理以及与投资者积极沟通方面所做的努力，使本信托在2022年全球企业社会责任与环境、社会和公司治理颁奖典礼(The Global CSR & ESG Awards 2022™)上荣获三项白金大奖，分别为“最佳社区规划奖”、“最佳企业沟通和投资者关系团队”以及“企业社会责任与环境、社会和公司治理领导力奖”。

作为北京华联集团“以社区为本”的理念的一部分，本信托将年复一年，持续回馈社区，力求为社区带来积极影响，为此，管理人和商场开展了多项企业社会活动，包括向年长者派发春节红包、为残障人士放映电影，以及改善社区周围环境的植树活动。管理人还与新加坡协助残障者自立局(SG Enable, 简称“新协立”)合作，协助有视力障碍的艺术家Wesley Seah先生举办了一场中国书法研习会。

未来我们将继续致力于改善我们所处社区的福祉，并继续以负责任的方式发展我们的业务。我们继续追求卓越，专注于会对环境产生积极影响的重大ESG主题。

## 展望

根据中国国家统计局的数据，2022年中国国内生产总值同比增长3.0%，达到212.0万亿元人民币，高于市场普遍预期的1.8%。2022年城镇居民人均可支配收入同比增长4.1%，消费品零售额同比下降0.2%。

尽管2022年中国经济增长疲软，但随着新冠封锁措施的取消以及边境的重新开放，预计中国经济将在2023年全面复苏。在此背景下，国际货币基金组织将中国2023年国民生产总值的预期从4.4%上调至5.2%。

中国从清零政策转向重新开放边境，这一举措也被视为对房地产行业的重大利好。零售业预计将成为主要受益产业之一，在优质零售空间需求上升和租金触底的支持下，零售活动将有所回升。

我们相信，处于人口密集地区的优质商场资产组合，能充分利用中国经济复苏，满足不断增长的中等收入人群的需求，并为购物者提供优质的生活方式体验。管理人将继续专注于更新我们的租户业态，提供广受购物者青睐的产品和服务，保持审慎的资本管理，并抓住增值收购机会，为信托单位持有人带来有吸引力的长期投资收益。

## 鸣谢

我们想要借此机会感谢董事会成员多年来的领导与指导，以及北京华联商业信托的管理层和全体员工所作出的奉献和承诺。同时，我们也要感谢信托单位持有人、租户、购物者以及业务合作伙伴坚定不移的支持和信心，我们将继续努力，为信托单位持有人带来丰厚回报。

## 萧伟强

主席

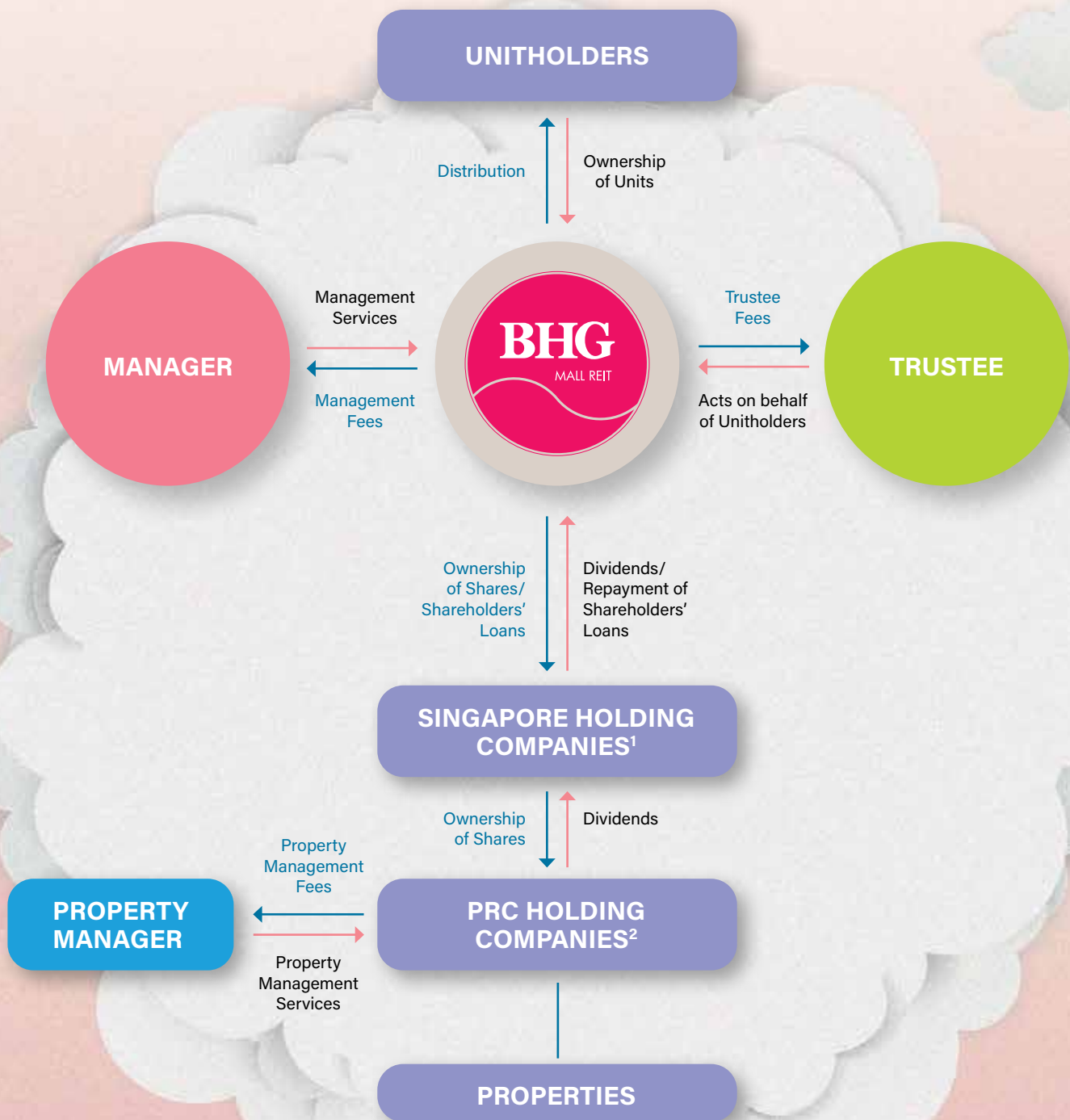
## 陈懿璘

首席执行官

2023年3月24日



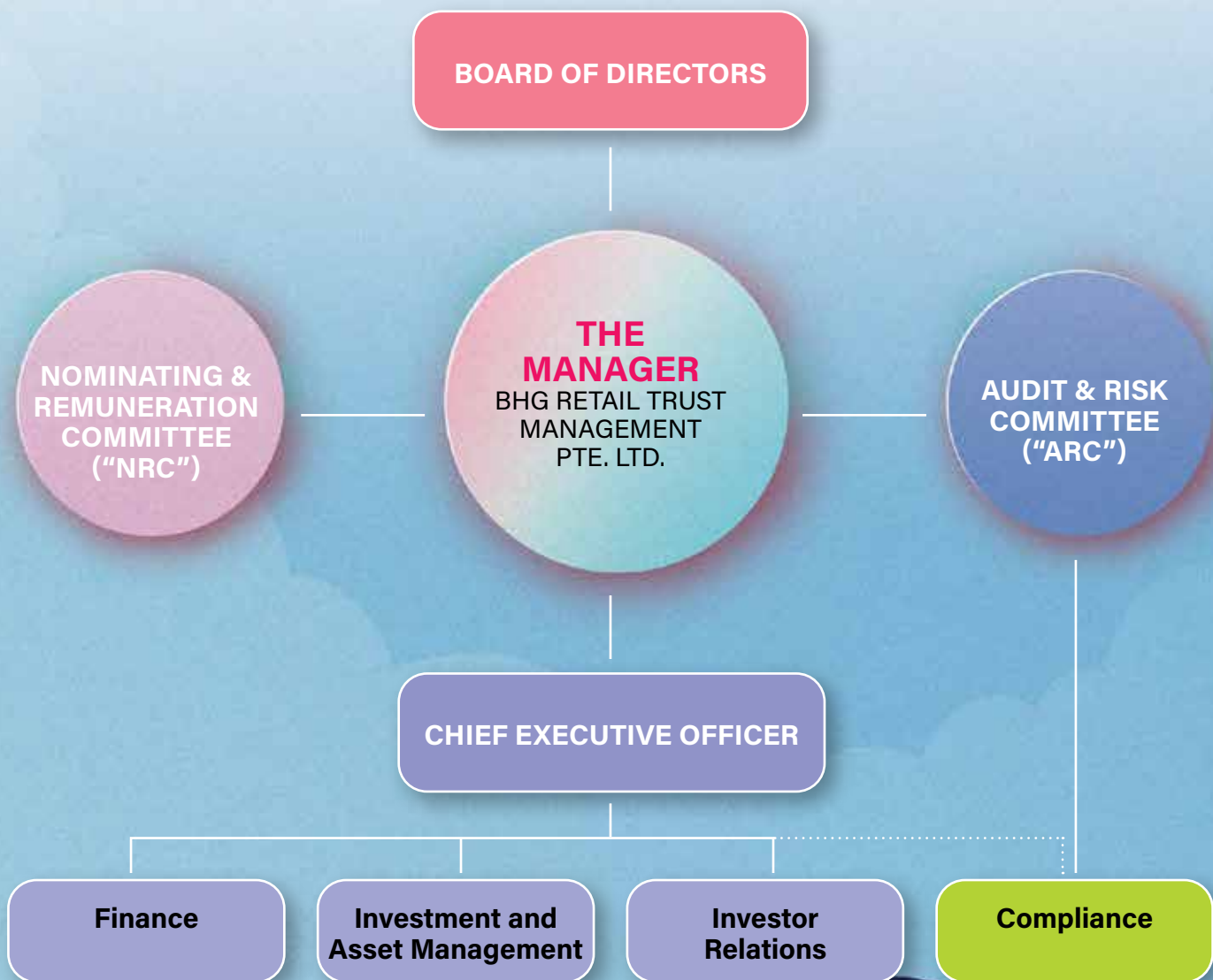
# TRUST STRUCTURE



<sup>1</sup> 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.

<sup>2</sup> There are six PRC Holding Companies, each holding one Property.

# ORGANISATION STRUCTURE



# BOARD OF DIRECTORS

## MR FRANCIS SIU WAI KEUNG (68) *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**  
15 June 2022

### Board committees served on

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

### Present directorships in other listed companies

- CITIC Limited
- China Communication Services Corporation Limited

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

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

### Other principal commitments

- Board Member of Accounting and Financial Reporting Council, Hong Kong
- Board Member of Morgan Stanley Securities (China) 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 (71) *Independent Director*

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

**Date of last re-election as a director**  
15 June 2020

### Board committees served on

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

### Present directorships in other listed companies

- RE&S Holdings Ltd

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

Nil

### Other principal commitments

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

### Background and working experience

- Group Managing Director of Guthrie GTS Limited

### Academic and professional qualifications

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

# BOARD OF DIRECTORS

## MR LAU TECK SIEN (51)

*Independent Director*

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### Date of first appointment as a director

12 November 2015

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

11 June 2021

### Board committees served on

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

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

- Director of HOPU (Singapore) Services Pte. Ltd.
- Director of HOPU (Hong Kong) Investment Consultancy Company Limited
- Director of HOPU Logistics Management 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 (48)

*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

11 June 2021

### Board committees served on

Nil

### Present directorships in other listed companies

Nil

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

Nil

### Other principal commitments

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

### Background and working experience

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

### Academic and professional qualifications

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

**MR PENG GE (51)**  
*Non-Executive Director*

.....

**Date of first appointment as a director**

12 November 2015

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

15 June 2022

**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 Life Supermarket Co., Ltd.

**Background and working experience**

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

**Academic and professional qualifications**

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

# MANAGEMENT TEAM

## MS CHAN IZ-LYNN

*Chief Executive Officer &  
Head of Investor Relations*

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

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

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

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

## MR VICTOR TEN

*Chief Financial Officer*

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With more than 30 years of expertise in corporate management, finance, investment, accounting, and project management, Victor serves BHG Retail REIT and its Manager as Chief Financial Officer ("**CFO**"). He leads the finance team and maintains oversight on the REIT's financial accounting & reporting, financing, internal controls, treasury, and tax matters. As CFO, Victor also actively guides the overall operating strategies and processes of the REIT.

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

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

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

**MR CHEAH KOK YONG**  
*Senior Finance Manager*

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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 16 years of experience in the accounting and finance industry. Reporting directly to the CFO, he oversees finance matters of both the REIT and Manager, in areas including financial reporting, taxation, capital management, and treasury. Kok Yong supports the Compliance team by providing relevant financial data for its onward reporting.

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

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

**MR ERIC LIU**  
*Investment and  
Asset Management Manager*

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With more than 11 years of valuable experience in the investment and financial services space under his belt, Eric is responsible for the value creation of BHG Retail REIT through acquisitions, asset recycling, asset enhancement and active asset management.

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

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

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

# MANAGEMENT TEAM

## MR CHUA SIAN HOWE

*Investor Relations Manager*

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With more than 17 years of experience in investor relations and research, Sian Howe 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. Sian Howe is also actively involved in the crafting of corporate communications across various platforms, and facilitating compliance with capital market requirements for the REIT.

Sian Howe accumulated his expertise and experience in investor relations for REITs from the different portfolios he has held over the years, from the Senior Executive of Investor Relations and Communications at CapitaLand Commercial Trust, followed by the Deputy Manager of Keppel Land and Keppel REIT, and then the position of Investor Relations Manager at Dasin Retail Trust prior to joining BHG Retail REIT.

His vast experience and competencies developed over the years span from corporate communications, to research work in investor relations and managing relationships with investors, as well as setting up the Investor Relations function and the Capital Markets function in a Trust.

Sian Howe's professional career began as a research manager at PEI Media where he was responsible for research and analysis of alternative asset classes, including private equity, private equity real estate, as well as infrastructure and hedge funds.

Sian Howe holds a Bachelor of Commerce in Finance and Electronic Commerce from Curtin University of Technology, Western Australia.

## MR PHILLIP TAN

*Compliance Manager*

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Philip 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, Philip 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, Philip was a Senior Lecturer teaching Financial Reporting and Financial Management in tertiary courses at Singapore Polytechnic, an Institute of Higher Learning. Besides his academic responsibilities, Philip was also the Quality Assurance Manager for his faculty where he was extensively involved in compliance matters for his faculty to ensure the academic quality of the faculty's courses, as well as adherence to all prevailing policies and procedures.

Philip's professional career began as an auditor with the Auditor-General's Office where he was involved in the audit of government ministries and departments, and trained to be qualified as a Certified Public Accountant (CPA). Prior to joining the academia, Philip was also an internal auditor at the National University of Singapore where he performed internal audits on the university's operations.

Currently a Chartered Accountant of Singapore with ISCA, Philip is also a Certified Internal Auditor accredited by the IIA. His other qualifications include a Master degree in Finance from Lancaster University, UK, as well as a Diploma in Governance, Risk and Compliance awarded by the International Compliance Association.



# ENTERPRISE RISK MANAGEMENT

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

The Board of Directors (the “**Board**”) is responsible for the overall risk strategy and risk governance of BHG Retail REIT. It achieves this through the approval of the REIT’s risk appetite and the implementation of sound risk management and internal control practices. The Board is supported by the Audit and Risk Committee (“**ARC**”) in these matters. During the last quarter of every financial year (“**FY**”), the Board through the ARC, reviews the potential risks in the following FY as it reviews the following FY’s budget. This section sets out the information needed by stakeholders to make an informed assessment of the risk management and internal control systems.

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. This section sets out the information needed by stakeholders to make an informed assessment of the risk management and internal control systems.

## 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 ERM Framework would be reviewed accordingly and updated immediately.

A review of the ERM Framework was conducted in 2022 and the Board and Manager worked closely with input from Pricewaterhousecoopers

Risk Services Pte. Ltd. to address potential risks from climate change so as to ensure that the ERM Framework remains relevant and is 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 ERM Framework. An internal audit exercise is conducted annually. In 2022, an internal audit was conducted at the REIT’s portfolio property, Hefei Mengchenglu.

In addition, the Manager has established a semi-annual Control Self-Assessment (“**CSA**”) exercise that is undertaken by the Manager. 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 2022

### *Real Estate / Operational 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 as well as any potential environmental risks, and its asset valuation. Any potential acquisition is first discussed with the Board. A conditional approval is obtained for commencement of review, analysis and due diligence. Thereafter, the findings are presented to the Board for consideration.

# 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").

## *Environment and Business Interruption Risk*

The Manager is cognisant that unforeseen circumstances may interrupt the business of each portfolio property. These circumstances may include natural disasters due to climate change and global warming, as well as global pandemics.

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

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

## *Financial and Interest Rate Risk*

The Manager ensures that financial market risks are closely monitored and reported to the Board. The Manager adopts a proactive strategy to manage the risks associated with the changes in interest rates on any loan facilities. As at 31 December 2022, the REIT has entered approximately 42% 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 on Collective Investment Schemes. The Manager also actively monitors the portfolio to ensure sufficient liquid reserves to fund operations and meet short-term obligations.

BHG Retail REIT is exposed to fluctuations of the Chinese Renminbi ("RMB") against the Singapore

Dollar. Our aim is to maximise returns to our Unitholders, and accordingly the Manager monitors currency exchange trends closely and explores methods to mitigate foreign exchange risk. These methods may include foreign exchange hedging on the expected dividends from our Chinese subsidiaries as well as other measures.

Where feasible, BHG Retail REIT also adopts a natural hedging by borrowing in RMB. This matches the revenue stream generated from its investment, balancing the interest rate and foreign exchange risk. As at 31 December 2022, about 20% of the REIT'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 deed of trust dated 18 November 2015 (as amended and supplemented from time to time). The Manager also actively monitors any environmental related regulations that may affect our properties.

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

## *Information Technology Risks*

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

# CORPORATE GOVERNANCE

## INTRODUCTION

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

As an entity regulated by the Securities and Futures Act 2001 (“**SFA**”), the Code on Collective Investment Schemes (the “**CIS Code**”), the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and other regulations, the Manager is committed to upholding good standards of corporate governance.

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

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

## THE MANAGER

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

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

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

# CORPORATE GOVERNANCE

## BOARD MATTERS

### *The Board's Conduct of Affairs*

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

The Board is entrusted with overall responsibility for the corporate governance of the Manager. The Board is also responsible for the long-term success of the REIT, and its strategic business direction and risk management. 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 REIT 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. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict. Each of the Directors has complied with the above.

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

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

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

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

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

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

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

The Board and the ARC meet on a semi-annual basis to review key business activities. The NRC meets at least annually. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, video conferencing, or other similar means of telecommunication. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board attend and actively participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval. A Director with multiple directorships is expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of the REIT for the benefit of Unitholders. Two Board meetings were held during the financial year ended 31 December 2022 ("**FY 2022**"). The number of such meetings and the attendance of each of the Directors at Board meetings and Board Committee meetings are set out at page 33 of this Annual Report.

Provision 1.5 of the 2018 Code requires Directors to attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in page 33 of this Annual Report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Manager provides the Board with complete, adequate and timely information prior to Board meetings, and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. This includes periodic business updates, financial reports and financial statements from the Manager. The Manager's executives and external consultants may also provide presentations on specific business areas. Further, the Board has separate and independent access to Management and the company secretary of the Manager ("**Company Secretary**") at the Manager's expense, at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board and Board Committee meetings. The Board also has separate and independent 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 recommended 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 REIT'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 are relevant to the REIT are monitored and reported to the Board during the meeting. Where necessary and expedient, the Board may be briefed on urgent updates via circulars.

# CORPORATE GOVERNANCE

Induction, training and development programmes are provided to new and existing Directors. These programmes aim to familiarise the new Director with his or her duties as a director and how to discharge those duties, the laws and regulations that govern the operation of a REIT, and to familiarise the new Director with the REIT's business and organisation structure and governance practices. Following their appointment, Directors are provided with opportunities to develop and maintain their skills and knowledge at the Manager's expense and to keep abreast of developments 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 2022, all the Directors attended training on sustainability reporting as prescribed by SGX-ST, and were briefed and updated on new notices and guidelines issued by MAS, as well as changes to the Listing Manual of the SGX-ST.

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

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

## **Board Composition and Guidance**

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

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

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


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

Each Director is a respected individual with the appropriate experience to act as the Directors of the Manager. The profiles of the Directors may be found from pages 17 to 19 of this Annual Report. The Board is headed by Mr Francis Siu Wai Keung, who presides as Chairman. The Board, through the NRC, aims to maintain an optimal Board composition by considering the trends affecting the REIT, reviewing the skills needed and identifying gaps (which includes considering whether there is an appropriate level of diversity of thought), and such considerations may be used by the NRC to set appointment criteria for successors. The Board reviews from time to time the size and composition of the Board, with a view to ensuring the Board has the appropriate mix of expertise and experience and that the size of the Board is appropriate in facilitating effective decision making, avoiding groupthink and fostering constructive debate, taking into account the scope and nature of the operations of the Group, and that the Board has a strong independent element. 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 also 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. Under this Board Diversity Policy, the Board, through the NRC, 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. Given that the REIT is a listed entity and its retail properties are based in China, a diverse set of skills and experience including directorships in listed companies,

accounting and finance, as well as retail management in China are important to ensure effective functioning of the Board. The Board, through the NRC, sets and reviews periodically internal targets and guidelines for the composition of the board, taking into consideration the right blend of competencies and experience, skills and abilities, as well as our corporate gender objective based on inclusiveness and equality. The NRC is of the view that the Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate, and taking into account the needs and plans of the REIT, as well as the future strategy of the REIT. In line with the Board Diversity Policy, the current Board comprises five members who are corporate and business leaders, and are professionals with varied backgrounds, expertise and experience including in accounting, banking, finance and the China market. The Board members have a diverse mix of skills, talents, experience and diversity required to serve the needs of the REIT. While there is no female director in the Board currently, the REIT has a female CEO, Ms Iz-Lynn Chan, who works closely with the Board. Her presence at all the Board Meetings is a testament of our inclusive and fair corporate gender objective.

More importantly, the NRC is of the view that the Board together with the CEO (i.e. persons charged with governance) are able to foster an inclusive and diverse culture that introduces different skills, perspectives and experiences that will ultimately promote better corporate governance.

Diversity criteria	Outcome	Met Targets
Directorships in other listed companies	40% of Board	
Experience in accounting and finance	60% of Board	
Experience in retail management in China	40% of Board	
Fair and inclusive corporate gender objective	Female CEO	

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

Mr Xiong Zhen and Mr Peng Ge are salaried employees of other entities within the Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") and accordingly are treated as Non Independent Directors. The independence of Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien are assessed against the requirements of the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licensing 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 2022, 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 (Licensing and Conduct of Business) Regulations. None of the Independent Directors have served the Board beyond nine (9) years from the date of their first appointments. The following further sets out the assessment of each Director's independence against the requirements under the Securities and Futures (Licensing and Conduct of Business) Regulations.

# CORPORATE GOVERNANCE

	Francis Siu	Ben Yeo	Lau Teck Sien	Peng Ge	Xiong Zhen
had been independent from the management of the Manager and BHG Retail REIT during FY 2022	✓	✓	✓		
had been independent from any business relationship with the Manager and BHG Retail REIT during FY 2022	✓	✓	✓	✓	✓
had been independent from every Substantial Shareholder of the Manager and every Substantial Unitholder of BHG Retail REIT during FY 2022	✓	✓	✓		
had not been a Substantial Shareholder of the Manager or a Substantial Unitholder of BHG Retail REIT during FY 2022	✓	✓	✓	✓	✓
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 2022	✓	✓	✓	✓	✓

## Note:

Each of Mr Peng Ge and Mr Xiong Zhen is currently employed by a related corporation of the Manager. As such, during FY 2022, each of them is deemed (a) to have a management relationship with the Manager and the REIT; and (b) connected to a Substantial Shareholder of the Manager and substantial Unitholder. The Board of the Manager is satisfied that, as at the last day of FY 2022, 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 2022, the Board is of the opinion that its current Board size and composition is reasonable, effective and efficient considering the nature, size and scope of the Manager's and the REIT's business operation.

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

When reviewing Management's proposals or decisions, the Non-Executive Directors bring their objective judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors and/or the REIT Independent Directors, led by the independent Chairman of the Board or other Independent Directors of the REIT as appropriate, meet regularly about two times a year without the presence of Management. The Chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate. In FY 2022, the Non-Executive Directors, led by the independent Chairman, met two times for discussions without the presence of Management.

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



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

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

During FY 2022, the Independent Directors have met at least once in the absence of Management, to discuss matters. Such meetings are led by the Independent Chairman, and feedback is provided to the Board and/or the Chairman as appropriate.

### **Board Membership**

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

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

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

The NRC is regulated by a set of written terms of reference and is responsible for making recommendations to the Board on appointment and remuneration matters. The NRC will review and make recommendations to the Board on succession plans for the Board and executive officers, in particular the appointment and/or replacement of the Chairman, the CEO and KMP. In reviewing succession plans, the NRC has in mind the REIT's strategic priorities and the factors affecting the long-term success of the REIT.

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

As provided in the Manager's Succession Planning Policy, internal candidates are identified as interim successor on an "acting" basis or covering person(s), for its key positions that become vacant due to incapacitation, in order to provide continuity in leadership in such event.

# CORPORATE GOVERNANCE

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

- Making recommendations to the Board on the process and criteria for evaluation of the performance of the Board, its Board Committees, and Directors;
- Reviewing and making recommendations to the Board on the training and professional development programmes for the Board and its Directors;
- Reviewing, making recommendations to the Board and nominating the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board, including taking into account the leadership needs of the Manager and the REIT and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director. Potential new directors are identified and evaluated based on criteria such as the relevant experience and skillsets of the potential director to the REIT's business. Broader search criteria is also considered, such as diversity and technological expertise;
- Determining annually, as and when circumstances require, if a Director is independent having regard to the circumstances set forth in page 29 of this Annual Report;
- Recommending to the Board for the Board's approval 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 having regard to the circumstances set forth in Provision 2.1 of the 2018 Code.
- In appointing a new Director to the Board, the Board considers the needs of the REIT and the relevant expertise of the candidate. Further, the Board refers to the Board Diversity Policy and considers the principles stated on pages 28 to 29 of this Annual Report.
- The NRC ensures that a new Director is aware of his or her duties and obligations. A newly appointed Director receives a formal appointment letter which sets out his or her relevant duties and obligations. The NRC also decides if a Director is able to and has been adequately carrying out his or her duties as a Director of the Manager.
- The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. Candidates with the appropriate profile are shortlisted for nomination and are recommended to the Board for approval. The search for candidates is conducted through referrals, and the NRC may seek advice from external search consultants where necessary.

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

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

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

The NRC has evaluated and is satisfied that each Director has provided sufficient time and attention on the affairs of the Manager to fulfil their responsibilities, notwithstanding their other commitments. For FY 2022, the Directors have attended Board meetings and have participated constructively in discussion of the activities of the REIT. The NRC and the Board are 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 2022 are set out as follows:

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

**Notes:**

<sup>(1)</sup> The annual general meeting for the financial year ended 31 December 2021 was convened and held by way of electronic means. These Directors were in attendance via electronic means.

<sup>(2)</sup> N.A. - Not applicable

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

**Board Performance**

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

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

# CORPORATE GOVERNANCE

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

Each Director is required to objectively assess his or her personal performance and collectively, the performance of the Board as a whole and its Board Committees. For FY 2022, each Director completed the performance assessment checklists and returned them to the Company Secretary. The Company Secretary has compiled the results of the evaluation and tabled the summary for the NRC's review. The NRC is satisfied that:

- All performance objectives for FY 2022 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 2022.

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

## REMUNERATION MATTERS

### *Procedure for Developing Remuneration Policies*

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

The Board has established the NRC to review and make recommendations to the Board on (i) a framework of remuneration for the Board and KMP; and (ii) the specific remuneration packages for each Director and KMP to ensure that the remuneration payable is in line with the objectives of its remuneration guidelines.

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

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

No remuneration consultants were engaged in FY 2022.

### *Level and Mix of Remuneration*

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

### *Disclosure on Remuneration*

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

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

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

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

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

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.

# CORPORATE GOVERNANCE

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

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

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

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

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

The Directors' fees for Independent Directors for FY 2022 are set out as follows:

Independent Director	Directors' fees (S\$)
<b>Francis Siu Wai Keung</b>	98,000
<b>Ben Yeo Chee Seong</b>	87,000
<b>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 also not Directors or the CEO), on a named basis, in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these KMP.

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

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

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

There were no employees who were Substantial Shareholders of the Manager, Substantial Unitholders of the REIT, or were immediate family members of a Director, the CEO, a Substantial Shareholder of the Manager or a Substantial Unitholder of the REIT during FY 2022 and whose remuneration exceeds S\$100,000 during the year. Based on the Listing Manual of the SGX-ST, "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

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

# CORPORATE GOVERNANCE

## ACCOUNTABILITY AND AUDIT

### *Risk Management and Internal Controls*

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

The Board is responsible for the governance of risk. The Board ensures that Management maintains a sound system of risk management and internal controls to safeguard the Unitholders' interests and the REIT's assets, and determines 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 has established the ARC to address this.

The Manager recognises the importance of having in place an effective, adequate and sound system of risk management and internal controls. 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 also engaged KPMG Services Pte. Ltd. ("**KPMG**") to conduct semi-annual reviews to mitigate the risk of non-compliance with regulatory requirements. The ARC is kept updated on findings reported by Deloitte and KPMG, and the ARC takes these findings into consideration when assessing the Manager's risk appetite. The Manager has also adopted an Enterprise Risk Management ("**ERM**") Framework, which formalises the Manager's risk management and internal controls practice. For FY 2022, the Manager has conducted two Control Self-Assessment Exercises to evaluate its ERM Framework and measures to address risks related to climate change and global warming were also incorporated into the ERM Framework. More information on the ERM Framework can be found in the Enterprise Risk Management section of this Annual Report.

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, as well as the said assurances set out below, the Board is satisfied and the ARC concurs with the Board that the Manager's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2022 to address the risks taking into account the nature, scale and complexity of the Manager's operations. For FY 2022, the Board has received written assurances from:

- the CEO and Chief Financial Officer ("**CFO**") that, as at 31 December 2022, 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 who are responsible, that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2022 to address the risks that the Group considers relevant and material to its business operations.

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

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



## **Audit and Risk Committee**

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

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

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

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

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

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

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

Following the amendments to Rule 705(2) of the Listing Manual of the SGX-ST, which took effect on 7 February 2020, the Manager announced on 14 April 2020 that the REIT will adopt the announcement of half-yearly financial statements with effect from FY 2020, commencing with the financial results announcement for the six-months period ended 30 June 2020. The Manager will still provide business updates to Unitholders in relation to the performance of the REIT over the first and third quarters of each financial year, commencing with the first quarter ended 31 March 2020. For the first and third quarters of FY 2022, when no ARC meetings were scheduled, the ARC was invited to attend the Management meeting to review the quarterly financial performance and to receive business and/or operational updates from Management.

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

# CORPORATE GOVERNANCE

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

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

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

The ARC has full access to and the cooperation of Management and reasonable resources to enable it to discharge its functions properly. The ARC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The ARC also meets with the external and internal auditors, in each case, without the presence of Management, at least annually, to discuss any problems and concerns they may have. The ARC had met with the internal and external auditors Deloitte and Messrs KPMG LLP respectively, in the absence of Management during FY 2022.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2022 and the fees paid for such services, and is of the opinion that they would not affect the independence of the external auditors. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees paid and payable to the external auditors for FY 2022 in respect of the audit services is approximately S\$384,000. Non-audit services were not rendered for FY 2022.

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

The Manager has established a Whistleblowing Policy, which is overseen by the ARC. The Whistleblowing Policy sets out the procedures for any suspected fraudulent or wrongful act, corruption or other improprieties by the Manager's Directors, officers or employees to be reported, and for the independent investigation of any reports and appropriate follow-up action to be taken. The objective of this policy is to provide a channel by which employees of the Manager or any other persons may, in confidence, safely raise their concerns to the Independent Chairman of the ARC about possible improprieties in matters of financial reporting or other matters in a responsible and effective manner. Under the whistleblowing policy, the whistleblower's identity will be kept confidential, unless disclosure is required by the court or other regulatory authorities. The Manager is committed to ensuring protection of the whistleblower against detrimental or unfair treatment. The Manager does not tolerate the harassment or victimisation of anyone reporting a genuine concern in good faith. Furthermore, no person should suffer reprisal as a result of reporting a genuine concern. The ARC reviews all whistleblowing reports at its scheduled meetings. Investigation of such reports are conducted by an independent review committee and appropriate follow-up actions are taken. The outcome of each investigation is reported to the ARC. For FY 2022, there were no cases of whistleblowing.

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 2022, relating to the valuation of investment properties.

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

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

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

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

# CORPORATE GOVERNANCE

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

During FY 2022, Deloitte has conducted an audit review based on the approved internal audit plan. The results of the review were reported to the ARC. Key findings were highlighted for follow-up action. The ARC has reviewed the internal audit function and has concluded that the internal audit function was independent, effective and adequately resourced.

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

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

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### *Shareholder Rights and Conduct of General Meetings*

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

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

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

In view of the COVID-19 pandemic, the previous general meeting held in FY 2022 was, and the forthcoming AGM to be held on 27 April 2023 ("**AGM 2023**") will be, held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Temporary Measures Order**"). Alternative arrangements relating to (a) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream); (b) submission of questions relating to the resolutions to be tabled for approval at the AGM, to the Chairman of the AGM in advance of, or "live" at, the AGM, and addressing of substantial and relevant questions in advance of, or "live" at, the AGM; and (c) voting at the AGM (i) "live" by the Unitholder or his/her/its duly appointed proxy(ies) or corporate representative(s) (where applicable) (other than the Chairman of the AGM) via electronic means, or (ii) by appointing the Chairman of the AGM as proxy to vote on the Unitholder's behalf at the AGM, are set out in the Notice of AGM dated 5 April 2023. The description below sets out the REIT's usual practice for Unitholders' meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

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

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

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

In accordance with the Prospectus for Initial Public Offering of the REIT dated 2 December 2015, the REIT's distribution policy is to distribute 100.0% of the REIT's Distributable Income for the Forecast Period 2015 and the Projection Year 2016. Thereafter, the REIT will distribute at least 90.0% of its Distributable Income for each financial year. For FY 2022, the Manager had made a distribution of 0.76 Singapore Cents per unit for the period from 1 January 2022 to 30 June 2022 on 28 September 2022, and a second distribution of 0.41 Singapore Cents per unit for the period from 1 July 2022 to 31 December 2022 on 31 March 2023.

# CORPORATE GOVERNANCE

## *Engagement with Shareholders*

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

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

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

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

Continuous and informed dialogue between the Manager and Unitholders is a central tenet of good corporate governance. Regular engagement between these parties will promote greater transparency. Material and other pertinent information such as press releases and presentation slides are released to the SGX-ST via SGXNET and the REIT Website. Both announcements through the REIT Website and the SGXNET are the principal media of communication with Unitholders. In FY 2022, the CEO and IR Manager have met with potential investors and analysts through meetings and roadshows. Further details on the various activities organised by IR during the year can be found in the IR section on pages 74 to 76 of this Annual Report.

An electronic copy of the FY 2022 Annual Report has been uploaded on the REIT Website. Unitholders can access the FY 2022 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>

## *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 Board oversees sustainability matters and manages such matters through the Sustainability Officer and the individual committees. The Manager has arrangements in place to identify and engage with material stakeholder groups and to manage the REIT's relationships with such groups. Such arrangements include maintaining the REIT Website, which is kept updated with current information to facilitate communication and engagement with the REIT's stakeholders.

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

## ADDITIONAL INFORMATION

### *Dealings in BHG Retail REIT Units*

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

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

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

### *Conflict of Interests*

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

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

# CORPORATE GOVERNANCE

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

## *Related Party/Interested Person Transactions*

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

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

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

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

Transactions (whether a single transaction or a series of transactions involving the same Interested Person calculated together in aggregate over the course of a financial year) which are valued at 5% and above of the REIT's net tangible assets are subject to an announcement by the Manager to the SGX-ST via SGXNET, approval from the Unitholders prior to the transaction being entered into, 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 2022, the Manager has elected to receive 100% of its management fee in the form of cash. The fee comprises two (2) components: the base fee and performance fee, which are detailed as follows:

### ▪ **Base Fee**

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



- **Performance Fee**

The performance fee is calculated based on an objective which aligns with the interest of Unitholders as a whole - it is payable only if the DPU in any financial year exceeds the DPU in the preceding financial year. The Manager is entitled to receive a performance fee of 25.0% per annum of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the performance fee shall be payable annually.

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of the REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of the REIT, but exclude one-off income such as income arising from any sale or disposal of real estate (whether directly or indirectly through one or more SPVs) or any part thereof, and any investments forming part of the deposited property or any part thereof. For the purpose of computation of the performance fee for FY 2022, the DPU for 2022 (being 1 January 2022 to 31 December 2022, both dates inclusive) is compared against the DPU in 2021. This method of computation is provided for in the Trust Deed.

- **Other Fees - Acquisition Fee**

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

- **Other Fees - Divestment Fee**

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



# CONNECTING NEIGHBOURS, ENERGISING COMMUNITIES

For us, building relations is fundamental to building trust. We build personal relationships with visitors to our malls as we view them more as neighbours than as consumers. Our assets are social and digital spaces where neighbours can connect with one another, energising neighbourhoods into vibrant communities.



# OPERATIONS REVIEW

## OCCUPANCY RATE

BHG Retail REIT's (or the "REIT") portfolio of quality retail assets continued to exhibit resilience despite disruptions from the COVID-19 pandemic in China in FY 2022. As at 31 December 2022, BHG Retail REIT's committed occupancy rate remained strong at 95.2%.

Occupancy Rate (As at 31 December)	2022	2021
<b>Multi-Tenanted</b>		
Beijing Wanliu	94.1%	96.1%
Chengdu Konggang	96.6%	98.0%
Hefei Mengchenglu	91.1%	91.3%
Hefei Changjiangxilu	92.7%	98.2%
<b>Master-Leased</b>		
Xining Huayuan	100.0%	100.0%
Dalian Jinsanjiao	100.0%	100.0%
<b>Portfolio</b>	<b>95.2%</b>	<b>97.0%</b>

## LEASING & ASSET MANAGEMENT ACTIVITIES

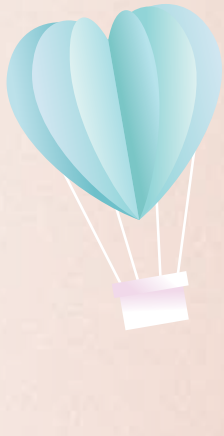
Majority of the leases are on a model that takes the higher of either based rents or percentage of gross turnover component ("GTO"). For the financial year ended 31 December 2022, above 90% of our gross rental income was from fixed rental income, and less than 10% was from variable rental income. While 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 come with an inbuilt rental escalation arrangement. Notwithstanding the uncertain operating environment amidst the COVID-19 pandemic, overall leasing demand and retention rates remained healthy in FY 2022, underpinned by the REIT's resilient portfolio.

## ASSET ENHANCEMENT INITIATIVE AT HEFEI MENGCHENGLU

With the distinctive goal of building our malls into retail destinations of choice, the Manager sought out opportunities to improve the overall experience and appeal of our assets to shoppers and tenants in FY 2022. This commitment was demonstrated in the revitalisation of Hefei Mengchenglu, where we created a new entrance linked to basement 1 to enhance shopper traffic flow, improve connectivity between the ground and the basement levels, and infusing greater accessibility and convenience in its revamped layout.



New entrance at Hefei Mengchenglu



# REFRESHING EXPERIENCES

Through refreshing our line-up of tenants with offerings that resonate with our shoppers and working with our existing tenants to create satisfying experiences for our consumers, the vibrancy of our tenant mix was further enhanced with the introduction of a wide range of popular F&B, retail and lifestyle brands as part of the malls' tenancy rejuvenation efforts.

Some of the new relevant lifestyle and sustainable offerings introduced in FY 2022 include leading global provider of smart devices and electric vehicles such as 'Samsung', 'Huawei' and 'Honor'. Popular children, fashion and retail brands such as children's bikes 'Prima Rider', children's gym '赫石小超人少儿体能', 'ANTA Kids 安踏儿童', 'HLA 海澜之家', 'Chow Tai Fook 周大福' and 'WOW Colour', among others, were also introduced to offer shoppers a more diverse mix of retail options.

## New Relevant Lifestyle and Sustainable Offerings



1. Huawei at Chengdu Konggang
2. Samsung at Beijing Wanliu
3. Subaru at Beijing Wanliu
4. Honor at Hefei Changjiangxilu
5. Huawei at Hefei Changjiangxilu



# OPERATIONS REVIEW

## Popular Children, Fashion and Retail Offerings



1. Chow Tai Fook 周大福 at Hefei Mengchenglu
2. WOW Colour at Chengdu Konggang
3. Children's Gym 赫石小超人少儿体能 at Beijing Wanliu
4. HLA 海澜之家 at Beijing Wanliu
5. ANTA Kids 安踏儿童 at Chengdu Konggang
6. Prima Rider at Beijing Wanliu



## Popular Dining Selections

In FY 2022, popular F&B concepts were also introduced to refresh offerings and enhance our malls' appeal. They include popular western cafes and restaurants such as 'Haagen-Dazs', 'Pizza Hut', 'Western View 西璟西餐' and 'Papa Johns 棒!约翰'; as well as local favourites such as 'Han Gong Yan 韩宫宴', 'Zhang Liang Mala Soup 张亮麻辣烫', 'Shen Hai Paper Wrapped Fish 深海纸包鱼' and 'Xiangcun Story 湘村故事'.



1. Haagen-Dazs at Beijing Wanliu
2. Pizza Hut at Chengdu Konggang
3. Western View 西璟西餐 at Beijing Wanliu
4. Han Gong Yan 韩宫宴 at Hefei Mengchenglu
5. Zhang Liang Mala Soup 张亮麻辣烫 at Hefei Mengchenglu
6. Shen Hai Paper Wrapped Fish 深海纸包鱼 at Hefei Mengchenglu
7. Papa Johns 棒!约翰 at Beijing Wanliu
8. Xiangcun Story 湘村故事 at Hefei Changjiangxilu



## Outdoor F&B Pushcarts and Container Stores



In addition, Chengdu Konggang's exterior area, Yuelai Square, was also rejuvenated with appealing F&B pushcarts and container-style stores to further enhance the vibrancy of the mall to the surrounding community.

## ENERGISING COMMUNITIES

For BHG Retail REIT, building relations is fundamental to building trust. We build personal relationships with visitors to our malls as we view them more as neighbours than as consumers. Our assets are social and digital spaces where neighbours can connect with one another, energising neighbourhoods into vibrant communities. BHG Retail REIT remains committed to building strong tenant relationships and bringing enduring benefits to the communities we operate in.

### Engaging Shoppers



1. CNY Cultural Events & Couplets Give-away at Chengdu Konggang
2. Dance Festival at Chengdu Konggang
3. Bubble Fun at Hefei Changjiangxilu
4. Mooncake Making at Beijing Wanliu
5. Chess Tournament at Beijing Wanliu
6. Children's Performance at Chengdu Konggang
7. Beer and Food Festival at Chengdu Konggang
8. Children's Carnival at Chengdu Konggang



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

No.	Tenant Name	Brand Name	Mall	Trade Sector	Lease Expiry	% Gross Rental Income
1	北京华联生活超市有限公司	BHG Life Supermarket BHG生活超市	Beijing Wanliu, Chengdu Konggang, Hefei Changjiangxilu, Xining Huayuan, Dalian Jinsanjiao	Supermarket	Nov 2040 Dec 2033 Nov 2030 Dec 2034 Dec 2034	17.8%
2	成都华联影院管理有限公司	BHG Chengdu Shuangliu Cinema BHG成都影院	Chengdu Konggang	Leisure & Entertainment	Dec 2023	1.2%
3	北京华联万柳影院管理有限公司	BHG Beijing Wanliu Cinema BHG北京万柳影院	Beijing Wanliu	Leisure & Entertainment	Jul 2032	1.1%
4	合肥华联影院经营管理有限公司	BHG Hefei Mengchenglu Cinema BHG合肥蒙城路影院	Hefei Mengchenglu	Leisure & Entertainment	Apr 2023	0.9%
5	海鸿达(北京)餐饮管理有限公司	Hai Di Lao 海底捞	Beijing Wanliu	Food & Beverage	Jan 2025	0.9%
6	永旺幻想(中国)儿童游乐有限公司	Molly Fantasy莫莉幻想	Beijing Wanliu	Kids' Education & Retail	Aug 2023	0.7%
7	眉州东坡餐饮管理(北京)有限公司万柳中路分公司	Meizhou Dongpo Restaurant 眉州东坡	Beijing Wanliu	F&B	May 2023	0.7%
8	北京赫石体育文化发展有限公司	HS Superkid 赫石小超人	Beijing Wanliu	Kids' Education & Retail	May 2027	0.7%
9	合肥华联湖东影院管理有限公司	BHG Hefei Changjiangxilu Cinema BHG合肥长江西路影院	Hefei Changjiangxilu	Leisure & Entertainment	Aug 2031	0.7%
10	北京优尔康健口腔门诊部有限公司	Your Dental 优尔齿科	Beijing Wanliu	Beauty & Healthcare	Mar 2024	0.7%
						<b>25.4%</b>

<sup>1</sup> The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2022.

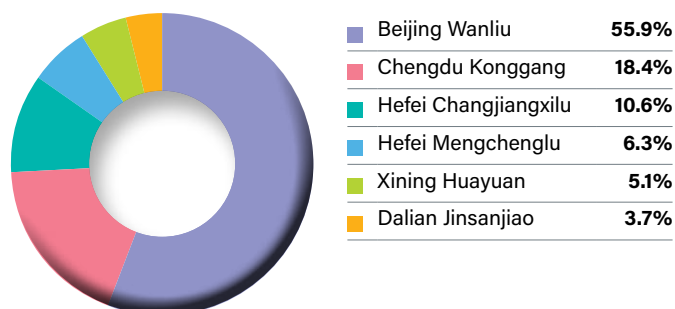
# FINANCIAL REVIEW

## GROSS REVENUE

Gross revenue in Chinese Renminbi (“RMB”) and Singapore Dollars (“SGD” or “S\$”) was approximately RMB 15.4 million (-4.5%) and S\$4.2 million (-6.0%) lower year-on-year respectively. The moderated performance was largely attributed to rental rebates provided to support tenants in FY 2022 due to the COVID-19 situation in China while no rental rebates were given in FY 2021, as well as higher interest expenses, and refinancing expenses incurred during the refinancing exercise completed in March 2022.

As a socially responsible owner of retail malls that operate in the community space, BHG Retail REIT has offered relief arrangements such as rental rebate to qualifying tenants to help them tide over this disruption, and to reinforce our long-term partnerships. Despite headwinds brought by the pandemic, overall committed occupancy rates and retention rates remained healthy through FY 2022.

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



Gross Revenue	RMB'000		S\$'000	
	FY 2022	FY 2021	FY 2022	FY 2021
<b>Multi-tenanted</b>				
Beijing Wanliu	180,937	185,692	37,136	38,682
Chengdu Konggang	59,517	64,027	12,216	13,338
Hefei Changjiangxilu	34,376	38,087	7,055	7,934
Hefei Mengchenglu	20,516	22,729	4,210	4,734
	<b>295,346</b>	<b>310,535</b>	<b>60,617</b>	<b>64,688</b>
<b>Master-leased</b>				
Xining Huayuan	16,446	16,797	3,375	3,499
Dalian Jinsanjiao	11,888	11,774	2,440	2,453
	<b>28,334</b>	<b>28,571</b>	<b>5,815</b>	<b>5,952</b>
<b>Portfolio</b>	<b>323,680</b>	<b>339,106</b>	<b>66,432</b>	<b>70,640</b>

<sup>1</sup> Based on FY 2022 results.

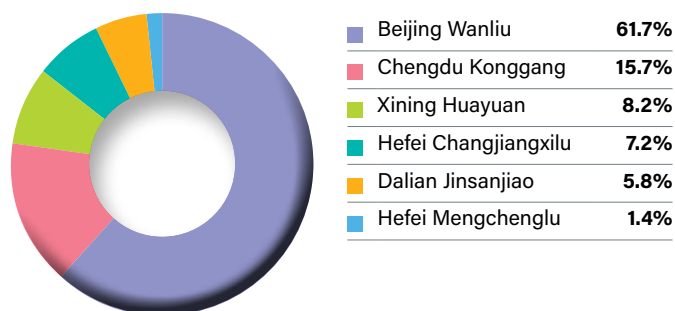
<sup>2</sup> Based on 100% contribution from Beijing Wanliu.

## NET PROPERTY INCOME

Net property income in RMB and SGD was approximately RMB 16.9 million (-8.4%) and S\$4.1 million (-9.8%) lower year-on-year respectively. The lower net property income was due mainly to the lower gross rental income.

Property operating expenses in RMB was RMB 1.4 million (1.0%) higher while property operating expense in SGD was S\$0.1 million (-0.5%) lower year-on-year, due to exchange differences. This was mainly due to the lower property tax and property management fees which are both associated with the decline in gross rental income.

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



Net Property Income	RMB'000		S\$'000	
	FY 2022	FY 2021	FY 2022	FY 2021
<b>Multi-tenanted</b>				
Beijing Wanliu	113,494	120,094	23,293	25,017
Chengdu Konggang	28,876	33,262	5,926	6,929
Hefei Changjiangxilu	13,148	16,544	2,698	3,446
Hefei Mengchenglu	2,483	4,520	510	942
	<b>158,001</b>	<b>174,420</b>	<b>32,427</b>	<b>36,334</b>
<b>Master-leased</b>				
Xining Huayuan	15,052	15,516	3,090	3,232
Dalian Jinsanjiao	10,768	10,747	2,210	2,239
	<b>25,820</b>	<b>26,263</b>	<b>5,300</b>	<b>5,471</b>
<b>Portfolio</b>	<b>183,821</b>	<b>200,683</b>	<b>37,727</b>	<b>41,805</b>

<sup>1</sup> Based on FY 2022 results.

<sup>2</sup> Based on 100% contribution from Beijing Wanliu.

# FINANCIAL REVIEW

## DISTRIBUTION

Based on the closing price of S\$0.500 as at 31 December 2022 and aggregated distribution per unit ("DPU") for FY 2022 of 1.17 Singapore Cents, BHG Retail REIT's annual distribution yield was 2.3%.

DPU (Singapore Cents)	FY 2022	FY 2021
First Half	0.76	1.12
Second Half	0.41	1.05
<b>Total</b>	<b>1.17</b>	<b>2.17</b>

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

As at 31 December 2022, BHG Retail REIT's investment properties were valued at RMB 4,703.0 million and S\$912.2 million. The valuation represents an increase of RMB 25.0 million (0.5%) from the independent valuation as at 31 December 2021 of RMB 4,678.0 million.

Investment Properties (millions)	RMB		S\$	
	2022	2021	2022	2021
Beijing Wanliu	2,527.0	2,511.5	490.2	533.0
Chengdu Konggang	667.0	663.0	129.3	140.7
Hefei Mengchenglu	587.0	584.0	113.9	123.9
Hefei Changjiangxilu	483.0	480.5	93.7	102.0
Xining Huayuan	274.0	274.0	53.1	58.1
Dalian Jinsanjiao	165.0	165.0	32.0	35.0
<b>Portfolio</b>	<b>4,703.0</b>	<b>4,678.0</b>	<b>912.2</b>	<b>992.7</b>



1. Based on independent valuation from Colliers International (Hong Kong) Limited as at 31 December 2022.

## CAPITAL MANAGEMENT

BHG Retail REIT adopts a prudent and proactive capital management strategy and successfully completed its loan refinancing exercise in March 2022, the facilities of which will only mature in year 2025.

BHG Retail REIT's borrowings include two onshore secured borrowing facilities of RMB 192.5 million and RMB 104.5 million respectively which in total is equivalent to S\$63.4 million, and an offshore secured borrowing facility of S\$252.0 million. As at 31 December 2022, the S\$252.0 million offshore facility was fully drawn down, while RMB 178.5 million and RMB 62.1 million were drawn down from the RMB 192.5 million and RMB 104.5 million onshore facilities respectively.

On 16 April 2020, the MAS announced that the gearing ratio limit for S-REITs will be raised from 45% to 50% with immediate effect. As at 1 January 2022, S-REITs are required to have a minimum Interest Coverage Ratio ("ICR") of 2.5 time before they are allowed to increase their leverage to beyond the prevailing 45% limit (up to 50%).

As at 31 December 2022, borrowings drawn down of S\$297.2 million represented a gearing of 37.7%<sup>1</sup>, which is an increase in aggregate leverage compared to 34.1% in FY 2021.

The Manager is of the view that the increase in aggregate leverage would not significantly impact the risk profile of the REIT and its subsidiaries due to the comfortable debt headroom and the total valuation of the investment properties has increased as at 31 December 2022 as compared to the total valuation as at 31 December 2021.

The REIT continually monitors its gearing ratio and maintains it within the approved limits so as to provide comfortable debt headroom to facilitate any potential acquisition growth. More than 80% of borrowings are denominated in SGD, and of which about 42% are hedged via interest rate swaps. Weighted average term to maturity was 2.2 years as at 31 December 2022.

### Key Financial Indicators

As at 31 December 2022

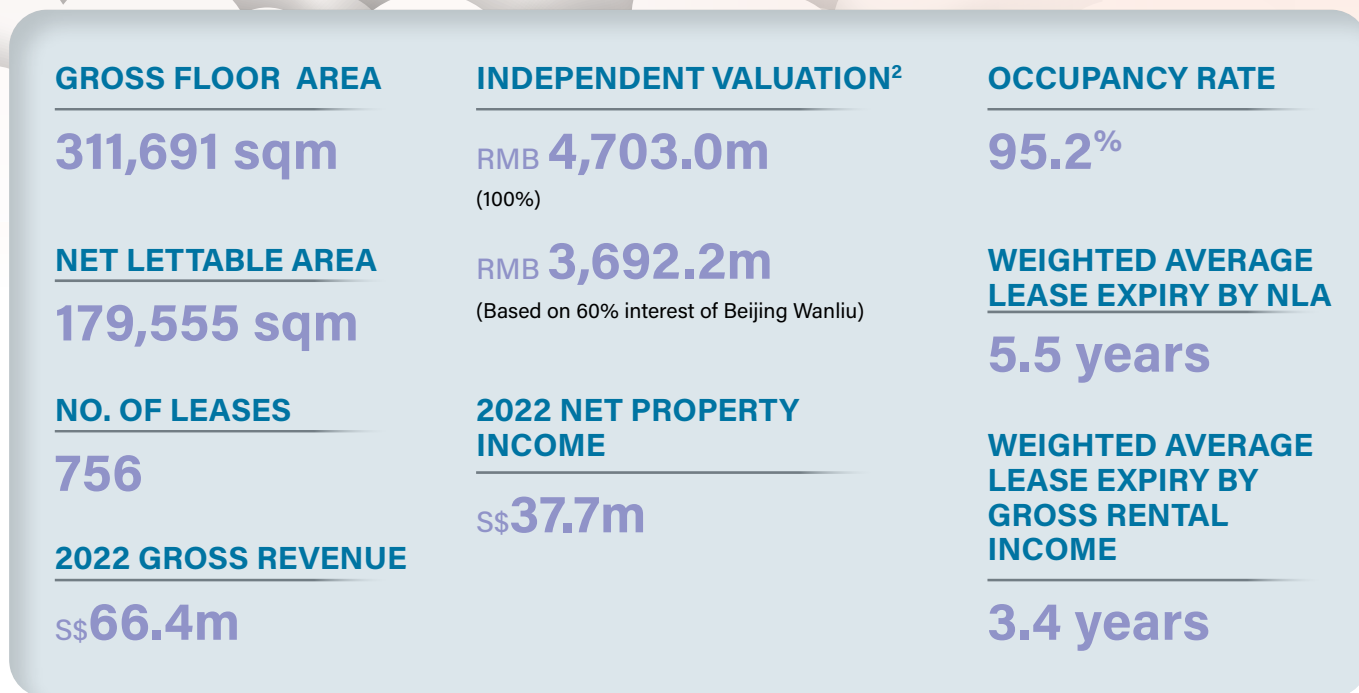
Gearing <sup>1</sup>	37.7%
Interest Coverage Ratio (times) <sup>2</sup>	2.2
Average cost of debt <sup>3</sup>	4.4%

<sup>1</sup> Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders. MAS gearing ratio was raised from 45% to 50% on 16 April 2020, to provide S-REITs greater flexibility to manage their capital structure and to raise debt financing.

<sup>2</sup> The adjusted ICR is the same as ICR.

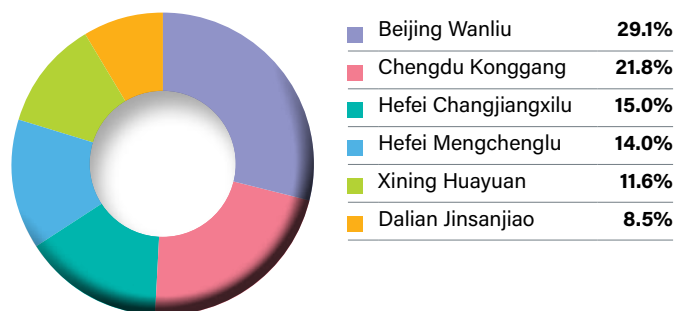
<sup>3</sup> Average cost of debt will be 5.3% per annum if amortisation of loan establishment fee is included.

# PORTFOLIO OVERVIEW<sup>1</sup>

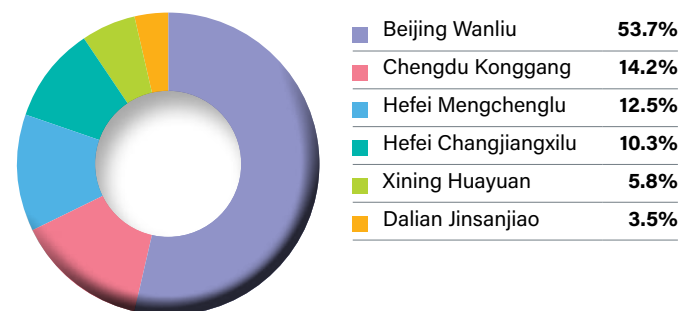


BHG Retail REIT's portfolio consists of six retail properties located in areas surrounded by growing middle or upper-middle income households. Our retail malls serve their communities through their wide range of products, excellent experiential services and popular community engagement activities. Of 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 Life Supermarket Co., Ltd.

## BREAKDOWN OF NLA BY PROPERTY



## BREAKDOWN OF VALUATION BY PROPERTY<sup>2</sup>



<sup>1</sup> As at 31 December 2022.

<sup>2</sup> Based on independent valuation from Colliers International (Hong Kong) Limited as at 31 December 2022.



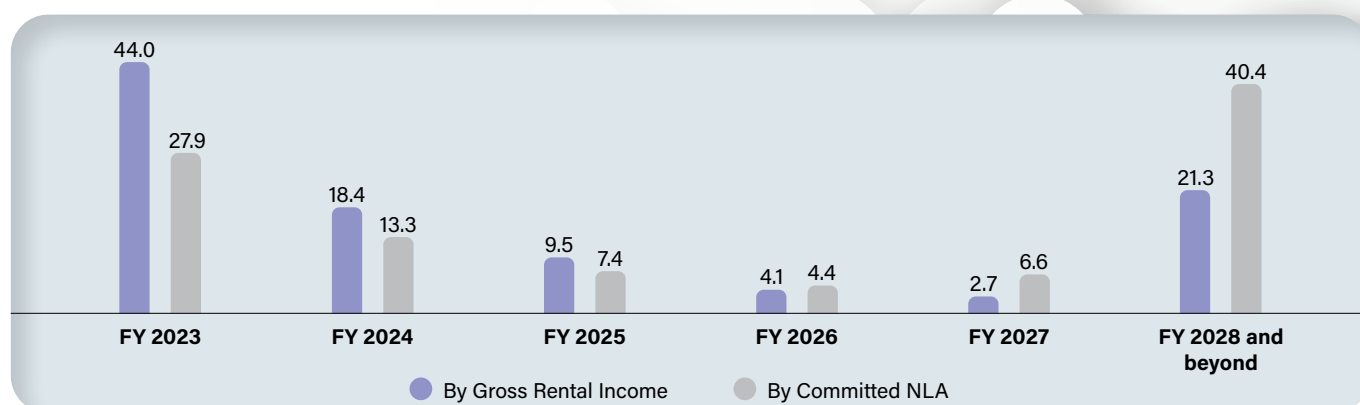
## PORTFOLIO LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2022

As at 31 December 2022, the portfolio has a weighted average lease expiry of 3.4 years by gross rental income, and 5.5 years by NLA. 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 2022, 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 20.3% of the gross rental income for the month of December 2022.

## LEASE EXPIRY PROFILE (%)

(As at 31 December 2022)

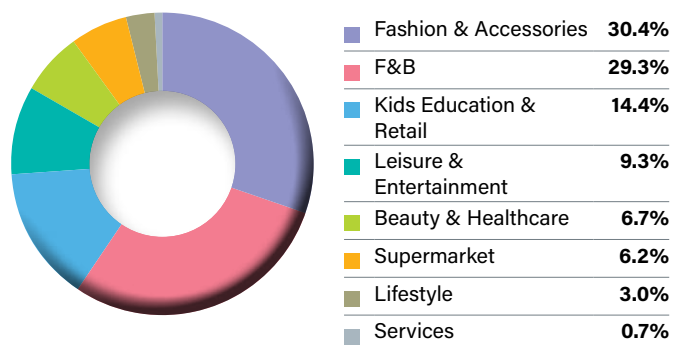


## TENANTS BY TRADE SECTOR

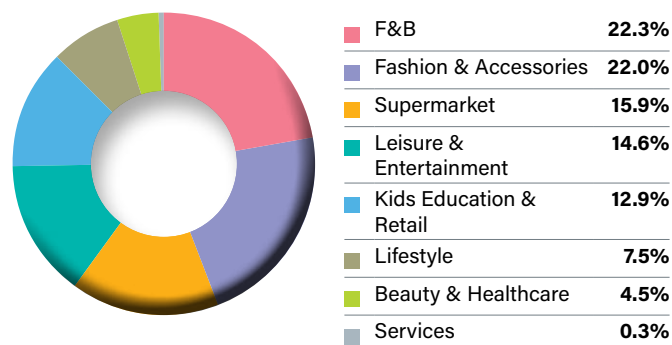
(As at 31 December 2022)

### MULTI-TENANTED MALLS (AS AT 31 DECEMBER 2022)

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



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



<sup>1</sup> As percentage of the portfolio's gross rental income for the month of December 2022.

<sup>2</sup> As percentage of the portfolio's net lettable area as at 31 December 2022.

# PORTFOLIO OVERVIEW



**BEIJING  
WANLIU**



**CHENGDU  
KONGGANG**

<b>Address</b>	No. 2 Bagou Road, Haidian District, Beijing	No. 166 Jinhua Road, Second Section, Shuangliu County, Chengdu
<b>Commencement of Operations (Year)</b>	Aug 2010	Dec 2013
<b>Gross Floor Area ("GFA") sqm</b>	105,920	71,917
<b>Net Lettable Area ("NLA") sqm</b>	52,253	39,095
<b>No. of Leases</b>	286	247
<b>Independent Valuation<sup>1</sup> (RMB million)</b>	2,527.0 (100%) 1,516.2 (60%)	667.0
<b>Purchase Price<sup>2,3</sup> (RMB million)</b>	1,838.6 (100%) 1,103.1 (60%)	602.1
<b>FY 2022 Gross Revenue (S\$ million)</b>	371	12.2
<b>FY 2022 Net Property Income (S\$ million)</b>	23.3	5.9
<b>Occupancy Rate (%)</b>	94.1	96.6
<b>Weighted Average Lease Expiry By NLA (years)</b>	3.6	3.4
<b>Weighted Average Lease Expiry By Gross Rental Income (years)</b>	2.3	2.1
<b>Term of Land Use (Expiring on)</b>	29 Aug 2044 (29 Aug 2054 for car park)	23 May 2047 (23 May 2077 for car park)





**HEFEI  
MENGCHENGLU**



**HEFEI  
CHANGJIANGXILU**



**XINING  
HUAYUAN**



**DALIAN  
JINSANJIAO**

No. 99  
Mengcheng Road,  
Luyang District,  
Hefei

No. 639  
Changjiangxilu Road,  
Shushan District,  
Hefei

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

No. 18  
Huadong Road,  
Ganjingzi District,  
Dalian

Feb 2013

Nov 2010

Aug 2000

Jul 2000

49,699

48,003

20,807

15,345

25,087

26,968

20,807

15,345

83

138

1

1

587.0

483.0

274.0

165.0

563.5

334.0<sup>3</sup>

254.4

135.7

4.2

7.1

3.4

2.4

0.5

2.7

3.1

2.2

91.1

92.7

100.0

100.0

2.7

4.0

12.0<sup>4</sup>

12.0<sup>4</sup>

1.8

2.3

12.0<sup>4</sup>

12.0<sup>4</sup>

31 Aug 2044

30 April 2043

19 Aug 2048

27 Feb 2042

<sup>1</sup> Based on independent valuation from Colliers International (Hong Kong) Limited as at 31 December 2022.

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

<sup>3</sup> Based on circular to unitholders in relation to the proposed acquisition of Hefei Changjiangxilu.

<sup>4</sup> Remaining lease (years).

# PROPERTY HIGHLIGHTS

## BEIJING WANLIU 北京万柳

Premium Community Mall In Beijing's High Income Residential District



### TENANTS INCLUDE

- BHG Life Supermarket
- BHG Cinema
- Watsons
- H&M
- Uniqlo
- Muji
- Calvin Klein Jeans
- Tommy Hilfiger
- Teenie Weenie
- HLA
- Decathlon
- The North Face
- Champion
- Pop Mart, Lego
- Aeon Molly Fantasy
- EF英孚
- CTC首泰
- The Green Party
- Tmall Musical Instrument Experience Hall 天猫乐器体验馆
- McDonald's
- Yoshinoya
- Hai Di Lao
- Pizza Hut
- KFC
- Burger King
- Wagas
- Element Fresh
- 眉州东坡
- Starbucks
- Costa Coffee
- Paris Baguette
- 唱吧麦颂
- Chow Tai Fook 周大福
- BreadTalk

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

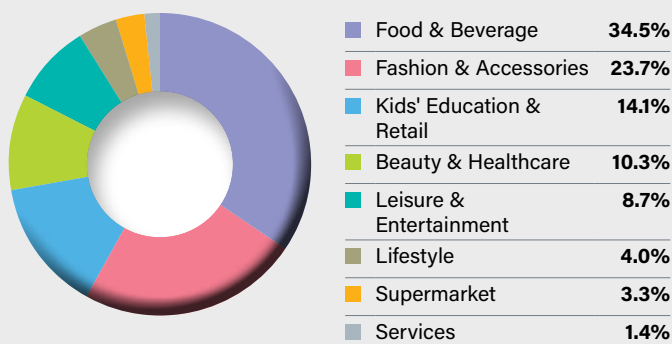
Catering to the growing needs of middle-to-high income families and professionals living and working in Wanliu, Beijing Wanliu stands out with six floors of premium retail and quality experiential services. The multi-tenanted Beijing Wanliu is surrounded by high-end residential communities whose residents enjoy coming to the mall for a wide range of lifestyle options such as fashion, dining, education and entertainment.

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

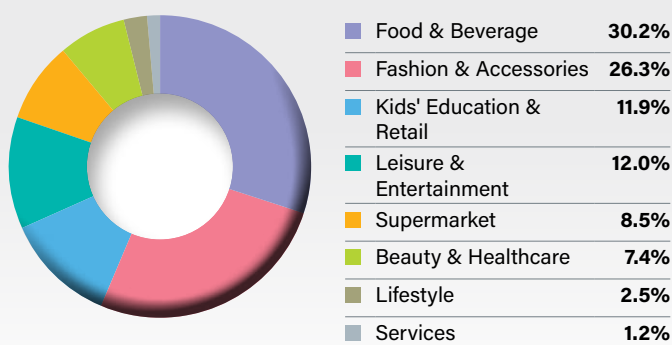
## TENANTS BY TRADE SECTOR

(As at 31 December 2022)

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



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



## INDEPENDENT VALUATION

RMB**2,527.0 million**  
(100%)

RMB**1,516.2 million**  
(60%)

## NET LETTABLE AREA

**52,253 sqm**

## NO. OF TENANTS

**286**

## OCCUPANCY RATE

**94.1%**

## WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

**3.6 years**

## FY 2022 GROSS REVENUE

**S\$37.1 million**

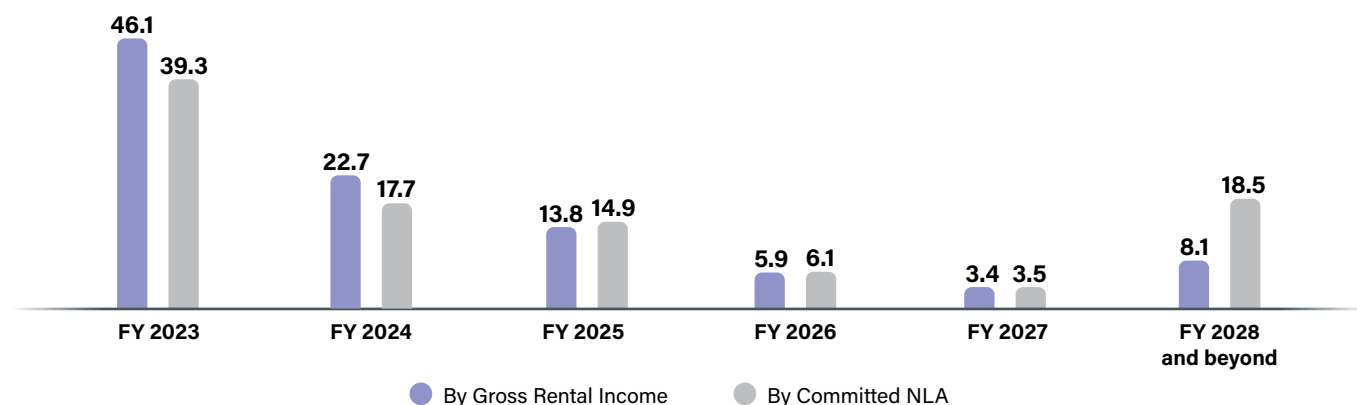
## FY 2022 NET PROPERTY INCOME

**S\$23.3 million**

## LEASE EXPIRY PROFILE<sup>2</sup>

(As at 31 December 2022)

(%)



<sup>1</sup> As at 31 December 2022.

<sup>2</sup> Excludes Vacancy.

# PROPERTY HIGHLIGHTS

## CHENGDU KONGGANG 成都空港

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



### TENANTS INCLUDE

- BHG Life Supermarket
- BHG Cinema
- Watsons
- Legou Liangfan KTV
- 美航国际健身
- Pizza Hut
- Honor
- La Chapelle
- La Chapelle Kids
- Yishion
- Nike
- Adidas
- Miniso
- HLA
- Li-Ning
- KFC
- MIXUE蜜雪冰城
- Starbucks
- Chow Tai Seng 周大生
- Holiland 好利来
- Hai Di Lao
- Riverside Grill Fish 江边城外
- Jibulu吉布鲁
- Goodwood 良木缘

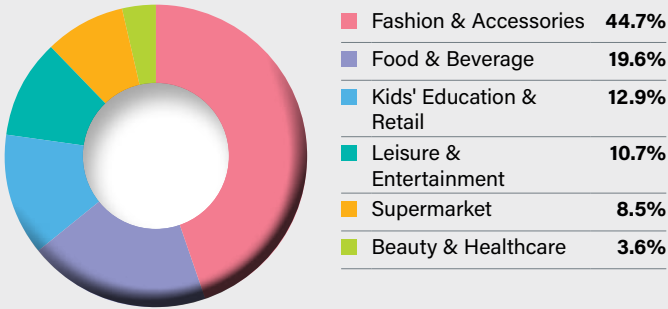
**CHENGDU KONGGANG** brings quality shopping and experiential lifestyle services to the city's growing middle and upper-middle families. The mall has a diversified tenant base offering residents in the neighbourhood a variety of services including a supermarket, fitness centre, KTV as well as a number of food and beverage outlets, restaurants and international and local brands for the best shopping experience. Shuangliu County is located at the south-western part of the city centre and occupies an area of about 431 square kilometres. Chengdu Konggang sees steady daily traffic due to its strong multi-tenant mix as well as its strategic location. Located in Shuangliu County in Chengdu, Sichuan Province, the mall is served by the Shuangliu railway station and is just a five minutes drive to Shuangliu International Airport.

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

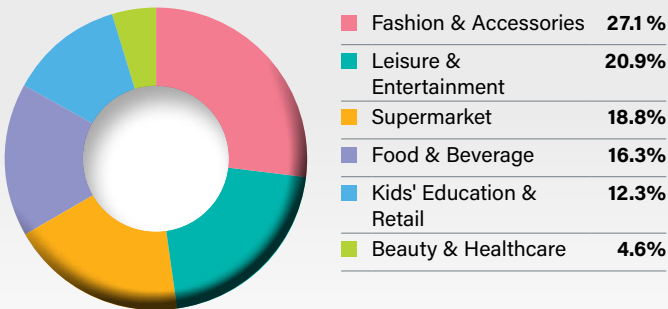
## TENANTS BY TRADE SECTOR

(As at 31 December 2022)

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



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



## INDEPENDENT VALUATION

RMB**667.0 million**

## NET LETTABLE AREA

**39,095 sqm**

## NO. OF TENANTS

**247**

## OCCUPANCY RATE

**96.6%**

## WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

**3.4 years**

## FY 2022 GROSS REVENUE

**S\$12.2 million**

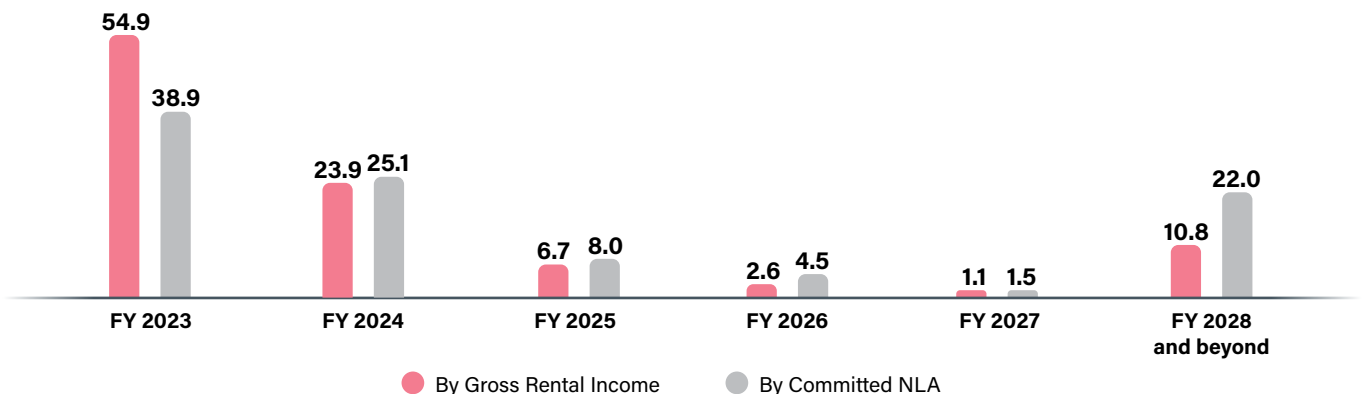
## FY 2022 NET PROPERTY INCOME

**S\$5.9 million**

## LEASE EXPIRY PROFILE<sup>2</sup>

(As at 31 December 2022)

(%)



<sup>1</sup> As at 31 December 2022.

<sup>2</sup> Excludes Vacancy.

# PROPERTY HIGHLIGHTS

## HEFEI MENGCHENGLU 合肥蒙城路

One of Hefei City's Most Popular Shopping Centres



### TENANTS INCLUDE

- BHG Cinema
- Watsons
- Hai Di Lao
- Hai Xian Gang 海仙港
- Mu Tong Ji 木桶记
- Pizza Hut
- Burger King
- Starbucks
- ZanKee 詹記
- Zhou Gui Fei 周贵妃
- Biwoosoo 百武西
- HotMaxx
- Miniso
- HLA

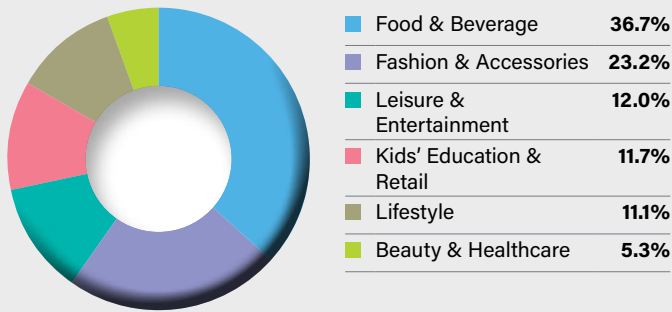
**HEFEI MENGCHENGLU** is located in Hefei City, the provincial capital and largest city of Anhui Province in China. It is also the political, economic and cultural center of Anhui province.

Hefei Mengchenglu is situated near the northwest corner of the intersection of Beier Ring Road and Mengcheng Road, North of Luyang District. It is also located in Hefei's North First Ring retail hub, which comprises several matured communities of residents, high quality office projects and commercial facilities. The mall is frequented by families and professionals for retail goods and services such as fashion, dining and entertainment.

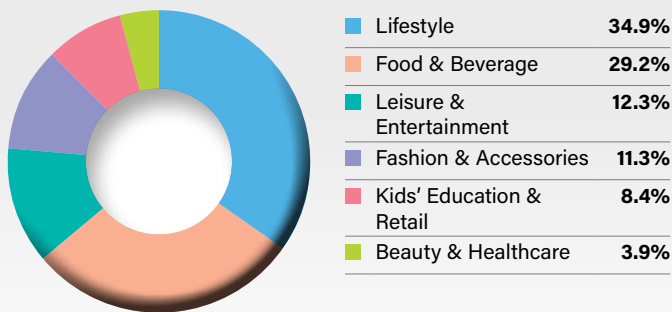
Hefei Mengchenglu is easily accessed via several main roads and is only a five minutes walk from two bus stations – the North Station of Baishuiba and the West Station of Baishuiba. The mall is located near government organisations such as the Luyang District Government, Luyang Administrative Service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

## TENANTS BY TRADE SECTOR (As at 31 December 2022)

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



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



INDEPENDENT VALUATION  
RMB**587.0 million**

NET LETTABLE AREA  
**25,087 sqm**

NO. OF TENANTS  
**83**

OCCUPANCY RATE  
**91.1%**

WEIGHTED AVERAGE LEASE EXPIRY  
(Based on Net Lettable Area)

**2.7 years**

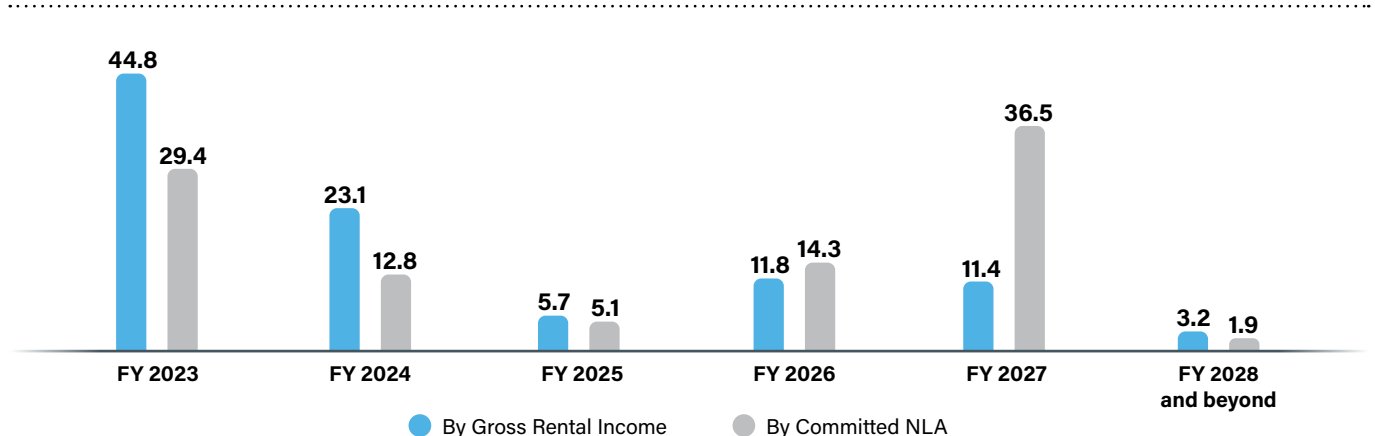
FY 2022 GROSS REVENUE  
**S\$4.2 million**

FY 2022 NET PROPERTY INCOME  
**S\$0.5 million**

## LEASE EXPIRY PROFILE<sup>2</sup>

(As at 31 December 2022)

(%)



<sup>1</sup> As at 31 December 2022.

<sup>2</sup> Excludes Vacancy.

# PROPERTY HIGHLIGHTS

## HEFEI CHANGJIANGXILU 合肥长江西路

A Heartland Mall That Serves Neighbouring Residential Communities



### TENANTS INCLUDE

- BHG Life Supermarket
- BHG Cinema
- Watsons
- Pizza Hut
- Qin Xi Li 秦西里
- ZanKee 詹記
- Wu Kong Hong Bei
- 悟空烘焙
- Honor
- Huawei
- Fila Kids
- Chow Tai Seng 周大生
- KFC

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

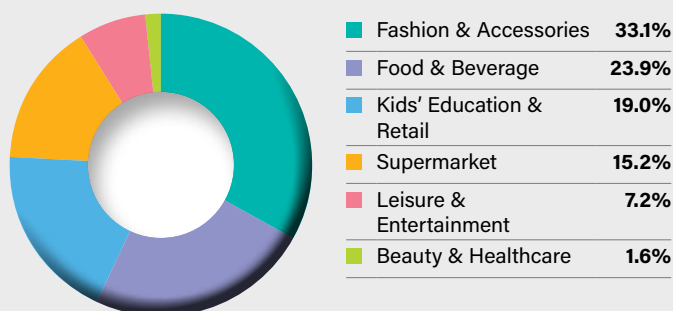
Hefei Changjiangxilu is located at the junction of Huaining North Road and Changjiang West Road, the two main roads of Hefei city, and close to several public bus stations in the vicinity. It is well connected to the Hefei Metro Line 2, and connects Shushan District with two other major districts in Hefei. Hefei Metro Line 2 has brought about greater shopper traffic to the area and has increased the footfall of Hefei Changjiangxilu by approximately 20.0%. Hefei Changjiangxilu is also situated approximately 10 km away from Hefei's central business district, 13 km away from the Zhengzhou East Railway Station, 14.5 km away from Hefei South Railway Station, and 32.6 km away from Hefei Xinqiao International Airport.



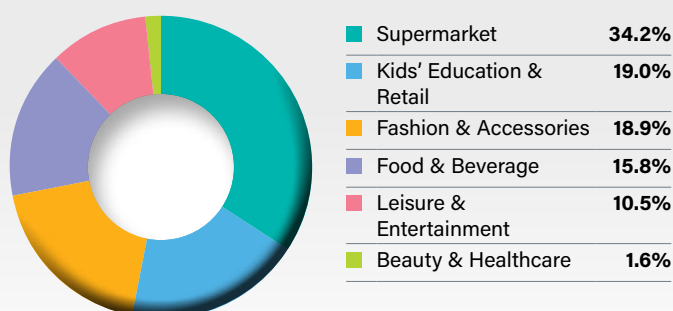
## TENANTS BY TRADE SECTOR

(As at 31 December 2022)

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



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



## INDEPENDENT VALUATION

RMB**483.0 million**

## NET LETTABLE AREA

**26,968 sqm**

## NO. OF TENANTS

**138**

## OCCUPANCY RATE

**92.7%**

## WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

**4.0 years**

## FY 2022 GROSS REVENUE

**\$7.1 million**

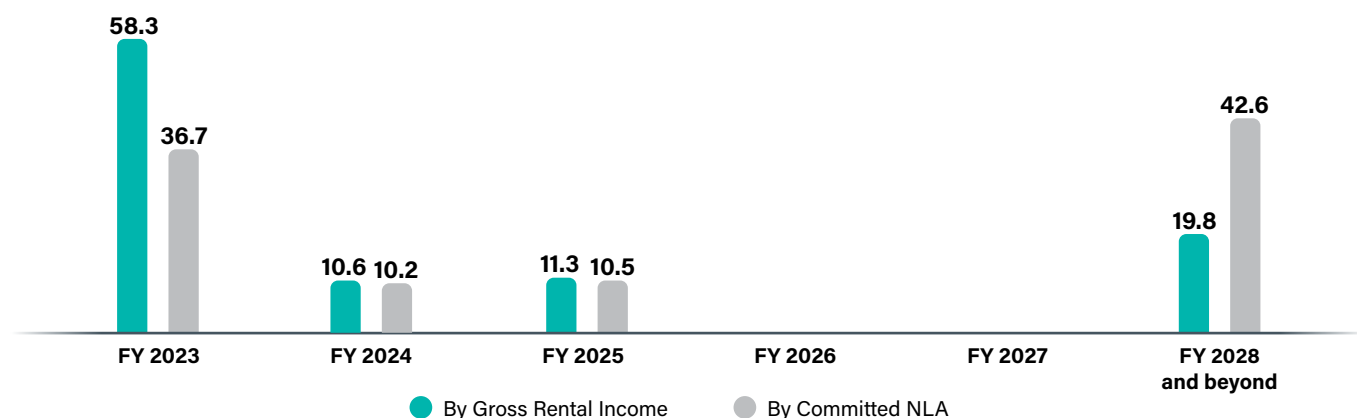
## FY 2022 NET PROPERTY INCOME

**\$2.7 million**

## LEASE EXPIRY PROFILE<sup>2</sup>

(As at 31 December 2022)

(%)



<sup>1</sup> As at 31 December 2022.

<sup>2</sup> Excludes Vacancy.

## PROPERTY HIGHLIGHTS

# XINING HUAYUAN 西宁花园

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

**XINING HUAYUAN** is a four-storey retail hub set in the Ximen-Dashizi area, a traditional and core retail hub in Xining. The mall's master lessee is Beijing Hualian Life Supermarket 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 produce at reasonable prices.

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

### INDEPENDENT VALUATION

RMB**274.0 million**

### NET LETTABLE AREA

**20,807 sqm**

### LEASE EXPIRY

**12.0 years**

### FY 2022 GROSS REVENUE

**S\$3.4 million**

### FY 2022 NET PROPERTY INCOME

**S\$3.1 million**



# DALIAN JINSANJIAO 大连金三角

A Key Destination  
for Daily Essentials

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

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

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

## INDEPENDENT VALUATION

RMB**165.0 million**

## NET LETTABLE AREA

**15,345 sqm**

## LEASE EXPIRY

**12.0 years**

## FY 2022 GROSS REVENUE

**S\$2.4 million**

## FY 2022 NET PROPERTY INCOME

**S\$2.2 million**



# INVESTOR RELATIONS



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

## PROACTIVE INVESTOR ENGAGEMENT

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

During the year, BHG Retail REIT continued to proactively engage with retail and institutional investors, and others in investment and research communities via teleconferences and one-to-one meetings. We continued to work closely with sell-

side brokers, banks and securities firms to widen our network of institutional investors, family offices and high-net-worth individuals across various geographical regions.

The Board and the Manager encourage 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. In view of the current COVID-19 situation, the AGM for FY 2022 will be convened via electronic means in April 2023.

## RECOGNITION & ACCOLADES

In November 2022, BHG Retail REIT was conferred three platinum awards at The Global CSR & ESG Awards 2022™. BHG Retail REIT received Platinum awards for the 'Best Community Programme Award', 'Best Corporate Communications and Investor Relations Team', as well as the 'CSR & ESG Leadership Award' categories. This is a testament and recognition of the REIT's efforts in driving sustainability, good corporate governance practices, and proactive communication with investors, as part of its core strategic pillars.

## FY 2022 INVESTOR RELATIONS CALENDAR

### FEBRUARY

- ▶ One-to-one meetings

### APRIL

- ▶ Phillip Securities Webinar
- ▶ FY 2021 Annual General Meeting (Virtual)

### MAY

- ▶ CGS-CIMB Trading Representatives Briefing
- ▶ REITs Symposium 2022 (organised by REITAS & ShareInvestor)

### AUGUST TO OCTOBER

- ▶ One-to-one meetings

### NOVEMBER

- ▶ **The Global CSR & ESG Awards 2022™**  
BHG Retail REIT received three Platinum awards for the 'Best Community Programme Award', 'Best Corporate Communications and Investor Relations Team', as well as the 'CSR & ESG Leadership Award' categories
- ▶ One-to-one meetings

## FY 2023 FINANCIAL CALENDAR\*

### 2023

- ▶ **MAY**  
1Q 2023 Business Update
- ▶ **AUGUST**  
1H 2023 Results Announcement
- ▶ **SEPTEMBER**  
1H 2023 Distribution Payment
- ▶ **NOVEMBER**  
3Q 2023 Business Update

### 2024

- ▶ **FEBRUARY**  
FY 2023 Results Announcement
- ▶ **MARCH**  
2H 2023 Distribution Payment
- ▶ **APRIL**  
FY 2023 Annual General Meeting

BHG RETAIL REIT WAS  
CONFERRED THREE  
PLATINUM AWARDS AT  
**THE GLOBAL  
CSR & ESG  
AWARDS  
2022™**

## UNITHOLDER & MEDIA ENQUIRIES

If you have any enquiries or would like to find out more about BHG Retail REIT, please contact:

**THE MANAGER**  
**Investor Relations Team**  
Tel : +65 6805 8283  
Email : [ir@bhgreit.com](mailto:ir@bhgreit.com)  
Website : [www.bhgreit.com](http://www.bhgreit.com)

**UNIT REGISTRAR**  
**Boardroom Corporate  
& Advisory**  
Services Pte. Ltd.  
1 Harbourfront Avenue  
#14-07 Keppel Bay Tower  
Singapore 098632  
Tel : +65 6536 5355  
Fax : +65 6536 1360  
Website : [www.boardroomlimited.com](http://www.boardroomlimited.com)

For updates or change of  
mailing address, please contact:

**The Central Depository  
(Pte) Limited**  
Tel : +65 6535 7511  
Email : [asksgx@sgx.com](mailto:asksgx@sgx.com)  
Website : <https://investors.sgx.com/dashboard>

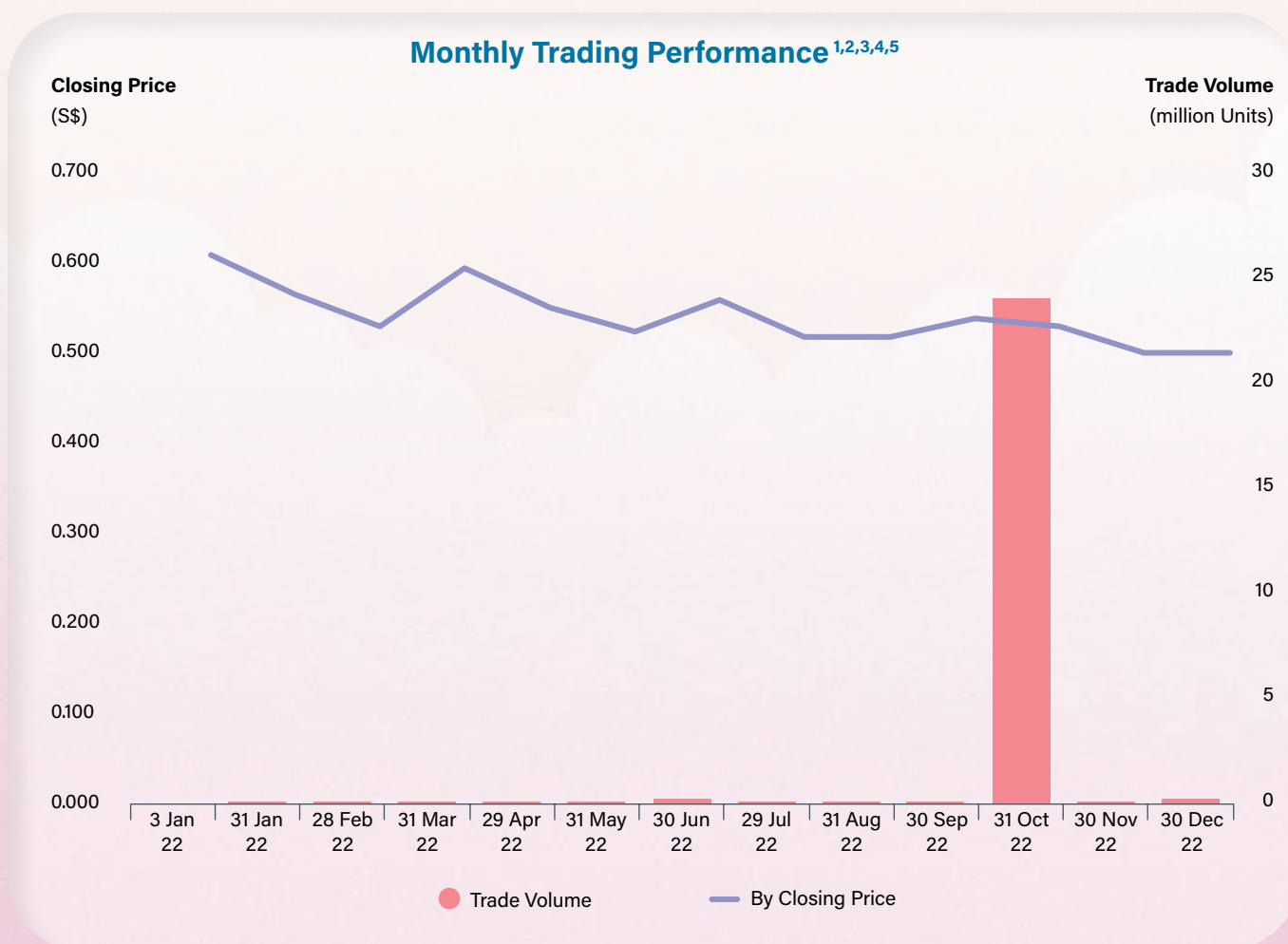
\* These dates are indicative and subject to change. Please refer to BHG Retail REIT's website for the latest updates.

# INVESTOR RELATIONS



## UNIT PRICE PERFORMANCE

BHG Retail REIT's unit price closed at S\$0.500 on 31 December 2022 compared to S\$0.610 on 31 December 2021. Total trading volume in 2022 aggregated to 25.2 million units, compared to 36.5 million units in 2021. The lower trade volume was mainly due to varying amount of aggregated married transactions in the previous year.



<sup>1</sup> 3 January 2022 being the first trading day and 30 December 2022 being the last trading day in 2022.

<sup>2</sup> Highest unit price was S\$0.610 in 2022, compared to S\$0.620 in 2021.

<sup>3</sup> Lowest unit price was S\$0.475 in 2022, compared to S\$0.480 in 2021.

<sup>4</sup> Opening price on 3 January 2022 remained the same as the closing price on 31 December 2021.

<sup>5</sup> Assumes distributions were reinvested on the day they were paid out.

# EMBEDDING SUSTAINABILITY, CASCADING AMBITION

As BHG Retail REIT continues to strive for sustainable growth of our business, we remain committed in embedding sustainability in all our daily operations. Moving forward, we wish to cascade our ambitions in achieving greater sustainability performance and reporting.

# SUSTAINABILITY REPORT

1

## BHG RETAIL REIT AT A GLANCE

### OUR SUSTAINABILITY JOURNEY

#### About BHG Retail REIT

Sponsored by a China-based Group, BHG Retail REIT (hereinafter referred to as “the REIT”, “We”, or “Our”) is Singapore’s first pure-play China Retail REIT listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The REIT is managed by BHG Retail Trust Management Pte. Ltd. (the “REIT Manager”), an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (the “Sponsor”). The Sponsor and Beijing Hualian Hypermarket Co., Ltd. are part of Beijing Hualian Group Investment Holding Co., Ltd. (“Beijing Hualian Group”), one of China’s largest retail enterprises with over 20 years of retail operating experience.

The REIT Manager is based in Singapore. All references made to employee-related performance refers to performance and responsibilities of the REIT Manager. 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. From the REIT’s portfolio, four are multi-tenanted, namely Beijing Wanliu,

Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu. On the other hand, two properties-Xining Huayuan and Dalian Jinsanjiao, are master-leased. Each of our multi-tenanted properties is billed as an upscale retail destination featuring a compelling mix of shopping, dining, educational and recreational establishments.

With our inaugural sustainability report published since FY 2017, BHG Retail REIT has demonstrated its long-standing commitment to sustainability. We proudly present our sixth sustainability report this reporting period. Throughout our sustainability journey, we are proud to have gained a deeper understanding on our environmental footprint and impact on our people and communities. We are committed to continue to put forth more ambitious and effective initiatives and targets in order to create long-term value and pursue sustainable growth in line with our vision and mission statements. Please refer to page 87 of this report for a summary of our FY 2022 sustainability highlights and targets moving forward. [2-1] [2-6]



## VISION

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



## MISSION

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



## BOARD STATEMENT

2022 was a year filled with both new challenges and new opportunities. As international borders continued to reopen post COVID-19, the world also saw strengthened commitment to environmental protection via the 27<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27). Key achievements of the COP27 include maintaining a clear intention to limit global warming to 1.5 °C and a new focus on keeping businesses and institutions accountable to their sustainability commitments. Here at BHG Retail REIT, we echo the global ambition and are committed to embed sustainability into our daily decision-making and operations. We recognise the strengthened disclosure guidelines reflected in the updated Global Reporting Initiative (“GRI”) 2021 Standards, and seek to improve our own sustainability disclosures in alignment with the updated guidelines.

Environment, Social and Governance (“ESG”) issues have always been a priority for the REIT in its business and strategy, with our inaugural sustainability report being published in 2018. Over the years, the REIT has continued to regularly monitor and review our sustainability performance and efforts to ensure continuous improvements. The board of directors of the REIT (the “Board”, and each a “Director”) is proud to present its sixth sustainability report for FY 2022 (as defined herein). The Board has thoroughly reviewed sustainability issues impacting our business, determined the

material ESG factors as well as monitored and overseen the management of these ESG issues, including climate change. In 2022, in line with the updates in the GRI Standards 2021, we have also integrated considerations on our impact to human rights. The REIT, under the oversight of the Board, has refreshed its list of materials ESG issues or topics this year and are pleased to include the addition of one new material topic-Anti-corruption. We believe that ethical business practices and sound corporate governance are vital for our long-term sustainable growth.

The REIT is pleased to announce that in 2022, BHG Retail REIT was conferred three platinum awards at the Global CSR & ESG Awards 2022, specifically in the ‘Best Community Programme Award’, ‘Best Corporate Communications and Investor Relations Team’, as well as the ‘CSR & ESG Leadership Award’ categories. We are proud to have received these prestigious awards as a testament and recognition of our efforts in driving sustainability and business responsibility. Looking forward, we will remain committed towards the well-being of the communities we operate in as well as overall sustainable growth of our business. We seek to continue cascading our climate and sustainability ambitions and performance. On behalf of the Board and the REIT Manager team, we would like to extend our sincere gratitude to all our stakeholders for their continuous support throughout BHG Retail REIT’s sustainability journey.

[2-22]

## 2

## ABOUT THIS REPORT

BHG Retail REIT has prepared this Sustainability Report with reference to the GRI Standards and the latest revisions in its Universal Standards 2021. The GRI standards are an internationally recognised standard for sustainability reporting and remain the most widely used sustainability reporting standards globally as of 2022. As the GRI Standards are regularly reviewed to reflect best practices and to better align with other international standards, we strive to continue aligning our disclosures to the latest GRI recommendations and guidelines. Additionally, this report also complies with the sustainability reporting requirements set out in the Listing Manual of the SGX-ST (Rules 711A and 711B). BHG Retail REIT seeks to incorporate enhanced climate disclosures into our report<sup>1</sup> and has taken steps to align our reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

Our TCFD disclosures can be found from pages 104 to 105 of this report. The Board has reviewed and approved this report to ensure that the material ESG topics have been reflected accurately.

### Reporting Scope and Period

This report covers the REIT’s sustainability strategies, initiatives and performance for the financial year from 1 January 2022 to 31 December 2022 (“FY 2022”). The report covers ESG issues that are material and pertinent to our business and operations, and includes strategies, initiatives and performance of our operations in Singapore and our four multi-tenanted malls in China, Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu and Hefei Changjiangxilu. Our two master-leased properties, Dalian Jinsanjiao and Xining Huayuan, are not included in the reporting scope. Aligned with the GHG Protocol, we take

<sup>1</sup> <https://www.sgx.com/sustainables-finance/sustainability-reporting>.

# SUSTAINABILITY REPORT

reference to the operational control approach and report our GHG emissions for our four multi-tenanted malls which are under our operational control. This report is the REIT's sixth annual sustainability report, and we report no restatements of information from our previous report in the financial year ended 31 December 2021 ("FY 2021"). There are also no significant changes to our business operations from FY 2021. We seek to continue building upon our sustainability progress and reporting every year and keep all our reports publicly available on the REIT website. [2-2][2-4][2-6]

## Reporting Principle

This report follows the reporting principles outlined in the GRI 1: Foundation 2021 guidelines in order to ensure quality and proper presentation of our ESG information.

### Accuracy

- ▶ Information reported is correct and sufficiently detailed

### Balance

- ▶ We report our sustainability performance in an unbiased way to allow for a fair representation

### Clarity

- ▶ This report will be publicly accessible and understandable to the general public

### Comparability

- ▶ Information is reported consistent with past reports' approach
- ▶ Whenever possible, we report FY 2022 performance as compared to FY 2021 performance

### Completeness

- ▶ This report covers material ESG topics and respective boundaries within the stipulated reporting period

## Sustainability context

- ▶ Our business operations and performance is reported with reference to the larger ESG landscape at the local, regional and global level

### Timeliness

- ▶ We publish our report annually in conjunction with the publication of our Annual Report

### Verifiability

- ▶ We ensure that information reported is credible, and detail our decision-making processes when relevant

## External Assurance

BHG Retail REIT has not sought external assurance for this reporting period. Nonetheless, we remain committed to ensuring and continuously improving the credibility and transparency of our sustainability data and disclosures. We seek to have our report verified by an independent third-party in accordance to the SGX sustainability reporting requirements on external assurance in the near future. [2-5]

## Report Queries and Feedback

Here at BHG Retail REIT, we are committed to continuous growth and improvement of our sustainability performance and reporting. We view this report as a key channel in communicating our sustainability commitment and performance with all stakeholders, and value any feedback about this report. We welcome any report queries and feedback to be directed to:

### Philip Tan

*Sustainability Officer*

### BHG Retail Trust Management Pte. Ltd.

250 North Bridge Road, Raffles City Tower

#32-01 Singapore 179101

Email address: philip.tan@bhgreit.com

Date: 24 March 2023

[2-3]

## 3

## SUSTAINABILITY AT BHG RETAIL REIT

### SUSTAINABILITY GOVERNANCE

Under the Board's oversight, the REIT Manager team regularly reviews, monitors and manages sustainability risks and opportunities alongside enhancing our business practice sustainability performance and disclosure transparency. The Board is responsible for the overall direction and

management of embedding sustainability practices into our business operations. Review and approval by the Board is required before the publication of our annual sustainability report. ESG issues and material topics are regularly communicated to the Board during Board meetings and Board Committee meetings. To keep abreast with the

latest sustainability issues and strengthen collective knowledge on sustainable development, The Board has also undergone a training provided by the Singapore Institute of Directors and Institute of Singapore Chartered Accountants on sustainability matters in FY 2022. The “Environmental, Social and Governance Essentials” training program covers the board’s role and director’s responsibilities in sustainability governance and seeks to provide a foundation for board directors to drive sustainability compliance and integrate ESG factors into their business strategy.

Apart from sustainability matters that specifically require the Board’s approval, the Board delegates authority to individual committees and Management to supervise sustainability matters. Under the REIT’s corporate governance structure, the REIT Manager is supported by the Audit and Risk Committee (the “**ARC**”) and the Nominating and Remuneration Committee (the “**NRC**”) (collectively, the “Board Committees”), which facilitate proper discharge of the Board’s duty and functions. We also have in place our Enterprise Risk Management (“**ERM**”) Framework and a Business Continuity Plan (“**BCP**”) that seeks to identify and mitigate the risks of material ESG factors in the REIT’s business and operational activities. This is supplemented by an internal audit function which conducts the internal review of the sustainability reporting process which builds on the REIT’s existing governance structure, and is buttressed by adequate and effective internal controls and risk management systems. The internal audit function is outsourced to an independent service provider, bringing an added level of assurance.

As part of our internal audit plan, the identified processes relating to sustainability reporting will be incorporated into the internal audit plan, which will cover key aspects of the sustainability report. Further, the expectations of the Board, the management of BHG Retail REIT (“**Management**”) and other stakeholders will be considered as part of the prioritisation. The internal review will be conducted in accordance with the International Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Please refer to the Corporate Governance section of this annual report for more details on the overall corporate governance structure and policies at the REIT.

In order to ensure responsible business conduct and sound corporate governance, we have set

in place various policy commitments such as our Board Diversity Policy, Code of Conduct and Ethics, and our Business Ethics compliance policies. Guided by this Code of Conduct and Ethics, overseen by the Board and Management, every stakeholder of the REIT conducting business with us is expected to, among other things, adhere to the highest standards of ethical conduct. Our Whistleblowing Policy ensures that any employee or external parties may, in confidence and without fear or reprisal, safely raise any concerns about the organisation’s business conduct. Aligned with the GRI 2021 Standards, human rights principles are also embedded into our labour and employment practices, and diversity and inclusion principles are embedded in our employment practices.

#### Board Diversity Policy

- ▶ Provides that all aspects of diversity will be considered when reviewing the Board composition so as to foster an inclusive and diverse culture that introduces different perspectives and experiences that will ultimately promote better corporate governance

#### Code of Conduct and Ethics

- ▶ Provides that every Director and member of Management is expected to, among other things, adhere to the highest standards of ethical conduct

#### Whistle-Blowing Policy

- ▶ Provides a channel by which any persons may, in confidence, safely raise their concerns in a responsible and effective manner for any suspected fraudulent or wrongful act, corruption or other improprieties, and ensuring the protection of the whistleblower against detrimental or unfair treatment

[2-12][2-13] [2-14][2-17][2-23][2-24][2-26]

## THE BOARD

Sustainability Officer

Individual committees




# SUSTAINABILITY REPORT

## SUPPORTING UNITED NATIONS SUSTAINABILITY DEVELOPMENT GOALS

A set of 17 goals, the United Nations Sustainable Development Goals (“UN SGDs”) aim to provide a collective blueprint to transform the world by 2030. They call for global action to end poverty and inequality, protect the planet, and to ensure all people enjoy health, justice and prosperity.

BHG Retail REIT has been a long advocate and supporter of the UN SDGs. We strive to integrate the following UN SDGs into our business decisions and daily operations, ultimately leaving behind a long-lasting positive impact on our environment, employees and the communities we serve in.

UN SDGs	Descriptions	Our Sustainability Efforts
	<p><b>Goal 3: Good Health and Well-Being</b> Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> <li>▶ Aside from promoting good health and well-being among our employees, we also organise community outreach initiatives to reach out to the public, local service personnel and community centres.</li> </ul>
	<p><b>Goal 4: Training and Education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> <li>▶ We ensure training and education programs are available for all employees, and support their continuous upskilling and learning.</li> <li>▶ Serving as a communication platform for employees, regular employee performance reviews are provided to all employees to better support their career development.</li> </ul>
	<p><b>Goal 5: Gender Equality</b> Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>▶ We strive for a diverse and inclusive workforce, and are committed to ensure all receive fair and equal opportunity regardless of gender.</li> </ul>
	<p><b>Goal 6: Clean Water and Sanitation</b> Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> <li>▶ We recognise water as a valuable and scarce natural resource. We ensure proper water management and implement various water conservation efforts across all our properties.</li> </ul>
	<p><b>Goal 7: Affordable and Clean Energy</b> Ensure access to affordable, reliable, sustainable, and modern energy for all</p>	<ul style="list-style-type: none"> <li>▶ As a REIT, energy is important across all our properties. We have implemented our Energy Savings Plans in all our China malls to increase energy efficiency and reduce greenhouse gas emissions.</li> </ul>
	<p><b>Goal 8: Decent Work and Economic Growth</b> Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all</p>	<ul style="list-style-type: none"> <li>▶ We implement various programs to facilitate continued employability and career growth of all employees.</li> <li>▶ To empower the local workforce, all REIT Manager’s Senior Management are employed from the local community in Singapore.</li> </ul>
	<p><b>Goal 10: Reduced Inequalities</b> Reduce inequality within and among countries</p>	<ul style="list-style-type: none"> <li>▶ We ensure equal opportunity and access to learning and development, regardless of gender and career level.</li> </ul>

UN SDGs	Descriptions	Our Sustainability Efforts
	<p><b>Goal 12:</b> <b>Responsible Consumption and Production</b> Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>▶ We ensure responsible management and consumption of all resources including energy and water.</li> <li>▶ We have implemented various emissions reduction initiatives across our properties to support the global ambition of carbon reduction.</li> </ul>
	<p><b>Goal 13:</b> <b>Climate Action</b> Take urgent action to combat climate change and its impacts</p>	
	<p><b>Goal 16:</b> <b>Peace, Justice and Strong Institutions</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<ul style="list-style-type: none"> <li>▶ Guided by a Code of Conduct and Ethics, we ensure our business is operated in an ethical and responsible manner.</li> <li>▶ We do not tolerate any non-compliance to our Code of Conduct and Ethics, and are committed to ensure all employees receive training on anti-corruption and bribery.</li> </ul>

## EXTERNAL CHARTERS AND PRINCIPLES

BHG Retail REIT is committed in ensuring responsible business and corporate governance practices that align with the Code of Corporate Governance 2018. The REIT Manager puts in place a set of internal controls as part of our efforts to ensure that our operations and business practices remain in compliance with prevailing regulations such as the Securities and Futures Act 2001 (the “SFA”), the Code on Collective Investment Schemes, the Listing Manual of SGX-ST, and other relevant regulations. Currently, the REIT is a member of the Singapore Business Federation; and the REIT Manager is a member of the Investor Relations Professionals Association (Singapore). The Singapore Business Federation aims to promote the growth and vibrancy of the Singapore business community and advocates for among other values, employee upskilling, diversity and good governance in business practices. On the other hand, the Investor Relations Professionals Association (Singapore) is a voluntary commitment by a team of IR veterans united by the same dedication to build a community for fellow IR practitioners to share knowledge and best business practices. [2-28]







## STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders and understanding their expectations and concerns has always been a top priority for the REIT. With the updated GRI

Standards 2021, although the focus for material topics identification has shifted away from stakeholder’s views to the organisation’s most significant impacts, we still highly value engagement with our stakeholders. The views of our stakeholders continue to contribute to inform our identification of material ESG factors and provide us with an up-to-date picture of our sustainability within both the business and physical environment. We believe that we can achieve long-term success and sustainable growth through regular and sustained engagement with our stakeholders on a continuing basis.

In considering and balancing the needs and interests of our stakeholders, the REIT Manager’s Investor Relations (“IR”) function is tasked with building and managing the REIT’s stakeholder relationships. With our close communication and engagement with the stakeholders, their feedback on the REIT’s sustainability performance and strategies are taken into account in our strategic formulation. Additionally, any concerns or feedback our stakeholders have also helps us to identify and prevent any negative impacts our operations could potentially cause or contribute to. Please refer to IR section of this Annual Report for more details about the various engagement activities organised by IR. The following table summarises the key communication channels we utilise to engage with key stakeholders.

# SUSTAINABILITY REPORT

Stakeholder Group	Engagement Channels	Frequency of Engagement	Top Sustainability Concerns/Issues
<b>Internal Stakeholders</b>			
<b>Management</b> 	Board meeting Management meeting	Periodically Periodically	<ul style="list-style-type: none"> <li>▶ Economic performance and market presence</li> <li>▶ Employment</li> <li>▶ Training and education</li> <li>▶ Compliance</li> <li>▶ Anti-corruption and business ethics</li> </ul>
<b>Employees</b> 	Staff meetings Performance appraisal  Training programs Company intranet and email announcements  One-to-one engagements	Monthly At least once per year  Periodically Periodically  At least once per year	<ul style="list-style-type: none"> <li>▶ Economic performance</li> <li>▶ Employment</li> <li>▶ Training and education</li> <li>▶ Equal opportunity</li> </ul>
<b>External Stakeholders</b>			
<b>Investors</b> 	Annual general meeting, Annual Report Analyst meeting	At least once per year At least once per year	<ul style="list-style-type: none"> <li>▶ Economic performance and market presence</li> <li>▶ Compliance</li> <li>▶ Anti-corruption and business ethics</li> </ul>
<b>Suppliers</b> 	Supplier performance feedback	Periodically	<ul style="list-style-type: none"> <li>▶ Economic performance</li> <li>▶ Procurement practices</li> <li>▶ Compliance</li> <li>▶ Customer privacy</li> </ul>
<b>Regulators</b> 	Electronic communications Training programs	Periodically At least once per year	<ul style="list-style-type: none"> <li>▶ Economic performance and market presence</li> <li>▶ Training and education</li> <li>▶ Compliance</li> <li>▶ Anti-corruption and business ethics</li> </ul>
<b>Local Communities</b> 	Community outreach programs Feedback channels	Periodically Periodically	<ul style="list-style-type: none"> <li>▶ Impact on environment, people and economy</li> <li>▶ Compliance</li> </ul>

[2-25] [2-29]

## MATERIALITY REFRESHMENT

In FY 2022, we conducted a materiality refreshment referencing the recommended steps for material topics identification from the GRI 2021 Standards. Our approach is summarised below:

### 1 Identify relevant ESG topics

Through a peer benchmarking exercise, the most pressing, common and relevant ESG topics from peers across the industry were identified for the REIT and consolidated.

The ESG topics were evaluated and rated by taking into consideration their relevance or impact to the business, strategy, financial planning, business model and key stakeholders.






### 2 Assess and prioritise ESG topics

Taking into consideration stakeholders' concerns and our impact on the economy, environment, people and human rights, we prioritised the most important ESG topics and re-evaluated past material ESG topics based on likelihood and impact.


### 3 Validate and Endorse

Based on the results from steps 1-2, finalised proposed material topics for FY 2022 are reviewed and endorsed by the Board.

We base our definition of material topics as per the GRI 2021 topics that represent the organisation's most significant impacts on the economy, environment, and people, including impacts on human rights. Identification of ESG factors were first performed for our 2017 Sustainability Report by distributing survey forms to stakeholders to gather their concerns and inputs. Prioritisation of ESG factors was performed during the Stakeholder Engagement and Materiality Assessment Workshop ("**Workshop**") conducted in June 2017. During the Workshop, we reviewed the ESG factors raised by respective stakeholders by evaluating the importance of information for reflecting significant economic, environmental, and/or social impacts, as well as for stakeholders' decision making. Since then, material topics have been evaluated and refreshed yearly. This year, we prioritised material topics based on considerations of any new stakeholders' concerns and our impact on the economy, people, and human rights. Validation of ESG factors were then performed by Management and Board. All material ESG topics from FY 2021 remained relevant for FY 2022- namely economic performance, market presence, energy, water, emissions, training and education and local communities. An additional material topic has been included for FY 2022- "Anti-corruption". We have also added a disclosure sub-topic GRI404-2 under the material topic "Training and Education". Details of the REIT's strategies and performance of each material topic will be further elaborated in this report.

Category	Topic	Disclosure Sub-topic	Impact
<b>Material topics of high importance</b>			
Economic 	Economic Performance	GRI 201-1: Direct economic value generated and distributed	Within the organisation
Social 	Local Communities	GRI 413-1: Operations with local community engagement, impact assessments, and development programmes	Outside the organisation
Environment 	Energy	GRI 302-1: Energy consumption within the organisation	Within the organisation
		GRI 302-3: Energy intensity	Within the organisation
	Water	GRI 303-1: Water withdrawal by source	Within the organisation
		GRI 303-5: Water consumption	Within the organisation
Emission	GRI 305-2: Energy indirect (Scope 2) GHG emissions	Within the organisation	
	GRI 305-4: GHG emissions intensity	Within the organisation	
<b>Material topics of moderate importance</b>			
Economic 	Market Presence	GRI 202-2: Proportion of senior management hired from the local community	Within the organisation
Social 	Training and Education	GRI 404-1: Average hours of training per year per employee.	Within the organisation
		GRI 404-2: Programs for upgrading employee skills and transition assistance programs	Within the organisation
		GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Within the organisation

# SUSTAINABILITY REPORT

Category	Topic	Disclosure Sub-topic	Impact
	Anti-corruption	GRI 205-1: Operations assessed for risks related to corruption	Within the organisation
		GRI 205-2: Communication and training about anti-corruption policies and procedures	Within the organisation
		GRI 205-3: Confirmed incidents of corruption and actions taken	Within the organisation

[3-1][3-2]

## SUSTAINABILITY RISKS AND OPPORTUNITIES

Risks	Opportunities and Responses
<b>Economic Performance</b>	
Poor economic performance would result in a reduction in profitability, which may affect the budget in terms of employee compensation and benefits, in turn contributing to a in failure to attract or retain talent. More importantly, the confidence of shareholders and investors may suffer from the potential risk of a share price decrease.	We are committed to distributing regular and stable dividends to our shareholders. Better economic performance can provide enhanced employment and business opportunities, as well as community and public welfare activities and contribute further to the economy, community, and environment across our operations.
<b>Local Communities</b>	
A lack of engagement with the community may prevent us from communicating with the public and understanding the needs of our local communities. We may fail to detect any negative impacts that our operations may bring to the community. Possible lack of remediation efforts could be foreseen in such circumstances.	Better local community engagement may improve the organisation's brand opportunities and reputation across its operations. As a responsible corporate citizen, we would then be able to do our part to reach out to the communities that we operate in and to develop our business in tangent with the local communities' approval.
<b>Climate Change and the Environment</b>	
Climate Change brings significant risks and impacts across our business and properties. We recognise that physical changes in our environment and environmental may impact our day-to-day operations. We might also be required to alter our strategies and procedures following evolving climate-related regulatory requirements and policies.  The increased tightening of climate-related disclosure standards and requirements would demand us to be more prudent in our related disclosures. Failure to disclosure sufficient climate risks may hamper our ability to comply comprehensively with the climate-related disclosure requirements.	We continue to monitor and review our emissions, energy consumption, and other resource consumption. The data collected helps us to identify the hotspots and direct our further initiatives.  The reduction of emissions and energy consumption and responsible resource consumption can help BHG to reduce overall costs and mitigate our negative impacts on the environment. It would also demonstrate our strong sustainability commitment. An effective management strategy can also help BHG to stay of top of the regulatory requirements and ensure overall compliance with all the regulations and standards.



## 4

## FY 2022 SUSTAINABILITY HIGHLIGHTS AND LONG-TERM TARGETS



## ECONOMIC PERFORMANCE

**S\$66.4m**

Gross Revenue

We aim to continue to deliver long-term economic value and regular and stable distributions to our unitholders.



## MARKET PRESENCE

**All**

senior management are hired from Singapore local community.



## ANTI-CORRUPTION

**Zero**

cases of non-compliance or corruption cases.

We aim to maintain zero corruption cases and provide anti-corruption training to all our employees.



## ENERGY

**62 GJ**

total electricity consumption

We aim to reduce our environmental footprint, and continue to exercise strong environmental stewardship through tracking, analysing and monitoring our yearly energy consumption.



## WATER

**146**

megalitres

total water consumption

We strive to reduce water consumption in our daily operations and aim to remain committed to promoting effective resource management.



## EMISSIONS

**10,066 tCO<sub>2</sub>e**

Scope 2 GHG emissions

To get a better picture of our carbon footprint, we target to begin Scope 1 GHG Emissions data consolidation and analysis moving forward.



## TRAINING AND EDUCATION

**413**

total training hours provided

We aim to continue to establish an inclusive workplace for all, and provide equal opportunity for career development and training for all employees.



## LOCAL COMMUNITIES

**Community engagement**

at all four multi-tenanted properties and REIT manager in Singapore.

We aim to continue strengthening social inclusivity and community outreach, and continually adapt to changing needs in the community.



## AWARDS

**BHG Retail REIT WAS CONFERRED THREE PLATINUM AWARDS**

at The Global CSR & ESG Awards 2022.

## 5

## VALUE WE CREATE

## OVERVIEW

At our core, the REIT is a successful and sustainable business. We seek to achieve long-term sustainable growth of our business and allow for our business to continue to expand. Ethical, fair business practices and corporate governance form the foundation of our core values. We have a strict zero tolerance policy to any breaches of our Code of Conduct and Ethics. We regularly educate our employees on ethical and responsible business practices.

## ECONOMIC PERFORMANCE

## Management approach

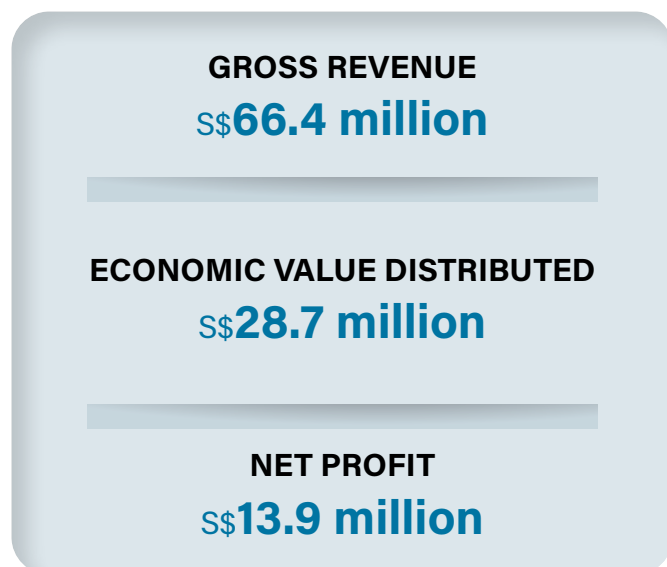
The REIT Manager is cognisant of the importance for the REIT to be a successful and sustainable REIT so as to be able to deliver regular and stable income distribution to our Unitholders as well as contributing to the economy, community and environment that the REIT operates in, through the provision of employment and business opportunities, as well as community and public

# SUSTAINABILITY REPORT

welfare activities. The Board, which provides overall leadership to the REIT and is responsible for the strategic direction of the REIT, works closely with the Management to achieve the long-term success of our business. The Board and the REIT Manager maintain close oversight of our economic performance and the REIT's implementation of its key business strategies. Additionally, the REIT has established internal guidelines setting forth matters requiring 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. Regular meetings are conducted where the Board receives updates on the REIT's business and operations, as well as financial performance. Stakeholders are regularly informed of our economic performance, such as via the publication of our Annual Report and announcements on the BHG Retail REIT website.

## FY 2022 Performance

In FY 2022, S\$66.4m direct economic value was generated in the form of revenue earned. Economic value distributed such as property operating costs was S\$28.7m. Overall economic value retained was S\$13.9m. Please refer to the Financial Review section of this report for more information on the REIT's economic performance.



[3-3][201-1]

## RESPONSIBLE BUSINESS

### Management Approach

Business ethics is integral to the REIT's success. A responsible and ethical business can help the REIT maintain a positive reputation, attract and retain customers at our properties, and foster a positive work environment. BHG Retail REIT is regulated by the MAS under SFA as the units in the REIT are an investment product approved and licensed by MAS. Corrupt or unethical business practices and mismanagement may cause the failure of the REIT, resulting in the Unitholders suffering from financial losses as well as the wider community and other stakeholders. We work alongside our employees, vendors, suppliers, third-party service providers and other business partners to uphold sustainable and ethical practices along our value chain. Due diligence checks and risk assessments were carried out in accordance with the MAS Guidelines, to ensure an appropriate level of oversight over our supply chain. Our ARC oversees Enterprise Risk Management and internal controls according to our Code of Corporate Governance. Internally, we are also guided by our Code of Conduct and Ethics and the Individual Accountability and Conduct Framework, which is readily accessible in our Employee Handbook. Our employees attend compliance training sessions and briefings, supplemented by explicit communication materials, to raise awareness on our compliance policies and procedures.

We maintain oversight by monitoring the number of misconduct cases reported and the number of complaints received. Additionally, we also regularly review Controls Self Assessments by Head of Departments for any issues of concern. Any concerns on our business practices and possible cases of corruption can be reported in accordance with our Whistleblowing Policy, where more details can be found in the Corporate Governance section of this Annual Report and the BHG Retail REIT website.

### FY 2022 Performance

In FY 2022, all four properties in this report's scope have been assessed for risks related to corruption, where no significant risks had been identified. Communication on our anti-corruption policies and anti-corruption training programs have been provided to all members of the Board and all employees. In FY 2022, we report no significant instances of non-compliance with laws and regulations, and no substantial incidents of corruption or non-compliance with our Code of Conduct. [2-27][3-3][205-1][205-2][205-3]

## OVERVIEW

Our focus on natural resources and climate change is key to our commitment to running a sustainable business. We are aware of the threats to our business resilience and environmental adaptability posed by physical and transition climate risks and the impacts to the environment due to the energy and water consumed by the properties in our portfolio. We recognise that climate change has a widespread and severe impact on the environment we live in, and are constantly finding innovation solutions to reduce carbon emissions and ensure responsible resource management for our retail properties. We have started climate risk assessments and scenario analyses since FY 2021 for our retail properties located in China. We are committed to implementing strict environmental management system (“EMS”) policies and measures through a range of emission, energy and water reduction initiatives across our malls, thereby to address and avoid detrimental impacts on our business and operation.

## EMISSIONS AND ENERGY

### Management Approach

Our commercial properties consume large amounts of electrical energy, especially in temperature regulation and lighting, which contributes to our indirect greenhouse gas emissions (“GHG”). Adhering to our vision and mission, we endeavor to ensure sustainable development and ensure responsible energy consumption. Our Energy Saving plan is implemented across our malls,

IN FY 2022, BHG RETAIL REIT'S  
FOUR MULTI-TENANTED  
MALLS RECORDED A  
SCOPE 2 GHG EMISSIONS  
INTENSITY OF  
**0.037 TCO<sub>2</sub>E /M<sup>2</sup>**

aiming to reduce energy waste and save operating costs through daily energy management and equipment upgrades. BHG is aware that our energy source is mainly from non-renewable sources. We are exploring possibilities to derive our energy from renewable sources whenever economically feasible. To ensure energy saving initiatives and practices remain effective and consistent with its plan, patrol team was set up in each mall to conduct daily inspections, and our Engineering Management Team conduct spot checks on the energy management of malls. We also raise their awareness of energy conservation and inform employees how to better manage energy through training. The management team periodically reviews the energy consumption at the malls to analyse the effectiveness of the implemented initiatives and disclose the impact of our initiatives in annual sustainability reports.

## HIGHLIGHTS OF THE ENERGY SAVINGS PLAN



Install sound and light control switches for the lighting in the fire escapes of the mall.



Replace high energy consumption lighting with LED bulbs in public areas and indoor advertising light boxes.



Use energy-saving software to control the lighting system in public areas and set the switching time according to the weather.



Activate air conditioners at different times and in different areas and adjust the number of units in time.

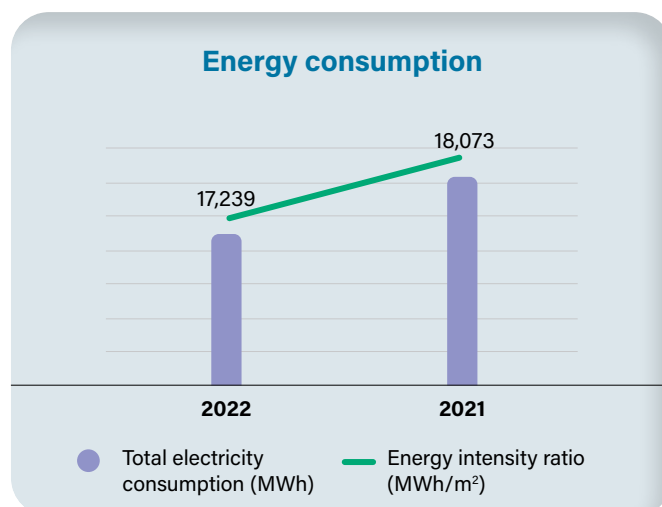


Increase the frequency of air conditioning filter cleaning and replacement to ensure the clear and free of blockages of filter.

# SUSTAINABILITY REPORT

## FY 2022 Performance

In FY 2022, leveraging on our continual enhancement in energy management and energy efficiency, our total energy consumption and energy intensity ratio has decreased by 5% from FY 2021, and energy intensity has decreased 21% from our base year 2018<sup>1</sup>. Accordingly, our Scope 2 GHG emissions have also decreased by 9% from FY 2021. We are pleased to see the positive impact of our implemented energy saving measures and strive to continue improving our performance. Our malls are modern commercial buildings powered by purchased electricity from utility companies. Therefore, our scope has been focused primarily on scope 2 emissions. From FY 2022 onwards, we are also preparing for our Scope 1 GHG emissions inventory by educating relevant personnel on the relevant data that should be collected as guided by the GHG Protocol. We hope to disclose both our Scope 1 and 2 GHG emissions in the near future and gain a deeper understanding of our carbon footprint. Moving forward, we will continue to exercise strong environmental stewardship through tracking, analysing and monitoring our energy consumption against targets.



Emissions and Energy Performance <sup>2</sup>	Unit	FY 2022 Performance/ Hours	FY 2021 Performance/ Hours
Floor Space	m <sup>2</sup>	275,539	275,539
Energy Consumption <sup>3,4</sup>	MWh	17,239	18,073
	GJ	62.06	65.06
Energy Intensity <sup>5</sup>	MWh/ m <sup>2</sup>	0.063	0.066
Indirect GHG Emission (Scope 2) <sup>6,7</sup>	tCO <sub>2</sub> e	10,066	11,026
Indirect GHG Emission Intensity <sup>8</sup>	tCo <sub>2</sub> e/ m <sup>2</sup>	0.036	0.040

[3-3][302-1][305-2][305-4]

<sup>1</sup> The data scope of energy and indirect GHG emission intensity (Scope 2) in FY2018 includes 3 multi-tenanted malls located in China, namely Beijing Wanliu, Chengdu Konggang and Hefei Mengchenglu.

<sup>2</sup> The scope of environmental data in FY 2021 includes 4 multi-tenanted malls located in China, namely Beijing Wanliu, Chengdu Konggang, Hefei Changjiangxilu and Hefei Mengchenglu. The scope excludes REIT Manager's office in Singapore.

<sup>3</sup> In line with GRI 302: Energy 2016, energy consumption is reported in both MWh and GJ. The conversion unit was referenced from the International System of Units (SI)- Conversion Factors for General Use (2006).

<sup>4</sup> The data refers to electricity consumption of common area and air conditioning system in shopping malls.

<sup>5</sup> Energy intensity is calculated by taking the ratio of energy consumption measured in MWh against specific metric – floor space measured in m<sup>2</sup>.

<sup>6</sup> The indirect GHG emissions (Scope 2) reported in the table are based on World Resources Institute's reporting principles outlined in the 'GHG Protocol Scope 2 Guidance (the "GHG Protocol")'. Indirect GHG emissions (Scope 2) are reported using a location-based method in accordance with the GHG Protocol.

<sup>7</sup> The equivalent CO<sub>2</sub> emissions for electricity use is calculated by multiplying the quantity of purchased electricity by China's regional grid-average emission factor – 0.5839 tCO<sub>2</sub>/MWh.

<sup>8</sup> Emissions Intensity is calculated by taking the ratio of indirect GHG emissions (Scope 2) measured in tCO<sub>2</sub>e against specific metric – floor space measured in m<sup>2</sup>.

## WATER

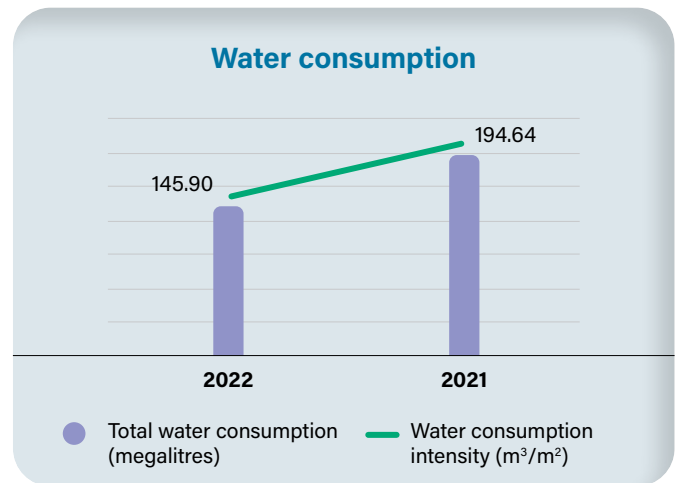
### Management Approach

Climate change and rapid population growth have impacted the global supply and demand of water resources, resulting in increasing water security risks. BHG Retail REIT recognises that our operation of malls is heavily dependent on water resources. Therefore, we actively respond to water security risks with responsible water management and implementations of management measures. Such efforts can not only help us to reduce water waste, but also to reduce operating costs. Similar to last year, examples of our water conservation initiatives include increasing water efficiency of our taps, minimising water wastage and exploration of methods to shift our source of water towards treated or recycled water sources. The management team periodically reviews the water consumption at the malls to analyse the effectiveness of the implemented initiatives and disclose the impacts of the initiatives in annual sustainability reports.

### FY 2022 Performance

Our team closely monitors water consumption at our properties. As indicated under the World Resources Institute's Aqueduct Water Risk Atlas, we note that our properties at Chengdu and Hefei are in low water stress areas, but our property at Beijing is located in a medium-high water stress location. With our efforts to manage our water resources, total water consumption and intensity has decreased by 25% from FY 2021, with intensity decreasing 34% from 2018<sup>9</sup> base year. Several COVID-19 lockdowns of our malls also contributed to the drop in water consumption in FY 2022. We remain committed to promote effective water resources management and reduce water consumption in our daily operations.

IN FY 2022, BHG RETAIL REIT'S FOUR MULTI-TENANTED MALLS RECORDED  
**A 25% DECREASE**  
IN WATER CONSUMPTION INTENSITY FROM FY 2021.



Water Performance	Unit	FY 2022 Performance/Hours	FY 2021 Performance/Hours
Water Withdrawal/ Consumption <sup>10, 11, 12</sup>	m <sup>3</sup>	145,895	194,638
	megalitres	145.90	194.64
Water Consumption Intensity <sup>13</sup>	m <sup>3</sup> / m <sup>2</sup>	0.53	0.71

### [3-3][303-3]

<sup>9</sup> The data scope of energy and indirect GHG emission intensity (Scope 2) in FY2018 includes 3 multi-tenanted malls located in China, namely Beijing Wanliu, Chengdu Konggang and Hefei Mengchenglu.

<sup>10</sup> Water consumption is measured by taking the difference between total water withdrawal measured in m<sup>3</sup> and total water discharge measured in m<sup>3</sup>. Per business nature, total water withdrawal from freshwater was fully consumed in FY 2021.

<sup>11</sup> In line with GRI 303: Water and Effluents 2018, water consumption is reported in megalitres.

<sup>12</sup> All potable water withdrawn from municipal third-party water supplies and recycled water. Water withdrawal from such is categorised as freshwater, there is no water withdrawal from other water source.

<sup>13</sup> Water consumption intensity is calculated by taking the ratio of water consumption measured in m<sup>3</sup> against specific metric – floor space measured in m<sup>2</sup>. For details of floor space, please refer to emission and energy performance table.

# SUSTAINABILITY REPORT

## 7

### CARING AND INCLUSIVE WORKPLACE FOR ALL

#### OVERVIEW

Our employees are at the heart of our business and are vital to our success. We strive to establish a positive and productive workplace for all and are committed in supporting the career development of all employees.

#### OUR PEOPLE MANAGEMENT

##### Management Approach

Employees are our greatest assets. We strive to shape a conducive and healthy workplace, and are committed to providing equal opportunities and do not tolerate any discriminatory practices. We can bring a positive market presence by bringing significant contributions to the economic development in the local areas where we operate. Inclusion of local community members in the management team also helps to empower and support the local workforce, as well as enhance overall human capital. Our Human Resources function (“HR”) is responsible for employee and hiring practices, and the management of human resources in order to capitalise on our employees’ talents for continued creation of wealth for the REIT’s unitholders. Employment policies and procedures are readily available and communicated to all employees through orientation programs, the Staff Handbook, and the company intranet.

##### FY 2022 Performance

In FY 2022, our workforce stands proud at 8 employees, with 6 male employees and 2 female employees. We are proud to share that all senior management are hired from Singapore local community. [2-7][3-3][202-2]

#### EMPLOYEE TRAINING AND EDUCATION

##### Management Approach

Training and education of employees can benefit us by improving employee performance, increase motivation, and help the REIT adapt to changing business conditions. Training programs can help employees acquire new skills and knowledge, which can lead to improved job performance and productivity. It can also improve job satisfaction and motivation among employees when their personal career development is supported. Furthermore, with

rapid evolution of new technologies and processes, and changing legal and compliance requirements, training employees on the relevant topics can help ensure smooth and efficient operations.

To support employee training and education, we have an internal talent management process to identify and develop key training areas and assess employees’ strengths and potentials so as to ensure that all employees are provided mobility and career development opportunities. We ensure that all employees are provided with training and education programs to upgrade employee skills and to facilitate continued market readiness of employees. We are committed to support the career development and advancement of all employees and we actively cater resources and programs to achieve this. Career development and performance reviews are conducted for all employees to ensure that all employees enjoy equal opportunities in training and development, demonstrating the non-discriminatory approach in the REIT’s HR practices in enhancing human capital and empowering local workforce. Furthermore, feedback from employees regarding the past training programmes attended are incorporated into future training plans as their developmental needs and career objectives are identified and reviewed, so as to recommend relevant training programmes to raise their skills and knowledge in the future.

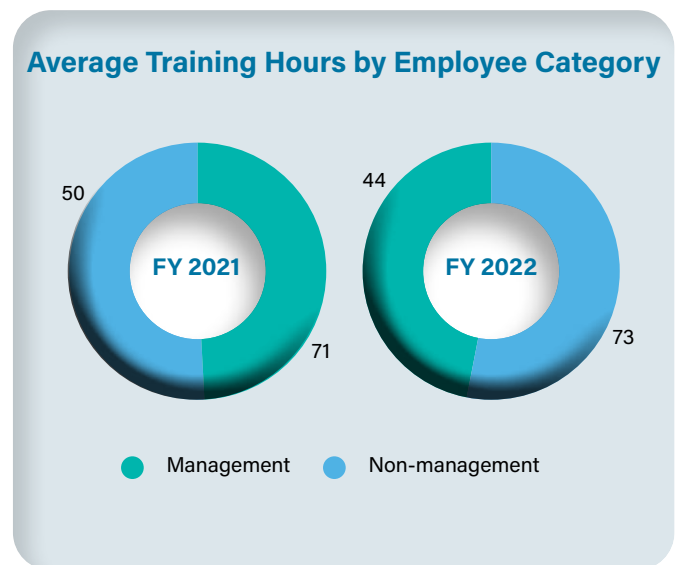
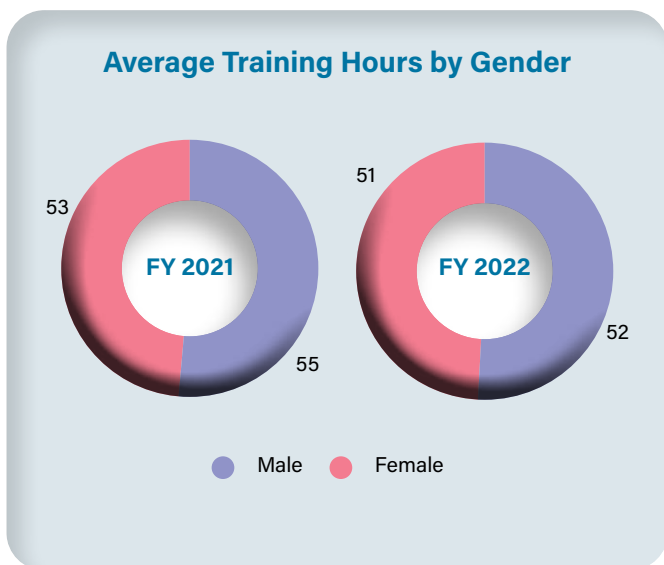


IN FY 2022, WE HAVE PROVIDED **51.65 TRAINING HOURS** PER EMPLOYEE AND PROVIDED 100% OF EMPLOYEES WITH CAREER DEVELOPMENT AND PERFORMANCE REVIEWS.

### FY 2022 Performance

In FY 2022, we have achieved 51.65 training hours per employee, with a total of 413 hours. Moving forward, we are committed to continue providing all employees with relevant training and development programmes. In FY 2022, our employees attended various conferences to learn from the best practices in the industry, such as the Singapore REIT Symposium and the REITAS Annual Conference. To keep updated with the latest business trends and regulatory requirements, our employees also attended courses such as “Business Continuity Management” and “Compliance update on regulatory requirements” trainings by KPMG, the Make Work Better Summit 2022, REITAS Rules & Ethics Course, and IRAS GST rate change and corporate income tax training programs. The REIT also recognises the importance of upgrading our

employees skills and knowledge in sustainability in particular, and we have provided various training programs in FY 2022. Key training programs include REITAS Rules and Ethics Course for REIT management, Institute of Singapore Chartered Accountants’ Sustainability training, University of Cambridge Sustainable Finance, Deloitte’s “Getting Ready for TCFD Reporting” and Singapore Institute of Directors’ “Environmental, Social and Governance Essentials”. Employees also took their own initiative, with the Management’s support, to sign up for external conferences and update sessions on industry and market developments. 100% of our employees have also received career development and performance reviews during the reporting period.



[3-3][404-1][404-2][404-3]



# SUSTAINABILITY REPORT

## 8 OUR COMMUNITY INVESTMENT

### OVERVIEW

The REIT is committed in achieving long-lasting positive impact to its surrounding communities. Community investment and outreach is important as it can help improve our reputation and relationships with local stakeholders, as well as address social and environmental issues that are important to the local community. The REIT and its retail properties seek to contribute back to the community in which it operates, and cultivate cultural and social inclusivity. We actively reach out to the local communities in which the Manager and retail properties are

situated in, to better understand their needs and support needed. Besides active engagement and outreach with the communities we serve, we also gather regular feedback and suggestions from our employees regarding the community programs and volunteering. BHG regularly reviews its community engagement programs in order to improve future outreach programs and to adapt to the changing needs of the communities we are engaging with. In recent years, we have implemented various community engagement projects. [3-3][413-1]

### REIT Manager in Singapore

This year, a Chinese Calligraphy workshop was conducted with SG Enable visually impaired artist, Mr. Wesley Seah, as part of the REIT Manager's CSR and team bonding session. SG Enable is an agency dedicated to enabling persons with disabilities in Singapore.





## Beijing Wanliu Mall

Beijing Wanliu mall purposefully created the special and quality time for families in Beijing, with interactive family bonding activities throughout the year.



Hands-on Chinese New Year Decorations class for family members young and old.



Hands-on Halloween hat making workshop for the whole family young and old.



Another family bonding activity to foster parent-child relationship.



Engaging families to have a fun time together as each family creates their own family tent.



Parents with their children making windmills together.

# SUSTAINABILITY REPORT

## Chengdu Konggang

This year, Chengdu Konggang organised a range of activities to promote family bonding, recycling as well as bring festive cheer to the community.



Enhancing environmental awareness as families set up stalls to sell recycled items.



Chinese New Year activities to bring festive cheer to the public.



Family bonding activities as children and parents enjoy the foam party and water gun activities together during summer.



## Hefei Changjiangxilu

In line with the REIT's sustainability goals and objectives, Hefei Changjiangxilu featured a range of activities to raise awareness on caring for the environment, caring for the needy in our community, as well as promoting art and culture.



Together with volunteers from the community, we enhanced environmental awareness with tree planting activities.



Together with Qilitang community group, we reached out to the needy elderly to distribute essentials to them.



Throughout the year, we also organise cultural performance during festivals to promote traditional art and culture as well as to bring festive cheers to our local community.

# SUSTAINABILITY REPORT

## Hefei Mengchenglu

This year, Hefei Mengchenglu was able to make a positive impact on communities by connecting with them and providing support. Our efforts are supported by the dedicated efforts of our volunteers who showed great generosity and commitment.



During the year, we carried out public welfare movie screenings for individuals with disabilities.



Movie screening for persons with disability.

## 9

## KEY SUSTAINABILITY FIGURES

## FY 2022 PERFORMANCE - ENVIRONMENTAL DATA

Metrics	Unit of Measurement	2022	2021
Floor space	m <sup>2</sup>	275,539	275,539
<b>Energy (GRI 302-1, 302-3)</b>			
Total energy consumption			
<i>Total electricity consumption</i>	MWh	17,239	18,073
<i>Total electricity consumption</i>	gigajoules	62.06	65.06
Energy intensity ratio: MWh per floor space	MWh/m <sup>2</sup>	0.063	0.066
<b>Water and Effluents (GRI 303-3, 303-5)</b>			
Total water withdrawal from all areas	megaliters	145.90	194.64
Total water withdrawal from all areas	m <sup>3</sup>	145,895	194,638
<i>Third-party water</i>	megaliters		
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	megaliters	146	195
<i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>	megaliters	0	0
Total water consumption from all areas	megaliters	145.90	194.64
Total water consumption from all areas	m <sup>3</sup>	145,895	194,638
<i>Third-party water</i>	megaliters		
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	megaliters	146	195
<i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>	megaliters	0	0
<i>Water consumption intensity</i>	m <sup>3</sup> /m <sup>2</sup>	0.53	0.71
<b>Emission (GRI 305-2,305-4)</b>			
Scope 2			
<i>Total location-based indirect (Scope 2) GHG emissions</i>	tCO <sub>2</sub> e	10,066.02	11,026.00
Emissions intensity: emissions per floor space	tCO <sub>2</sub> e /m <sup>2</sup>	0.037	0.040

# SUSTAINABILITY REPORT

## FY 2022 PERFORMANCE - SOCIAL AND GOVERNANCE DATA

Metrics	Unit of Measurement	2022			2021		
		Male	Female	Total	Male	Female	Total
<b>Workforce (GRI 2-7, 2-8)</b>							
<b>Total employees by position</b>							
Total employees	Number	6	2	8	6	2	8
<i>Management</i>							
		1	1	2	1	1	2
<i>Non-management</i>							
		5	1	6	5	1	6
<b>Training and Education (GRI404-1)</b>							
<b>Average hours of training by employee category</b>							
Total training hours	hours	310.9	102.3	413.2			440.0
<i>Total training hours management</i>							
	hours	48.9	97.9	146.8			
<i>Total training hours non-management</i>							
	hours	262.0	4.4	266.4			
<b>Average training hours</b>							
<i>Per employee</i>							
	hours	51.82	51.15	51.65	55	53	55
<i>Management</i>							
	hours			73.4			71
<i>Non-management</i>							
	hours			44.4			50
<b>Employees who received performance review and career development</b>							
<i>Management</i>	Percentage			100%			100%
<i>Non-management</i>	Percentage			100%			100%
<b>Anti-corruption (GRI 205)</b>							
Total percentage of operations assessed for risks related to corruption	Percentage			100%	New disclosure for FY 2022		
Total percentage of governance body members that the organisation's anticorruption policies and procedures have been communicated to	Percentage			100%			
Total percentage of employees that the organisation's anti-corruption	Percentage			100%			
Total percentage of governance body members that have received training	Percentage			100%			
Total percentage of employees that have received training on anticorruption	Percentage			100%			
Total number of confirmed incidents of corruption	Number			0			

## 8. GRI CONTENT INDEX

Index	GRI Disclosure	Page Number(s)	SGX Practice Note 7F SR Guide	Remark(s)
<b>GRI 2: General Disclosures 2021</b>				
2-1	Organisational details	78	1.1	
2-2	Entities included in the organisation's sustainability reporting	79-80	1.1	
2-3	Reporting period, frequency and contact point	79-80	6.1-6.3	
2-4	Restatements of information	80	4.30	No restatement
2-5	External assurance	80	5.1-5.7	BHG Retail REIT has not sought external assurance for this reporting period.
2-6	Activities, value chain and other business relationships	78, 80	4.1 (a)	
2-7	Employees	92	4.20	
2-8	Workers who are not employees	Not applicable		
2-9	Governance structure and composition	26-42, 80-81	3.1	Further details on organization structure section
2-10	Nomination and selection of the highest governance body	28-30	3.1	Further details on corporate governance structure
2-11	Chair of the highest governance body	26-42	3.1	Further details on corporate governance structure
2-12	Role of the highest governance body in overseeing the management of impacts	80-81	3.1	
2-13	Delegation of responsibility for managing impacts	80-81	3.1	
2-14	Role of the highest governance body in sustainability reporting	80-81	3.1	
2-15	Conflicts of interest	45-46	4.4	Further details on corporate governance structure
2-16	Communication of critical concerns	30-31	4.35	Further details on corporate governance structure
2-17	Collective knowledge of the highest governance body	81	3.1	

# SUSTAINABILITY REPORT

Index	GRI Disclosure	Page Number(s)	SGX Practice Note 7F SR Guide	Remark(s)
2-18	Evaluation of the performance of the highest governance body	33-34	3.1	Further details on corporate governance structure
2-19	Remuneration policies	34-37	N/A	Further details on corporate governance structure
2-20	Process to determine remuneration		N/A	Further details on corporate governance structure
2-21	Annual total compensation ratio	No compensation was paid or is to be paid in the form of share options. However, this does not rule out the possibility of the Manager doing so in the future		
<b>GRI 2: General Disclosures 2021 (cont'd)</b>				
2-22	Statement on sustainable development strategy	79	4.1 (f)	
2-23	Policy commitments	81	4.26-4.29	
2-24	Embedding policy commitments	81	4.26-4.29	
2-25	Processes to remediate negative impacts	81	4.26-4.29	
2-26	Mechanisms for seeking advice and raising concerns	81	4.26-4.29	
2-27	Compliance with laws and regulations	88	2.4	
2-28	Membership associations	83	N/A	
2-29	Approach to stakeholder engagement	84	3.6, 4.25	
2-30	Collective bargaining agreements	Not applicable		
<b>GRI 3: Material Topics 2021</b>				
3-1	Process to determine material topics	84	3.6, 4.2-4.6	
3-2	List of material topics	85	4.2-4.6	
<b>CATEGORY: ECONOMIC</b>				
<b>GRI 201: Economic Performance</b>				
3-3	Management of material topics	87-88	4.2	
201-1	Direct economic value generated and distributed	88	N/A	
<b>GRI 202: Market Presence</b>				
3-3	Management of material topics	92	4.2	
202-2	Proportion of senior management hired from the local community	92	4.5	
<b>GRI 205: Anti-corruption</b>				
3-3	Management of material topics	88	4.2	



Index	GRI Disclosure	Page Number(s)	SGX Practice Note 7F SR Guide	Remark(s)
205-1	Operations assessed for risks related to corruption	88	4.4	
205-2	Communication and training about anti-corruption policies and procedures	88	4.4	
205-3	Confirmed incidents of corruption and actions taken	88	4.4	
<b>CATEGORY: ENVIRONMENT</b>				
<b>GRI 302: Energy 2016</b>				
3-3	Management of material topics	89	4.2	
302-1	Energy consumption within the organization	89-90	4.3	
302-3	Energy intensity	89-90	4.3	
<b>CATEGORY: ENVIRONMENT (cont'd)</b>				
<b>GRI 303: Water and Effluents 2018</b>				
3-3	Management of material topics	91	4.2	
303-3	Water withdrawal	91	4.3	
303-5	Water consumption	91	4.3	
<b>GRI 305: Emissions 2016</b>				
3-3	Management of material topics	89	4.2	
305-2	Energy indirect (Scope 2) GHG emissions	89-90	4.3	Preparing Scope 1 GHG emissions and inventory and educating relevant personnel
305-4	GHG Emissions Intensity	90	4.3	
<b>CATEGORY: SOCIAL</b>				
<b>GRI 404: Training and Education 2016</b>				
3-3	Management of material topics	92	4.2	
404-1	Average hours of training per year per employee	93	4.3	
404-2	Programs for upgrading employee skills and transition assistance programs	93	4.3	
404-3	Percentage of employees receiving regular performance and career development reviews	93	4.3	
<b>GRI 413: Local Communities 2016</b>				
3-3	Management of material topics	94	4.2	
413-1	Operations with local community engagement, impact assessments, and development programmes	94-98	4.3	

# TCFD DISCLOSURES

## INTRODUCTION

The REIT recognises the potential widespread financial impacts of climate change to its business and operations. We have the responsibility to shoulder the burden that must now be borne. In FY 2022, the REIT has embarked on a journey to explore the climate-related risks and opportunities.

This section of the report is our first step towards the adoption of the recommendations of the Task Force for Climate-related Financial Disclosure (the “**TCFD Recommendations**”) as we seek to ensure full alignment in the future via a phased approach of adoption in the four key areas of governance, strategy, risk management and metric and targets. In aligning with the TCFD Recommendations, we hope to provide our investors and stakeholders with greater insights on how we manage our sustainability. We will continue to enhance our TCFD reporting and follow the implementation of TCFD Recommendations in the future.

## GOVERNANCE

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

Apart from sustainability matters that specifically require the Board’s approval, the Board delegates authority to individual committees and Management to supervise sustainability matters. With robust Board oversight, the Chief Executive Officer (“**CEO**”) and Sustainability Officer are collectively charged with managing the sustainability outlook of the REIT to deliver on its sustainability commitment.

Management regularly reviews sustainability risks and opportunities alongside enhancing the sustainability performance of our business practices and disclosure transparency. The REIT has commenced a physical and transition risk screening exercise in FY 2022, starting with the identification of material business and financial impacts, as well as conducted a training session related to climate risk assessment so as to ensure a general understanding of climate risks across the REIT.

## RISK MANAGEMENT

The Board is responsible for the governance of risk and the Management has an Enterprise Risk Management (“**ERM**”) Framework to provide a standard and consistent approach to risk management in order to effectively manage and mitigate risks in our business and operations. In FY 2022, the ERM Framework incorporated environmental risks and consultants were engaged to conduct risk screening and assessment on the REIT’s assets in China.

Scenario analysis were performed for different warming scenarios e.g. 2°C or lower and also for different timeframes of short, medium, and long-term horizons, with the climate risks and potential impact identified according to TCFD’s classification of physical risk and transition risks, and taking into consideration the transition into a lower-carbon economy consistent with a 2°C or lower scenario. The results of the different scenario analysis are still being consolidated for disclosure in the future. The risk assessments will be reviewed and updated regularly as part of our ERM Framework.

## STRATEGY

Global warming and climate change is projected to become more serious especially from year 2030 onwards whereby adverse climate events will occur more frequently in future. In identifying and prioritising climate risks and opportunities, the REIT considers up to 2030 as short-term horizon, 2050 as medium-term horizon, and up to 2070 as long-term horizon and such horizons are adopted solely for climate risks only as climate evolves over a long period of time.

Having regard to the global trend of transitioning into a lower-carbon economy by limiting global warming to 2°C or lower, energy costs and carbon price are likely to increase in the future as a result of global warming and regulatory actions. There would also be greater emphasis on climate reporting and disclosure. The REIT may be affected financially in the future for non-compliance with regulatory requirements or failure to manage carbon related emissions. The potential climate risks and opportunities identified for the REIT are set out below.

### Physical Risks

Rising temperature, heatwaves may impact the malls resulting in higher cooling demand and utilities spending, resulting in higher energy costs. Due to climate change, properties may also be affected by adverse climate events such as flooding or even earthquake, resulting in damage to assets and properties (though none of our properties have encountered such events to date).

To mitigate the above risks, we have put in place Business Continuity Plan and Emergency Response Plans, as well as ensuring adequate insurance coverage against natural disasters. The REIT is also constantly exploring better alternatives to existing energy sources and supplies, so as to reduce energy costs in the long term.

### Transition Risks

Currently, there are no carbon emissions regulations that affect our properties, although China has already launched a carbon trading scheme which only applicable to high polluting sectors.

We monitor closely the regulatory developments in China to avoid penalty for non-compliance with carbon related regulatory requirements. More importantly, we implemented various initiatives and energy savings plan to control energy consumption as well as enhance our preparedness and adaptability future carbon related regulations or legislations.

Locally in Singapore, the REIT has also complied with SGX-ST and MAS requirements, including incorporating environmental risks considerations in our ERM Framework as well as ensuring that environmental risks will be considered in future property acquisitions. As for climate reporting, we have also aligned our disclosures with the TCFD Recommendations starting from FY 2022.

## METRICS AND TARGETS

As part of our Sustainability Framework, we monitor and track our Water and Energy consumption and intensity, as well as GHG emissions and emission intensity. The GHG emissions were reported with guidance from the GHG Protocol. For FY 2022, GHG emissions were 10,066 tCO<sub>2</sub>e. More information on the results, performance and targets for the metrics are available in our Sustainability Report (page 87). As the implementation of the TCFD Recommendations will be adopted in a phased approach, more detailed targets for the shorter term will be developed in due course. We will consolidate the results of our climate analyses for disclosure in future.

## **FINANCIAL STATEMENTS**

<b>107</b>	Report of the Trustee
<b>108</b>	Statement by the Manager
<b>109</b>	Independent Auditors' Report
<b>114</b>	Statements of Financial Position
<b>115</b>	Statements of Total Return
<b>116</b>	Distribution Statements
<b>118</b>	Statements of Movements in Unitholders' Funds
<b>119</b>	Portfolio Statement
<b>120</b>	Statement of Cash Flows
<b>122</b>	Notes to the Financial Statements

# REPORT OF THE TRUSTEE

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages 114 to 181 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

**Chan Kim Lim**  
*Director*

**Singapore**  
24 March 2023

# STATEMENT BY THE MANAGER

In the opinion of the directors of BHG Retail Trust Management Pte. Ltd. (the “**Manager**”), the accompanying financial statements set out on pages 114 to 181 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in unitholders’ (the “**Unitholders**”) funds of BHG Retail REIT (the “**REIT**”) and its subsidiaries (the “**Group**”) and of the REIT, the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the REIT and the portfolio of the Group as at 31 December 2022, the total return, distributable income and movements in Unitholders’ funds of the Group and of the REIT and cash flows of the Group for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 Reporting Framework for Unit Trusts issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed dated 18 November 2015 (as amended by a first supplemental deed dated 26 March 2018, a second supplemental deed dated 20 April 2018 and a third supplemental deed dated 14 April 2020). At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

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

**Francis Siu Wai Keung**  
*Director*

**Singapore**  
24 March 2023

# INDEPENDENT AUDITORS' REPORT

## UNITHOLDERS BHG RETAIL REIT

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of BHG Retail REIT (the "**REIT**") and its subsidiaries (the "**Group**"), which comprise the statement of financial position and the portfolio statement of the Group and the statement of financial position of the REIT as at 31 December 2022, the statement of total return, distribution statement, statement of movements in Unitholders' funds and statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 114 to 181.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT present fairly, in all material respects, the financial position and portfolio holdings of the Group and the financial position of the REIT as at 31 December 2022 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and the total return, distributable income and movements in Unitholders' funds of the REIT for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants.

### *Basis for opinion*

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

### *Key audit matters*

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

# INDEPENDENT AUDITORS' REPORT

## VALUATION OF INVESTMENT PROPERTIES

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

### *Risk*

Investment properties represent the single largest category of assets on the consolidated statement of financial position of the Group at S\$912.2 million (2021: S\$992.7 million) as at 31 December 2022.

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

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

### *Our response*

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

We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of the inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the key assumptions used in the valuations, which included discount, terminal growth, term yield and reversionary rates by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

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

### *Our findings*

We are satisfied with the competency and objectivity of the external valuers. The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work.

The valuation methodologies adopted by the valuers are in line with generally accepted market practices. The key assumptions used in the valuations, including the projected cash flows, discount, terminal growth, term yield and reversionary rates were supported by the evidence available and are within the range of industry and market data. Where the assumptions were outside the expected range, the additional factors considered by the valuers were consistent with other corroborative evidence. The disclosures in the financial statements are appropriate.



# INDEPENDENT AUDITORS' REPORT

## *Other information*

BHG Retail Trust Management Pte. Ltd., the Manager of the REIT (the "**Manager**"), is responsible for the other information. Other information is defined as all information in the annual report other than the financial statements and our auditors' report hereon.

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

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

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

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

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

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

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

24 March 2023

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

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

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

# STATEMENTS OF TOTAL RETURN

Year ended 31 December 2022

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

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

# DISTRIBUTION STATEMENTS

Year ended 31 December 2022

	Note	Group		REIT	
		2022 S\$'000	2021 S\$'000	2022 S\$'000	2021 S\$'000
<b>Amount available for distribution to Unitholders at beginning of the year</b>		5,548	5,336	5,548	5,336
Total return for the year attributable to Unitholders		6,101	7,510	(8,741)	(3,152)
Distribution adjustments	A	550	4,839	15,392	15,501
Income for the year available for distribution to Unitholders		6,651	12,349	6,651	12,349
Amount retained <sup>(1)</sup>		(665)	(1,235)	(665)	(1,235)
Income for the year to be distributed to Unitholders		5,986	11,114	5,986	11,114
<b>Distribution to Unitholders during the year:</b>					
- Distribution of 1.06 cents per Unit for period from 1 July 2020 to 31 December 2020		-	(5,163)	-	(5,163)
- Distribution of 1.12 cents per Unit for period from 1 January 2021 to 30 June 2021		-	(5,739)	-	(5,739)
- Distribution of 1.05 cents per Unit for period from 1 July 2021 to 31 December 2021		(5,388)	-	(5,388)	-
- Distribution of 0.76 cents per Unit for period from 1 January 2022 to 30 June 2022		(3,901)	-	(3,901)	-
		(9,289)	(10,902)	(9,289)	(10,902)
<b>Amount available for distribution to Unitholders at end of the year</b>		2,245	5,548	2,245	5,548
<b>Distribution per unit (cents) <sup>(2)</sup></b>		1.17	2.17		

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

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

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

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

# DISTRIBUTION STATEMENTS

Year ended 31 December 2022

## Note A - Distribution adjustments

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

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

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2022

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

## Non-controlling interest

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

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



# PORTFOLIO STATEMENT

As at 31 December 2022

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

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

<sup>(2)</sup> 54 years of remaining term lease for underground car parking use.

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

# STATEMENT OF CASH FLOWS

Year ended 31 December 2022

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

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

# STATEMENT OF CASH FLOWS

Year ended 31 December 2022

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

**Notes:**

**Significant non-cash transactions**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

These notes form an integral part of the financial statements.

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

## 1. GENERAL

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

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

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

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

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

### (i) Trustee's fees

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

### (ii) Manager's management fees

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 1. GENERAL (CONT'D)

### (iii) Property management fees

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

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

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 Reporting Framework for Unit Trusts issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Financial Reporting Standards ("FRS"). The changes to significant accounting policies are described in note 2.5.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

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

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

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

#### Measurement of fair values

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

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

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

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

### 2.5 Changes in accounting policies

#### New standards and amendments

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2022:

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

### 3.1 Basis of consolidation

#### (i) Business combinations

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

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

#### (ii) Subsidiaries

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

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

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

#### (iii) Loss of control

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

#### (iv) Transactions eliminated on consolidation

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.2 Foreign currency

#### (i) Foreign currency transactions

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

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

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

#### (ii) Foreign operations

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.3 Financial instruments

- (i) Recognition and initial measurement

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

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

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

- (ii) Classification and subsequent measurement

#### *Non-derivative financial assets*

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

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

#### *Financial assets at amortised cost*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.3 Financial instruments (cont'd)

#### (iii) Derecognition

##### *Financial assets*

The Group derecognises a financial asset when:

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

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

##### *Financial liabilities*

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

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

##### *Interest rate benchmark reform*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.3 Financial instruments (cont'd)

#### (iv) Offsetting

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

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

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

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

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

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

#### *Cash flow hedges*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.3 Financial instruments (cont'd)

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

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

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

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

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

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

### 3.4 Investment properties

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

Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year in accordance with the Code on Collective Investment Schemes (the "CIS Code") issued by the MAS

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.5 Plant and equipment

#### (i) Recognition and measurement

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

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

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.6 Impairment

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

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

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

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

#### *Simplified approach*

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

#### *General approach*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.6 Impairment (cont'd)

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

##### *Measurement of ECLs*

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

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

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

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

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

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

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

##### *Write-off*

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

#### (ii) Non-financial assets

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.6 Impairment (cont'd)

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

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

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

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

### 3.7 Unitholders' funds

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

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

### 3.8 Employee benefits

#### (i) Defined contribution plans

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

#### (ii) Short-term benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.9 Distribution policy

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

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

### 3.10 Revenue recognition

#### (i) Rental income

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

#### (ii) Dividend income

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

### 3.11 Expenses

#### (i) Property expenses

Property expenses are recognised on an accrual basis.

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

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

### 3.12 Finance income and finance costs

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.13 Leases

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

#### (i) As a lessee

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.13 Leases (cont'd)

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

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

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

#### (ii) As a lessor

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

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

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

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

### 3.14 Taxation

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.14 Taxation (cont'd)

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

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

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

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

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

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

### 3.15 Earnings per Unit

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### 3.16 Segment reporting

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

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

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

### 3.17 New standards and interpretations not adopted

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 4 INVESTMENT PROPERTIES

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

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

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the year amounted to S\$2.9 million (2021: S\$3.0 million).

### *Fair value*

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4). Investment properties are stated at fair value based on valuation as at 31 December 2022 performed by independent professional valuers having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. As explained under Note 3.4, valuation of investment properties is performed in accordance with the Trust Deed. The Manager reviews the key valuation parameters and underlying data including discount rates, terminal growth rates, term yield and reversionary rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 4 INVESTMENT PROPERTIES

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

#### *Level 3 fair values*

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

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

### *Security*

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 5. PLANT AND EQUIPMENT

	Plant and machinery S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Total S\$'000
<b>Group</b>				
<b>Cost</b>				
At 1 January 2021	3,829	301	3,471	7,601
Additions during the year	26	-	26	52
Disposal/written off	-	(54)	(10)	(64)
Translation difference on consolidation	191	20	430	641
At 31 December 2021	4,046	267	3,917	8,230
Additions during the year	4	-	8	12
Disposal/written off	(55)	-	(34)	(89)
Translation difference on consolidation	(291)	(23)	(334)	(648)
At 31 December 2022	3,704	244	3,557	7,505
<b>Accumulated depreciation</b>				
At 1 January 2021	3,556	260	3,083	6,899
Charge for the year	26	9	76	111
Disposal/written off	-	(51)	(9)	(60)
Translation difference on consolidation	171	16	421	608
At 31 December 2021	3,753	234	3,571	7,558
Charge for the year	26	8	65	99
Disposal/written off	-	-	(32)	(32)
Translation difference on consolidation	(324)	(20)	(308)	(652)
At 31 December 2022	3,455	222	3,296	6,973
<b>Carrying amounts</b>				
At 1 January 2021	273	41	388	702
At 31 December 2021	293	33	346	672
At 31 December 2022	249	22	261	532

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 6. INTERESTS IN SUBSIDIARIES

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

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity held by the Group	
		2022 %	2021 %

### Held by the REIT

Petra 1 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 2 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 3 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 4 (China) Mall Pte. Ltd.*	Singapore	100	100
Petra 6 (China) Mall Pte. Ltd.*	Singapore	100	100
Fuchsia (China) Mall Pte. Ltd.*	Singapore	100	100

### Held through subsidiaries

Beijing Hualian Wanmao Shopping Mall Management Co., Ltd. **	People's Republic of China	60	60
Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd.**	People's Republic of China	100	100
Qinghai Xinglian Real Property Co., Ltd. **	People's Republic of China	100	100
Chengdu Hairong Xingda Real Property Co., Ltd. **	People's Republic of China	100	100
Dalian Hualian Commercial Facilities Operation Co., Ltd. **	People's Republic of China	100	100
Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd.**	People's Republic of China	100	100

\* Audited by KPMG LLP Singapore

\*\* Audited by KPMG China

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

- (b) The non-trade amounts due from subsidiaries are unsecured, interest-free, have no fixed term on repayment and are not expected to be repaid within the next 12 months. They are stated at amortised cost, less ECL that is measured on the 12-month expected loss which reflects the low credit risk of the exposures. The amount of the allowance on those balances is not material.

### *Impairment of investment in subsidiaries*

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

The REIT assessed the carrying amount of its investments in subsidiaries for indicators of impairment or reversal of impairment. The recoverable amount of the subsidiary was estimated taking into consideration the fair value of the underlying assets and liabilities of the subsidiary. No impairment was recognised in relation to the investments in the subsidiaries for the financial year ended 31 December 2022.

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

### *Unrecognised deferred tax assets*

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

	Group	
	2022	2021
	S\$'000	S\$'000
Unutilised tax losses	4,441	2,076

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

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

## 8. FINANCIAL DERIVATIVES

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 8. FINANCIAL DERIVATIVES (CONT'D)

### *Interest rate swaps*

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

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Exposure to credit risk*

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

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

### *Expected credit loss assessment*

The following table provides information about the exposure to credit risk and ECL's for trade and other receivables as at 31 December 2022:

	Gross carrying amount S\$'000	Group impairment loss allowance S\$'000	Credit impaired
<b>2022</b>			
Not past due	1,291	-	No
Past due 1 – 30 days	4,031	-	No
Past due 31 – 60 days	1,258	-	No
Past due 61 – 90 days	630	-	No
More than 90 days due	517	(147)	Yes
	<u>7,727</u>	<u>(147)</u>	
<b>2021</b>			
Not past due	1,225	-	No
Past due 1 – 30 days	22	-	No
Past due 31 – 60 days	1	-	No
Past due 61 – 90 days	8	-	No
More than 90 days due	1,240	(127)	Yes
	<u>2,496</u>	<u>(127)</u>	

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

	<b>Group</b>	
	<b>Individually impaired</b>	
	<b>2022</b>	<b>2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>
At 1 January per FRS 109	127	88
Impairment losses recognised	20	39
At 31 December per FRS 109	<u>147</u>	<u>127</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 and the REIT's historical experience in the collection of trade and other receivables falls within the recorded allowances. The Manager believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group and the REIT's trade and other receivables, based on historical payment behaviours and the security deposits held (if applicable).

## 10. CASH AND CASH EQUIVALENTS

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

## 11. LOANS AND BORROWINGS

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Terms and debt repayment schedule*

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

	Nominal interest rate per annum %	Year of maturity	Face value S\$'000	Carrying amount S\$'000
<b>2022</b>				
<b>Group</b>				
SGD secured floating rate loan	3.58-5.56	2025	249,647	244,480
SGD secured floating rate loan	2.97-6.72	2023	2,000	2,000
RMB secured floating rate loan	4.90-5.20	2025	33,867	33,867
RMB secured floating rate loan	4.90-5.20	2025	11,647	11,392
			297,161	291,739
<b>REIT</b>				
SGD secured floating rate loan	3.58-5.56	2025	249,647	244,480
SGD secured floating rate loan	2.97-6.72	2023	2,000	2,000
			251,647	246,480
<b>2021</b>				
<b>Group</b>				
SGD unsecured floating rate loan	3.94-3.95	2022	5,000	5,000
SGD secured floating rate loan	2.37-2.56	2022	177,775	177,301
USD secured floating rate loan	2.35-2.47	2022	59,129	58,966
SGD secured floating rate loan	2.92-2.97	2022	2,000	2,000
RMB secured floating rate loan	5.70	2022	40,849	40,849
RMB secured floating rate loan	5.70	2022	11,353	11,338
			296,106	295,454
<b>REIT</b>				
SGD unsecured floating rate loan	3.94-3.95	2022	5,000	5,000
SGD secured floating rate loan	2.37-2.56	2022	177,775	177,301
USD secured floating rate loan	2.35-2.47	2022	59,129	58,966
SGD secured floating rate loan	2.92-2.97	2022	2,000	2,000
			243,904	243,267



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Facilities and securities*

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

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties, and a pledge over the receivables of the six (2021: six) subsidiaries in China.

The offshore facility is secured by way of a charge on 100% REIT's shareholding in the Singapore holding companies, an equity pledge on Petra 1 (China) Mall Pte. Ltd.'s 60% equity interest in Beijing Hualian Wanmao Shopping Mall Management Co., Ltd., and equity pledges on the remaining five (2021: five) Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

	Liabilities		Derivatives (assets)/liabilities held to hedge long-term borrowings		Total S\$'000
	Loans and borrowings S\$'000	Interest payable (Note 12) S\$'000	Interest rate swap used for hedging - assets S\$'000	Interest rate swap used for hedging - liabilities S\$'000	
<b>Balance at 1 January 2022</b>	295,454	6,066	-	993	302,513
<b>Changes from financing cash flows</b>					
Net settlement of derivative contracts	-	-	-	596	596
Proceeds from borrowings	16,877	-	-	-	16,877
Repayment of borrowings	(12,305)	-	-	-	(12,305)
Payment of transaction costs relating to loans and borrowings	(7,202)	-	-	-	(7,202)
Interest paid	-	(10,535)	-	-	(10,535)
	(2,630)	(10,535)	-	596	(12,569)
<b>Non-cash changes</b>					
Effect of changes in foreign exchange rates	(3,502)	(459)	-	-	(3,961)
Amortisation of borrowing costs	2,417	-	-	-	2,417
Interest expense	-	13,609	-	-	13,609
Fair value gain	-	-	(1,509)	(1,454)	(2,963)
	(1,085)	13,150	(1,509)	(1,454)	9,102
<b>Balance at 31 December 2022</b>	291,739	8,681	(1,509)	135	299,046
<b>Balance at 1 January 2021</b>	291,635	3,425	-	3,302	298,362
<b>Changes from financing cash flows</b>					
Net settlement of derivative contracts	-	-	-	2,297	2,297
Proceeds from borrowings	7,000	-	-	-	7,000
Repayment of borrowings	(8,250)	-	-	-	(8,250)
Interest paid	-	(9,493)	-	-	(9,493)
	(1,250)	(9,493)	-	2,297	(8,446)
<b>Non-cash changes</b>					
Effect of changes in foreign exchange rates	2,576	249	-	-	2,825
Amortisation of borrowing costs	2,493	-	-	-	2,493
Interest expense	-	11,885	-	-	11,885
Fair value gain	-	-	-	(4,606)	(4,606)
	5,069	12,134	-	(4,606)	12,597
<b>Balance at 31 December 2021</b>	295,454	6,066	-	993	302,513

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 12. TRADE AND OTHER PAYABLES

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

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

## 13. UNITHOLDERS' FUNDS

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

### (a) Statutory reserve

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

(b) The foreign currency translation reserve comprises:

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

(c) Hedging reserve

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

## 14. NON-CONTROLLING INTERESTS

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 15. UNITS IN ISSUE

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

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

The restrictions of a Unitholder include the following:

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

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

## 16. TOTAL UNITHOLDERS' DISTRIBUTION

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

Distributions for the period from 1 January 2022 to 30 June 2022 had been paid on 28 September 2022. Distributions for the period from 1 July 2022 to 31 December 2022 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

## 17. OTHER PROPERTY OPERATING EXPENSES

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

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

## 18. OTHER OPERATING EXPENSES

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 19. FINANCE INCOME AND FINANCE COSTS

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

## 20. TAXATION

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 20. TAXATION (CONT'D)

### Reconciliation of effective tax rate

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

## 21. EARNINGS PER UNIT

### Basic earnings per Unit

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Diluted earnings per Unit

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

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

## 22. RELATED PARTY TRANSACTIONS

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 23. FINANCIAL RATIOS

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

Notes:

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

<sup>(2)</sup> The annualised ratio is computed based on total operating expenses, including all fees and charges paid to the Manager and related parties for the financial year (2022: S\$31,567,000 and 2021: S\$32,114,000) and as a percentage of net asset value as at the financial year end.

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

## 24. OPERATING SEGMENTS

The Group has 6 (2021: 6) reportable segments, as described below, which are the Group's investment properties. The investment properties are managed separately because they require different operating and marketing strategies. For each of the investment properties, the CODMs review internal management reports on a monthly basis.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

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

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

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

### Information about reportable segments

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

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

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

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

### Other material items 31 December 2022

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

### Other material items 31 December 2021

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 24. OPERATING SEGMENTS (CONT'D)

### Geographical segments

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

### Major tenant

Revenue from one tenant of the Group, which is a related party of the Sponsor, contributed approximately S\$8.1 million (2021: S\$8.7 million) of the Group's total revenue.

## 25. COMMITMENTS

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

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

## 26. CAPITAL AND FINANCIAL RISK MANAGEMENT

### Capital management

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

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS Code ("Property Funds Appendix"). The Property Funds Appendix stipulates that the total borrowings and deferred payments (together, the "Aggregate Leverage") of a property fund should not exceed 45.0% (2021: 50.0%) of its Deposited Property. The Group's aggregate leverage limit did not exceed 45.0% (2021: 50.0%) during the year, and was 37.7% (2021: 34.1%) as at 31 December 2022. The interest coverage ratio is 2.2 times (2021: 2.8 times) at of 31 December 2022.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Financial risk management*

#### *Overview*

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

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

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

#### *Credit risk*

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Liquidity risk

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

The following are the contractual maturities of financial instruments, including estimated interest payments and excluding the impact of netting agreements:

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Liquidity risk (cont'd)

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

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

The maturity analyses show the contractual undiscounted cash flows of the Group's and the REIT's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group and the REIT's floating rate loans.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

In addition, the Group maintains the following debt facilities and programme as at 31 December 2022:

Chinese Renminbi ("RMB") denominated facility:

- RMB 297.0 million three-year secured term loan facilities

S\$ denominated facilities:

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

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

### *Market risk*

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

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

### *Interest rate risk*

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

The Manager proactively seeks to minimise the level of interest rate risk by locking a portion of the Group's borrowings at fixed rates. As at 31 December 2022, the Group has entered into interest rate swaps with a total notional amount of S\$104.0 million (2021: S\$145.2 million) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured term loans.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Managing interest rate benchmark reform and associated risks*

#### *Overview*

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform').

In Singapore, the Steering Committee for SOR and Singapore interbank offered rate (SIBOR) transition to Singapore Overnight Rate Average (SORA) (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has recommended the discontinuation of SOR and SIBOR and a shift towards the use of SORA as the alternative interest rate benchmark in Singapore. The timeline for SORA to replace SOR and SIBOR is by the end of June 2023 and December 2024 respectively. All the loan facility in Singapore undertaken by the Group have been reformed and are indexed to SORA.

#### Derivatives

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

#### Hedge accounting

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Managing interest rate benchmark reform and associated risks (cont'd)*

#### *Cash flow sensitivity analysis for variable rate instruments*

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

\* 100 basis point is equivalent to 1 percentage point

	Statements of total return		Unitholders' funds	
	100 bp increase S\$'000	100 bp decrease S\$'000	100 bp increase S\$'000	100 bp decrease S\$'000
<b>31 December 2022</b>				
<b>Group</b>				
Variable rate instruments	(2,972)	2,972	-	-
Interest rate swaps	1,040	(1,040)	1,021	(1,080)
Cash flow sensitivity (net)	(1,932)	1,932	1,021	(1,080)
<b>REIT</b>				
Variable rate instruments	(2,516)	2,516	-	-
Interest rate swaps	1,040	(1,040)	1,021	(1,080)
Cash flow sensitivity (net)	(1,476)	1,476	1,021	(1,080)
<b>31 December 2021</b>				
<b>Group</b>				
Variable rate instruments	(2,961)	2,961	-	-
Interest rate swaps	1,452	(1,452)	(81)	(85)
Cash flow sensitivity (net)	(1,509)	1,509	(81)	(85)
<b>REIT</b>				
Variable rate instruments	(2,439)	2,439	-	-
Interest rate swaps	1,452	(1,452)	(81)	(85)
Cash flow sensitivity (net)	(987)	987	(81)	(85)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Foreign currency risk*

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

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

The Group exposures to foreign currencies are as follows:

	USD S\$'000	RMB S\$'000	Total S\$'000
<b>31 December 2022</b>			
<b>Group</b>			
Cash and cash equivalents	11	-	11
<b>REIT</b>			
Cash and cash equivalents	10	-	10
Trade and other payables	-	(60,829)	(60,829)
	10	(60,829)	(60,819)
<b>31 December 2021</b>			
<b>Group</b>			
Cash and cash equivalents	25	-	25
Loans and borrowings	(59,130)	-	(59,130)
	(59,105)	-	(59,105)
<b>REIT</b>			
Cash and cash equivalents	22	-	22
Loans and borrowings	(59,130)	-	(59,130)
Trade and other payables	-	(59,162)	(59,162)
	(59,108)	(59,162)	(118,270)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Sensitivity analysis*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Hedge accounting

#### Cash flow hedges

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

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

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

Group	Change in value used for calculating hedge ineffective hedge ineffectiveness S\$'000	Cash flow hedge reserve S\$'000	Costs of hedging reserve S\$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied S\$'000
<b>2022</b>				
<b>Interest rate risk</b>				
Variable-rate instruments	-	(1,374)	-	-
<b>2021</b>				
<b>Interest rate risk</b>				
Variable-rate instruments	-	993	-	-



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Hedge accounting (cont'd)

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Hedge accounting (cont'd)

#### *Climate-related risks*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### Accounting classifications and fair values

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

### *Estimation of fair value*

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

### *Interest-bearing borrowings*

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

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

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

### *Interest rate swaps*

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

### *Other financial assets and liabilities*

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

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

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve as at 31 December 2022 plus an adequate constant credit spread, and are as follows:

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

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

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

## 27. SUBSEQUENT EVENTS

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

# INTERESTED PERSON TRANSACTIONS

## INTERESTED PERSON TRANSACTIONS

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

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

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

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

## SUBSCRIPTION OF BHG RETAIL REIT UNITS

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



# STATISTICS OF UNITHOLDINGS

As at 31 March 2023

## ISSUED AND FULLY PAID UNITS

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

There is only one class of Units.

There are no treasury Units in BHG Retail REIT.

## DISTRIBUTION OF UNITHOLDINGS

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

## TWENTY LARGEST UNITHOLDERS

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

# STATISTICS OF UNITHOLDINGS

As at 31 March 2023

## SUBSTANTIAL UNITHOLDERS' INTEREST

(As recorded in the Register of Substantial Unitholders)

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

### Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

## PERCENTAGE OF UNITHOLDINGS IN PUBLIC'S HANDS

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

# NOTICE OF ANNUAL GENERAL MEETING

## BHG RETAIL REIT

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

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

### AS ORDINARY BUSINESS

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

**(Ordinary Resolution 1)**

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

**(Ordinary Resolution 2)**

### AS SPECIAL BUSINESS

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

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

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

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

(Please see Explanatory Note)

**(Ordinary Resolution 3)**

# NOTICE OF ANNUAL GENERAL MEETING

## BY ORDER OF THE BOARD

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

**Zhan Aijuan**  
Secretary

Singapore  
5 April 2023

### EXPLANATORY NOTE:

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

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

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

### NOTES:

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

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

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

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

**"relevant intermediary"** means:

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

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

# NOTICE OF ANNUAL GENERAL MEETING

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

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

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

## PERSONAL DATA PRIVACY

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

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

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

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



**BHG RETAIL REIT**

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

# PROXY FORM

## ANNUAL GENERAL MEETING

**IMPORTANT:**

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

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

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

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

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

\*and/or (delete as appropriate)

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

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

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

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

\* Delete accordingly.

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

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

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

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

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**Notes:**

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

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

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

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

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

**General**

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

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**Affix  
Postage  
Stamp**

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

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

4th fold

Fold and Glue overleaf. Do not staple

# CORPORATE DIRECTORY

## BHG RETAIL REIT

### REGISTERED ADDRESS

#### DBS Trustee Limited

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

### TRUSTEE

#### DBS Trustee Limited

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

### AUDITOR

#### KPMG LLP

12 Marina View #15-01  
Asia Square Tower 2  
Singapore 018961  
Telephone: +65 6213 3388  
Fax: +65 6225 0984

Partner-in-charge:

#### Mr Yap Wee Kee

Since financial year ended 31 December 2021

### UNIT REGISTRAR

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

1 Harbourfront Avenue  
#14-07 Keppel Bay Tower  
Singapore 098632  
Telephone: +65 6536 5355  
Fax: +65 6536 1360

## THE MANAGER

### REGISTERED ADDRESS

#### BHG Retail Trust Management Pte. Ltd.

250 North Bridge Road  
Raffles City Tower #32-01  
Singapore 179101  
Tel: +65 6805 8288  
Fax: +65 6805 8277

### BOARD OF DIRECTORS

#### Mr Francis Siu Wai Keung

Chairman & Independent Director

#### Mr Ben Yeo Chee Seong

Independent Director

#### Mr Lau Teck Sien

Independent Director

#### Mr Xiong Zhen

Non-Executive Director

#### Mr Peng Ge

Non-Executive Director

### AUDIT AND RISK COMMITTEE

#### Mr Francis Siu Wai Keung (Chairman)

#### Mr Ben Yeo Chee Seong

#### Mr Lau Teck Sien

### NOMINATING AND

### REMUNERATION COMMITTEE

#### Mr Ben Yeo Chee Seong (Chairman)

#### Mr Francis Siu Wai Keung

#### Mr Lau Teck Sien

### COMPANY SECRETARY

#### Ms Zhan Aijuan



**BHG Retail Trust Management Pte. Ltd.**  
250 North Bridge Road, Raffles City Tower #32-01, Singapore 179101  
T +65 6805 8288 F +65 6805 8277  
[www.bhgreit.com](http://www.bhgreit.com)

