



# POISED FOR G R O W T H

**BHG RETAIL REIT**  
ANNUAL REPORT 2016





## Contents

### OVERVIEW

- 1 Corporate Profile
- 2 Vision & Mission
- 3 Key Highlights
- 4 Financial Highlights
- 6 Year 2016 at A Glance
- 14 Letter to Unitholders
- 21 Trust Structure
- 22 Organisation Structure
- 23 Board of Directors
- 26 Key Management
- 28 Enterprise Risk Management
- 30 Corporate Governance

### PERFORMANCE REVIEW

- 42 Operations Review
- 44 Financial Review

### BUSINESS HIGHLIGHTS

- 49 Outlook on China
- 51 Portfolio Overview
- 54 Property Highlights
- 62 Investor Relations

### 64 CORPORATE SOCIAL RESPONSIBILITY

### 67 FINANCIAL STATEMENTS

### ADDITIONAL INFORMATION

- 128 Interested Party Transactions
- 129 Statistics of Unitholdings
- 132 Notice of Annual General Meeting
- Proxy Form
- Corporate Directory

# Corporate Profile



1



2



3



4



5

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

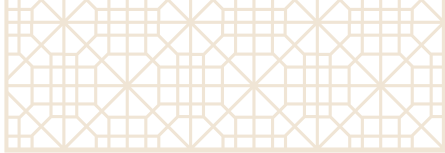
Listed on SGX-ST, BHG Retail REIT has a diversified portfolio of five retail properties strategically located in major cities in China, namely Beijing, Chengdu, Hefei, Xining and Dalian.

As of 31 December 2016, BHG Retail REIT's portfolio comprises:

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

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

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



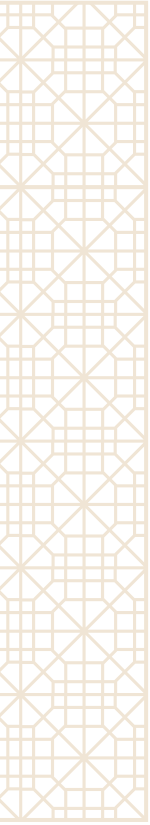
# Vision

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.

BHG Retail REIT’s current portfolio of five community-focused retail properties, strategically located in vicinities with strong surrounding catchment, is well-positioned to benefit from China’s economic transformation driven by urbanisation and consumption.



# Key Highlights

**7.87%**  
Annualised  
Distribution Yield<sup>1</sup>

**+2.4%**  
Distribution Per Unit  
("DPU")<sup>2</sup>  
Above Forecast



**+4.2%**  
Net Property  
Income ("RMB")<sup>2</sup>  
Above Forecast

**+2.9%**  
Amount Available for  
Distribution  
Above Forecast



**+4.2%**  
Independent  
Valuation<sup>3</sup>

**S\$0.85**  
Net Asset Value ("NAV")  
Per Unit

**97.6%**  
Portfolio  
Committed Occupancy

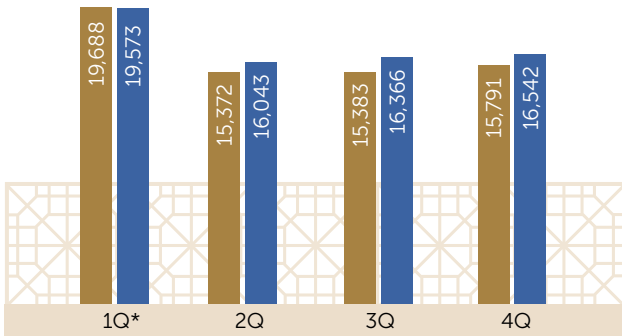
**31.0%**  
Gearing

**14**  
Right of First Refusal  
Properties in Pipeline

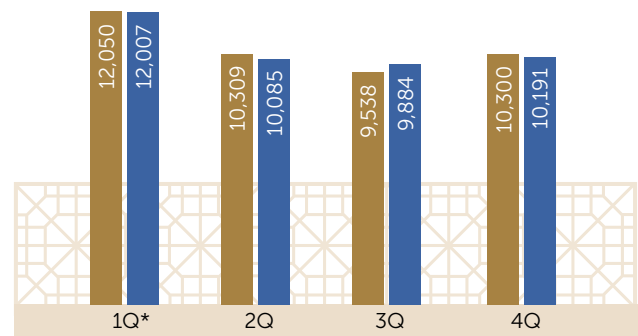
1. Based on annualised DPU for the period from 11 December 2015 ("Listing Date") to 31 December 2016, and closing price of S\$0.655 as at 30 December 2016.
2. Actual vs Forecast for the financial period from 18 November 2015 ("Date of Constitution") to 31 December 2016 ("FY 2016"). There were no operating activities for the period prior to 11 December 2015.
3. Independent valuation as at 31 December 2016 vs 30 June 2015 (as per IPO Prospectus).

# Financial Highlights

GROSS REVENUE (S\$'000)

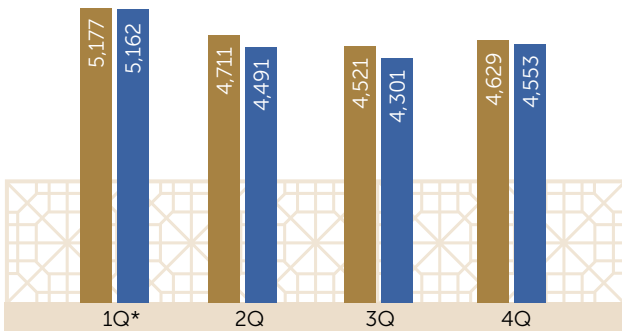


NET PROPERTY INCOME (S\$'000)

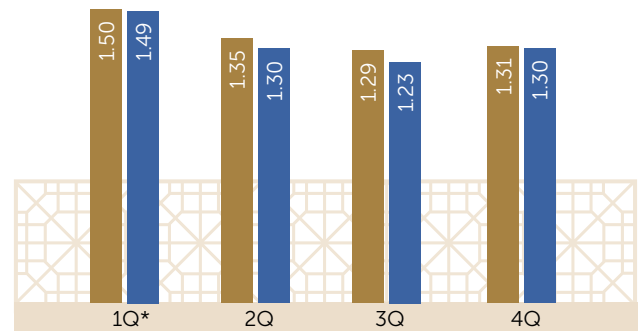


■ Actual ■ Forecast

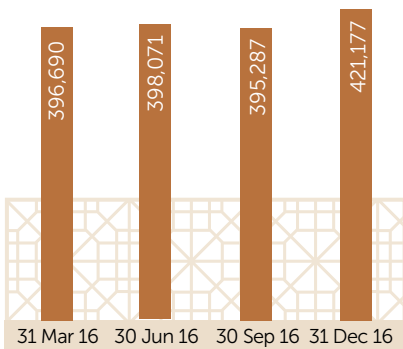
AMOUNT AVAILABLE FOR DISTRIBUTION (S\$'000)



DISTRIBUTION PER UNIT (S\$ CENTS)

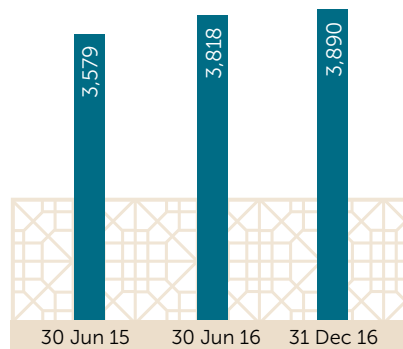


NET ASSET (S\$'000)

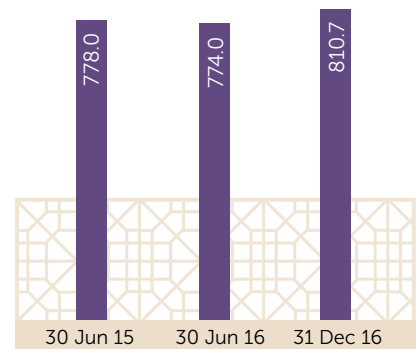


VALUATION

(RMB MILLIONS)



(S\$ MILLIONS)



\* For the period from 11 December 2015 ("Listing Date") to 31 March 2016.

**SELECTED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

|  | S\$'000 |
|--|---------|
| Investment properties <sup>1</sup>     | 810,692 |
| Total assets                           | 871,627 |
| Total liabilities                      | 290,241 |
| Loans and borrowings                   | 230,462 |
| Net assets attributable to Unitholders | 421,177 |

**KEY FINANCIAL INDICATORS**

|   | 2016  |
|---|-------|
| Annualised distribution yield (%)                             |       |
| - Based on IPO price <sup>2</sup>                             | 6.44  |
| - Based on closing price <sup>3</sup>                         | 7.87  |
| Net asset value per unit (cents)                              | 0.85  |
| Gearing ratio <sup>4</sup> (%)                                | 31.0  |
| Average cost of debt (%)                                      | 3.75  |
| Weighted average term to maturity for debt (years)            | 2.0   |
| Basic earnings per unit (cents)                               | 11.86 |
| Distribution per unit (cents)                                 | 5.45  |
| Interest cover (times)  | 14.1  |
| Ratio of expenses to average net asset value <sup>5</sup> (%) | 0.70  |

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

2. Based on IPO price of S\$0.80 as at 11 December 2015.

3. Based on closing price of S\$0.655 as at 30 December 2016.

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

5. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses and borrowing costs but including performance component of Manager's management fees.

# Year 2016 At A Glance

- BHG Retail REIT was constituted on the 18th November 2015 under the laws of the Republic of Singapore.

- SGX Roadshow to Beijing, Shanghai and Chongqing.

- BHG Retail REIT's amount available for distribution for the second quarter ended 30th June 2016 ("2Q 2016") was 4.9% up against forecast.
- Chief Executive Officer of BHG Retail Trust Management Pte. Ltd. invited to speak at International Council of Shopping Centers' Net Operating Income Plus ("ICSC NOI+") conference in Shanghai, and to share about BHG Retail REIT.

NOV 2015

MAR 2016

AUG 2016

DEC 2015

MAY 2016

- On 2nd December 2015, BHG Retail Trust Management Pte. Ltd. launched an initial public offering ("IPO") of units in BHG Retail REIT, and filed its final Prospectus with the Monetary Authority of Singapore ("MAS").
- BHG Retail REIT was listed on the Mainboard of SGX-ST on 11th December 2015, as the first pure-play China retail REIT sponsored by a China-based group.

- BHG Retail REIT's inaugural results ("1Q 2016") beat forecast, with distribution per unit of 1.50 cents for the period from 11th December 2015 ("Listing Date") to 31st March 2016.



- BHG Retail REIT's distribution per unit for the third quarter ended 30th September 2016 ("3Q 2016") of 1.29 cents exceeded forecast by 4.9%, and the amount available for distribution was up 5.1% against the forecast.
- BHG Retail REIT beat forecast in maiden year. Distribution per unit of 5.45 cents for the period from the Listing Date to 31st December 2016 was 2.4% above forecast.

NOV 2016

FEB 2017

SEP 2016

DEC 2016

MAR 2017

- Payment of first semi-annual distribution of 2.85 cents for the period from the Listing Date to 30th June 2016.
- Hong Kong Non-Deal Roadshow.
- Singapore Non-Deal Roadshow.

- Hefei Mengchenglu Mall (合肥蒙城路购物中心) was awarded the "2016 Hefei's Most Popular Shopping Centre of the Year (2016 年度合肥最受欢迎的商场)".



- Singapore Non-Deal Roadshow.
- Payment of second semi-annual distribution of 2.60 cents for the period from 1st July 2016 to 31st December 2016.



## ENHANCING GROWTH

Our resilient operational performance is underpinned by the philosophy of proactive engagement with adjacent communities, in-depth knowledge of consumers' pulse, and sustainable tenants' partnership.

---

PORTFOLIO COMMITTED  
OCCUPANCY RATE

**97.6%**



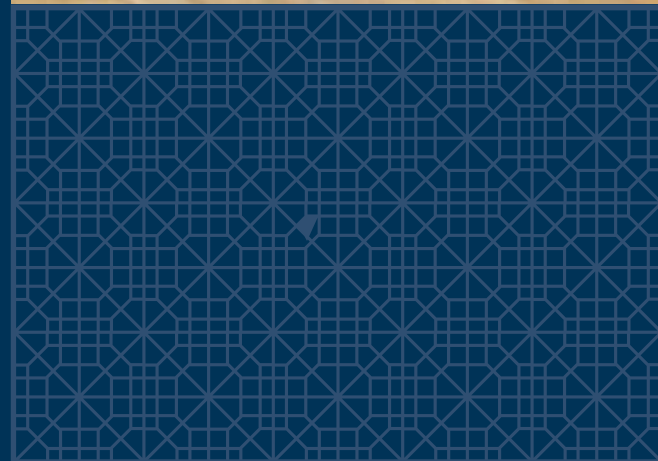




PORTFOLIO VALUATION  
**\$810.7**  
 MILLION

## PURSUING GROWTH

14 Right of First Refusal ("ROFR")  
 properties in the pipeline, while exploring  
 opportunities for third-party acquisitions



# DELIVERING SUSTAINABLE GROWTH

Our inaugural results have beaten the forecast. Our portfolio continues to maintain a healthy level of committed occupancy with positive rental reversion. Looking ahead, we continue to actively seek yield-accretive acquisitions and deliver sustainable returns to our Unitholders.

DISTRIBUTION YIELD  
**7.87%<sup>1</sup>**



1. Based on annualised DPU for the period from 11 December 2015 ("Listing Date") to 31 December 2016 and closing price of S\$0.655 as at 30 December 2016.



# Letter to Unitholders



*From left*  
**Mr Francis Siu Wai Keung**  
Chairman

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

Dear Unitholders,

On behalf of the Board of Directors of BHG Retail Trust Management Pte. Ltd. (the “Manager”), we are pleased to present BHG Retail REIT’s inaugural annual report for the financial period from 18 November 2015 (“Date of Constitution”) to 31 December 2016 (“FY 2016”).

BHG Retail REIT (the “REIT”), the first pure-play China retail REIT sponsored by a China-based group, made its debut on the mainboard of Singapore Exchange on 11 December 2015 (the “Listing

Date”). This successful listing is an affirmation of the REIT’s robust fundamentals and growth prospects.

## **PERFORMANCE BEATS FORECAST**

2016 was a year which saw prolonged uncertainty in global financial markets. China’s gross domestic product (“GDP”) growth moderated to 6.7% year-on-year in 2016 amidst its government’s efforts to find a subtle balance between near-term economic growth and longer-term structural reforms.



Despite these macro headwinds, we are pleased to announce that the REIT has beaten its forecast for FY 2016, and has delivered commendable operational performance.

Distribution per unit ("DPU") for the period from the REIT's Listing Date to 31 December 2016 of 5.45 cents has exceeded the forecast by 2.4%. Similarly, the amount available for distribution to Unitholders was up 2.9% against the forecast. The net property income ("NPI") in RMB was 4.2% higher compared to the forecast for the corresponding period.

### SOLID FUNDAMENTALS

The REIT's portfolio consists of five quality retail properties, each situated in prudently selected locales with a high population density in cities of significant economic potential in China. These cities are Beijing, Chengdu, Hefei, Xining and Dalian. We continue to observe strong GDP per capita growth in these cities, which translates to a trend towards premiumisation and sustainable growth in consumption.

Our portfolio properties, which are focused on serving the communities in their respective locations, have consistently maintained a high committed occupancy rate since the Listing Date. As at 31 December 2016, the REIT's portfolio committed occupancy rate was 97.6%.

Rents for new and renewed leases in FY 2016 turned in a healthy portfolio rental reversion. The healthy

*With the objective of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we will continue to build on our strong fundamentals as well as to drive growth.*

rental uplift is a result of active management of the malls, leading to strong success in attracting new retailers while retaining quality tenants.

Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2016 through dedicated efforts to continually enhance the popularity of our malls and maintain our status as the mall of choice for tenants and the surrounding communities. In recognition of our effort to constantly improve the shopping experience, Hefei Mengchenglu Mall beat over 40 participating malls and was awarded "2016 Hefei's Most Popular Shopping Centre of the Year (2016年度合肥最受欢迎的商场)" by a local media platform, "Hefei Forum (合肥论坛)", in February 2017.

We adopt a prudent capital management strategy to support our operational requirements. As at 31 December 2016, our gross loan and borrowings of S\$231.5 million

had a weighted average term to maturity of 2.0 years, and a low gearing ratio of 31.0%. The average cost of debt was 3.75%. To further manage the cost of debt and mitigate interest rate risk, about 50% of the REIT's Singapore dollar-denominated debt are on fixed rates.

With Beijing Hualian Group's core businesses spanning the entire retail value chain (in retail mall management, luxury department store management, supermarket operation and international retail partnerships), the REIT benefits from Beijing Hualian Group's in-depth knowledge of consumption patterns. By tapping into Beijing Hualian Group's extensive network of retailers, we are able to constantly adjust the tenant mix of our Malls to offer an ever-refreshing shopping experience. In 2015, we were successful in repositioning Beijing Wanliu Mall by bringing in 25 popular brands targeted specifically at our middle to high income consumers. These

# Letter to Unitholders

***BHG Retail REIT's portfolio is well-positioned to meet the needs of the rising middle income population and provide a quality lifestyle experience at our malls.***



brands included the renowned jeweller Chow Tai Fook (周大福), popular Japanese lifestyle brand Muji, America's iconic Calvin Klein Jeans, South Korea's cosmetic brand Etude House, one of China's rising culinary stars Element Fresh, and one of Taiwan's more popular restaurant chains Bellagio (鹿港小镇).

Coupled with our proactive engagement of the surrounding communities and strong collaboration with tenants, the REIT is able to adjust our product and service offerings quickly to meet the fast changing needs of our shoppers and the communities that we serve.

## **SERVING THE COMMUNITIES**

Our strong portfolio of malls is geared towards the needs of the communities located within a few kilometers. For instance, Beijing Wanliu Mall is located in the Haidian District, one of the most populous urban districts in the capital. It is close to Zhongguancun, and is a short distance from the prestigious Peking University and Tsinghua University. The mall is geared towards serving the upper middle and high income residents. It has a wide tenant mix of international brands and quality dining options as well as experiential services such as children's enrichment programs, leisure and entertainment.

Our Chengdu Konggang Mall is situated near Chengdu Airport and is located in a residential area with a healthy catchment. The catchment of shoppers are middle and upper-middle income consumers living and working in the residential and commercial facilities in the area.

Across the five cities, our malls have established themselves as the unofficial heart of the communities as they attract families and professionals with a wide range of quality essentials (such as dining and groceries), recreation and experiential services. Our malls

are often the locations of choice for major festivals and community events and activities, drawing in high shopper traffic from the surrounding neighbourhoods.

Besides international fashion brands, which have strong appeal to consumers, one of our differentiating factors is our strong focus on non-fashion experiential segments. This segment contributed more than 65% of gross rental income and close to 80% of Net Lettable Area ("NLA") of the REIT's portfolio as at 31 December 2016. Besides staying ahead of changing consumer needs, the focus on non-fashion experiential segments also mitigates the risks brought about by e-commerce.

### POISED FOR GROWTH

With the objective of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we will continue to build on our strong fundamentals as well as to drive growth.

We will continue to undertake proactive lease management and asset enhancement to enhance the value of the malls under our portfolio. In addition, we are also actively exploring growth via an existing voluntary Right of First Refusal ("ROFR") with regard to 14 identified properties. These 14 ROFR properties in the pipeline set a solid foundation for the REIT's long-term growth. As such, the Manager monitors the developments and maturity of these malls closely. The Manager will also explore opportunities for third-party acquisitions.



### OUTLOOK

We expect 2017 to be a challenging year. We will be watchful of changes in consumer preferences, developments in the economy and changes in government policies that will have an adverse impact on our business.

The Chinese government has announced in December 2016 that they will continue to seek progress while maintaining stability for the coming year. According to the National Development and Reform Commission of the People's Republic of China, the government has set its GDP growth target at approximately 6.5% for 2017. GDP per capita, which is highly correlated with spending patterns, is projected to increase from US\$8,200 to US\$11,700 over the next 3-5 years<sup>1</sup>. We therefore expect the consumer and retail contribution to GDP growth to increase.

As a result, we believe that the REIT's portfolio is well-positioned to meet the needs of the rising middle income population and provide a quality lifestyle experience at our malls. We remain committed to drive growth through potentially yield-accretive acquisitions, proactive asset enhancement and proactive asset management.

### APPRECIATION

In closing, we would like to offer our deepest appreciation to the other Directors on the Board, the Management, and staff for their dedication and hard work since listing, as well as to Unitholders, business partners, tenants, and shoppers for their unwavering support in the past year. We look forward to another year of growth with you together.

Thank you.

**Mr Francis Siu Wai Keung**  
Chairman

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

28 February 2017

1. International Monetary Fund Forecast.

# 致信托单位 持有人

尊敬的信托单位持有人：

我们诚挚地代表北京华联商业信托管理有限公司（以下称“管理人”）董事会公布北京华联商业信托自2015年11月18日（“成立日”）至2016年12月31日的第一份财政年度（“2016财年”）报告。

北京华联商业信托（以下称“本信托”）于2015年12月11日（以下称“挂牌日”）在新加坡证券交易所主板上市，成为新交所第一只纯粹由中资集团保荐、投资于中国零售商场的房地产信托基金。此次成功上市，是对本信托稳健的根基以及乐观发展前景的肯定。

## 超预期的表现

2016年环球经济呈现持续不稳定性，随着中国政府在寻求短期经济增长与长期结构改革的平衡关系进程中，中国2016年的国内生产总值同比增速减缓至6.7%。

尽管存在这些宏观因素，我们仍欣然宣布本信托2016年度的业绩超出预期，营运表现可圈可点。

截至2016年12月31日，每信托单位可派发5.45分，比预期高出2.4%。同样的，可派发给信托单位持有人的收益也比预期高出2.9%，净物业收入以人民币计算更比预期高出4.2%。

## 稳固的根基

本信托投资组合包括5个优质零售物业，均经过精心挑选并位于人口密度高、具有经济增长潜力的城市，它们分别是北京、成都、合肥、西宁和大连。我们持续观察到这些城市的人均国内生产总值强劲的增长势头，这就意味着消费的增长以及可持续发展的趋势。

我们的各个零售商场致力于服务其所在的社区。自上市以来，始终保持所承诺的高出租率。截至2016年12月31日，本信托的整体出租率为97.6%。

在2016财年，通过对商场的积极管理，我们成功留住了优质租户、并同时吸引了新零售租户进场，使新增租约和续租租约租金都呈现出健康良好的增长势头。

在2016财年，本信托旗下的一站式购物中心整体客流量年同比上扬，这是因为我们不断致力于提高旗下商场的人气，并确保租户和周边社区以我们的商场为首选。2017年2月，在合肥当地媒体“合肥论坛”主办的购物商场评选中，合肥蒙城路购物中心在40多个参评商场中脱颖而出，荣获了“2016年度合肥最受欢迎商场”的殊荣，以表彰我们在持续改善购物体验方面所做出的努力。



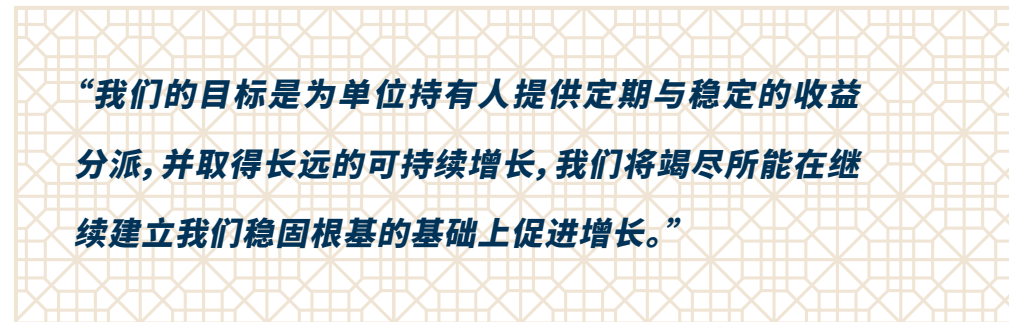
我们采用审慎的资本管理策略来支持营运需要。截至2016年12月31日，我们的借贷总额为2.315亿新元，加权平均还款期限为2.0年，负债比率低至31.0%。平均借贷成本为3.75%。为了进一步管理借贷成本，降低利率风险，本信托约50%的新元借款属于定息借款。

由于北京华联集团的核心业务横跨整个零售价值链(包括零售商场管理、高级百货公司管理、超市运营和国际零售业务合作等)，本信托也因华联集团对消费模式的深刻认知而大受其益。透过北京华联集团广泛的零售商网络，我们能够不断地调整商场的租户组合，提供崭新的购物体验。2015年，我们成功对北京万柳购物中心进行了重新定位，并引入25个深受中、高收入消费者所喜爱的品牌，包括著名的珠宝商周大福(Chow Tai Fook)、日本流行生活品牌无印良品(Muji)，美国标志性的牛仔裤品牌卡尔文(CK)，韩国化妆品品牌伊蒂之屋(Etude House)、正在中国兴起的餐饮新星，台湾最受欢迎的连锁餐厅之一的鹿港小镇等等。

基于我们采取的主动与周边社区积极互动并与租户紧密地合作，我们能快速调整我们的产品和服务以满足商场消费者以及我们所服务的社区瞬息万变的需求。

### 服务社区

我们所投资的商场都以服务周边几公里范围内的社区为宗旨。例如，北京万柳购物中心位于海淀区，是北京市人口第二稠密的城区。该商场毗邻中关村以及闻名遐迩的北京大学和清华大学，服务面向中高收入的人群。商场云集了众多的国际品牌和优质的餐饮选择，



并提供各项体验式服务，如儿童培训课程、休闲活动和娱乐设施等。

我们的成都空港购物中心位于成都机场附近，地处人流稳健的住宅区。面向的人群是在该区居住或在附近商厦工作的中高收入消费者。

我们的商场在各自所处的五个城市中，已成为相关社区的非正式枢纽，吸引了众多家庭及专业人士前来享受一系列高品质的消费(如餐饮和生活用品)、娱乐和体验式服务。社区活动主办者在主要节庆日也往往选择我们的商场举办活动，吸引了来自周边的大量购物人群。

除了具有强劲吸引力的国际时尚品牌之外，我们区别于其他业者的因素之一是我们对非时尚体验型服务市场的特别关注。截至2016年12月31日，超过65%的租金收入总额来自于这一领域的租户贡献，而其对应的租用面积则占本信托净可租用面积的近80%。对于非时尚体验式服务市场的关注，一方面是为了赶上变化的消费需求，另一方面可以缓解电子商务带来的风险。



# 致信托单位 持有人

**“北京华联商业信托良好的市场定位将能满足正在崛起的中产阶层的需求,并为他们提供一个优质的生活体验。”**



## 蓄势待发

我们的目标是为单位持有人提供定期与稳定的收益分派,并取得长远的可持续增长,我们将竭尽所能在继续建立稳固根基的基础上促进增长。

我们将继续对本信托旗下的资产采取积极主动的租赁管理和资产提升措施。此外,我们也积极探索通过14个优先购买权(ROFR)的商场来获得增长。这14个商场为本信托长期持续地发展提供了无以比拟的坚实基础。管理人也密切关注着这些商场的发展和成熟期状况,同时也在寻求第三方收购的机会。

## 展望

2017年将会是充满挑战的一年,我们将密切关注消费者的偏好、经济的发展以及政府政策可能对我们的商场所带来的负面影响。

2016年12月,中国政府宣布来年将在保持稳定的基础上寻求发展。根据中国国家发展和改革委员会,中国政府将2017年国内生产总值增长率的目标定为6.5%。另一方面,与消费模式高度相关的人均国内生产总值预计在未来的3-5年中将从8,200美元提高到11,700美元<sup>1</sup>。因此,我们

预计消费和零售业对国内生产总值增长的贡献将上升。

我们相信北京华联商业信托良好的市场定位将能满足正在崛起的中产阶层的需求,并为他们提供一个优质的生活体验。我们将继续致力于通过潜在的增值收购、积极的资产提升和资产管理来推动增长。

## 鸣谢

最后,我们想借此机会对董事会的其他成员、管理层以及员工自上市以来的奉献和辛勤付出致以深切的谢意,同时也要感谢所有单位持有人、商业伙伴、租户和我们的商场顾客在过去一年里始终如一的支持。我们期待在新的一年里与大家共享增长。

谢谢!

## 萧伟强

主席

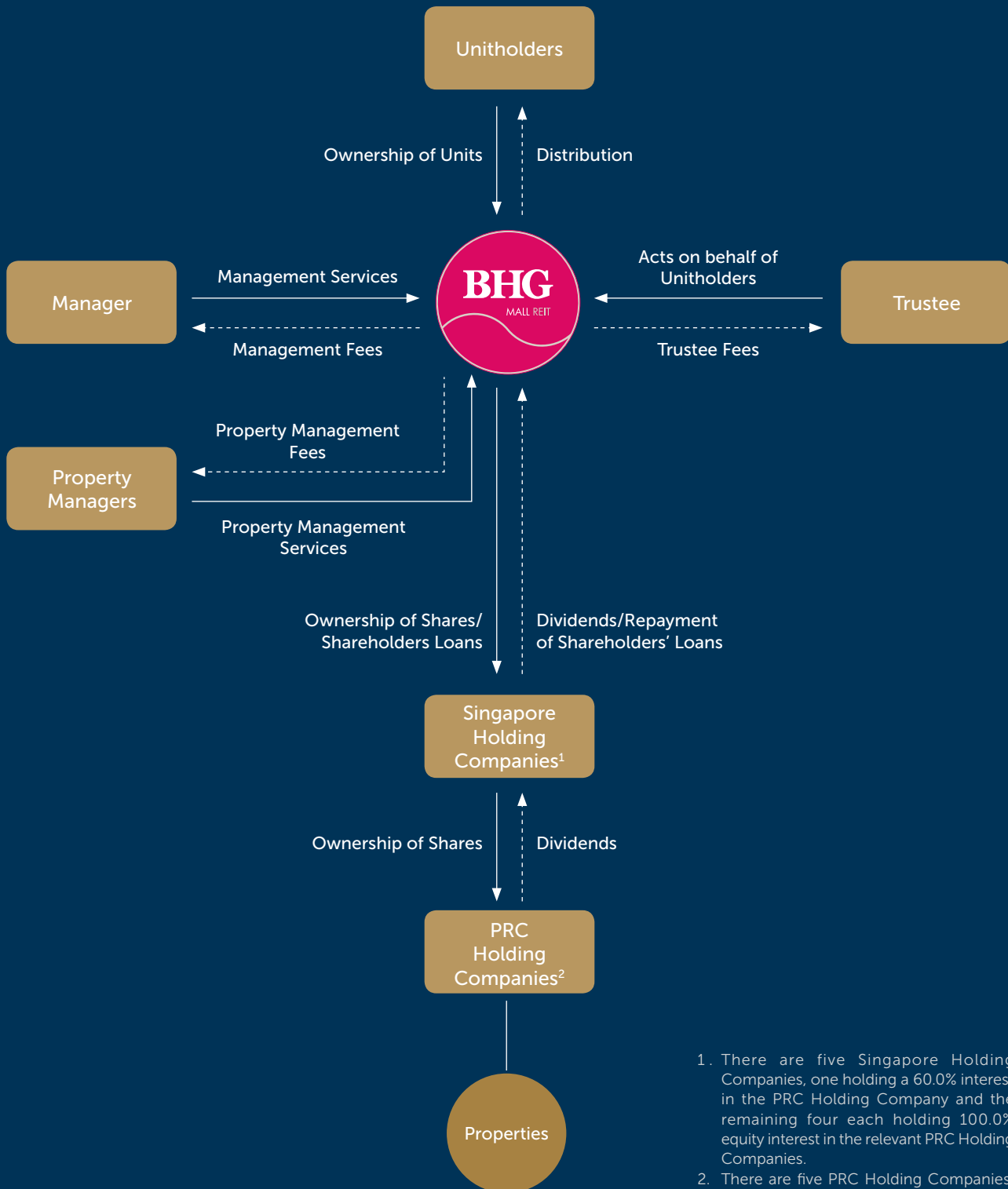
## 陈懿璘

首席执行官

2017年2月28日

1. 国际货币基金组织预测

# Trust Structure

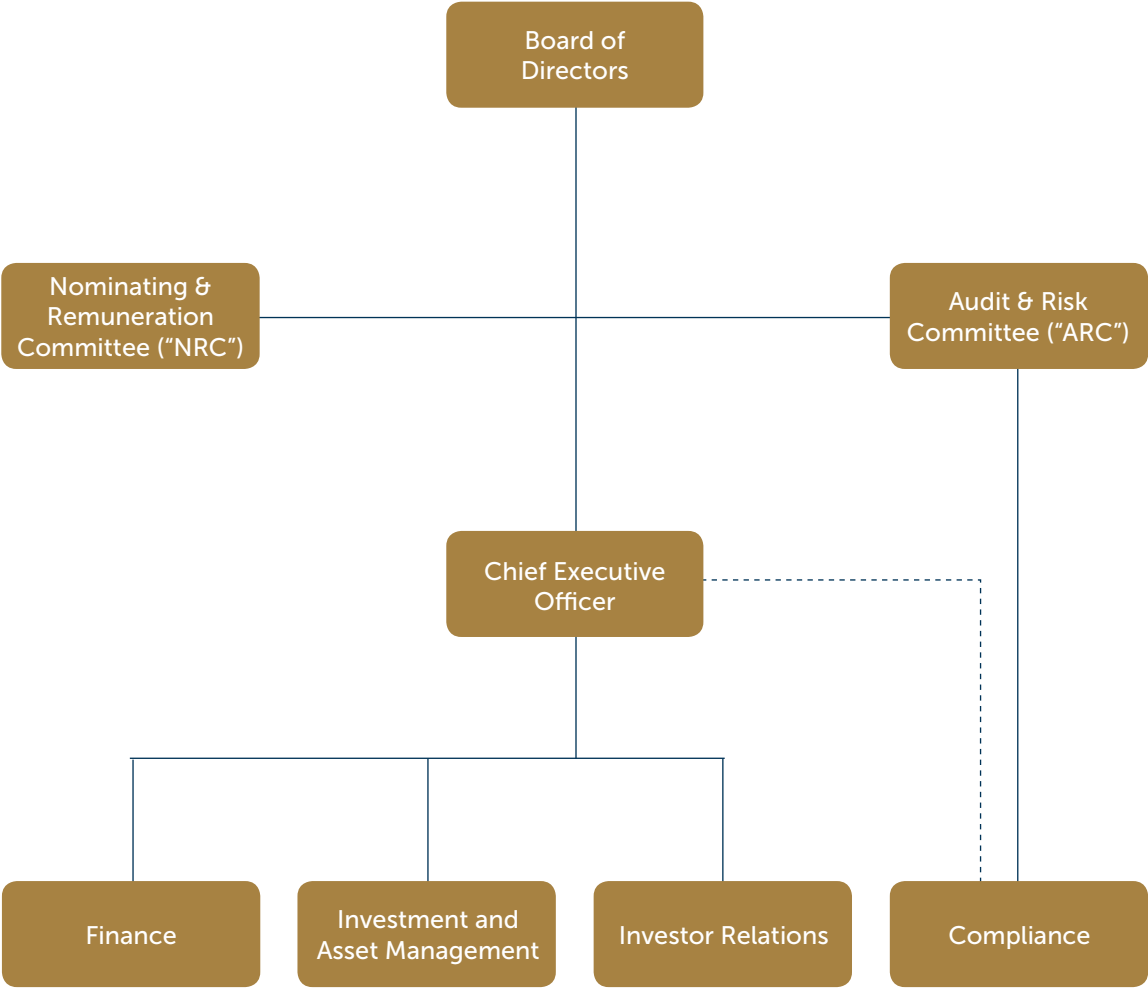


1. There are five Singapore Holding Companies, one holding a 60.0% interest in the PRC Holding Company and the remaining four each holding 100.0% equity interest in the relevant PRC Holding Companies.

2. There are five PRC Holding Companies, each holding one Property.

# Organisation Structure

## THE MANAGER BHG RETAIL TRUST MANAGEMENT PTE. LTD.





# Board of Directors

## MR FRANCIS SIU WAI KEUNG (62)

Chairman  
Independent Director

**Date of Appointment:** 12 November 2015

### Board committee served on

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

### Present directorships (Listed Companies)

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

### Past directorships (Listed Companies in preceding 3 years)

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

### Background and working experience

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

### 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 (65)

Independent Director

**Date of Appointment:** 12 February 2015

### Board committee served on

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

### Present principal commitments (other than Directorship in Listed Companies)

- Muse Capital Pte Ltd
- T.K. Yeo (Private) Limited
- Tower Capital Real Estate Pte Ltd
- Y Hospitality Pte Ltd
- Y Developments Pte Ltd
- Y Properties Pte Ltd

### Background and working experience

- Group Managing Director of Guthrie GTS Limited
- Director of Simefield Pte Ltd

### Qualifications

- Dundee College of Commerce, United Kingdom (Institute of Cost and Management Accountants)
- Oxford Polytechnic (Diploma in Accounting Studies from the Department of Management and Social Science)
- Institute of Chartered Accountants in England and Wales (Associate Member)
- Institute of Singapore Chartered Accountants (Member)
- Association of Certified Accountants (Fellow Member)

# Board of Directors

## MR LAU TECK SIEN (45)

Independent Director

**Date of Appointment:** 12 November 2015

### Board committee served on

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

### Present principal commitments (other than Directorship in Listed Companies)

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

### Background and working experience

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

### Qualifications

- Nanyang Technological University of Singapore (Bachelor of Business)

## MR NIU XIAOHUA (45)

Non-Executive Director

**Date of Appointment:** 12 November 2015

### Past directorships

#### (Listed Companies in preceding 3 years)

- Beijing Hualian Department Store Co., Ltd.

### Background and working experience

- Chairman of Beijing Hualian Department Store., Ltd.
- General Manager of Beijing Hualian Department Store Co., Ltd.
- Secretary of the Board of Beijing Hualian Hypermarket Co., Ltd.
- Accountant and Valuer at China Enterprise Appraisals Co., Ltd.
- Accounting teacher at China University of Petroleum

### Qualifications

- Peking University (Master's Degree)
- Xi'an Petroleum Institute (Bachelor's Degree)
- Certified Public Accountant (recognised by the Ministry of Finance, China)

**MR XIONG ZHEN (42)**

Non-Executive Director

**Date of Appointment:** 12 November 2015**Present directorships (Listed Companies)**

- Beijing Hualian Department Store Co., Ltd.

**Present principal commitments****(other than Directorship in Listed Companies)**

- Vice General Manager 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 the Chairman of Sinar Mas
- Personal Assistant to Chairman of Hong Kong Construction (Holdings) Limited

**Qualifications**

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

**MR PENG GE (45)**

Non-Executive Director

**Date of Appointment:** 12 November 2015**Present principal commitments****(other than Directorship in Listed Companies)**

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

**Background and working experience**

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

**Qualifications**

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

# Key Management

## **MS CHAN IZ-LYNN**

Chief Executive Officer  
Head of Investor Relations

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

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

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

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

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

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

## **MS HAN MIAN**

Chief Financial Officer

Han Mian is the Chief Financial Officer of BHG Retail REIT. She has more than 20 years' experience in corporate management, investment, accounting and finance.

Prior to joining the Manager, she was Deputy General Manager of Radiance Investment Holdings Pte Ltd where she oversaw the entire operations of the company including

spearheading the company's finance team to manage the capital structure and financial risks of the corporation. Han Mian's prior experience included the setting up of new companies and implementing strategic plans to expand the various businesses in Singapore. She was appointed as a director in some of these companies and her accomplishments included the establishment of cross-functional collaboration and partnerships and building positive team dynamics to execute business plans. She was tasked to oversee the full spectrum of the business operations of these companies and was accountable for driving operations within marketing, sales, analytics and business development areas in these companies.

Han Mian holds a Master of Professional Accounting from University of Southern Queensland, Australia.

## **MS YVONNE LEW**

Senior Finance Manager

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

Infrastructure Fund Management Pte Ltd, the Trustee-Manager of Keppel Infrastructure Trust.

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

#### **MR JASON LEE**

Investment and Asset Management Manager

Jason is responsible for creating value for Unitholders through acquisitions and divestments, asset enhancement and active asset management. Prior to joining BHG Retail REIT, Jason was an Associate in GIC's Research and Strategic Planning unit where he helped provide house views and strategic direction for real estate investments for their Asia portfolio, and assisted in transactions where necessary. Jason started his career performing real estate research and advisory work in JLL.

Jason holds a Bachelor of Business Management and Masters of International Economics and Finance from the University of Queensland.

#### **MR NIGEL NAI ZI**

Investor Relations Manager

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

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

#### **MR MELVYN LEE**

Compliance Manager

Melvyn is responsible for legal, compliance and enterprise risk management matters at BHG Retail REIT in Singapore. Prior to his current appointment at BHG Retail

REIT, Melvyn was the Compliance Officer at Pheim Asset Management (Asia) Pte Ltd. He started his career as a senior executive at the Land Titles Registry, Singapore Land Authority.

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

# Enterprise Risk Management

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

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

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

## ERM FRAMEWORK

The ERM Framework was built on the premise that BHG Retail REIT would have in place 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.

Following the listing of the REIT in December 2015, it was determined that the ERM Framework would be reviewed every two years. In the event of changes in regulations, country of operations, nature of business or any other event which would affect the REIT and the Manager, the Framework would be reviewed accordingly and updated immediately.

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

Further, the ERM Framework is supplemented by an outsourced Internal Audit function, which measures and evaluates the effectiveness of the procedures in place under the Framework.

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

## KEY RISKS IN FY 2016

### Real Estate Risks

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

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

Additionally, the Manager closely monitors the tenant occupancy rate and tenant mix of each portfolio property. The collated data from these allow 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 subjected to rigorous due diligence, taking into consideration its potential for yield enhancement, long-term sustainability and its asset valuation. Any potential acquisition is first discussed with the Board. A conditional approval is obtained for commencement of review, analysis and due diligence after which the findings are presented to the Board for consideration.

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

### Disaster and Business Interruption Risk

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

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

### Financial and Interest Rate Risk

The Manager ensures that its financial risks are mitigated by spreading its debt maturity profile over a range of years. Financial market risks and capital structure are closely monitored and actively managed by the Manager, and reported to the Board on a quarterly basis. 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 2016, about 50% of the REIT's Singapore dollar-denominated debt are on fixed rates.

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

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

Where feasible, BHG also adopts a natural hedging by borrowing in RMB. This matches the revenue stream generated from its investment, balancing the Interest rate and foreign exchange risk. As at 31 December 2016, about 30% of the Group's borrowings is RMB-denominated.

### Compliance Risks

The Manager, as a result of the nature of its work, is required to observe multiple laws and

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

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

### Technology Risks

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

Following its latest review in January 2017, the Manager has enhanced its controls and security systems to address threats.

# Corporate Governance

## INTRODUCTION

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

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

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

## THE MANAGER

The Manager has general powers of management over the assets of BHG Retail REIT, and is responsible for setting the strategic direction of BHG Retail REIT.

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

## BOARD MATTERS

### The Board's Conduct of Affairs

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board, which is responsible for the long-term success of the company, is entrusted with overall responsibility for the corporate governance of the Manager. The Board is also responsible for the strategic business direction and risk management of BHG Retail REIT. To this end, the Board has set in place a framework of internal controls for effective management of risks within the business.

Presently, half of the Board consists of Independent Directors, and this meets the requirements in the 2012 Code, which prescribes a minimum of 1/3 of a Board's Directors to be independent. The Directors collectively bring to the Board deep experience in financial services, audit, real estate development, valuations and lease management. This collective expertise allows the Board to lead the company, establishing the long-term strategies and overseeing the management of the REIT.



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

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

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

- Audit and Risk Committee;
- Nominating and Remuneration Committee.

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

The Board and its committees meet at least once every quarter to review key business activities, and further whenever the Board's involvement is required. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, videoconferencing, or other similar means of telecommunication.

Four Board meetings were held during the financial year ended 31 December 2016 ("FY 2016"). The attendance of the Directors at Board meetings and Board committee meetings are set out at page 34.

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

Each newly appointed Director goes through an orientation and induction programme. The aims of the programme are to familiarise the new Director with the law and regulations that govern the operation of a REIT, and to familiarise the new Director with BHG Retail REIT's business and organisation structure.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as Director's duties and responsibilities, changes to laws, regulations, accounting standards, and industry-related matters so as to be updated on matters that may affect or enhance their performance as Directors of the Board, or of the Board's committees.

For FY 2016, Directors were provided with briefings in the business operations of BHG Retail REIT, its corporate governance practices and the statutory duties and responsibilities of Directors.

#### **Board Composition and Guidance**

*There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% Unitholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board presently comprises six members: three Non-Executive Directors (Mr Niu Xiaohua, Mr Xiong Zhen and Mr Peng Ge) and three Independent Directors (Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong, and Mr Lau Teck Sien). Each Director is a respected individual with the appropriate experience to act as the Directors of the Manager. The profiles of the Directors may be found from page 23 to 25 of the Annual Report.

The Board is headed by Mr Francis Siu Wai Keung, who presides as Chairman.

The Board encompasses a diverse set of skills, experience, and knowledge of the REIT and its portfolio properties. The Board will review the composition of the Board from time to time to ensure that the size of the Board provides effective and efficient decision-making, and that the Board is sufficiently independent.

# Corporate Governance

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

- The Chairman of the Board should be a Non-Executive Director of the Manager;
- The Board should comprise Directors with a broad range of commercial experience including expertise in fund management, audit and accounting, and the property industry; and
- At least one-third of the Board should comprise Independent Directors.
- Mr Niu, Mr Xiong and Mr Peng are salaried employees of other entities within the Beijing Hualian Group and accordingly are treated as Non-Independent Directors.

The independence of Mr Siu, Mr Yeo and Mr Lau are assessed against the requirements of the 2012 code.

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.

## Board Committees

The Board is supported by the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") in the discharge of its responsibilities.

The ARC is tasked with monitoring and evaluating the effectiveness of the Manager's internal controls. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The ARC further monitors the procedures established to regulate interested party transactions, with a view towards ensuring compliance with the provisions of the Listing Manual.

The role of the NRC is to make recommendations to the Board on appointment and remuneration matters. The NRC will review and make recommendations on succession plans for the Board and executive officers.

The members of the respective Board Committees are:

### Audit and Risk Committee

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

### Nominating and Remuneration Committee

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

### Chairman and Chief Executive Officer

*There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The roles of Chairman and CEO are separate and are held by Mr Francis Siu Wai Keung and Ms Chan Iz-Lynn respectively; both are not immediate family members. This is in line with ensuring an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Board is led by the Chairman, and he ensures the overall effectiveness and direction of the Board. The Chairman also ensures the Board and Management work constructively together on strategic issues. Further, the Chairman actively promotes high standards of corporate governance.

The CEO works with the Board to determine the strategy for BHG Retail REIT. She also works with the other members of the management team to ensure that BHG Retail REIT operates in accordance with the Manager's stated investment strategy.

Further, the CEO is responsible for the future strategic development, overall day-to-day management and operations of BHG Retail REIT, and works with the Manager's investment, asset management, financial and compliance personnel in meeting the strategic, investment and operational objectives of BHG Retail REIT.

### Board Membership

*There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board*

The Board is cognizant of the requirements of the 2012 code transparency, and accordingly has established the NRC, which comprises the Independent Directors of the Board.

The Terms of Reference of the NRC include:

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

In appointing a new Director to the Board, the Board considers the needs of BHG Retail REIT and the relevant expertise of the candidate. Further, the Board considers the principles stated on page 32 of the Annual Report.

The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

Candidates with the appropriate profile are shortlisted for nomination and are recommended to the Board for approval. The search for candidates is conducted through referrals, and may seek advice from external search consultants where necessary.

The Board does not appoint alternate directors as recommended by the 2012 Code.

For FY 2016, the NRC has recommended the adoption of a performance evaluation form for the assessment of individual Directors, the Board committees, and the Board. This recommendation was approved by the Board. The evaluation is to be performed on or before 21 January for completion by each Director in respect of his performance, the performance of the Board Committees, and the performance of the Board. Upon completion, the forms are compiled by the Company Secretary and the results are discussed at NRC meetings.

Accordingly, for FY 2016, the findings of the Board and NRC are:

- That all performance objectives for FY 2016 have been met for the Board, the Board committees and for each individual Director; and
- That each Independent Director has met and continues to meet the requirements of the 2012 Code.

The 2012 Code further recommends that the Board should determine the maximum number of listed company board representations, which any Director may hold. The Board is of the view that each individual Director should have the discretion to limit their listed company board representations, having in mind their commitment and contribution to the Board.

Although some of the Directors have other listed company board representations and commitments, the Board has determined that each Director has provided sufficient commitment to his role as a Director and to the affairs of BHG Retail REIT and the Manager. For FY 2016, the Directors have attended Board meetings and have participated constructively in discussion of the activities of BHG Retail REIT. The Board is of the view that, despite the external appointments, the Directors are not hindered from carrying out their duties as Directors of the Manager.

### Board Performance

*There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board*

# Corporate Governance

The Manager believes the Board's performance is best evidenced and reflected through BHG Retail REIT's achievements. For FY 2016, BHG Retail REIT has exceeded the forecast, delivering commendable operational performance. The distribution per unit ("DPU") for the financial period from 11 December 2015 to 31 December 2016 of 5.45 cents has exceeded the forecast by 2.4%.

Similarly, the amount available for distribution to Unitholders was 2.9% higher than the forecast. The net property income in RMB was 4.2% higher compared to the forecast for the corresponding period.

The Board's performance is reviewed once a year by the NRC. Each Director is required to objectively assess his personal performance and collectively, the

performance of the Board as a whole. Factors that are assessed include the contributions of each Director, and the standard of conduct of the Board against set performance benchmarks. Pursuant to the NRC's review, the Board is satisfied that it has achieved its performance objectives for FY 2016.

In instances where a Director has multiple representations on other boards, that Director is evaluated to see if they have devoted sufficient time and attention to the affairs of the Manager and discharged their responsibilities adequately. Each Director, having regard to their multiple representations on other boards, confirmed his ability to devote sufficient time and attention to the affairs of the Manager. The Board, having regard to the contributions of each Director, is satisfied that each Director is able to and has adequately carried out his duties as Director.

For FY 2016, the number of Board, and ARC and NRC meetings attended by each Director is as follows:

|                          | Board Meetings<br>No. of meetings held: 4<br>Attended | Audit and Risk<br>Committee Meetings<br>No. of meetings held: 9 | Nominating and<br>Remuneration<br>Committee Meetings<br>No. of meetings held: 1<br>Attended |
|--------------------------|---|---|---|
| Mr Francis Siu Wai Keung | 4   | 9   | 1   |
| Mr Ben Yeo Chee Seong    | 4   | 9   | 1   |
| Mr Lau Teck Sien         | 4   | 8   | 1   |
| Mr Niu Xiaohua           | 3   | –   | –   |
| Mr Xiong Zhen            | 4   | –   | –   |
| Mr Peng Ge               | 4   | –   | –   |

## Access To Information

*In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The Manager provides the Board with complete, adequate and timely information prior to Board meetings, and on an ongoing basis. This includes quarterly financial reports & financial statements on the Manager. The Manager's executives and external

consultants may also provide presentations on specific business areas. Further, each Director has separate and independent access to members of the Manager, and this ensures that the Directors are not dependent solely on what is volunteered by the Manager.

Board meetings are scheduled in advance to ensure that each Director has sufficient time to arrange his schedule and commitments. Board papers are generally circulated at least two days in advance to allow each Director to be fully prepared for a Board meeting.

During a Board meeting, executives may be invited as attendees in the event the Directors require further clarification on matters being discussed. Further, the Company Secretary, who attends all Board meetings, ensures that all relevant rules, regulations and procedures are complied with. Where requested, Directors may have access to professional advice.

The ARC also meets with internal & external auditors without the presence of management, and has unfettered access to information.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in fixing his own remuneration.*

### Level and Mix of Remuneration

*The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

### Disclosure on Remuneration

*Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

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. The NRC operates on delegated authority from the Board.

Where necessary, the NRC may engage the service of a remuneration consultant.

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

The remuneration package of key executives 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 a key executive meets performance targets, both personal and that of the Manager and REIT. This aligns the achievements of key executives with that of Unitholders.

Key executives do not receive any remuneration in Units.

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

The 2012 Code and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management require REIT managers to disclose (1) the remuneration of the CEO and each individual director on a named basis, with a break down (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards and other long-term incentives, and (2) the remuneration of at least the top five executive officers (other than the CEO and executive officers who are directors), on a named basis, in bands of S\$250,000.

# Corporate Governance

The Board has assessed and decided against such disclosure of the remuneration of the CEO and top key executive officers for the following reasons:

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

The fees for Independent Directors for 2016 are stated as follows. Fees received by each Independent Director consists only of Director's Fees component, which is paid in cash. The Non-Executive Directors do not receive any fees as they are salaried employees of other entities of the Beijing Hualian Group. Directors and key executives are not paid in Units.

| Director                 | 2016 (\$) |
|--------------------------|-----------|
| Mr Francis Siu Wai Keung | 100,000   |
| Mr Ben Yeo Chee Seong    | 85,000    |
| Mr Lau Teck Sien         | 85,000    |
| Mr Niu Xiaohua           | –         |
| Mr Peng Ge               | –         |
| Mr Xiong Zhen            | –         |

There are no employees who are immediate family members of a Director or the CEO and whose remuneration exceeds S\$50,000 during the year.

## ACCOUNTABILITY AND AUDIT

### Accountability

*The Board should present a balanced and understandable assessment of the company's performance, position and prospects*

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

### Risk Management and Internal Controls

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

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

The Manager has further engaged KPMG Services Pte. Ltd. ("KPMG") to conduct quarterly reviews to mitigate the risk of non-compliance with regulatory requirements.

The ARC is kept updated on findings reported by Deloitte and KPMG, and the ARC takes these findings into consideration when assessing the Manager's risk appetite. The Manager has adopted an Enterprise Risk Management ("ERM") Framework, which formalises the Manager's risk management and internal controls practice. For FY 2016, the Manager has conducted an interim Control Self-Assessment Exercise on itself and on each of the portfolio properties in the REIT to evaluate its ERM Framework. More information on the ERM Framework can be found on page 28 of the Annual Report.

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

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by the Management, the Board with the concurrence of the ARC, are of the opinion that the Manager's risk management and internal controls put in place during the financial year addressing financial, operational, compliance and information technology risks, were adequate.

In addition, the Board has received assurances from the CEO and CFO of the Manager that:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY 2016 give a true and fair view of the Group's operations and finances, and are prepared in accordance with the relevant accounting standards; and
- (b) the Manager's risk management and internal control systems are adequate and effective.

### Audit and Risk Committee

*The Board should establish an Audit and Risk Committee with written terms of reference which clearly set out its authority and duties.*

The Audit and Risk Committee ("ARC") is established by the Board and comprises three members, all of whom are Independent Directors. The ARC is chaired by Mr Francis Siu Wai Keung, and Mr Ben Yeo Chee Seong and Mr Lau Teck Sien serve as members. The members of the ARC collectively have experience in audit, accounting and fund management experience. Accordingly, they are qualified to discharge the ARC's responsibilities.

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC is further responsible for the reliability of information prepared for inclusion in financial reports. The ARC's terms of reference include:

- Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;

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

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

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2016 and the fees paid for such services. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees paid and payable to the external auditors for audit services is S\$314,000. There are no non-audit fees paid and payable to the external auditors for FY 2016.

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

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 period ended 31 December 2016, relating to the valuation of the Group's investment properties.

# Corporate Governance

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 meets at least once every calendar quarter.

## Internal Audit

*The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The ARC has appointed Deloitte to perform the internal audit functions. To ensure that it performs its function adequately and effectively, Deloitte employs suitably qualified staff with the requisite skill sets and experience.

Further, the Manager ensures that Deloitte retains independence in exercising their duties. This is evidenced through the unimpeded access to the Manager's documents and records and through meetings held between Deloitte and the ARC without the presence of management.

The internal auditor has provided risk assessment and control assessment services to ensure the Manager is able to review its internal controls and ensure that these controls are aligned to operational efficiency.

The ARC has reviewed the internal audit function and has concluded that the internal audit function was adequately resourced and effective.

## UNITHOLDERS RIGHTS AND RESPONSIBILITIES

### Unitholder Rights

*Companies should treat all Unitholders fairly and equitably, and should recognise, protect and facilitate the exercise of Unitholders' rights, and continually review and update such governance arrangements.*

### Communication with Unitholders

*Companies should actively engage their Unitholders and put in place an investor relations policy to promote regular, effective and fair communication with Unitholders.*

### Conduct of Unitholder Meetings

*Companies should encourage greater Unitholders participation at general meetings of Unitholders, and allow Unitholders the opportunity to communicate their views on various matters affecting the company.*

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

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

The Manager has a dedicated Investor Relations Manager who facilitates communication with Unitholders, members of the investment community and potential investors. In FY 2016, the CEO and Investor Relations Manager have met with potential investors and analysts through meetings and roadshows.

Further, the Manager has established procedures to ensure current Unitholders are informed in advance of meetings. They are encouraged to attend and participate in the process of these meetings, especially if they have questions as regards the resolutions that have been put up to be decided upon. Unitholders who are unable to attend meetings are provided with the option to appoint up to two proxies, who may then vote on behalf of the unitholder.

Members of the Board and Manager are present at these meetings to answer any queries from the Unitholders.



## ADDITIONAL INFORMATION

### Dealings in BHG Retail REIT Units

The Manager has adopted an internal compliance standard operating policy to provide guidance to its Directors, key officers and employees in respect of dealings in BHG Retail REIT's units. ("Units")

The policy permits the Directors and the Manager's key officers and employees to purchase Units, but sets clear limits on the transaction:

- Any officer or employee who wishes to purchase Units must complete a Staff Dealing Application Form and obtain approval from the Compliance Manager, CEO and Chairman of the Manager;
- A blackout period is imposed two weeks prior to quarterly announcements of BHG Retail REIT's results and one month prior to the annual announcement of BHG Retail REIT's results. During the blackout period, Directors, key officers, employees and related companies of the Beijing Hualian Group are strictly prohibited from dealing in Units;
- 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.
- In respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors (excluding such Interested Directors);
- All resolutions in writing of the Directors in relation to matters concerning BHG Retail REIT must be decided by at least a majority vote of the Directors (excluding any Interested Director), including at least one Independent Director;
- At least one-third of the Board shall comprise Independent Directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly owned subsidiary of the Sponsor.
- The Manager will ensure that the Property Manager Group puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to BHG Retail REIT.

### Conflicts of Interests

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

- The Manager will not manage any other REIT which invests in the same type of properties as BHG Retail REIT;
- All key executive officers will work exclusively for the Manager and will not hold other executive positions in other entities;

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 BHG Retail 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.

# Corporate Governance

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 an on behalf of BHG Retail REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

## Interested Party Transactions

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

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

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

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

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

The Interested Party Transactions undertaken by the Manager are set out at page 128 of this Annual Report.

## Fees Payable to the Manager

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

The Manager earns a management fee for the management of BHG Retail REIT's portfolio. For FY 2016, the Manager has elected to receive 100.0% of its management fee in the form of Units. The fee comprises two components: the base fee and performance fee, which are detailed as follows:

### Base Fee

The base fee is calculated as a percentage of the distributable income and is payable on a quarterly basis. This fee allows the Manager to cover administrative and operation overheads.

The Manager is entitled to receive a base fee not exceeding 10.0% per annum (or such lower percentage as the Manager may determine in its absolute discretion) of the annual distributable income.

The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the base fee shall be payable quarterly in arrears.

### Performance Fee

The performance fee is calculated based on an objective which aligns with the interest of Unitholders as a whole – it is payable only if the DPU in any financial year exceeds the DPU in the preceding financial year.

The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the performance fee shall be payable annually.

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of BHG Retail REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of BHG Retail 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 2016, the DPU for 2016 (being 1 January 2016 to 31 December 2016, both dates inclusive) is compared against the projected DPU set out in the Prospectus.

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 BHG Retail REIT's portfolio and providing Unitholders with regular and stable distributions.

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

### Other Fees – Divestment Fee

The Manager is entitled to a divestment fee under clause 15.2 of the Trust Deed, and is earned upon the completion of a divestment. The payment of the fee seeks to incentivise and motivate the Manager in actively seeking to maximise the value of BHG Retail REIT by optimizing its portfolio.

The fee is equivalent to 0.50% for divestments. In accordance with the Property Funds Appendix, where the manager receives a percentage-based fee when BHG Retail REIT divests real estate to an Interested Party, the divestment fee should be in the form of Units issued by BHG Retail REIT, and these Units should not be sold within one year from the date of their issuance.

# Operations Review

## OCCUPANCY RATE

Across all five properties managed by BHG Retail REIT, occupancy continues to be resilient with a portfolio committed occupancy rate of 97.6% as at 31 December 2016.

To revitalize Beijing Wanliu Mall and to strengthen its position as a premier mall for middle and upper-middle income residents in the surrounding wealthy neighbourhood, 25 popular brands were successfully introduced in the mall. This was done by end 2015 before BHG Retail REIT's listing. The popular brands included renowned jeweller Chow Tai Fook (周大福), popular Japanese lifestyle brand Muji, America's iconic Calvin Klein Jeans, South Korea's cosmetic brand Etude House, one of China's rising culinary stars Element Fresh, and one of Taiwan's most popular restaurant chains Bellagio (鹿港小镇). Notwithstanding the tenant rejuvenation that was done, asset enhancement initiatives will continue to be carried out to keep the property fresh and enliven the atmosphere of the mall, making it an attractive destination for shoppers.

In view of the market trend towards leading a healthy and active lifestyle among the middle and upper-middle income families in Chengdu, Chengdu Konggang Mall will undergo an asset enhancement initiative ("AEI") between 1Q and 3Q 2017. Preparatory work commenced in the latter half of 2016. Under the AEI, focus will be on strengthening the mall's active lifestyle offerings with popular international and local sporting brands like Nike, Adidas, Jordan and Li Ning (李宁). Overall, this is a multi-phased AEI project that will create stronger brand value and loyalty among the mall's visitors, thereby ensuring long term sustainability for the mall.

| Occupancy Rate <sup>1</sup>   | 1Q 2016 | 2Q 2016 | 3Q 2016 | 4Q 2016 |
|-------------------------------|---------|---------|---------|---------|
|                               | %       | %       | %       | %       |
| Beijing Wanliu                | 99.4    | 99.4    | 99.0    | 99.5    |
| Chengdu Konggang <sup>2</sup> | 96.9    | 92.7    | 91.4    | 91.3    |
| Hefei Mengchenglu             | 95.9    | 100.0   | 100.0   | 100.0   |
| Xining Huayuan                | 100.0   | 100.0   | 100.0   | 100.0   |
| Dalian Jinsanjiao             | 100.0   | 100.0   | 100.0   | 100.0   |
| Portfolio (NLA Weighted)      | 98.3    | 97.9    | 97.4    | 97.6    |

## LEASING ACTIVITIES

Overall retention rate remained strong. The portfolio rental reversion from the three multi-tenanted malls registered healthy uplift in 2016. Most tenancy agreements have a gross turnover component in them, as well as an inbuilt rental escalation.



1. Based on committed occupancy.
2. Chengdu Konggang Mall's tenancy rejuvenation exercise from 2016.

TOP TEN TENANTS<sup>3</sup>

| No.          | Tenant Name             | Brand Name                           | City  | Trade Sector       | Lease Expiry   | % Gross Rental Income |
|--------------|-------------------------|--------------------------------------|---|--------------------|--|-----------------------|
| 1            | 北京华联综合超市股份有限公司          | BHG<br>Hypermarket                   | Beijing,<br>Chengdu,<br>Hefei,<br>Xining,<br>Dalian | Supermarket        | May 2030<br>Dec 2033<br>Dec 2033<br>Dec 2034<br>Dec 2034 | 20.3                  |
| 2            | 北京橙天嘉禾万贸影城有限公司          | Golden Harvest<br>Cinema             | Beijing   | Recreation         | Aug 2020   | 1.3                   |
| 3            | 成都华联影院管理有限公司            | BHG Shuangliu<br>Cinema              | Chengdu   | Recreation         | Dec 2023   | 1.2                   |
| 4            | 新派(上海)餐饮管理有限公司合肥第一分公司   | Hai Di Lao (Hefei)                   | Hefei   | Food &<br>Beverage | Jan 2026   | 1.1                   |
| 5            | 北京必胜客比萨饼有限公司            | Pizza Hut                            | Beijing   | Food &<br>Beverage | Feb 2020   | 1.0                   |
| 6            | 合肥华联影院经营管理有限公司          | BHG Hefei<br>Cinema                  | Hefei   | Recreation         | Apr 2023   | 1.0                   |
| 7            | 海恩斯莫里斯(上海)商业有限公司        | H&M                                  | Beijing   | Fashion            | Aug 2025   | 0.8                   |
| 8            | 上海拉夏贝尔休闲服饰有限公司          | La Chapelle<br>拉夏贝尔                  | Chengdu   | Fashion            | Oct 2022   | 0.8                   |
| 9            | 眉州东坡餐饮管理(北京)有限公司万柳中路分公司 | Meizhou Dongpo<br>Restaurant<br>眉州东坡 | Beijing   | Food &<br>Beverage | May 2022   | 0.8                   |
| 10           | 李治国                     | Legou Liangfan<br>KTV (乐够量贩)         | Chengdu   | Recreation         | Dec 2018   | 0.7                   |
| <b>Total</b> |                         |                                      |   |                    |  | <b>29.0</b>           |

3. The table above sets out information about top ten tenants based on Gross Rental Income for the month of December 2016.

# Financial Review

FOR THE PERIOD FROM 18 NOVEMBER 2015 (“DATE OF CONSTITUTION”) TO 31 DECEMBER 2016 (“FY 2016”)

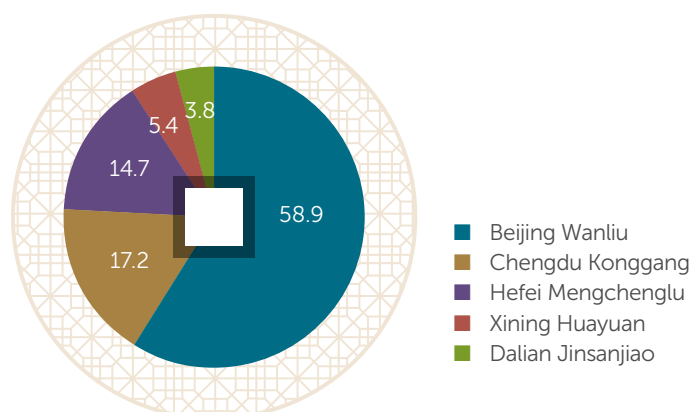
## GROSS REVENUE

Gross revenue (RMB) was RMB 2.1 million or 0.7% above forecast. All five malls continued to achieve healthy rental uplift for new and renewed leases during the year.

Gross revenue (SGD) was S\$2.3 million or 3.3% lower than forecast. This was due to the reformation of China Value Added Tax (“VAT”) which commenced on 1 May 2016 and the weaker RMB against SGD. Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, VAT replaced Business Tax and it is net off the revenue instead of reflecting in the property operating expenses. No significant impact to the net property income is expected from the implementation of the VAT.

| Gross Revenue (FY 2016)     | RMB'000        |                | Change (%) | S\$'000       |               | Change (%)   |
|-----------------------------|----------------|----------------|------------|---------------|---------------|--------------|
|                             | Actual         | Forecast       |            | Actual        | Forecast      |              |
| <b>Multi-Tenanted Malls</b> |                |                |            |               |               |              |
| Beijing Wanliu              | 186,821        | 180,168        | 3.7        | 38,993        | 39,167        | (0.4)        |
| Chengdu Konggang            | 54,792         | 55,463         | (1.2)      | 11,437        | 12,057        | (5.1)        |
| Hefei Mengchenglu           | 46,547         | 49,475         | (5.9)      | 9,715         | 10,755        | (9.7)        |
|                             | 288,160        | 285,106        | 1.1        | 60,145        | 61,979        | (3.0)        |
| <b>Master-Leased Malls</b>  |                |                |            |               |               |              |
| Xining Huayuan              | 17,128         | 17,681         | (3.1)      | 3,575         | 3,844         | (7.0)        |
| Dalian Jinsanjiao           | 12,046         | 12,423         | (3.0)      | 2,514         | 2,701         | (6.9)        |
|                             | 29,174         | 30,104         | (3.1)      | 6,089         | 6,545         | (7.0)        |
| <b>Portfolio</b>            | <b>317,334</b> | <b>315,210</b> | <b>0.7</b> | <b>66,234</b> | <b>68,524</b> | <b>(3.3)</b> |

GROSS REVENUE (%)



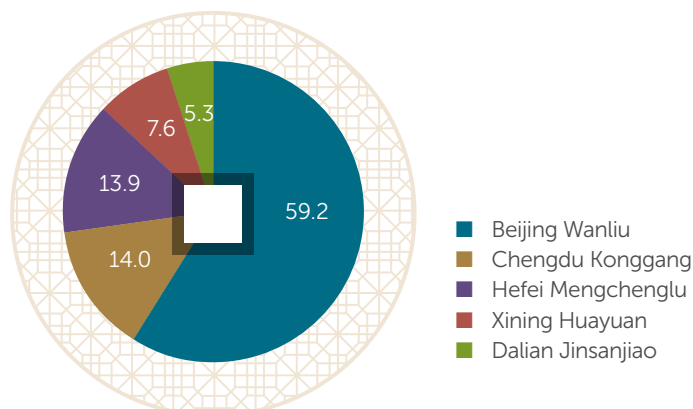
## NET PROPERTY INCOME

Net property income (SGD) was in line with forecast, while net property income (RMB) exceeded forecast by RMB 8.2 million, or 4.2%.

The lower property operating expenses were partially offset by the increase in property tax as a result of the change in Beijing's property tax policy, which took effect on 1 July 2016. This is a move by the Beijing State Government to charge property tax based on revenue. This change in treatment brings Beijing's property tax policy in line with the other cities where the four other portfolio properties are situated.

| Net Property Income<br>(FY 2016) | RMB'000        |                | Change<br>(%) | S\$'000       |               | Change<br>(%) |
|----------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|
|                                  | Actual         | Forecast       |               | Actual        | Forecast      |               |
| <b>Multi-Tenanted Malls</b>      |                |                |               |               |               |               |
| Beijing Wanliu                   | 119,748        | 113,459        | 5.5           | 24,994        | 24,665        | 1.3           |
| Chengdu Konggang                 | 28,374         | 26,999         | 5.1           | 5,922         | 5,869         | 0.9           |
| Hefei Mengchenglu                | 28,008         | 27,568         | 1.6           | 5,846         | 5,993         | (2.5)         |
|                                  | 176,130        | 168,026        | 4.8           | 36,762        | 36,527        | 0.6           |
| <b>Master-Leased Malls</b>       |                |                |               |               |               |               |
| Xining Huayuan                   | 15,419         | 15,294         | 0.8           | 3,218         | 3,325         | (3.2)         |
| Dalian Jinsanjiao                | 10,619         | 10,647         | (0.3)         | 2,217         | 2,315         | (4.2)         |
|                                  | 26,038         | 25,941         | 0.4           | 5,435         | 5,640         | (3.6)         |
| <b>Portfolio</b>                 | <b>202,168</b> | <b>193,967</b> | <b>4.2</b>    | <b>42,197</b> | <b>42,167</b> | <b>0.1</b>    |

### NET PROPERTY INCOME (%)



# Financial Review

## DISTRIBUTION

Total distribution per unit ("DPU") for FY 2016 was 5.45 cents, exceeding forecast DPU of 5.32 cents by 2.4%. The aggregate distribution per unit translated to the distribution yield of 7.87%, based on the closing price of S\$0.655 as at 30 December 2016.

| DPU (cents)  | Actual      | Forecast    | Change (%) |
|--------------|-------------|-------------|------------|
| 1Q 2016*     | 1.50        | 1.49        | 0.7        |
| 2Q 2016      | 1.35        | 1.30        | 3.8        |
| 3Q 2016      | 1.29        | 1.23        | 4.9        |
| 4Q 2016      | 1.31        | 1.30        | 0.8        |
| <b>Total</b> | <b>5.45</b> | <b>5.32</b> | <b>2.4</b> |

\* For the period from 11 December 2015 ("Listing Date") to 31 March 2016.

**7.87%**  
Annualised Distribution Yield

**+2.4%**  
Distribution Per Unit ("DPU")



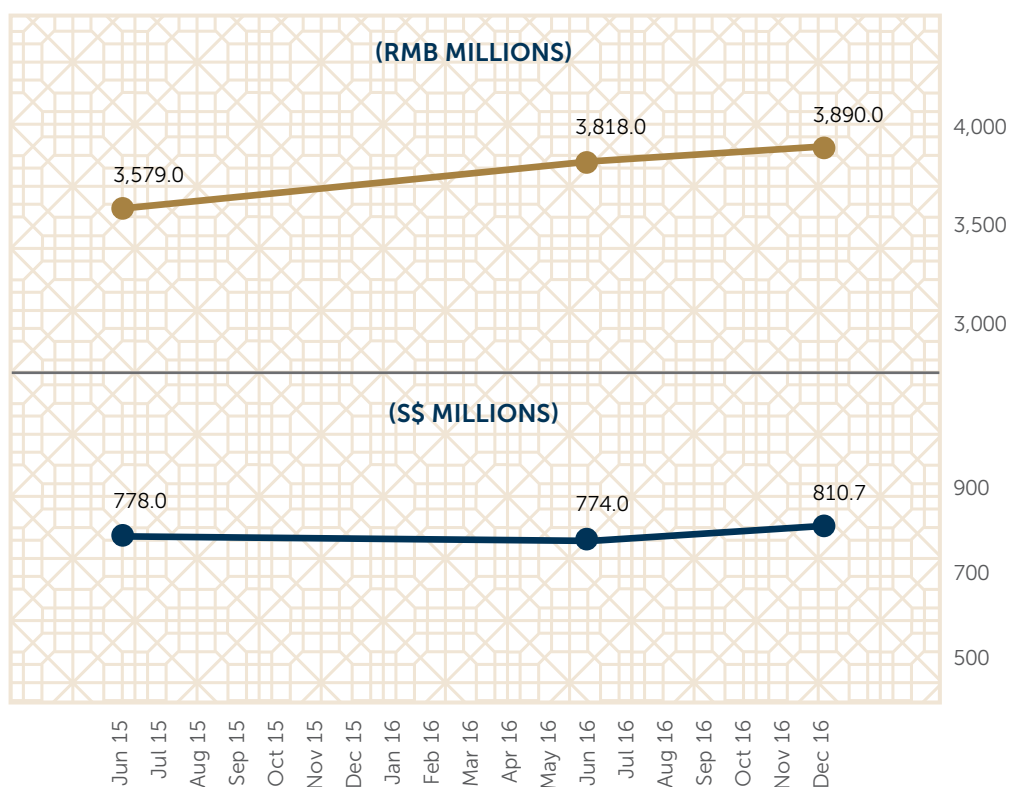


## INDEPENDENT VALUATION OF INVESTMENT PROPERTIES

As at 31 December 2016, BHG Retail REIT's investment properties were valued at S\$810.7 million (RMB 3.89 billion). The valuation represents an increase of S\$32.7 million, or 4.2%, from the average independent valuation as at 30 June 2015 of S\$778.0 million.

| Investment Properties | RMB millions                      |                                   |                                   | S\$ millions                      |                                   |                                   |
|-----------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                       | As at<br>31 Dec 2016 <sup>1</sup> | As at<br>30 Jun 2016 <sup>1</sup> | As at<br>30 Jun 2015 <sup>2</sup> | As at<br>31 Dec 2016 <sup>1</sup> | As at<br>30 Jun 2016 <sup>1</sup> | As at<br>30 Jun 2015 <sup>2</sup> |
| Beijing Wanliu        | 2,235.0                           | 2,175.0                           | 1,979.5                           | 465.8                             | 440.9                             | 430.3                             |
| Chengdu Konggang      | 631.0                             | 627.0                             | 604.0                             | 131.5                             | 127.1                             | 131.3                             |
| Hefei Mengchenglu     | 584.0                             | 576.0                             | 560.5                             | 121.7                             | 116.8                             | 121.9                             |
| Xining Huayuan        | 278.0                             | 278.0                             | 273.0                             | 57.9                              | 56.4                              | 59.3                              |
| Dalian Jinsanjiao     | 162.0                             | 162.0                             | 162.0                             | 33.8                              | 32.8                              | 35.2                              |
| <b>Portfolio</b>      | <b>3,890.0</b>                    | <b>3,818.0</b>                    | <b>3,579.0</b>                    | <b>810.7</b>                      | <b>774.0</b>                      | <b>778.0</b>                      |

### VALUATION



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

2. Based on average of independent valuations from Knight Frank Petty Limited and DTZ Debenham Tie Leung Limited as at 30 June 2015 (as per IPO Prospectus).

# Financial Review

## CAPITAL MANAGEMENT

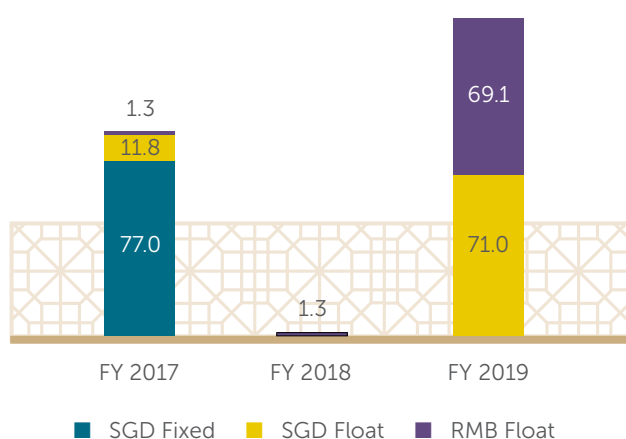
BHG Retail REIT has established an offshore secured borrowing facility of S\$148 million ("Facility 1"), and two onshore secured borrowing facilities of RMB 280 million and RMB 71 million ("Facility 2" and "Facility 3", respectively). As at 31 December 2016, Facility 1 and Facility 2 were fully drawn down, while RMB 70 million was drawn down from Facility 3.

Facility 2 and 3 have been each repaid in RMB 3.0 million during the year, in accordance to the facility agreements.

In addition to the abovementioned Facilities, BHG Retail REIT has obtained and drawn down further credit facilities of S\$11.8 million. This was used to finance the payment of first half 2016 distribution on 21 September 2016, and interest payment of the offshore borrowings on 13 December 2016, respectively.

Total borrowings drawn down as at 31 December 2016 aggregated to S\$231.5 million, with about 70% of debt denominated in SGD and 30% denominated in RMB.

## DEBT MATURITY PROFILE (S\$ MILLIONS)



BHG Retail REIT adopts a prudent and proactive capital management strategy. Gearing remained low at 31.0%. Debt maturities were staggered, with the weighted average term to maturity of 2.0 years. Apart from the natural hedge from the RMB denominated borrowings, approximately 50% of the SGD denominated borrowings were on a fixed interest rate basis to mitigate exposure to interest rate fluctuations.

### Key Financial Indicators as at 31 December 2016

|   |      |
|---|------|
| Gearing (%)                               | 31.0 |
| Interest coverage ratio (times)           | 14.1 |
| Weighted average term to maturity (years) | 2.0  |
| Average cost of debt (%)                  | 3.75 |

## NET ASSET VALUE ("NAV") PER UNIT

As at 31 December 2016, BHG Retail REIT's NAV of S\$0.85 per unit, was 3.7% higher than the NAV of S\$0.82 per unit at Listing Date.

## USE OF PROCEEDS

On 11 December 2015, S\$394.2 million of gross proceeds were raised from the public offering, and issuance of units. On the same day, an offshore secured borrowing facility of S\$148 million was established with S\$116.0 million drawn down, while the remaining S\$32.0 million subsequently drawn down on 12 January 2016.

These proceeds have been applied to the acquisition of the Singapore holding companies in respect of the five properties, repayment of the Chengdu loan, payment of transaction costs in relation to the offering and borrowing. The use of proceeds was in accordance with the stated uses in the Prospectus dated 2 December 2015.

# Outlook on China

## STABLE GDP GROWTH

China's economy grew 6.7% in 2016. China has made good progress in its economic transition, and reforms continue to generate the desired effect of sustainable growth for the entire country. According to the National Development and Reform Commission of the People's Republic of China, the government has set its growth target at approximately 6.5% for 2017.

In 2016, Beijing's GDP grew 6.7% and Chengdu's grew 7.7%. In 2015, Hefei's GDP grew 10.5%<sup>1</sup>, Xining's grew 10.9%<sup>1</sup> and Dalian's grew 4.2%<sup>1</sup>. Excluding Dalian, four cities posted GDP growth at or above 6.5%.

## UNPRECEDENTED PACE OF URBANISATION

The scale and pace of China's urbanisation continues at an unprecedented rate. Urbanisation rate increased from 56.1% in 2015 to 57.3% in 2016. If current trends hold, China's urban population will hit the one billion mark by 2030.

For retailers in China, the scale of China's urbanization promises substantial new markets and investment opportunities.

## STRONG FUNDAMENTALS

According to the National Bureau of Statistics of China, total retail sales of consumer goods rose 10.4% in 2016 while fixed asset investment grew 8.1% over the same period. The structure and quality of growth has improved steadily, with the government continuing to implement proactive fiscal policy and sound monetary policy. The contribution of strong retail sales & service sector to GDP also suggests a higher quality of GDP growth.

China's economy continues to be driven by urbanisation and consumption. As hundreds of millions move into the middle class, their spending behaviour changes. Demand for quality goods and experiential shopping is fast becoming the new trend. This trend is happening in 2nd to 4th tier cities as their GDP per capita continues to increase. Urban residents' disposable income per capita increased 5.6% year-on-year in 2016.

1. As 2016 data is not yet available from the respective government agencies of Hefei, Xining and Dalian, the latest available data is from 2015.

**+6.7%**  
China GDP  
Growth in 2016  
(y-o-y)

Urbanisation rate  
Increased from  
56.1% in 2015 to  
**57.3%**  
in 2016

**+10.4%**  
China Retail Sales  
Growth in 2016  
(y-o-y)

**+5.6%**  
Disposable Income  
per Capita for  
Urban Residents in  
2016 (y-o-y)

# Outlook on China

Consequently, the retail scene has benefited, with a new generation of Chinese willing to spend on the latest goods and services at malls.

Across the spectrum of retail malls, both luxury and community malls have benefited from the increasing purchasing power of Chinese citizens. Luxury brands registered modest yearly sales growth driven by rich Chinese, while community malls in the neighborhood have benefited from discretionary spending by residents in the immediate catchment.

(Source: Bain & Company, Dec 2016, Luxury Goods Worldwide Market Study, Fall - Winter 2016)

## E-COMMERCE

At approximately US\$630 billion of sales in 2015, e-commerce in China accounts for 13.5% of all retail spending.

(Source: McKinsey, Apr 2016, How savvy, social shoppers are transforming Chinese e-commerce)

In McKinsey's latest survey of China's internet users, the online-to-offline ("O2O") trend is set to support brick-and-mortar malls as the omni-channel strategy is increasingly adopted by retailers. The slower growth of online retail and greater importance of physical stores is reflected by the increasing number of online retailers investing in their offline networks.

Consumers continue to engage with brands both online and offline, and satisfaction with physical stores remain higher than with online ones. One trend that is helping maintain interest in physical stores is "retailtainment". Two-thirds of Chinese consumers in the survey say that shopping is the best way to spend time with family. Malls – which combine shopping, dining, and entertainment experiences the entire family can enjoy – have benefited most from this trend. BHG Retail REIT's malls combine these elements and are well positioned to benefit as "retailtainment" grows in popularity.

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

Retail sales continue to register strong growth driven by increase in GDP per capita. Particularly, consumers are allocating more of their income to lifestyle services and experiences. Overall, Chinese consumers are adopting new products, services and retail experiences at rates unseen in developed markets.

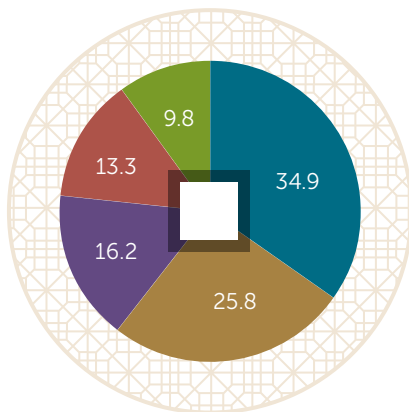
BHG Retail REIT is well positioned to benefit from China's transition into the world's largest middle class. The REIT's portfolio of five malls also enables it to capture a share of the spending by the modern consumer. At a time when e-commerce is growing in retail share, BHG Retail REIT's adoption of O2O and "retailtainment" in its malls enable it to maintain a strong position in the retail market.

# Portfolio Overview

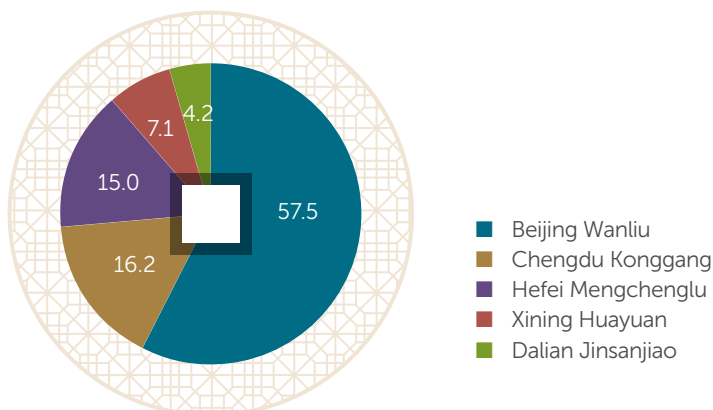
BHG Retail REIT's portfolio consists of five retail properties located in areas concentrated by growing middle or upper-middle income families. Our retail malls serve their communities through their wide range of products, excellent experiential services and popular community engagement activities.

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

## BREAKDOWN OF NLA<sup>1</sup> BY PROPERTY (%)



## BREAKDOWN OF VALUATION<sup>2</sup> BY PROPERTY (%)



1. As at 31 December 2016

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

## AS AT 31 DECEMBER 2016

**263,688 sqm**

GROSS FLOOR AREA (GFA)

**156,033 sqm**

NET LETTABLE AREA (NLA)

**546**

NO. OF LEASES

**S\$810.7 million**  
(100%)

**S\$624.4 million**  
(Based on 60% interest  
of Beijing Wanliu)

INDEPENDENT VALUATION

**S\$66.2 million\***

FY 2016 GROSS REVENUE

**S\$42.2 million\***

FY 2016 NET PROPERTY  
INCOME

**97.6%**

OCCUPANCY RATE

**8.8 years**

WEIGHTED AVERAGE LEASE  
EXPIRY BY NLA

**5.2 years**

WEIGHTED AVERAGE LEASE  
EXPIRY BY GROSS RENTAL  
INCOME

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.

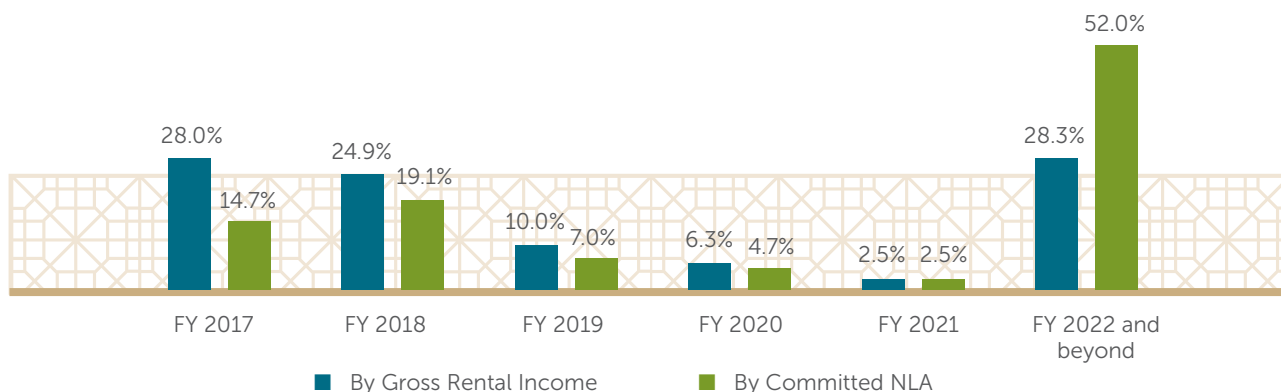
# Portfolio Overview

## PORTFOLIO LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2016

As at 31 December 2016, the portfolio has a weighted average lease expiry of 5.2 years by gross rental income, and 8.8 years by net lettable area. Our lease terms typically range from one to three years. Certain key or anchor tenants may be offered longer term leases.

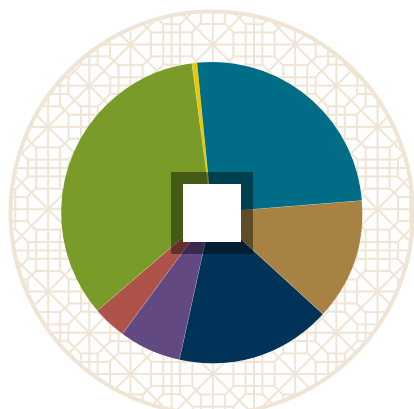
For new and renewed leases which commenced in FY 2016, the weighted average lease expiry based on the date of commencement of the leases is 1.9 years (by gross rental income) and accounts for 22.2% of the gross rental income for the month of December 2016.

| Portfolio Lease Expiry <sup>1</sup> | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 and beyond |
|-------------------------------------|---------|---------|---------|---------|---------|--------------------|
| By Gross Rental Income <sup>2</sup> | 28.0%   | 24.9%   | 10.0%   | 6.3%    | 2.5%    | 28.3%              |
| By Committed NLA                    | 14.7%   | 19.1%   | 7.0%    | 4.7%    | 2.5%    | 52.0%              |



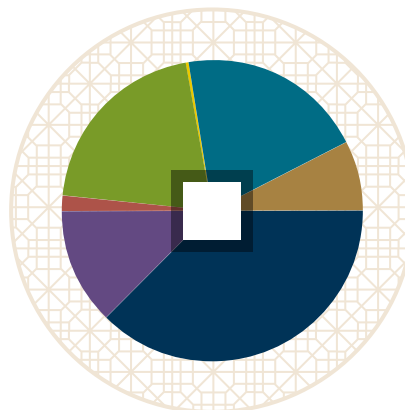
## TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2016

### BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup>



|                  |       |
|------------------|-------|
| Food & Beverage  | 20.2% |
| Services         | 7.5%  |
| Supermarket      | 37.3% |
| Recreation       | 12.6% |
| Lifestyle        | 1.7%  |
| Fashion          | 20.5% |
| Specialty Stores | 0.2%  |

### BREAKDOWN BY NLA



1. Excludes vacancy.
2. As percentage of the portfolio's gross rental income for the month of December 2016.

## AS AT 31 DECEMBER 2016



| Name   | Beijing<br>Wanliu   | Chengdu<br>Konggang  | Hefei<br>Mengchenglu                                   | Xining<br>Huayuan  | Dalian<br>Jinsanjiao                                     |
|--|---|--|--|--|--|
| Address  | No. 2<br>Bagou Road,<br>Haidian District,<br>Beijing        | No. 166<br>Jinhua Road,<br>Second Section,<br>Shuangliu<br>County, Chengdu | No. 99<br>Mengcheng<br>Road, Luyang<br>District, Hefei | No. 16-19<br>Shipo Street,<br>Chengzhong<br>District, Xining | No. 18<br>Huadong Road,<br>Ganjingzi<br>District, Dalian |
| Commencement of<br>Operations                                      | Aug 2010  | Dec 2013   | Feb 2013   | Aug 2000   | Jul 2000   |
| Gross Floor Area (GFA)   | 105,920 sqm   | 71,917 sqm   | 49,699 sqm   | 20,807 sqm   | 15,345 sqm   |
| Net Lettable Area (NLA)  | 54,462 sqm  | 40,191 sqm   | 25,228 sqm   | 20,807 sqm   | 15,345 sqm   |
| Number of leases   | 289   | 144  | 111  | 1  | 1  |
| Independent Valuation<br>(S\$ million)                             | 465.8 (100%)<br>279.5 (60%)                                 | 131.5  | 121.7  | 57.9   | 33.8   |
| Purchase Price<br>(S\$ million)                                    | 399.7 (100%)<br>239.8 (60%)                                 | 130.9  | 122.5  | 55.3   | 29.5   |
| FY 2016 Gross Revenue*<br>(S\$ million)                            | 39.0  | 11.4   | 9.7  | 3.6  | 2.5  |
| FY 2016 Net Property<br>Income* (S\$ million)                      | 25.0  | 5.9  | 5.9  | 3.2  | 2.2  |
| Occupancy rate (%)   | 99.5  | 91.3   | 100.0  | 100.0  | 100.0  |
| Weighted Average Lease<br>Expiry by NLA (years)                    | 3.9   | 5.4  | 6.8  | 18.0   | 18.0   |
| Weighted Average<br>Lease Expiry by Gross<br>Rental Income (years) | 2.6   | 4.2  | 4.0  | 18.0   | 18.0   |
| Term of Land Use   | Expiring on<br>29 Aug 2044<br>(29 Aug 2054<br>for car park) | Expiring on<br>23 May 2047   | Expiring on<br>31 Aug 2044                             | Expiring on<br>19 Aug 2048                                   | Expiring on<br>27 Feb 2042                               |

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.

# Property Highlights

## BEIJING WANLIU MALL 北京华联万柳购物中心

Premium Community Mall in Beijing's High Income Residential District



AS AT 31 DECEMBER 2016

**\$465.8 million**

MARKET VALUATION

**\$39.0 million\***

FY 2016 GROSS REVENUE

**54,462 sqm**

NET LETTABLE AREA

**\$25.0 million\***

FY 2016 NET PROPERTY INCOME

**289**

NO. OF TENANTS

TENANTS INCLUDE:

BHG Hypermarket, Golden Harvest Cinema, H&M, Uniqlo, Muji, C&A, Calvin Klein Jeans, Charles & Keith, Tommy Hilfiger, Etude House, Element Fresh, Bellagio, Hai Di Lao, Pizza Hut, Costa Coffee, 唱吧麦颂, Chow Tai Fook (周大福)

**99.5%**

OCCUPANCY RATE

**3.9 years**

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.

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

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

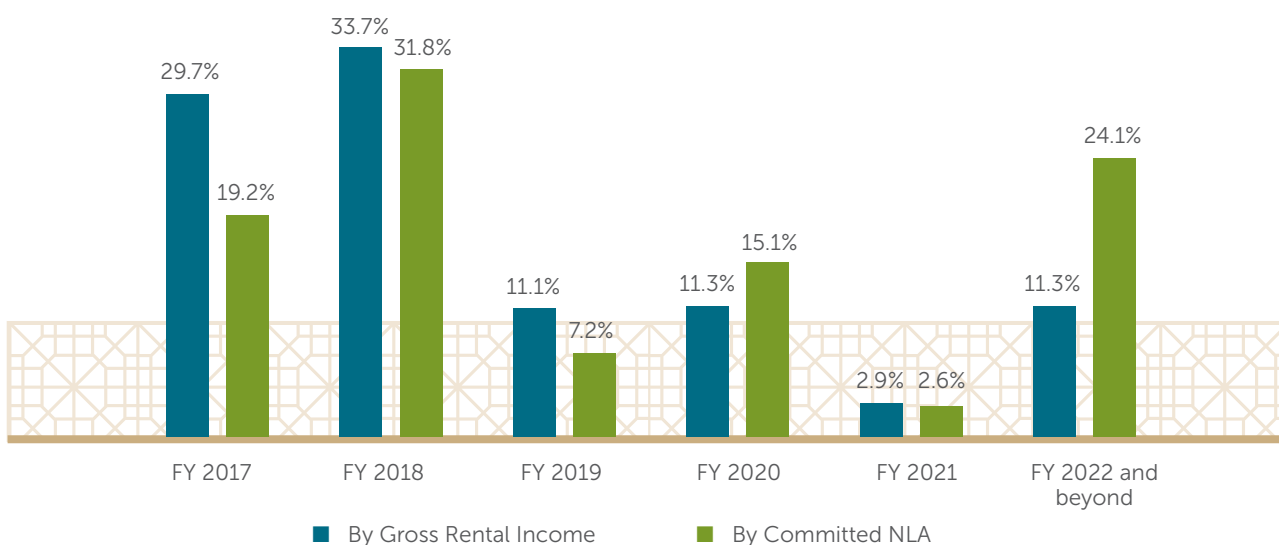
The multi-tenanted Beijing Wanliu Mall is surrounded by high-end residential communities whose residents enjoy coming to the mall for a wide range of lifestyle options such as fashion, dining, education and entertainment. In 2015, 25 new brands were introduced, much to the delight of residents in the surrounding neighbourhoods. These brands included renowned jeweller Chow Tai Fook (周大福), popular Japanese lifestyle brand Muji, America's iconic Calvin Klein Jeans, South Korea's cosmetic brand Etude House, one of China's rising culinary stars Element Fresh, and one of Taiwan's most popular restaurant chains Bellagio (鹿港小镇).

Beijing Wanliu Mall is easily accessible via main roads, subway and buses. It is close to China's prestigious Peking University, Tsinghua University and Renmin University, as well as the Summer Palace and Wanliu Golf Club, the only golf club within the Fourth Ring Road of Beijing.



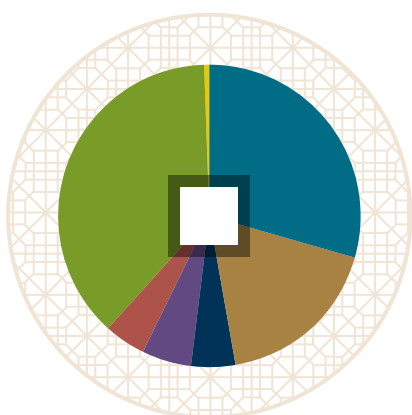
**LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2016**

| Lease Expiry <sup>1</sup>           | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 and beyond |
|-------------------------------------|---------|---------|---------|---------|---------|--------------------|
| By Gross Rental Income <sup>2</sup> | 29.7%   | 33.7%   | 11.1%   | 11.3%   | 2.9%    | 11.3%              |
| By Committed NLA                    | 19.2%   | 31.8%   | 7.2%    | 15.1%   | 2.6%    | 24.1%              |



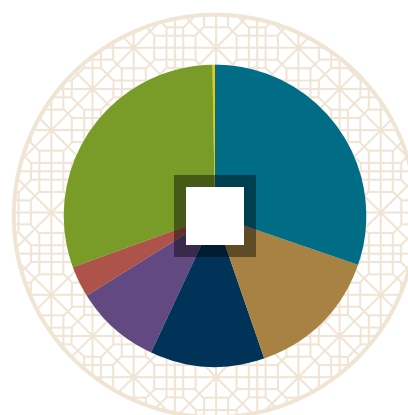
**TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2016**

**BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup>**



|       |                    |       |
|-------|--------------------|-------|
| 29.5% | ■ Food & Beverage  | 30.4% |
| 17.8% | ■ Services         | 14.3% |
| 4.7%  | ■ Supermarket      | 12.4% |
| 5.3%  | ■ Recreation       | 9.2%  |
| 4.6%  | ■ Lifestyle        | 3.3%  |
| 37.6% | ■ Fashion          | 30.1% |
| 0.5%  | ■ Specialty Stores | 0.3%  |

**BREAKDOWN BY NLA**



1. Excludes vacancy.  
 2. As percentage of the portfolio's gross rental income for the month of December 2016.

# Property Highlights

## CHENGDU KONGGANG MALL 北京华联成都空港购物中心

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

AS AT 31 DECEMBER 2016

**\$131.5 million**  
MARKET VALUATION

**\$11.4 million\***  
FY 2016 GROSS REVENUE

**40,191 sqm**  
NET LETTABLE AREA

**\$5.9 million\***  
FY 2016 NET PROPERTY INCOME

**144**  
NO. OF TENANTS

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

**91.3%**  
OCCUPANCY RATE

**5.4 years**  
WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.



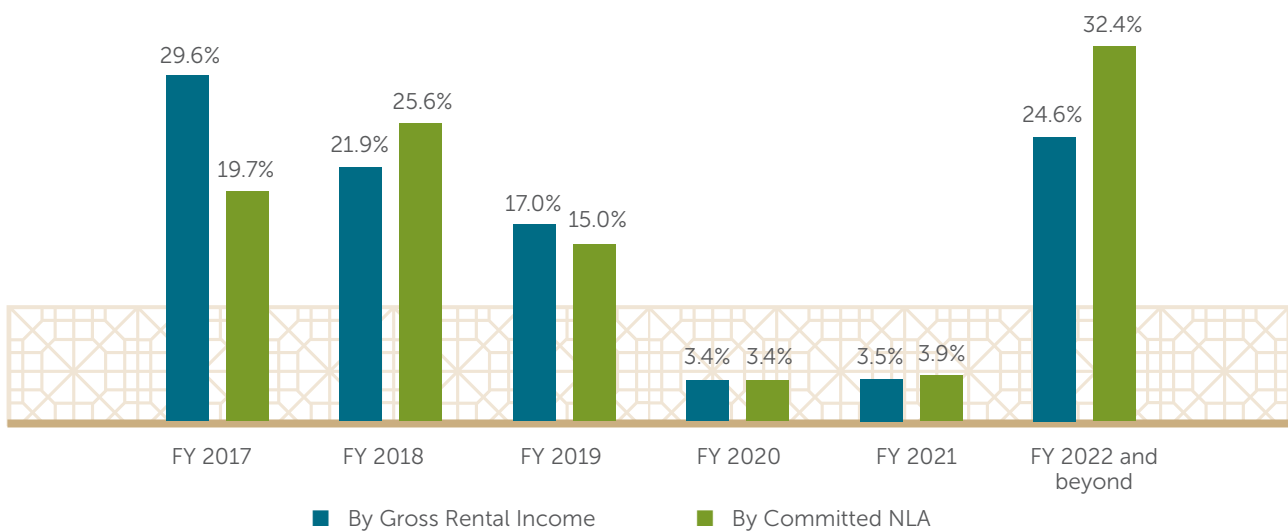
Chengdu Konggang Mall brings quality shopping and experiential lifestyle services to the city's growing middle and upper-middle families. The Mall has a diversified tenant base offering residents in the neighbourhood a variety of services including a supermarket, fitness centre, KTV as well as a number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

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

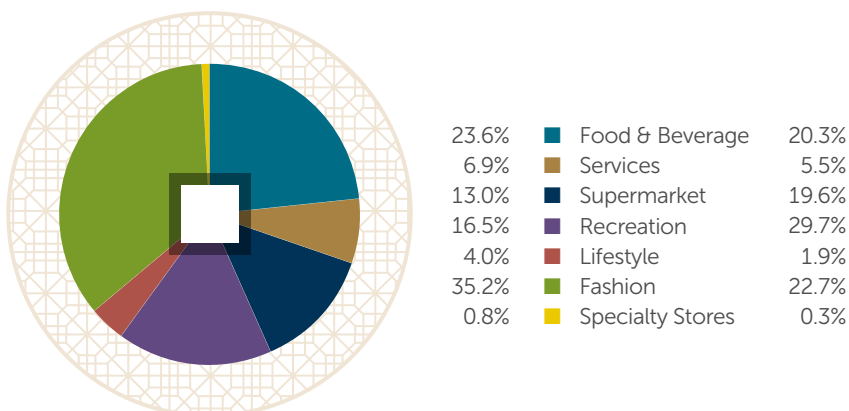
Chengdu Konggang Mall serves as the heart of its community providing popular activities and events in celebration of major festivals and community activities for families and young professionals living in the high density residential projects nearby.

## LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2016

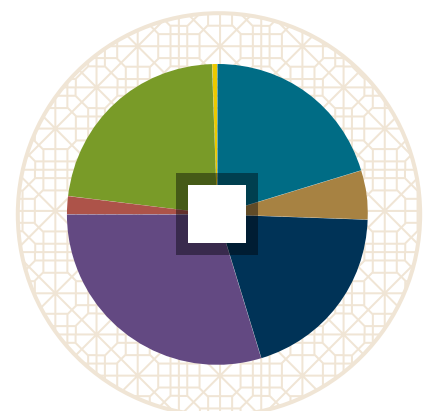
| Lease Expiry <sup>1</sup>           | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 and beyond |
|-------------------------------------|---------|---------|---------|---------|---------|--------------------|
| By Gross Rental Income <sup>2</sup> | 29.6%   | 21.9%   | 17.0%   | 3.4%    | 3.5%    | 24.6%              |
| By Committed NLA                    | 19.7%   | 25.6%   | 15.0%   | 3.4%    | 3.9%    | 32.4%              |



## TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2016

BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup>

## BREAKDOWN BY NLA



1. Excludes vacancy.

2. As percentage of the portfolio's gross rental income for the month of December 2016.

# Property Highlights

## HEFEI MENGCHENGLU MALL 北京华联合肥蒙城路购物中心

Winner of 2016 Hefei's Most Popular Shopping Centre of the Year (2016年度合肥最受欢迎的商场)

AS AT 31 DECEMBER 2016

**\$121.7 million**

MARKET VALUATION

**\$9.7 million\***

FY 2016 GROSS REVENUE

**25,228 sqm**

NET LETTABLE AREA

**\$5.9 million\***

FY 2016 NET PROPERTY INCOME

**111**

NO. OF LEASES

TENANTS INCLUDES:

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

**100.0%**

OCCUPANCY RATE

**6.8 years**

WEIGHTED AVERAGE LEASE EXPIRY

(Based on Net Lettable Area)

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.



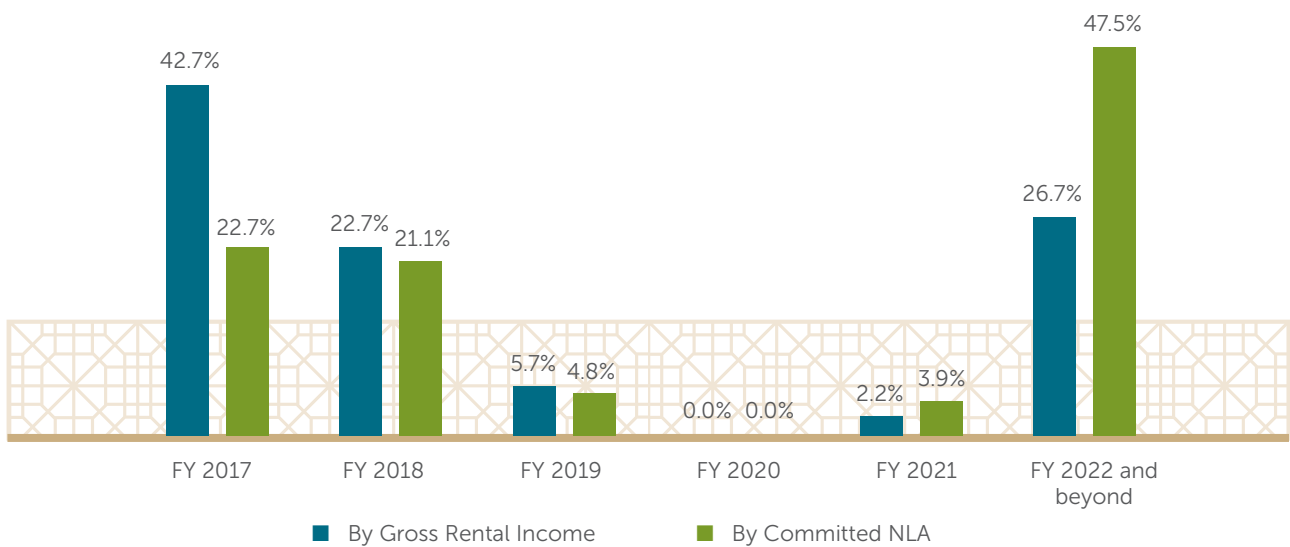
Hefei Mall is one of Hefei City's first multi-tenanted retail mall with six levels of diversified retail services to meet the lifestyle needs of the growing middle income population.

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

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

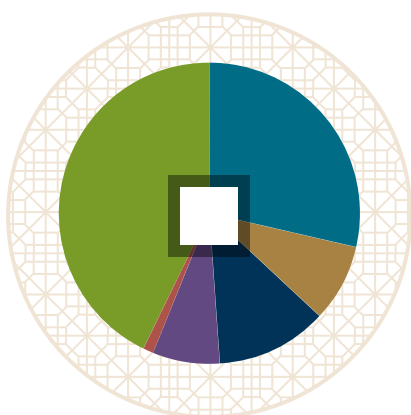
**LEASE EXPIRY PROFILE AS AT 31 DECEMBER 2016**

| Lease Expiry <sup>1</sup>           | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 and beyond |
|-------------------------------------|---------|---------|---------|---------|---------|--------------------|
| By Gross Rental Income <sup>2</sup> | 42.7%   | 22.7%   | 5.7%    | 0.0%    | 2.2%    | 26.7%              |
| By Committed NLA                    | 22.7%   | 21.1%   | 4.8%    | 0.0%    | 3.9%    | 47.5%              |



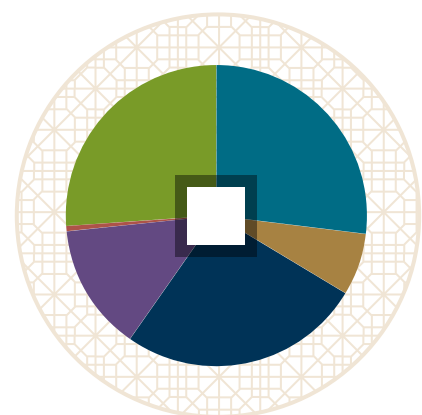
**TENANTS BY TRADE SECTOR AS AT 31 DECEMBER 2016**

**BREAKDOWN BY GROSS RENTAL INCOME<sup>2</sup>**



|       |                   |       |
|-------|-------------------|-------|
| 28.6% | ■ Food & Beverage | 27.1% |
| 8.5%  | ■ Services        | 6.8%  |
| 12.0% | ■ Supermarket     | 26.1% |
| 7.1%  | ■ Recreation      | 13.5% |
| 1.3%  | ■ Lifestyle       | 0.5%  |
| 42.5% | ■ Fashion         | 26.0% |

**BREAKDOWN BY NLA**



1. Excludes vacancy.  
 2. As percentage of the portfolio's gross rental income for the month of December 2016.

# Property Highlights

## XINING HUAYUAN MALL

北京华联西宁花园店

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

As at 31 December 2016

**S\$57.9 million**

MARKET VALUATION

**20,807 sqm**

NET LETTABLE AREA

**18.0 years**

LEASE EXPIRY

**S\$3.6 million\***

FY 2016 GROSS REVENUE

**S\$3.2 million\***

FY 2016 NET PROPERTY INCOME

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.



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

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

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

**DALIAN JINSANJIAO PROPERTY**  
北京华联大连金三角店  
A Key Destination for Daily Essentials

As at 31 December 2016

**S\$33.8**  
**million**

MARKET  
VALUATION

**15,345**  
**sqm**

NET LETTABLE  
AREA

**18.0 years**

LEASE EXPIRY

**S\$2.5**  
**million\***

FY 2016  
GROSS REVENUE

**S\$2.2**  
**million\***

FY 2016  
NET PROPERTY  
INCOME

\* For the period from 11 December 2015 ("Listing Date") to 31 December 2016.



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

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

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

# Investor Relations

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

The Manager is committed to forging long term relationships with investors, analysts and the media. We firmly believe in regular face-to-face communication and have actively participated in roadshows and events (in Singapore, Hong Kong, Beijing, Shanghai, Chong

Qing) to introduce the REIT, as well as to keep investors, analysts and media apprised of the REIT's developments.

In August 2016, Chief Executive Officer and Head of Investor Relations, Ms Chan Iz-Lynn spoke at the International Council of Shopping Centers' Net Operating Income Plus ("ICSC NOI+") conference in Shanghai. Invited by the organisers, Ms Chan took the opportunity to present BHG Retail REIT's strategy and performance.

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

## Financial Calendar 2016

|                                     |             |
|-------------------------------------|-------------|
| 1Q 2016 Results Release             | 12 May 2016 |
| 2Q 2016 Results Release             | 12 Aug 2016 |
| Payment of First Half Distribution  | 21 Sep 2016 |
| 3Q 2016 Results Release             | 11 Nov 2016 |
| 4Q 2016 Results Release             | 23 Feb 2017 |
| Payment of Second Half Distribution | 28 Mar 2017 |
| Annual General Meeting for FY 2016  | 10 Apr 2017 |

## Financial Calendar 2017\*

|                                     |          |
|-------------------------------------|----------|
| 1Q 2017 Results Release             | May 2017 |
| 2Q 2017 Results Release             | Aug 2017 |
| Payment of First Half Distribution  | Sep 2017 |
| 3Q 2017 Results Release             | Nov 2017 |
| 4Q 2017 Results Release             | Feb 2018 |
| Payment of Second Half Distribution | Mar 2018 |
| Annual General Meeting for FY 2017  | Apr 2018 |

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

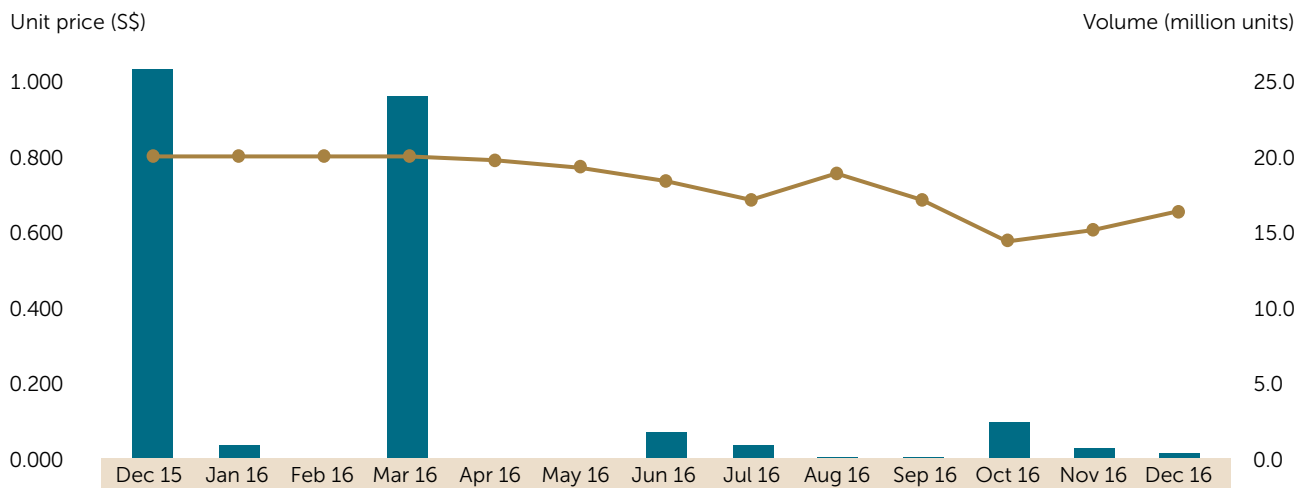


## UNIT PRICE PERFORMANCE

## Key Trading Statistics in FY 2016

|  |       |
|--|-------|
| Initial public offering price (S\$)          | 0.800 |
| Highest unit price (S\$)                     | 0.850 |
| Lowest unit price (S\$)                      | 0.570 |
| Closing unit price on 30 December 2016 (S\$) | 0.655 |
| Total trading volume (million units)         | 57.2  |

## BHG RETAIL REIT MONTHLY TRADING PERFORMANCE IN FY 2016



# Corporate Social Responsibility

BHG Retail REIT strives to give back to society by actively engaging the community through our corporate social responsibility efforts.

## CHARITY

### Public Auction Charity Event 公益拍卖

Beijing Wanliu Mall  
December 2016

In support of the Chenguang Brain Paralysis Fund, Beijing Wanliu Mall hosted a public auction, and raised about RMB 17,000 in donations for its beneficiaries.



### Kindness Flea Market 爱心义卖

Hefei Mengchenglu Mall  
December 2016

Hefei Mengchenglu Mall and Luyang Oriental Pearl Kindergarden jointly organized a flea market to raise funds for children with Leukemia. At the same time, the flea market was an opportunity to foster kindness in young children.



## CULTURAL

### 6th Folk Cultural Festival 民俗文化节

Hefei Mengchenglu Mall  
January 2016

In conjunction with the Chinese Lunar New Year, Hefei Mengchenglu Mall hosted the 6th Folk Cultural Festival, presenting a variety of folk culture and art activities. The festival aimed to preserve traditional Chinese culture and to introduce it to the younger generation. The event included making clay figurines, writing couplets and cutting Chinese festive paper artwork.



## CULTURAL

**Xi Hang Gang Community District's Cultural Festival**  
西航港社区文化节*Chengdu Konggang Mall*  
October 2016

Chengdu Konggang Mall played host to the Xi Hang Gang Community District's Cultural Festival, where the audience was treated to a number of culturally-themed performances. These included various Xi Hang Gang street performances, and local song-and-dance performances.



## HEALTH &amp; ACTIVE LIFESTYLE

**PINK! Street Dance Performance**  
街舞秀*Chengdu Konggang Mall*  
May 2016

In partnership with surrounding universities, Chengdu Konggang Mall co-organised the PINK! Street Dance Performance, which served as a focal point for the community. The complimentary event which drew overwhelming interest from students and residents in the vicinity, featured renowned Korean street dance champions, Jaygee and Firebac.

**Great Workout Great Health**  
我运动 我健康*Hefei Mengchenglu Mall*  
July 2016

In collaboration with Luyang District Education Bureau, Hefei Mengchenglu Mall held a Children Dance-workout Special Performance to promote active lifestyle and healthy living, a lifestyle that the government is encouraging.



# Corporate Social Responsibility

## ENGAGING THE COMMUNITY

### Students' Entrepreneurship Day

大学生创业启动仪式

Chengdu Konggang Mall

April 2016

As part of our efforts to engage the community, Chengdu Konggang Mall teamed up with various universities and provided the platform for students to showcase their start-up proposals, with an aim to inculcate an entrepreneurial spirit in the younger generation.



### Blind Date Event

七夕相亲对对碰

Beijing Wanliu Mall

August 2016

In support of the national effort to boost marriages and families, Beijing Wanliu Mall hosted a "Blind Date Event". The event was well-received and attracted a large attendance.





## FINANCIAL STATEMENTS

|    |   |
|----|---|
| 68 | Report of the Trustee                         |
| 69 | Statement by the Manager                      |
| 70 | Independent Auditors' Report                  |
| 74 | Statements of Financial Position              |
| 75 | Statements of Total Return                    |
| 76 | Distribution Statements                       |
| 78 | Statements of Movements in Unitholders' Funds |
| 79 | Portfolio Statement                           |
| 80 | Consolidated Statement of Cash Flows          |
| 82 | Notes to the Financial Statements             |

# Report of the Trustee

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 74 to 127 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

**Jane Lim**  
*Director*

**Singapore**  
28 February 2017

# 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 74 to 127 comprising the statements of financial position, statements of total return, distribution statements and statements of movements in Unitholders' funds of BHG Retail REIT (the "REIT") and its subsidiaries (the "Group"), the portfolio statement and statement of cash flows of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the REIT and the portfolio of the Group as at 31 December 2016, 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 period from 18 November 2015 ("Date of Constitution") to 31 December 2016 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

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

**Francis Siu Wai Keung**  
*Director*

**Singapore**  
28 February 2017

# Independent Auditors' Report

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of BHG Retail REIT (the "REIT") and its subsidiaries (the "Group"), which comprise the statement of financial position and the portfolio statement of the Group and the statement of financial position of the REIT as at 31 December 2016, 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 period from 18 November 2015 ("Date of Constitution") to 31 December 2016, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 74 to 127.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of total return, distribution statement and statement of movements in Unitholders' funds of the REIT present fairly, in all material respects, the financial position of the Group and the REIT as at 31 December 2016 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 period from Date of Constitution to 31 December 2016 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 period. 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

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

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

| <b>Valuation of investment properties</b>   |  |
|---|--|
| Refer to Note 4 to the financial statements |  |
|   | <i>Our findings</i>  |
|   | <p>The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are comparable to the methods used for similar property types by other valuers and the key assumptions used are within the range of market data.</p> <p>The disclosures in the financial statements are appropriate in their description of the judgement inherent in the key assumptions used in the valuations and the relationships between the key unobservable inputs and fair values.</p> |

# Independent Auditors' Report

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

## *Other Information*

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

# Independent Auditors' Report

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

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

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

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

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

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

**KPMG LLP**  
*Public Accountants and  
Chartered Accountants*

**Singapore**  
28 February 2017

# Statements of Financial Position

AS AT 31 DECEMBER 2016

|  | Note | Group<br>2016<br>\$'000 | REIT<br>2016<br>\$'000 |
|--|------|-------------------------|------------------------|
| <b>Non-current assets</b>  |      |                         |                        |
| Investment properties  | 4    | 810,692                 | –                      |
| Plant and equipment  | 5    | 733                     | –                      |
| Interests in subsidiaries  | 6    | –                       | 526,707                |
| Trade and other receivables                                      | 7    | 46                      | –                      |
| Deferred tax assets  | 8    | 208                     | –                      |
|  |      | <u>811,679</u>          | <u>526,707</u>         |
| <b>Current assets</b>  |      |                         |                        |
| Trade and other receivables                                      | 7    | 8,279                   | 1,290                  |
| Cash and cash equivalents  | 9    | 51,669                  | 382                    |
|  |      | <u>59,948</u>           | <u>1,672</u>           |
| <b>Total assets</b>  |      | <u>871,627</u>          | <u>528,379</u>         |
| <b>Non-current liabilities</b>                                   |      |                         |                        |
| Loans and borrowings   | 10   | 140,442                 | 70,657                 |
| Trade and other payables   | 11   | 1,869                   | –                      |
| Security deposits  |      | 6,693                   | –                      |
| Deferred tax liabilities   | 8    | 22,564                  | –                      |
|  |      | <u>171,568</u>          | <u>70,657</u>          |
| <b>Current liabilities</b>                                       |      |                         |                        |
| Loans and borrowings   | 10   | 90,020                  | 88,800                 |
| Trade and other payables   | 11   | 19,169                  | 1,138                  |
| Security deposits  |      | 7,991                   | –                      |
| Current tax liabilities  |      | 1,493                   | –                      |
|  |      | <u>118,673</u>          | <u>89,938</u>          |
| <b>Total liabilities</b>   |      | <u>290,241</u>          | <u>160,595</u>         |
| <b>Net assets</b>  |      | <u>581,386</u>          | <u>367,784</u>         |
| <b>Represented by:</b>   |      |                         |                        |
| Unitholders' funds   | 12   | 421,177                 | 367,784                |
| Non-controlling interests  | 13   | 160,209                 | –                      |
|  |      | <u>581,386</u>          | <u>367,784</u>         |
| <b>Units in issue ('000)</b>                                     | 14   | <u>496,877</u>          | <u>496,877</u>         |
| <b>Net asset value per Unit attributable to Unitholders (\$)</b> |      | <u>0.85</u>             | <u>0.74</u>            |

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

# Statements of Total Return

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

|   | Note | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 | REIT<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|---|------|---|--|
| Gross rental income   |      | 59,172  | –  |
| Other income  |      | 7,062   | –  |
| <b>Gross revenue</b>  |      | <b>66,234</b>   | <b>–</b>   |
| Business tax  |      | (1,539)   | –  |
| Property-related tax  |      | (5,069)   | –  |
| Property management fees and reimbursables  |      | (2,182)   | –  |
| Other property operating expenses   | 16   | (15,247)  | –  |
| <b>Total property operating expenses</b>  |      | <b>(24,037)</b>   | <b>–</b>   |
| <b>Net property income</b>  |      | <b>42,197</b>   | <b>–</b>   |
| Audit fees  |      | (314)   | (145)  |
| Manager's management fees   |      |   |  |
| – Base fee  |      | (1,904)   | (1,904)  |
| – Performance fee   |      | (209)   | (209)  |
| Trustee's fees  |      | (144)   | (144)  |
| Valuation fee   |      | (60)  | (60)   |
| Other income (non-operating)  |      | 222   | –  |
| Other REIT operating expenses   | 17   | (490)   | (395)  |
| Finance income  |      | 427   | –  |
| Finance costs   |      | (9,177)   | (4,778)  |
| Net finance costs   | 18   | (8,750)   | (4,778)  |
| <b>Total return before change in fair value of investment properties<br/>and unrealised foreign exchange loss</b> |      | <b>30,548</b>   | <b>(7,635)</b>   |
| Change in fair value of investment properties   | 4    | 85,966  | –  |
| Foreign exchange loss – unrealised  |      | (65)  | –  |
| <b>Total return for the period before taxation</b>  |      | <b>116,449</b>  | <b>(7,635)</b>   |
| Taxation  | 19   | (28,334)  | –  |
| <b>Total return for the period after taxation</b>   |      | <b>88,115</b>   | <b>(7,635)</b>   |
| <b>Attributable to:</b>   |      |   |  |
| Unitholders   |      | 58,603  | (7,635)  |
| Non-controlling interests   | 13   | 29,512  | –  |
| <b>Total return for the period after taxation</b>   |      | <b>88,115</b>   | <b>(7,635)</b>   |
| <b>Earnings per Unit (cents)</b>  | 20   |   |  |
| – Basic   |      | 11.86   |  |
| – Diluted   |      | 11.79   |  |

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

# Distribution Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

|  | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>Note | REIT<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--|---|--|
| <b>Amount available for distribution to Unitholders at 18 November 2015 ("Date of Constitution")</b> | –   | –  |
| Total return for the period attributable to Unitholders  | 58,603  | (7,635)  |
| Distribution adjustments   | A (39,565)  | 26,673   |
| Income for the period available for distribution to Unitholders                                      | B 19,038  | 19,038   |
| <b>Distribution to Unitholders during the period:</b>  |   |  |
| – Distribution of 2.85 cents per Unit for the period from 11 December 2015 to 30 June 2016           | (9,884)   | (9,884)  |
| <b>Amount available for distribution to Unitholders at end of the period</b>                         | 9,154   | 9,154  |
| <b>Distribution per unit (cents)</b>   | * 2.60  |  |

\* The distribution per unit relates to the distributions for the period from 1 July 2016 to 31 December 2016. The computation of distribution per unit is based on the number of Units entitled to distribution of 349,060,000 which comprises:

- the number of Units in issue as at 31 December 2016 of 495,560,000;
- the Units to be issued to the Manager as satisfaction of Manager's base fee payable of 720,500 Units;
- the Units to be issued to the Manager as satisfaction of Manager's performance fee payable of 326,000 Units
- the Units to be issued to the Property Manager as satisfaction of property management fees payable of 271,000 Units; and
- exclude strategic investor's Units of 147,817,500

The distribution will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

The amount of distributions waived, attributable to the strategic investor Units, for the period from the Listing Date to 31 December 2016 amounted to approximately S\$5.6 million.

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

# Distribution Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## Note A – Distribution adjustments

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

(1) Excludes share attributable to non-controlling interests

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

### Comprises:

|  |               |               |
|--|---------------|---------------|
| – from operations                      | –             | –             |
| – from Unitholders' contribution       | 19,038        | 19,038        |
| <b>Total Unitholders' distribution</b> | <b>19,038</b> | <b>19,038</b> |

15

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

# Statements of Movements in Unitholders' Funds

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION)  
TO 31 DECEMBER 2016

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

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



# Portfolio Statement

AS AT 31 DECEMBER 2016

| Group<br>Description of<br>leasehold property        | Location  | Term<br>of lease<br>(years) | Lease<br>expiry | Valuation as at<br>31 December<br>2016<br>RMB'000 | Valuation as at<br>31 December<br>2016<br>SGD'000 | Percentage of<br>Unitholders'<br>funds<br>31 December<br>2016<br>% |
|--|---|-----------------------------|-----------------|---|---|--|
| Beijing Wanliu                                       | No.2 Bagou Road, Haidian District, Beijing                    | 30                          | 2044            | 2,235,000   | 465,784   | 111%   |
| Chengdu Konggang                                     | No. 166 Jinhua Road second section, Shuangliu County, Chengdu | 32                          | 2047            | 631,000   | 131,503   | 31%  |
| Hefei Mengchenglu                                    | No.99 Mengcheng Road, Luyang District, Hefei                  | 30                          | 2044            | 584,000   | 121,708   | 29%  |
| Xining Huayuan                                       | Nos.16-19 Shipo street, Chengzhong District, Xining           | 34                          | 2048            | 278,000   | 57,936  | 14%  |
| Dalian Jinsanjiao                                    | No.18 Huadong Road, Ganjingzi District, Dalian                | 33                          | 2042            | 162,000   | 33,761  | 8%   |
| Investment properties, at valuation                  |   |                             |                 |   | 810,692   | 193%   |
| Other assets and liabilities (net)                   |   |                             |                 |   | (229,306)   | (54%)  |
| Net assets   |   |                             |                 |   | 581,386   | 139%   |
| Net assets attributable to non-controlling interests |   |                             |                 |   | (160,209)   | (39%)  |
| Net assets attributable to Unitholders               |   |                             |                 |   | 421,177   | 100%   |

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

# Consolidated Statement of Cash Flows

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

|   | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to 31<br>December 2016 |
|---|--|
| Note  | \$'000   |
| <b>Cash flows from operating activities</b>                                 |  |
| Total return for the period before taxation                                 | 116,449  |
| Adjustments for:  |  |
| Finance income  | (427)  |
| Finance costs   | 9,177  |
| Depreciation of plant and equipment   | 239  |
| Manager's management fees paid/payable in Units                             | (i) 2,113  |
| Property Manager's management fees paid/payable in Units                    | (ii) 737   |
| Change in fair value of investment properties                               | (85,966)   |
| Foreign exchange loss – unrealised  | 65   |
| <b>Operating income before working capital changes</b>                      | <b>42,387</b>  |
| <b>Changes in:</b>  |  |
| Trade and other receivables   | (4,215)  |
| Trade and other payables  | (8,486)  |
| <b>Cash generated from operating activities</b>                             | <b>29,686</b>  |
| Tax paid  | (4,807)  |
| <b>Net cash from operating activities</b>                                   | <b>24,879</b>  |
| <b>Cash flows from investing activities</b>                                 |  |
| Acquisition of investment properties and other assets, net of cash acquired | (468,709)  |
| Capital expenditure on investment properties                                | (6,037)  |
| Purchase of plant and equipment   | (124)  |
| Interest received   | 427  |
| <b>Net cash used in investing activities</b>                                | <b>(474,443)</b>   |
| <b>Cash flows from financing activities</b>                                 |  |
| Distribution to Unitholders   | (9,884)  |
| Increase in restricted cash   | (13,296)   |
| Proceeds from issue of Units  | 394,180  |
| Payment of transaction costs related to issue of Units                      | (11,727)   |
| Payment of transaction costs related to loans and borrowings                | (1,386)  |
| Proceeds from borrowings  | 174,877  |
| Repayment of borrowings   | (34,442)   |
| Interest paid   | (9,421)  |
| <b>Net cash from financing activities</b>                                   | <b>488,901</b>   |

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

# Consolidated Statement of Cash Flows (cont'd)

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION)  
TO 31 DECEMBER 2016

|  | Note | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to 31<br>December 2016<br>\$'000 |
|--|------|--|
| <b>Increase in cash and cash equivalents</b>                           |      | 39,337   |
| Cash and cash equivalents at 18 November 2015 ("Date of Constitution") |      | –  |
| Effect of foreign exchange rate changes on cash balances               |      | (964)  |
| <b>Cash and cash equivalents at 31 December 2016</b>                   | 9    | <u>38,373</u>  |

## Notes:

### Significant non-cash transactions

- (i) The Manager's management fees for the period from Date of Constitution to 31 December 2016 was \$2,113,000. \$1,441,000 was paid during the period through the issue of 2,042,000 Units. The remaining \$672,000 will be paid through the issue of 1,046,000 Units subsequent to the period end.
- (ii) The Property Manager's management fees for the period from Date of Constitution to 31 December 2016 was \$737,000. \$562,000 was paid during the period through the issue of 793,000 Units. The remaining \$175,000 will be paid through the issue of 271,000 Units subsequent to the period end.

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 28 February 2017.

## 1. GENERAL

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

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

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

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

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

### (i) Trustee's fees

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

### (ii) Manager's management fees

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

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

For the purpose of computing the performance fee for FY2016, the DPU for 2016 (being 1 January 2016 to 31 December 2016, both dates inclusive) is compared against the projected DPU set out in the Prospectus.

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 1. GENERAL (CONT'D)

### (iii) Property management fees

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

- 2% per annum of the gross revenue of the property; and
- 2.5% per annum of the net property income of the property.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 2.4 Use of estimates and judgements

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

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

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

#### Measurement of fair values

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

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 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 the Group entities.

### 3.1 Basis of consolidation

#### (i) Subsidiaries

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

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

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

#### (ii) Loss of control

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

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

#### (iii) Transactions eliminated on consolidation

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

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

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

### 3.2 Foreign currency

#### (i) Foreign currency transactions

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

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

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



# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.2 Foreign currency (cont'd)

#### (ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

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

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.3 Financial instruments

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

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

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

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

#### *Loans and receivables*

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

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

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.3 Financial instruments (cont'd)

#### (ii) Non-derivative financial liabilities (cont'd)

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

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

### 3.4 Investment properties

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

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

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

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.5 Plant and equipment

#### (i) Recognition and measurement

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

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

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the plant and equipment are installed and are ready for use.

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.6 Impairment

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

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

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.6 Impairment

#### (ii) Non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of the CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

### 3.7 Unitholders' funds

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.8 Employee benefits

#### (i) Defined contribution plans

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

#### (ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.9 Distribution policy

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

### 3.10 Revenue recognition

#### (i) Rental income

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

#### (ii) Dividend income

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 3.11 Lease payments

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

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

### 3.12 Expenses

#### (i) Property expenses

Property expenses are recognised on an accrual basis.

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

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

### 3.13 Finance income and finance costs

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

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

### 3.14 Taxation

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

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



# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 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 that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### 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 period. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

### 3.16 Segment reporting

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

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

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

### 3.17 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 18 November 2015 and have not been applied in preparing these financial statements, for those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the REIT in future financial periods, the Group will assess the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

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

#### (a) Applicable to financial statements for financial year beginning on or after 1 January 2018

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

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

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

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

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

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

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

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

#### (b) Applicable to financial statements for financial year beginning on or after 1 January 2019

##### (i) FRS 116 Leases ("FRS 116")

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

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

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

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

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

## 4. INVESTMENT PROPERTIES

|                                  | Group<br>31 December<br>2016<br>\$'000 |
|----------------------------------|--|
| At 18 November 2015              | –                                      |
| Acquisition of initial portfolio | 737,865                                |
| Additions during the period      | 6,037                                  |
|                                  | <u>743,902</u>                         |
| Changes in fair value            | 85,966                                 |
| Translation differences          | (19,176)                               |
| At 31 December 2016              | <u>810,692</u>                         |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 4. INVESTMENT PROPERTIES (CONT'D)

Investment properties comprise retail properties that are held mainly for use by tenants under operating leases. The acquisition of these retail properties was completed on Listing Date. The retail properties form the initial portfolio of the REIT (see Portfolio Statement for details)

Contingent rents, representing income based on sales achieved by certain tenants, recognised in the statement of total return during the period amounted to \$5.1 million.

### *Fair value*

Investment properties are stated at fair value based on valuation as at 31 December 2016 performed by independent professional valuers, Knight Frank Petty Limited, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The Manager reviews the key valuation parameters and underlying data including market-corroborated capitalisation rates, term and reversion rates and discount rates adopted by the valuers and is of the view that the valuation methods and estimates are reflective of the current market conditions.

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 4. INVESTMENT PROPERTIES (CONT'D)

### Level 3 fair values

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

| Valuation methods              | Significant unobservable inputs  | Inter-relationship between key unobservable inputs and fair value measurement |
|--------------------------------|--|---|
| Discounted cash flows approach | Discount rates<br>from 7.25% to 8.50% per annum<br><br>Terminal rates<br>from 3.25% to 4.50% | The fair value increases as discount rates and terminal rates decreases.      |
| Income Capitalisation approach | Term yield<br>from 4.00% to 5.50%<br><br>Revisionary rates<br>from 5.75% to 6.75%            | The fair value increases as term yield and revisionary rates decreases.       |

### Security

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

## 5. PLANT AND EQUIPMENT

|   | Plant and machinery<br>\$'000 | Motor vehicles<br>\$'000 | Furniture, fittings and equipment<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|--------------------------|---|-----------------|
| <b>Group</b>                            |                               |                          |   |                 |
| <b>Cost</b>                             |                               |                          |   |                 |
| At 18 November 2015                     | –                             | –                        | –   | –               |
| Acquisition of initial portfolio*       | 3,813                         | 533                      | 3,271                                       | 7,617           |
| Additions during the period             | –                             | –                        | 124   | 124             |
| Translation difference on consolidation | (182)                         | (25)                     | (156)                                       | (363)           |
| At 31 December 2016                     | 3,631                         | 508                      | 3,239                                       | 7,378           |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 5. PLANT AND EQUIPMENT (CONT'D)

|   | Plant and<br>machinery<br>\$'000 | Motor<br>vehicles<br>\$'000 | Furniture,<br>fittings and<br>equipment<br>\$'000 | Total<br>\$'000 |
|---|----------------------------------|-----------------------------|---|-----------------|
| <b>Accumulated depreciation</b>         |                                  |                             |   |                 |
| At 18 November 2015                     | –                                | –                           | –   | –               |
| Acquisition of initial portfolio*       | 3,622                            | 323                         | 2,865   | 6,810           |
| Charge for the period                   | –                                | –                           | 239   | 239             |
| Translation difference on consolidation | (173)                            | (15)                        | (216)   | (404)           |
| At 31 December 2016                     | 3,449                            | 308                         | 2,888   | 6,645           |
| <b>Carrying amounts</b>                 |                                  |                             |   |                 |
| At 31 December 2016                     | 182                              | 200                         | 351   | 733             |

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

## 6. INTERESTS IN SUBSIDIARIES

|   | REIT<br>31 December<br>2016<br>\$'000 |
|---|---------------------------------------|
| Equity investment, at cost              | 737                                   |
| Non-trade amounts due from subsidiaries | 525,970                               |
|   | <u>526,707</u>                        |

(a) Details of the subsidiaries are as follows:

| Name of subsidiaries            | Place of<br>incorporation/business | Effective equity<br>held by the Group<br>31 December 2016<br>% |
|---------------------------------|------------------------------------|--|
| <b>Held by the REIT</b>         |                                    |  |
| Petra 1 (China) Mall Pte. Ltd.* | Singapore                          | 100%   |
| Petra 2 (China) Mall Pte. Ltd.* | Singapore                          | 100%   |
| Petra 3 (China) Mall Pte. Ltd.* | Singapore                          | 100%   |
| Petra 4 (China) Mall Pte. Ltd.* | Singapore                          | 100%   |
| Petra 6 (China) Mall Pte. Ltd.* | Singapore                          | 100%   |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

(a) Details of the subsidiaries are as follows: (cont'd)

| Name of subsidiaries   | Place of<br>incorporation/business | Effective equity<br>held by the Group<br>31 December 2016<br>% |
|--|------------------------------------|--|
| <b><u>Held through subsidiaries</u></b>                              |                                    |  |
| Beijing Hualian Wanmao Shopping Mall Management Co., Ltd. **         | People's Republic of<br>China      | 60%  |
| Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd. ** | People's Republic of<br>China      | 100%   |
| Qinghai Xinglian Real Property Co., Ltd. **                          | People's Republic of<br>China      | 100%   |
| Chengdu Hairong Xingda Real Property Co., Ltd. **                    | People's Republic of<br>China      | 100%   |
| Dalian Hualian Commercial Facilities Operation Co., Ltd. **          | People's Republic of<br>China      | 100%   |

\* Audited by KPMG LLP Singapore

\*\* Audited by KPMG China

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



# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 7. TRADE AND OTHER RECEIVABLES

|                       | Group<br>31 December<br>2016<br>\$'000 | REIT<br>31 December<br>2016<br>\$'000 |
|-----------------------|--|---------------------------------------|
| Trade receivables     | 23                                     | –                                     |
| Impairment losses     | (1)                                    | –                                     |
|                       | 22                                     | –                                     |
| Other receivables     | 1,922                                  | 1,212                                 |
| Impairment losses     | (86)                                   | –                                     |
|                       | 1,836                                  | 1,212                                 |
| Loans and receivables | 1,858                                  | 1,212                                 |
| Prepayments           | 6,467                                  | 78                                    |
|                       | 8,325                                  | 1,290                                 |
| Current               | 8,279                                  | 1,290                                 |
| Non-current           | 46                                     | –                                     |
|                       | 8,325                                  | 1,290                                 |

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

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

|           | Group<br>31 December<br>2016<br>\$'000 | REIT<br>31 December<br>2016<br>\$'000 |
|-----------|--|---------------------------------------|
| Beijing   | 516                                    | –                                     |
| Chengdu   | 136                                    | –                                     |
| Hefei     | 248                                    | –                                     |
| Qinghai   | 8                                      | –                                     |
| Dalian    | 8                                      | –                                     |
| Singapore | 942                                    | 1,212                                 |
|           | 1,858                                  | 1,212                                 |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### Impairment losses

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

|                            | Gross<br>31 December<br>2016<br>\$'000 | Impairment<br>31 December<br>2016<br>\$'000 |
|----------------------------|--|---|
| <b>Group</b>               |  |   |
| Not past due               | 1,544                                  | 73  |
| Past due 1 – 30 days       | 2                                      | –   |
| Past due 31 – 60 days      | 19                                     | 1   |
| Past due 61 – 90 days      | 10                                     | –   |
| More than 90 days past due | 370                                    | 13  |
|                            | 1,945                                  | 87  |

### REIT

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

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

|  | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--|---|
| At 18 November 2015                        | –   |
| Impairment losses on loans and receivables | (87)  |
| At 31 December 2016                        | (87)  |

The majority of the trade receivables are mainly from tenants that have good credit records with the Group. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 8. DEFERRED TAX ASSETS/(LIABILITIES)

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

| Group                              | At 18 November<br>2015 (Date of<br>Constitution)<br>\$'000 | Recognised in<br>statement<br>of total return<br>(Note 19)<br>\$'000 | Translation<br>difference<br>\$'000 | At 31 December<br>2016<br>\$'000 |
|------------------------------------|--|--|-------------------------------------|----------------------------------|
| <b>Deferred tax assets</b>         |  |  |                                     |                                  |
| Allowance for doubtful receivables | 805  | (555)  | (42)                                | 208                              |
| <b>Deferred tax liabilities</b>    |  |  |                                     |                                  |
| Investment properties              | –  | 21,489   | –                                   | 21,489                           |
| Tax on unrepatriated profits       | –  | 1,077  | (2)                                 | 1,075                            |
|                                    | –  | 22,566   | (2)                                 | 22,564                           |

## 9. CASH AND CASH EQUIVALENTS

|  | Group<br>31 December<br>2016<br>\$'000 | REIT<br>31 December<br>2016<br>\$'000 |
|--|--|---------------------------------------|
| Cash at banks and in hand                            | 51,669                                 | 382                                   |
| Restricted cash                                      | (13,296)                               | –                                     |
| Cash and cash equivalents in statement of cash flows | 38,373                                 | 382                                   |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 10. LOANS AND BORROWINGS

|                                     | Group<br>31 December<br>2016<br>\$'000 | REIT<br>31 December<br>2016<br>\$'000 |
|-------------------------------------|--|---------------------------------------|
| Secured loan                        | 231,491                                | 159,800                               |
| Less: Unamortised transaction costs | (1,029)                                | (343)                                 |
|                                     | <u>230,462</u>                         | <u>159,457</u>                        |
| Current                             | 90,020                                 | 88,800                                |
| Non-current                         | 140,442                                | 70,657                                |
|                                     | <u>230,462</u>                         | <u>159,457</u>                        |

### Terms and debt repayment schedule

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### Security

The Group has put in place two onshore secured borrowing facilities of RMB 280 million and RMB 71 million, and an offshore secured borrowing facility of \$148 million. As at 31 December 2016, the RMB 280 million facility and \$148 million facility were fully drawn down, while RMB 70 million was drawn down from the RMB 71 million onshore facility.

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

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

In addition to the above facilities, the Group has also obtained credit facilities amounting to \$11.8 million. The facilities were fully drawn down to finance the payment of first half 2016 distribution and interest payment of the borrowings on 19 September 2016 and 13 December 2016, respectively. The credit facilities are secured by the restricted cash from the five subsidiaries in China.

## 11. TRADE AND OTHER PAYABLES

|                                    | Group<br>31 December<br>2016<br>\$'000 | REIT<br>31 December<br>2016<br>\$'000 |
|------------------------------------|--|---------------------------------------|
| Trade payables                     | 6,474                                  | –                                     |
| Dividend payable                   | 713                                    | –                                     |
| Interest payable                   | 915                                    | –                                     |
| Other payables                     | 7,185                                  | 693                                   |
| Accrued operating expenses         | 1,898                                  | 445                                   |
| Deposits and advances from tenants | 3,853                                  | –                                     |
|                                    | 21,038                                 | 1,138                                 |
| Current                            | 19,169                                 | 1,138                                 |
| Non-current                        | 1,869                                  | –                                     |
|                                    | 21,038                                 | 1,138                                 |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 12. UNITHOLDERS' FUNDS

|                                      | Note | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 | REIT<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--------------------------------------|------|---|--|
| Net assets resulting from operations |      | 57,521  | (7,635)  |
| Statutory reserve                    | (a)  | 1,082   | –  |
|                                      |      | 58,603  | (7,635)  |
| Foreign currency translation reserve | (b)  | (12,845)  | –  |
| Unitholders' contributions           |      | 375,419   | 375,419  |
|                                      |      | 421,177   | 367,784  |

### (a) Statutory reserve

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

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

### (b) The foreign currency translation reserve comprises:

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 13. NON-CONTROLLING INTERESTS

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

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

|  | 31 December<br>2016<br>\$'000 |
|--|-------------------------------|
| Non-current assets                                     | 466,045                       |
| Current assets   | 34,776                        |
| Non-current liabilities                                | (80,773)                      |
| Current liabilities                                    | (19,526)                      |
| <b>Net assets</b>                                      | <u>400,522</u>                |
| <b>Net assets attributable to NCI</b>                  | <u>160,209</u>                |
| Revenue  | 38,993                        |
| <b>Total return after taxation</b>                     | <u>73,781</u>                 |
| <b>Total return after taxation attributable to NCI</b> | <u>29,512</u>                 |
| Cash flows from operating activities                   | 17,296                        |
| Cash flows from investing activities                   | 311                           |
| Cash flows used in financing activities                | (3,638)                       |
| <b>Net increase in cash and cash equivalents</b>       | <u>13,969</u>                 |

There are no dividends paid to NCI in 2016.

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 14. UNITS IN ISSUE

|   | 31 December<br>2016       |
|---|---------------------------|
|   | Number of Units<br>\$'000 |
| <b>Issue of new Units relating to:</b>                            |                           |
| – initial public offering   | 492,725                   |
| – payment of Manager’s management fees                            | 2,042                     |
| – payment of Property Manager’s management fees                   | 793                       |
|   | <u>495,560</u>            |
| <b>Units to be issued:</b>  |                           |
| – payment of Manager’s management base fees                       | 720                       |
| – payment of Manager’s management performance fees                | 326                       |
| – payment of Property Manager’s management fees                   | 271                       |
|   | <u>1,317</u>              |
| <b>Total Units in issue and to be issued at the end of period</b> | <u>496,877</u>            |

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

- (a) On 11 December 2015, the REIT issued 492,725,000 new Units at an issue price of \$0.8000 per Unit as its initial public offering;
- (b) On 31 August 2016, the REIT issued 646,000 new Units at an issue price of \$0.8015 per Unit as payment of the base component of the Manager’s management fees for the period from 11 December 2015 to 31 March 2016;
- (c) On 31 August 2016, the REIT issued 270,000 new Units at an issue price of \$0.8015 per Unit as payment of the Property Manager’s management fees for the period from 11 December 2015 to 31 March 2016;
- (d) On 5 September 2016, the REIT issued 726,000 new Units at an issue price of \$0.6489 per Unit as payment of the base component of the Manager’s management fees for the period from 1 April 2016 to 30 June 2016;



# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

- (e) On 5 September 2016, the REIT issued 267,000 new Units at an issue price of \$0.6489 per Unit as payment of the Property Manager's management fees for the period from 1 April 2016 to 30 June 2016;
- (f) On 23 December 2016, the REIT issued 670,000 new Units at an issue price of \$0.6746 per Unit as payment of the base component of the Manager's management fees for the period from 1 July 2016 to 30 September 2016; and
- (g) On 23 December 2016, the REIT issued 256,000 new Units at an issue price of \$0.6746 per Unit as payment of the Property Manager's management fees for the period from 1 July 2016 to 30 September 2016.

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

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

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

The restrictions of a Unitholder include the following:

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

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

## 15. TOTAL UNITHOLDERS' DISTRIBUTION

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

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

- profits from operations arising from the investment properties which are declared as dividend income after the financial period, as the case may be, and accordingly also received as dividends by the REIT after that period;
- 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

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

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

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 11 December 2015 to 30 June 2016 had been paid on 21 September 2016. Distributions for the period from 1 July 2016 to 31 December 2016 will be paid within 90 days from the end of the distribution period, in accordance with the provisions of the Trust Deed.

## 16. OTHER PROPERTY OPERATING EXPENSES

|  | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--|---|
| Advertising and promotion                  | 1,217   |
| Depreciation of plant and equipment        | 239   |
| Impairment losses on loans and receivables | 87  |
| Repair and maintenance                     | 3,299   |
| Staff costs                                | 246   |
| Utilities                                  | 9,542   |
| Others                                     | 617   |
|  | 15,247  |

Included in staff costs is contribution to defined contribution plans of \$23,000.

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 17. OTHER REIT OPERATING EXPENSES

|                   | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 | REIT<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|-------------------|---|--|
| Professional fees | 273   | 208  |
| Others            | 217   | 187  |
|                   | <u>490</u>  | <u>395</u>   |

## 18. FINANCE INCOME AND FINANCE COSTS

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 19. TAXATION

|  | Note | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 | REIT<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--|------|---|--|
| <b>Current taxation</b>                                |      |   |  |
| Current period   |      | 5,101   | –  |
| Withholding tax  |      | 112   | –  |
|  |      | <u>5,213</u>  | <u>–</u>   |
| <b>Deferred taxation</b>                               |      |   |  |
| Origination of temporary differences                   | 8    | 23,121  | –  |
| <b>Income tax expense</b>                              |      | <u>28,334</u>   | <u>–</u>   |
| <b>Reconciliation of effective tax rate</b>            |      |   |  |
| Total return for the period before taxation            |      | <u>116,449</u>  | <u>(7,635)</u>   |
| Tax calculated using Singapore tax rate of 17%         |      | 19,796  | (1,298)  |
| Adjustments:   |      |   |  |
| Effect of different tax rates in foreign jurisdictions |      | 7,090   | –  |
| Income not subject to tax                              |      | (63)  | –  |
| Expenses not deductible for tax purposes               |      | 1,376   | –  |
| Deferred tax assets not recognised                     |      | 23  | –  |
| Tax losses not allowed to be carried forward           |      | –   | 1,298  |
| Withholding tax  |      | 112   | –  |
|  |      | <u>28,334</u>   | <u>–</u>   |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 20. EARNINGS PER UNIT

### Basic earnings per Unit

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

|  | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--|---|
| Total return for the period after taxation and non-controlling interests     | 58,603  |
|  | Number of Units<br>'000   |
| Issued Units   |   |
| – Initial public offering  | 492,725   |
| – Manager's management fees paid/payable in Units                            | 972   |
| – Property Manager's management fees paid/payable in Units                   | 382   |
| Weighted average number of issued and issuable Units<br>at end of the period | 494,079   |

### Diluted earnings per Unit

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

|  | Group<br>Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |
|--|---|
| Total return for the period after taxation and non-controlling interests | 58,603  |

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 20. EARNINGS PER UNIT (CONT'D)

|  | Number of Units<br>'000 |
|--|-------------------------|
| Issued Units   |                         |
| – Initial public offering  | 492,725                 |
| – Manager's management fees paid/payable in Units                            | 3,088                   |
| – Property Manager's management fees paid/payable in Units                   | 1,064                   |
| Weighted average number of issued and issuable Units<br>at end of the period | 496,877                 |

## 21. RELATED PARTY TRANSACTIONS

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

## 22. FINANCIAL RATIOS

|  | Group<br>2016  |
|--|----------------|
| Ratio of expenses to average net asset value <sup>(1)</sup>    |                |
| – including performance component of Manager's management fees | 0.70%          |
| – excluding performance component of Manager's management fees | 0.65%          |
| Portfolio turnover rate <sup>(2)</sup>                         | Not applicable |

Notes:

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

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. There is no purchase or sales of the investment properties during the period.

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 23. OPERATING SEGMENTS

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

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

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

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

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

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

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



# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 23. OPERATING SEGMENTS (CONT'D)

### Information about reportable segments

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 23. OPERATING SEGMENTS (CONT'D)

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

|  | Period from<br>18 November<br>2015 (Date of<br>Constitution) to<br>31 December<br>2016<br>\$'000 |                                 |                                 |
|--|--|---------------------------------|---------------------------------|
| <b>Revenue</b>                                       |  |                                 |                                 |
| Total revenue for reporting segments                 |  |                                 | 66,234                          |
| <b>Total return</b>                                  |  |                                 |                                 |
| Total return for reportable segments before taxation |  |                                 | 123,717                         |
| Unallocated amount:                                  |  |                                 |                                 |
| – Other corporate expenses                           |  |                                 | (7,268)                         |
| Total return before taxation                         |  |                                 | 116,449                         |
| <b>Assets</b>  |  |                                 |                                 |
| Total assets for reportable segments                 |  |                                 | 880,440                         |
| Other unallocated amount                             |  |                                 | (8,813)                         |
| Consolidated assets                                  |  |                                 | 871,627                         |
| <b>Liabilities</b>                                   |  |                                 |                                 |
| Total liabilities for reportable segments            |  |                                 | 666,098                         |
| Other unallocated amount                             |  |                                 | (375,857)                       |
| Consolidated liabilities                             |  |                                 | 290,241                         |
|  | Reportable<br>segment total<br>\$'000  | Unallocated<br>amount<br>\$'000 | Consolidated<br>total<br>\$'000 |

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

## 23. OPERATING SEGMENTS (CONT'D)

### Geographical segments

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

### Major tenant

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

## 24. COMMITMENTS

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

|                                   | Group<br>31 December<br>2016<br>\$'000 |
|-----------------------------------|--|
| Receivable:                       |  |
| – within 1 year                   | 26,654                                 |
| – after 1 year but within 5 years | 60,909                                 |
| – after 5 years                   | 106,479                                |
|                                   | <u>194,042</u>                         |

## 25. CAPITAL AND FINANCIAL RISK MANAGEMENT

### Capital management

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### *Capital management (cont'd)*

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

### *Financial risk management*

#### *Overview*

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

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

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

#### *Credit risk*

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

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

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### Liquidity risk

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

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

|                          | Carrying<br>amount<br>\$'000 | Contractual<br>cash flow<br>\$'000 | Within<br>1 year<br>\$'000 | After 1 year<br>but within<br>5 years<br>\$'000 | After<br>5 years<br>\$'000 |
|--------------------------|------------------------------|------------------------------------|----------------------------|---|----------------------------|
| <b>31 December 2016</b>  |                              |                                    |                            |   |                            |
| <b>Group</b>             |                              |                                    |                            |   |                            |
| Loans and borrowings     | 230,462                      | 231,491                            | 90,050                     | 141,441   | –                          |
| Trade and other payables | 21,038                       | 21,038                             | 19,169                     | 1,869   | –                          |
| Security deposits        | 14,684                       | 14,684                             | 7,991                      | 6,209   | 484                        |
|                          | 266,184                      | 267,213                            | 117,210                    | 149,519   | 484                        |
| <b>REIT</b>              |                              |                                    |                            |   |                            |
| Loans and borrowings     | 159,457                      | 159,800                            | 88,800                     | 71,000  | –                          |
| Trade and other payables | 1,138                        | 1,138                              | 1,138                      | –   | –                          |
|                          | 160,595                      | 160,938                            | 89,938                     | 71,000  | –                          |

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

In addition, the Group maintains the following debt facilities and programme as at 31 December 2016:

Chinese Renminbi ("RMB") denominated facility:

- RMB 344 million four-year secured term loan facilities

\$ denominated facilities:

- \$77 million two-year secured term loan facilities
- \$32 million three-year secured term loan facilities
- \$39 million four-year secured term loan facilities
- \$11.8 million credit facilities

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### Interest rate risk

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

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

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

\* 100 basis point is equivalent to 1 percentage point

|  | Statements of total return   |                              | Unitholders' funds           |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | 100 bp<br>increase<br>\$'000 | 100 bp<br>decrease<br>\$'000 | 100 bp<br>increase<br>\$'000 | 100 bp<br>decrease<br>\$'000 |

### Group and REIT

#### 31 December 2016

|                             |      |    |   |   |
|-----------------------------|------|----|---|---|
| Variable rate instruments   | (88) | 88 | – | – |
| Cash flow sensitivity (net) | (88) | 88 | – | – |

### Foreign currency risk

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

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### *Foreign currency risk (cont'd)*

The Group exposures to foreign currency are as follows:

|                           | RMB<br>\$'000 | Total<br>\$'000 |
|---------------------------|---------------|-----------------|
| <b>Group</b>              |               |                 |
| <b>31 December 2016</b>   |               |                 |
| Cash and cash equivalents | 50,463        | 50,463          |

The REIT is not exposed to significant foreign currency risks.

### *Sensitivity analysis*

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

|                         | Statement of total return |                |
|-------------------------|---------------------------|----------------|
|                         | Group<br>\$'000           | REIT<br>\$'000 |
| <b>31 December 2016</b> |                           |                |
| RMB                     | (5,046)                   | –              |

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

# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### Accounting classifications and fair values

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

|   | Carrying amount                 |  |                                 | Fair value        |                   |                   |                 |
|---|---------------------------------|--|---------------------------------|-------------------|-------------------|-------------------|-----------------|
|   | Loans and receivables<br>\$'000 | Other financial liabilities within scope of FRS 39<br>\$'000 | Total carrying amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
| <b>Group</b>  |                                 |  |                                 |                   |                   |                   |                 |
| <b>31 December 2016</b>                                 |                                 |  |                                 |                   |                   |                   |                 |
| <b>Financial assets not measured at fair value</b>      |                                 |  |                                 |                   |                   |                   |                 |
| Trade and other receivables                             | 1,858                           | –  | 1,858                           |                   |                   |                   |                 |
| Cash and cash equivalents                               | 51,669                          | –  | 51,669                          |                   |                   |                   |                 |
|   | <u>53,527</u>                   | <u>–</u>   | <u>53,527</u>                   |                   |                   |                   |                 |
| <b>Financial liabilities not measured at fair value</b> |                                 |  |                                 |                   |                   |                   |                 |
| Trade and other payables                                | –                               | 21,038   | 21,038                          |                   |                   |                   |                 |
| Security deposits                                       | –                               | 14,684   | 14,684                          |                   | 14,201            |                   | 14,201          |
| Loans and borrowings                                    | –                               | 230,462  | 230,462                         |                   |                   |                   |                 |
|   | <u>–</u>                        | <u>266,184</u>   | <u>266,184</u>                  |                   |                   |                   |                 |
| <b>REIT</b>   |                                 |  |                                 |                   |                   |                   |                 |
| <b>31 December 2016</b>                                 |                                 |  |                                 |                   |                   |                   |                 |
| <b>Financial assets not measured at fair value</b>      |                                 |  |                                 |                   |                   |                   |                 |
| Trade and other receivables                             | 1,290                           | –  | 1,290                           |                   |                   |                   |                 |
| Cash and cash equivalents                               | 382                             | –  | 382                             |                   |                   |                   |                 |
|   | <u>1,672</u>                    | <u>–</u>   | <u>1,672</u>                    |                   |                   |                   |                 |
| <b>Financial liabilities not measured at fair value</b> |                                 |  |                                 |                   |                   |                   |                 |
| Trade and other payables                                | –                               | 1,138  | 1,138                           |                   |                   |                   |                 |
| Loans and borrowings                                    | –                               | 159,457  | 159,457                         |                   |                   |                   |                 |
|   | <u>–</u>                        | <u>160,595</u>   | <u>160,595</u>                  |                   |                   |                   |                 |



# Notes to the Financial Statements

FOR THE PERIOD FROM 18 NOVEMBER 2015 (DATE OF CONSTITUTION) TO 31 DECEMBER 2016

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

### *Estimation of fair value*

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

#### *Interest-bearing borrowings*

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

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

#### *Other financial assets and liabilities*

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

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

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve as at 31 December 2016 plus an adequate constant credit spread, and are as follows:

|                   | 31 December<br>2016<br>% p.a. |
|-------------------|-------------------------------|
| Security deposits | 3.75                          |

## 26. SUBSEQUENT EVENTS

On 23 February 2017, the Manager declared a distribution of 2.60 cents per Unit to Unitholders in respect of the period from 1 July 2016 to 31 December 2016.

## 27. COMPARATIVE INFORMATION

No comparative information has been presented as the REIT was constituted on 18 November 2015.

# Interested Persons Transactions

The transactions entered into with interested persons for the financial year ending 31 December 2016, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST") and Appendix 6 of the Code on Collective Investment Schemes (excluding transactions of less than \$100,000 each) are as follows:

|   | Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920)<br>\$'000 | Aggregate value of all interested person transactions during the financial period under review under Unitholders' mandate pursuant to Rule 920 (excluding transactions of less than \$100,000)<br>\$'000 |
|---|---|--|
| <b>Beijing Hualian Group Investment Holding Co., Ltd and its subsidiaries or associates</b> |   |  |
| – Management fees   |   |  |
| – base component  | 1,904   | –  |
| – performance component   | 209   | –  |
| – reimbursables*  | 5,854   | –  |
| – Property management fees  | 2,182   | –  |
| <b>DBS Trustee Limited</b>  |   |  |
| – Trustee's fees  | 144   | –  |

\* Mainly reimbursement of transaction costs related to the issue of Units.

Save as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) or other material transactions entered into during the financial period under review.

The fees and charges payable by BHG Retail REIT to the Manager under the Trust Deed, and to the Property Manager under the Master Property Management Agreement and the Individual Property Management Agreements, each of which constitutes an interested person transaction, are deemed to have been specifically approved by the Unitholder upon purchase of the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will affect BHG Retail REIT. However, any renewal of the agreements will be subject to Rules 905 and 906 of the Listing Manual.

## SUBSCRIPTION OF BHG RETAIL REIT UNITS

An aggregate of 2,835,000 Units were issued in relation to the base component of the Manager's management fees and partial Property Manager's management fees paid for the first three quarters of 2016. As at 31 December 2016, 1,317,000 Units were in issue and outstanding. In the first quarter of 2017, 1,046,000 Units will be issued to the Manager as payment for the base component of its management fee for the fourth quarter of 2016 and performance component of its management fee for the period from 1 January 2016 to 31 December 2016. 271,000 Units will be issued to the Property Manager for its management fees for the fourth quarter of 2016.

# Statistics of Unitholdings

AS AT 28 FEBRUARY 2017

## STATISTICS OF UNITHOLDINGS

Issued and fully paid-up Units: 495,559,523 (Voting rights: 1 vote per Unit)  
There is only one class of Units.

## DISTRIBUTION OF UNITHOLDINGS

| SIZE OF UNITHOLDINGS | NO. OF UNITHOLDERS | %      | NO. OF UNITS | %      |
|----------------------|--------------------|--------|--------------|--------|
| 1 - 99               | 0                  | 0.00   | 0            | 0.00   |
| 100 - 1,000          | 89                 | 12.45  | 78,500       | 0.02   |
| 1,001 - 10,000       | 420                | 58.74  | 2,320,700    | 0.47   |
| 10,001 - 1,000,000   | 195                | 27.27  | 8,926,239    | 1.80   |
| 1,000,001 AND ABOVE  | 11                 | 1.54   | 484,234,084  | 97.71  |
| TOTAL                | 715                | 100.00 | 495,559,523  | 100.00 |

## TWENTY LARGEST UNITHOLDERS

| NO. | NAME  | NO. OF UNITS | %     |
|-----|---|--------------|-------|
| 1   | BEIJING HUA LIAN GROUP (SINGAPORE) INT'L TRADING PL         | 135,499,375  | 27.34 |
| 2   | HSBC (SINGAPORE) NOMINEES PTE LTD                           | 84,475,000   | 17.05 |
| 3   | DBS NOMINEES (PRIVATE) LIMITED                              | 73,448,000   | 14.82 |
| 4   | CITIBANK NOMINEES SINGAPORE PTE LTD                         | 69,331,700   | 13.99 |
| 5   | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD                  | 50,905,300   | 10.27 |
| 6   | PHILLIP SECURITIES PTE LTD                                  | 40,668,100   | 8.21  |
| 7   | BEIJING HUA LIAN GRP (S'PORE) INTERNATIONAL TRADING PTE LTD | 12,810,925   | 2.59  |
| 8   | BEIJING HUALIAN MALL (S) COMMERCIAL MANAGEMENT PTE LTD      | 7,678,600    | 1.55  |
| 9   | BEIJING HUALIAN HYPERMARKET (SINGAPORE) PURCHASING PTE LTD  | 6,125,000    | 1.24  |
| 10  | BHG RETAIL TRUST MANAGEMENT PTE LTD                         | 2,042,084    | 0.41  |
| 11  | BREADTALK GROUP LIMITED - SHARE BUY-BACK A/C                | 1,250,000    | 0.25  |
| 12  | RAFFLES NOMINEES (PTE) LIMITED                              | 872,900      | 0.18  |
| 13  | BHG MALL (SINGAPORE) PROPERTY MANAGEMENT PTE LTD            | 792,439      | 0.16  |
| 14  | SIU WAI KEUNG   | 625,000      | 0.13  |
| 15  | LIM CHIN GUAN   | 394,500      | 0.08  |
| 16  | LAU TECK SIEN (LIU DEXIAN)                                  | 375,000      | 0.08  |
| 17  | CHAN IZ-LYNN  | 125,000      | 0.03  |
| 18  | NIU XIAOHUA   | 125,000      | 0.03  |
| 19  | PENG GE   | 125,000      | 0.03  |
| 20  | XIONG ZHEN  | 125,000      | 0.03  |
|     | TOTAL   | 487,793,923  | 98.47 |

# Statistics of Unitholdings

AS AT 28 FEBRUARY 2017

## SUBSTANTIAL UNITHOLDERS' INTEREST

| NAME   | DIRECT INTEREST |       | DEEMED INTEREST |       |
|--|-----------------|-------|-----------------|-------|
|  | NO. OF UNITS    | %     | NO. OF UNITS    | %     |
| Beijing Hua Lian Group (Singapore) International Trading Pte Ltd | 148,310,300     | 29.93 | –               | –     |
| Beijing Hualian Group Investment Holding Co. Ltd. <sup>(1)</sup> | –               | –     | 164,948,423     | 33.29 |
| Hainan Hong Ju Industrial Co. Ltd. <sup>(2)</sup>                | –               | –     | 164,948,423     | 33.29 |
| Hainan Hong Ju Culture Media Group Limited <sup>(3)</sup>        | –               | –     | 164,948,423     | 33.29 |
| Chanchai Ruayrungruang <sup>(4)</sup>                            | –               | –     | 68,981,500      | 13.92 |
| China Merchants Bank Assets Management                           | 84,475,000      | 17.05 | –               | –     |
| Bank of Communications   | 46,219,000      | 9.33  | –               | –     |
| China Hi-Tech Holding Company Ltd.                               | 40,625,000      | 8.20  | –               | –     |
| CHTC Fong's Industries Co., Ltd. <sup>(5)</sup>                  | –               | –     | 40,625,000      | 8.20  |
| HongKong Huaming Company Limited                                 | 27,500,000      | 5.55  | –               | –     |
| Jingwei Textile Machinery Co., Ltd. <sup>(6)</sup>               | –               | –     | 27,500,000      | 5.55  |
| China Textile Machinery (Group) Co., Ltd. <sup>(7)</sup>         | –               | –     | 27,500,000      | 5.55  |
| China Hi-Tech Group Corporation <sup>(8)</sup>                   | –               | –     | 68,125,000      | 13.75 |

### Notes:

- (1) Beijing Hualian Group Investment Holding Co., Ltd. ("Beijing Hualian Group") wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. ("BHG SIT") and is deemed interested in the 148,310,300 Units held by BHG SIT. Beijing Hualian Group holds 29.17% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. ("BHH") which in turn wholly owns Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd. ("BHH SPP") and is deemed interested in the 6,125,000 Units held by BHH SPP. Beijing Hualian Group holds 29.71% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. ("BHDS"), which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. ("BHM SCM"). Accordingly, Beijing Hualian Group is deemed interested in the 7,678,600 Units owned by BHM SCM. BHM SCM in turn wholly-owned BHG Mall (Singapore) Property Management Pte Ltd ("PM") and BHG Retail Trust Management Pte Ltd ("RM"). Accordingly, Beijing Hualian Group is deemed interested in the 792,439 Units owned by the PM and the 2,042,084 Units owned by the RM. Beijing Hualian Group is deemed interested in an aggregate of 164,948,423 Units, representing 33.29% of the total issued Units.
- (2) Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of Beijing Hualian Group and is deemed interested in the Units that Beijing Hualian Group is deemed interested in.
- (3) Hainan Hongju Culture Media Group Limited holds 51% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd and is deemed interested in the Units that Hainan Hong Ju Industrial Co., Ltd is deemed interested in.
- (4) Dr Chanchai Ruayrungruang is deemed to have an interest in the 68,981,500 Units held through his nominee, DBS Private Bank.
- (5) China Hi-Tech Holding Company Ltd ("CHTHC") is wholly-owned by CHTC Fong's Industries Co., Ltd. and is deemed interested in the 40,625,000 Units held by CHTHC.
- (6) Jingwei Textile Machinery Co., Ltd ("JTMC") wholly-owns HongKong Huaming Company Limited ("HongKong Huaming") which in turns holds 27,500,000 Units and is deemed interested in the 27,500,000 Units held by HongKong Huaming.
- (7) China Textile Machinery (Group) Co., Ltd. ("CTMGCL") holds 31.13% of the total issued equity interest of JTMC, which in turns wholly-owns HongKong Huaming. HongKong Huaming holds 27,500,000 Units and therefore CTMGCL deemed interested in the 27,500,000 Units held by HongKong Huaming.
- (8) China Hi-Tech Group Corporation ("CHTC") wholly owns CHTC Fong's Industries Co., Ltd., which in turn wholly owns CHTHC and is deemed interested in the 40,625,000 Units held by CHTHC. CHTC directly holds 2.70% of the total issued equity interest of JTMC and directly holds 87.57% of the total issued equity interest of CTMGCL. CTMGCL holds 31.13% of the total issued equity interest of JTMC. CHTC is therefore interested in, and deemed interested in an aggregate of 33.8% of JTMC. JTMC wholly owns HongKong Huaming, which holds 27,500,000 Units. CHTC is therefore deemed to be interested in CHTC Fong's Industries Co., Ltd., CHTHC, CTMGCL, JTMC and HongKong Huaming's aggregate holdings of/interest in 68,125,000 Units.

# Statistics of Unitholdings

AS AT 28 FEBRUARY 2017

## THE MANAGER'S DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2017

|   | NAME                  | NO. OF UNITS    |                 |
|---|-----------------------|-----------------|-----------------|
|   |                       | DIRECT INTEREST | DEEMED INTEREST |
| 1 | Francis Siu Wai Keung | 625,000         | –               |
| 2 | Ben Yeo Chee Seong    | –               | –               |
| 3 | Lau Teck Sien         | 375,000         | –               |
| 4 | Niu Xiaohua           | 125,000         | –               |
| 5 | Xiong Zhen            | 125,000         | –               |
| 6 | Peng Ge               | 125,000         | –               |
|   |                       | 1,375,000       | –               |

## PUBLIC FLOAT

Based on the information made available to the Manager as at 28 February 2017, approximately 12.37% of the issued Units in BHG Retail REIT are held by the public and therefore, 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 Unitholders of BHG Retail REIT (the Unitholders of BHG Retail REIT, “Unitholders”) will be held at **Raffles Town Club, Dunearn Ballroom 2, 1 Plymouth Avenue, Singapore 297753, on Monday, 10 April 2017 at 10:30 a.m.**, to transact the following businesses:

### ORDINARY BUSINESSES:

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of BHG Retail REIT (the “Trustee”), the Statement by BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the “Manager”) and the Audited Financial Statements of BHG Retail REIT for the financial period ended 31 December 2016 and the Auditors’ Report thereon. *Resolution 1*
2. To re-appoint Messrs KPMG LLP as the Auditors of BHG Retail REIT to hold office until the conclusion of the next AGM of BHG Retail REIT, and to authorise the Manager to fix their remuneration. *Resolution 2*

### SPECIAL BUSINESS:

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

3. That authority be and is hereby given to the Manager, to: *Resolution 3*
  - (a) (i) issue Units in BHG Retail REIT (“Units”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options that might or would require Units to be issued, (collectively, “Instruments”) including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units;  
  
at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and
- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

# Notice of Annual General Meeting

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any)(as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a *pro-rata* basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units, if any)(as calculated in accordance with sub-paragraph (2) below;
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
  - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting BHG Retail REIT (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of BHG Retail REIT or (ii) the date by which the next AGM of BHG Retail REIT is required by applicable laws or regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

# Notice of Annual General Meeting

- (6) the Manager, any director of the Manager ("**Director**") and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interest of BHG Retail REIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note)

## **BY ORDER OF THE BOARD**

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

Ang Siew Koon  
Tan Wee Sin  
Company Secretaries

Singapore,  
17 March 2017

## **Explanatory Note:**

Ordinary Resolution 3 above if passed, will empower the Manager from the date of the AGM until (i) conclusion of the next AGM of BHG Retail REIT or (ii) the date by which the next AGM of BHG Retail REIT is required by the applicable laws and regulations or the Trust Deed to be held, whichever is earlier, unless such authority is earlier revoked or varied by the Unitholders in a general meeting, to issue Units and to make or grant instruments (such as securities, warrants or debentures) convertibles into Units and to issue Units in pursuance of such instruments from the date of the AGM up to a number not exceeding fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any) with a sub-limit of twenty per cent (20%) for issues other than on pro rata basis to Unitholders.

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



# Notice of Annual General Meeting

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. (a) A Unitholder who is not a Relevant Intermediary (as defined below) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote at the AGM in the Unitholder's stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the proportion of the holdings (expressed as a percentage of the whole) to be represented by each proxy.
- (b) A Unitholder who is a Relevant Intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies in the Proxy Form the number of Units in relation to which each proxy has been appointed.

**"Relevant Intermediary"** means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of the Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (ii) a person holding a capital market services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
  - (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of the Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board hold those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. The Proxy Form must be deposited at the office of Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the AGM.

# Notice of Annual General Meeting

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of BHG Retail REIT and/or adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM of BHG Retail REIT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of BHG Retail REIT (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

## BHG RETAIL REIT

(A real estate investment trust constituted in the Republic of Singapore pursuant to a Trust Deed dated 18 November 2015)

# Proxy Form

ANNUAL GENERAL MEETING

### IMPORTANT:

1. For CPF/SRS investors, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. A Relevant Intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF/SRS Investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. If they wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
5. PLEASE READ THE NOTES TO THE PROXY FORM.

### Personal Data Privacy

By submitting an instrument appointing proxy or proxies and/or representative(s), a Unitholder of BHG Retail REIT accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 17 March 2017.

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport no.)

of \_\_\_\_\_ (address)

being \*a Unitholder/Unitholders of BHG Retail REIT, hereby appoint

| Name     | NRIC/Passport No. | Proportion of Unitholdings |   |
|----------|-------------------|----------------------------|---|
|          |                   | No. of Units               | % |
| Address: |                   |                            |   |

\*and/or (delete as appropriate)

| Name     | NRIC/Passport No. | Proportion of Unitholdings |   |
|----------|-------------------|----------------------------|---|
|          |                   | No. of Units               | % |
| Address: |                   |                            |   |

or failing \*him/her/them, the Chairman of the Annual General Meeting (the "AGM") as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf at the AGM of BHG Retail REIT to be held at **Raffles Town Club, Dunearn Ballroom 2, 1 Plymouth Avenue, Singapore 297753, on Monday, 10 April 2017 at 10:30 a.m.** and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against 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/their discretion as \*he/she/they may on any other matter arising at the AGM.

| No. | Ordinary Resolutions  | For <sup>#</sup> | Against <sup>#</sup> |
|-----|---|------------------|----------------------|
| 1.  | To receive and adopt the Report of the Trustee, the Statement by the Manager and the Audited Financial Statements of BHG Retail REIT for the financial period ended 31 December 2016. |                  |                      |
| 2.  | To re-appoint KPMG LLP as Auditors of BHG Retail REIT and authorise the Manager to fix the Auditors' remuneration.  |                  |                      |
| 3.  | To authorise the Manager to issue Units and make or grant convertible instruments.  |                  |                      |

\* Delete accordingly

# If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

**IMPORTANT.** Please read notes overleaf.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

**Total number of Units held**

\_\_\_\_\_  
Signature(s) of Unitholder(s)/Common Seal  
of Corporate Unitholder

**Notes:**

1. A Unitholder of BHG Retail REIT ("**Unitholder**") who is not a Relevant Intermediary entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a Relevant Intermediary entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

"**Relevant Intermediary**" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of the Singapore or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital market services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of the Singapore, in respect of Units purchased under the subsidiary legislation made under the Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board hold those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of BHG Retail REIT, he should insert that number of Units. If the Unitholders has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he 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.

1st fold

4. The Proxy Form must be deposited at the office of the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the AGM.
5. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointments of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the AGM.
6. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing where the Proxy Form is executed by a corporation, it must be executed under the common seal or under the hand of an officer or attorney so authorised. The Manager and the Trustee shall be entitled and be bound, in determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, to have regard to any instructions and/or notes set out in the Proxy Form.
7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. The Manager and the Trustee shall have the right to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, each of the Trustee and the Manager: (a) may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
10. CPF Approved Nominees acting on the request of the CPF/SRS investors who wish to attend the AGM as observers are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) shall reach the office of the Unit Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the AGM.

2nd fold

AFFIX  
STAMP

**BHG RETAIL TRUST MANAGEMENT PTE. LTD.**  
**(As Manager of BHG Retail REIT)**  
c/o Boardroom Corporate & Advisory Services Pte. Ltd.,  
50 Raffles Place,  
#32-01 Singapore Land Tower,  
Singapore 048623

3rd fold.  
Fold and Glue overleaf. Do not staple

This page has been intentionally left blank.

This page has been intentionally left blank.

# Corporate Directory

## **BHG RETAIL REIT**

### **Registered Address**

#### **DBS Trustee Limited**

12 Marina Boulevard  
Marina Bay Financial Centre  
Singapore 018982  
Telephone: +65 6878 8888  
Fax: +65 6878 3977

Stockcode: BMGU  
ISIN Code: SG1CD7000009  
Email: ir@bhgreit.com  
Website: www.bhgreit.com

### **Trustee**

#### **DBS Trustee Limited**

12 Marina Boulevard  
Marina Bay Financial Centre  
Singapore 018982  
Telephone: +65 6878 8888  
Fax: +65 6878 3977

### **Auditor**

#### **KPMG LLP**

Partner-in-charge:  
Mr Lim Pang Yew, Victor  
Appointed: 17 June 2016  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581  
Telephone: +65 6213 3388  
Fax: +65 6225 0984

### **Unit Registrar**

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

50 Raffles Place #32-01  
Singapore Land Tower,  
Singapore 048623  
Telephone: +65 6536 5355  
Fax: +65 6536 1360

### **THE MANAGER**

### **Registered Address**

#### **BHG Retail Trust Management Pte. Ltd.**

100 Beach Road,  
#25-11 Shaw Tower  
Singapore 189702  
Telephone: +65 6805 8288  
Fax: +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 Niu Xiaohua**

Non-Executive Director

#### **Mr Xiong Zhen**

Non-Executive Director

#### **Mr Peng Ge**

Non-Executive Director

### **Audit and Risk Committee**

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

### **Nominating and Remuneration Committee**

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

### **Company Secretaries**

Ms Ang Siew Koon  
Mr Tan Wee Sin

**BHG Retail Trust Management Pte. Ltd.**

100 Beach Road,  
Shaw Tower #25-11  
Singapore 189702

T +65 6805 8288  
F +65 6805 8277

[www.bhgreit.com](http://www.bhgreit.com)

