

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL (CONT'D)

1.2 Commercial Manager

- (i) Commercial management fee and reimbursement of expenses

The Commercial Manager is entitled to receive commercial management fee of 1% of the monthly gross revenue of the properties and reimbursement of expenses as incurred for each property. The commercial management fee and reimbursement of expenses are payable to the Commercial Manager in the form of cash.

- (ii) Lease-up commission

The Commercial Manager is entitled to receive a one-time fee of two months' gross rent for newly completed buildings or buildings undergoing major asset enhancement and/or renovation works.

This lease-up commission is payable to the Commercial Manager in the form of cash.

1.3 Property Manager

The Property Manager is entitled to receive property management fee of 1% of the monthly gross revenue of the properties and reimbursement of expenses incurred for each property. The property management fee and reimbursement of expenses are payable to the Property Manager in the form of cash.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

2.2 Going concern basis of preparation of financial statements

As at 31 December 2021, the Group and the Trust were in net current liabilities of \$663,169,000 and \$719,864,000 respectively as the syndicated term loans pertaining to the Xiaolan Metro Mall, Ocean Metro Mall and Dasin E-Colour (the "Initial Portfolio") and Shiqi Metro Mall of \$499,520,000 in aggregate are due and payable on 19 June 2022, the offshore syndicated term loans pertaining to Shunde Metro Mall and Tanbei Metro Mall of \$132,851,000 in aggregate are due and payable on 15 July 2022 and the offshore syndicated term loans pertaining to Doumen Metro Mall of \$105,728,000 in aggregate are due and payable on 18 September 2022. The tenure of both the offshore and onshore loans of the Initial Portfolio and Shiqi Metro Mall have been extended to 19 June 2022 as announced by the Trust on 20 January 2021, 20 July 2021, 20 December 2021 and 21 March 2022. In addition, the Group and the Trust drawdown the 24-month credit loan facility of USD13,120,000 (\$17,693,000) in September 2021 which is revolving every 12 months and is due on 20 September 2022. These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Trust to continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.2 Going concern basis of preparation of financial statements (Cont'd)

Notwithstanding the above, the financial statements have been prepared on a going concern basis as the Trustee-Manager is in active negotiations with the lenders and have assessed that it is appropriate to do so after considering the following factors and bases:

- (i) New Harvest and Sino-Ocean Capital became the immediate holding and the ultimate holding companies of the Trustee-Manager respectively on 12 October 2021. Sino-Ocean Capital holds 6.3% of the total issued units in the Trust via its affiliate Glory Class Ventures Limited. In addition, Aqua Wealth Holdings Limited, the controlling unitholder of the Trust, has granted a call option to New Harvest (or any of its designated affiliates) for a period of one (1) year following the completion of the sale of the Sale Shares (the "Option") over units in the Trust (the "Units") which, in aggregate, shall not exceed the lower of (a) the total Units owned by Aqua Wealth; and (b) 26.0% of the total Units, in each case as of the date when the Option is exercised;
- (ii) the potential divestment of Shiqi Metro Mall and Xiaolan Metro Mall (the "Proposed Divestment") to a buyout fund managed jointly by GSUM Real Estate Fund Management Co., Ltd. and Sino-Ocean Capital for repayment of the offshore and onshore syndicated loans pertaining to the Initial Portfolio and Shiqi Metro Mall as announced by the Trust on 20 March 2022;
- (iii) the Trust's property portfolio is strategically located in the core cities of the Guangdong-Hong Kong-Macau Greater Bay Area ("Greater Bay Area") where there are limited competing properties. The portfolio has stable growth potential from its resilient lease structure, diversified tenants and business mix as well as balanced mix of mature and growth assets;
- (iv) the business fundamentals of the Group are reasonably stable throughout the COVID-19 pandemic;
- (v) the Group has sufficient cash and cash equivalents and is able to generate positive cash flow from its operations to meet its day-to-day working capital needs; and
- (vi) the Group met its loan repayment obligations and complied with the stated financial covenants during the year and up to the date of this financial statements.

Notwithstanding the plans and measures above taken by management, material uncertainties exist as to whether the Group and the Trust is able to continue as a going concern would depend on the following:

- (i) the Group is successful in its efforts to divest Shiqi Metro Mall and Xiaolan Metro Mall before the stipulated repayment date;
- (ii) the Group is successful in its efforts to timely execute the re-financing of its loans which are due for repayment in 2022 before the above stipulated repayment dates;
- (iii) the Group continues to generate positive cash flows from its operations; and
- (iv) the Group is able to obtain sufficient financial support from Sino-Ocean Capital when needed.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

2.2 Going concern basis of preparation of financial statements (Cont'd)

The financial statements did not include any adjustments relating to the realisation and classification of assets and liabilities that may be necessary if the Group and the Trust were unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; (iii) reclassify non-current assets and non-current liabilities as current. Such adjustments have not been made to the financial statements.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Trustee-Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 in any future periods affected.

Information about critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements includes deferred taxation on investment properties under note 12 and going concern assessment under note 2.2.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – valuation of investment properties;
- Note 8 – measurement of expected credit loss ("ECL") allowance for trade receivables: key assumptions in determining the impairment loss rate.

NOTES TO THE FINANCIAL STATEMENTS

10. CASH AND BANK BALANCES

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Bank balances	94,373	104,623	9,023	10,212
Fixed deposits with financial institutions	24,849	37,881	2,697	8,688
Cash and bank balances in statements of financial position	119,222	142,504	11,720	18,900
Less: Restricted cash	(31,206)	(43,714)	(5,950)	(11,917)
Cash and cash equivalents in statement of cash flows	88,016	98,790	5,770	6,983

Fixed deposits have original maturities of one month or less.

Restricted cash included (i) \$11,004,000 (2020: \$16,683,000) relating to cash pledged by a subsidiary and the Trust to obtain the term loan facilities (see note 11), (ii) \$354,000 and \$19,098,000 (RMB90,000,000) (2020: \$26,318,000 (RMB130,000,000)) relating to cash pledged by the Trust and a subsidiary respectively to obtain the revolving credit facility for the Trust (see note 11), and (iii) \$750,000 (2020: \$713,000) held by a subsidiary.

11. LOANS AND BORROWINGS

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Secured bank loans (see notes below)	959,406	948,788	679,367	674,416
Less: Unamortised transactions costs	(5,322)	(9,314)	(1,989)	(4,227)
	954,084	939,474	677,378	670,189
Non-current	198,233	422,744	-	233,066
Current	755,851	516,730	677,378	437,123
	954,084	939,474	677,378	670,189

NOTES TO THE FINANCIAL STATEMENTS

11. LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of the outstanding interest-bearing secured bank loans are as follows:

	Nominal interest rate per annum %	Year of maturity	Face value Original currency in thousand	Face value \$'000	Group	Trust
					Carrying amount \$'000	Carrying amount \$'000
2021						
Initial Portfolio and Shiqi Metro Mall						
Onshore secured floating rate term loan	5.225	2022	RMB 360,152	76,425	76,386	-
Offshore secured floating rate term loan	1.31-1.83	2022	SGD 242,000	242,000	242,000	242,000
Onshore secured floating rate term loan	1.29-1.82	2022	USD 134,286	181,095	181,095	181,095
				499,520	499,481	423,095
Doumen Metro Mall						
Onshore secured floating rate term loan	4.9	2022-2029	RMB 487,500	103,449	102,284	-
Offshore secured floating rate term loan	1.69-1.82	2022	SGD 54,880	54,880	54,247	54,247
Offshore secured floating rate term loan	1.64-1.88	2022	HKD 294,000	50,848	50,262	50,262
				209,177	206,793	104,509
Shunde Metro Mall and Tanbei Metro Mall						
Onshore secured floating rate term loan	4.7	2022-2025	RMB 472,025	100,165	98,036	-
Offshore secured floating rate term loan	1.67-1.77	2022	SGD 87,000	87,000	86,496	86,496
Offshore secured floating rate term loan	1.33-1.42	2022	USD 34,000	45,851	45,585	45,585
				233,016	230,117	132,081
Revolving credit facility						
Revolving credit facility	2.91	2022	USD 13,120	17,693	17,693	17,693
				959,406	954,084	677,378

NOTES TO THE FINANCIAL STATEMENTS

11. LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule (Cont'd)

Terms and conditions of the outstanding interest-bearing secured bank loans are as follows:

	Nominal interest rate per annum %	Year of maturity	Face value Original currency in thousand	Face value \$'000	Group	Trust
					Carrying amount \$'000	Carrying amount \$'000
2020						
Initial Portfolio and Shiqi Metro Mall						
Onshore secured floating rate term loan	4.28	2021	RMB 386,000	78,143	77,649	-
Offshore secured floating rate term loan	1.37-3.08	2021	SGD 242,000	242,000	241,794	241,794
Onshore secured floating rate term loan	1.42-4.39	2021	USD 134,286	177,483	177,329	177,329
				497,626	496,772	419,123
Doumen Metro Mall						
Onshore secured floating rate term loan	4.90	2021-2029	RMB 492,500	99,704	97,746	-
Offshore secured floating rate term loan	1.66-3.03	2021-2022	SGD 54,880	54,880	53,538	53,538
Offshore secured floating rate term loan	2.10-3.91	2021-2022	HKD 294,000	50,115	48,891	48,891
				204,699	200,175	102,429
Shunde Metro Mall and Tanbei Metro Mall						
Onshore secured floating rate term loan	4.75	2021-2025	RMB 476,805	96,525	93,890	-
Offshore secured floating rate term loan	1.67-1.68	2021-2022	SGD 87,000	87,000	86,142	86,142
Offshore secured floating rate term loan	1.42-1.47	2021-2022	USD 34,000	44,938	44,495	44,495
				228,463	224,527	130,637
Revolving credit facility						
Revolving credit facility	1.60-1.65	2021	SGD 18,000	18,000	18,000	18,000
				948,788	939,474	670,189

NOTES TO THE FINANCIAL STATEMENTS

11. LOANS AND BORROWINGS (CONT'D)

Security

As at 31 December 2021, the Group has three onshore syndicated term loans of Renminbi (“RMB”) 360,152,000 (\$76,425,000), RMB487,500,000 (\$103,449,000) and RMB472,025,000 (\$100,165,000) (collectively “Onshore Facilities”), and three offshore syndicated term loan of a \$242,000,000 and United States Dollar (“USD”) 134,286,000 (\$181,095,000) equivalent to \$423,095,000 in aggregate, a \$54,880,000 and Hong Kong Dollar (“HKD”) 294,000,000 (\$50,848,000) equivalent to \$105,728,000 in aggregate and a \$87,000,000 and USD34,000,000 (\$45,851,000) equivalent to \$132,851,000 in aggregate (collectively “Offshore Facilities”).

The Onshore Facilities are secured by legal mortgage over the investment properties of the Group with carrying amount of \$2,395,995,000 (2020: \$2,345,729,000) and a pledge over the sales proceeds, rental income and receivables derived from these properties.

The Offshore Facilities are secured by way of first ranking charges over the entire issued share capital of each of the Singapore holding companies and first ranking pledges over the entire issued share capital/equity interest of each of the PRC property companies and rental management companies.

The all-in-interest rate of the Onshore Facilities and Offshore Facilities for 2021 were 5.5% and 3.3% (2020: 5.3% and 3.7%) respectively.

In addition to the above facilities, the Group has a two-year revolving credit facility of USD13,797,000 (\$18,606,000) (2020: \$20,400,000) as at 31 December 2021. The Group has drawn down USD13,120,000 (\$17,693,000) (2020: \$18,000,000) of the revolving credit facility as at 31 December 2021. The facility was obtained mainly for the purpose of financing the general working capital of the Group. The revolving credit facility is secured by the restricted cash (see note 10) from a subsidiary in PRC.

During the year ended 31 December 2021, the Group and the Trust extended the tenure of the onshore syndicated term loan and the offshore syndicated term loans comprising RMB360,152,000 (\$76,425,000), and \$242,000,000 and USD134,286,000 (\$181,095,000) equivalent to \$423,095,000 in aggregate respectively relating to acquisition of the Initial Portfolio and Shiqi Metro Mall to 19 March 2022. Subsequent to the year end, the tenure of these onshore syndicated term loan and the offshore syndicated term loans have been extended to 19 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

11. LOANS AND BORROWINGS (CONT'D)

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

	Group		
	Loans and borrowings \$'000	Interest payable \$'000	Total \$'000
Balance at 1 January 2020	705,513	2,320	707,833
Changes from financing cash flows			
Finance costs paid	-	(24,591)	(24,591)
Payment of transaction costs related to loans and borrowings	(9,008)	-	(9,008)
Proceeds from loans and borrowings	249,182	-	249,182
Repayment of loans and borrowings	(224,853)	-	(224,853)
Total changes from financing cash flows	15,321	(24,591)	(9,270)
Non-cash changes			
The effect of changes in foreign exchange rates and translation differences on consolidation	7,267	242	7,509
Acquisition through business combinations	201,034	-	201,034
Amortisation of capitalised transaction costs	10,339	-	10,339
Interest expense	-	25,649	25,649
Total non-cash changes	218,640	25,891	244,531
Balance at 31 December 2020 and 1 January 2021	939,474	3,620	943,094
Changes from financing cash flows			
Finance costs paid	-	(25,709)	(25,709)
Payment of transaction costs related to loans and borrowings	(9,406)	-	(9,406)
Proceeds from loans and borrowings	17,693	-	17,693
Repayment of loans and borrowings	(20,302)	-	(20,302)
Total changes from financing cash flows	(12,015)	(25,709)	(37,724)
Non-cash changes			
The effect of changes in foreign exchange rates and translation differences on consolidation	13,012	(303)	12,709
Amortisation of capitalised transaction costs	13,613	-	13,613
Interest expense	-	24,862	24,862
Total non-cash changes	26,625	24,559	51,184
Balance at 31 December 2021	954,084	2,470	956,554