



BHG Retail REIT Reports 1H 2020

Gross Revenue of S\$27.8 million

Amount to be Distributed to Unitholders of S\$4.3 million

Occupancy Rate Remain Healthy at 92.9%

SINGAPORE, 7th August 2020 – BHG Retail Trust Management Pte. Ltd., the Manager of BHG Retail REIT, is pleased to announce the results of BHG Retail REIT for the half year (“1H 2020”) ended 30 June 2020. Due to the COVID-19, many tenants’ businesses have been adversely impacted in the first few months of the year. As a socially-responsible owner of retail malls that operate in the community space, BHG Retail REIT has offered relief arrangements such as rental rebate to qualifying tenants to help them tide over this disruption, and to reinforce our long-term partnerships.

BHG Retail REIT registered an amount to be distributed to Unitholders of S\$4.3 million in 1H 2020; relatively lower compared to the corresponding period in the last financial period. This translated to a distribution per unit (“DPU”) of 0.89 Singapore cents, which will be paid to Unitholders on the 28 September 2020.

Operational Updates

Four of our malls (located in Beijing, Chengdu, Xining, Dalian) remained open daily in 1H 2020. Operating hours for these malls were reduced by about two hours in the first quarter 2020 (“1Q 2020”). The remaining two malls (namely, Hefei Mengchenglu and Hefei Changjiangxilu) underwent temporary closure from 7 February 2020 to 10 March 2020. This came after Hefei’s authorities’ order to close certain Hefei’s public venues temporarily (which included shopping malls). All six malls resumed normal operating hours by the end of 1Q 2020. As at 30 June 2020, portfolio committed occupancy rate remained healthy at 92.9%, with more than 90% of stores opened.

Ms Chan Iz-Lynn, Chief Executive Officer of BHG Retail Trust Management Pte. Ltd., said, “Albeit being one of the earliest affected countries in this global pandemic, the China authorities have demonstrated resilience and tenacity in handling the COVID-19. With the number of infected cases kept at bay, the Chinese economy reported a decent recovery in the second quarter 2020.

Footnote:

1. In 1H 2020, approximately S\$0.5 million of the amount available for distribution has been retained in anticipation of higher operational expenses and working capital requirements of the REIT’s enlarged portfolio.

Amid navigating these unprecedented times, one of our focus now is to keep our community mall spaces safe for our stakeholders. We have stepped up hygiene standards, we are also enforcing temperature screenings and location tracking.

In tandem with the easing of COVID-19 sentiments in China, our property teams and tenants are collaborating on many fronts to expedite the recovery. Marketing and promotional initiatives has intensified in 2Q 2020. These include live broadcasts, promotional activities, members chatgroups, and online contests & rewards redemptions. Widespread adoption of live broadcasts can be observed across all our malls. We are also gradually resuming selected in-mall events.

Beyond the present disruption, the Manager will remain focused on its existing strategy, to own and to manage our community-focused malls that complement the needs of surrounding residents; leverage on these high population density neighbourhoods; and to capitalise on the longer-term residents' income growth and consumption upgrade.”

Capital Management

As at 30 June 2020, borrowings drawn down of S\$291.9 million represented a gearing of 35.9%. More than 80% of borrowings are denominated in Singapore dollars and US dollars, and of which, about 60% are hedged via interest rate swaps.

Outlook

China's gross domestic product² (“GDP”) contracted by 1.6% year-on-year in 1H 2020. The nation delivered a stronger-than-expected rebound of 3.2% year-on-year growth in 2Q 2020, from a 6.8% year-on-year decline in 1Q 2020.

Resumption of work and production accelerated since end February 2020. Unemployment rate³ reached a high of 6.2% in February 2020, and subsequently eased to 5.7% in June 2020. Disposable income² per capita of urban residents grew 1.5% year-on-year in 1H 2020. Retail sales² of consumer goods fell 11.4% year-on-year to RMB 17.2 trillion for the 1H 2020. Total retail sales of consumer goods recovered to -1.8% year-on-year in June 2020. Online retail sales of physical goods increased by 14.3% to RMB 4.3 trillion, accounting for 25.2% of the total retail sales of social consumer goods.

Footnotes:

2. Source: National Bureau of Statistics of China.

3. Source: UOB Global Economics & Markets Research (16 July 2020): China: 2Q GDP rebound came in above expectation.

China's central bank⁴ reiterated in July 2020 that a variety of monetary tools will be used by the nation to grow at notably higher rates than last year. These include, required reserve ratio reductions, interest rate cuts, and re-lending to enable M2 money supply and aggregate financing. In addition to the above, fiscal and other support measures were also announced in 1H 2020, they include reduction of property tax, land use tax, social security fund contribution, utilities etc.

Footnote:

4. Source: Xinhua (20 July 2020): China's central bank injects liquidity into market.

ABOUT BHG RETAIL REIT (<http://www.bhgreit.com>)

BHG Retail REIT is the first pure-play China Retail REIT sponsored by a leading China integrated retail group. The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 11 December 2015. The principal investment strategy of BHG Retail REIT is to invest, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail purposes (whether either wholly or partially), as well as real estate-related assets in relation to the foregoing, with an initial focus on China.

As at 30 June 2020, the REIT's portfolio comprises six retail properties, Beijing Wanliu (60%), Chengdu Konggang, Hefei Mengchenglu, Hefei Changjiangxilu, Xining Huayuan, Dalian Jinsanjiao located in Tier 1, Tier 2 and other cities of significant economic potential in China. The portfolio gross floor area of about 311,691 sqm, has a committed occupancy of 92.9% as at 30 June 2020.

As at the latest date of valuation, total appraised value was approximately RMB 4,707 million. Under voluntary right of first refusal agreements, properties may potentially be offered to BHG Retail REIT as future pipeline assets.

ABOUT THE REIT MANAGER

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly owned subsidiary of the Sponsor, Beijing Hualian Department Store Co., Ltd. The Manager's key financial objectives are to provide Unitholders of BHG Retail REIT with an attractive rate of return on their investment through regular and stable distributions to Unitholders and to achieve long-term sustainable growth in distribution per unit and net asset value per Unit, while maintaining an appropriate capital structure for BHG Retail REIT.

ABOUT THE SPONSOR

BHG Retail REIT is the first retail REIT sponsored by an established PRC home-grown retail property operator, Beijing Hualian Department Store Co., Ltd. (the "Sponsor"). Established in May 1998, the Sponsor is a listed company on the Shenzhen Stock Exchange (stock code: 000882). The Sponsor is one of the first companies to be engaged in retail property management in China whose focus is mainly on the ownership and management of community retail properties. These properties are positioned as one-stop family-oriented destinations for the community in its locality, with shopping, dining, recreational and entertainment facilities to cater to an extensive variety of communal needs.

For further information and enquiries:

Nigel Nai Zi
Investor Relations Manager
BHG Retail Trust Management Pte. Ltd.
Contact: (65) 6805 8283
Email: ir@bhgreit.com

IMPORTANT NOTICE

The value of units in BHG Retail REIT (“Units”) and the income derived from them, if any, may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the “Manager”) or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of BHG Retail REIT is not necessarily indicative of its future performance.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of BHG Retail REIT (“Unitholders”) may only deal in their Units through trading on the SGX-ST. Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

This press release may contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements and/or financial information involve a number of factors, risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, the present and future business strategies, the environment in which BHG Retail REIT will operate in the future, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes, and the continued availability of financing. The actual results, performance or achievements of BHG Retail REIT or the Manager, or industry results, may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and/or financial information, as these statements and financial information reflect the Manager’s current views concerning future events and necessarily involve risks, uncertainties and assumptions. Prospective investors and Unitholders are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.