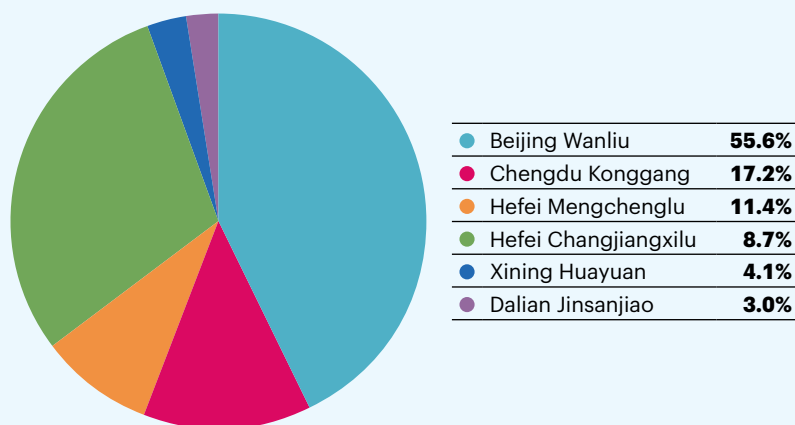


## FINANCIAL REVIEW

### GROSS REVENUE

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

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



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

\* Not meaningful

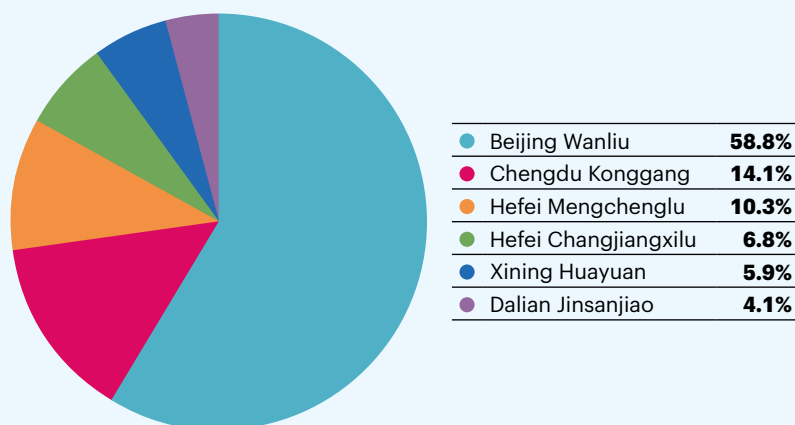
- 1 Based on FY 2019 results.
- 2 Based on 100% contribution from Beijing Wanliu.
- 3 Hefei Mengchenglu Supermarket Resizing and Asset Enhancement was completed in 2Q 2019.
- 4 Hefei Changjiangxilu Mall was acquired on 2 April 2019.

## NET PROPERTY INCOME

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

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

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



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

\* Not meaningful

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

## FINANCIAL REVIEW

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

5.6%

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

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

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

### INDEPENDENT VALUATION OF INVESTMENT PROPERTIES

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

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

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



Chengdu Konggang Exterior Enhancement and New Concept

## CAPITAL MANAGEMENT

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

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

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

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

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

### KEY FINANCIAL INDICATORS AS AT 31 DECEMBER 2019

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

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