



BHG RETAIL REIT

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2019

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**BHG RETAIL REIT
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Introduction

BHG Retail REIT (the “**REIT**”) was constituted by a trust deed dated 18 November 2015 (as amended) entered into by BHG Retail Trust Management Pte. Ltd. as Manager of BHG Retail REIT (the “**Manager**”) and DBS Trustee Limited as Trustee of BHG Retail REIT (the “**Trustee**”). BHG Retail REIT and its subsidiaries are collectively known as the “**Group**”.

The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 11 December 2015 (the “**Listing Date**”). 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.

The REIT’s initial portfolio comprises five retail properties, Beijing Wanliu (60%), Hefei Mengchenglu, Chengdu Konggang, Dalian Jinsanjiao and Xining Huayuan located in Tier 1, Tier 2 and other cities of significant economic potential in China:

- Beijing Wanliu is a community mall with a premium positioning in the Wanliu, Haidian District. The mall is located in close proximity to Zhongguancun retail hub, surrounded by high-end residential developments and educational institutions, and enjoys high transportation connectivity.
- Chengdu Konggang is a community retail mall that targets and serves the needs of upper-middle class shoppers in an emerging residential area, with a large number of mature and high density residential projects. The mall is located in the Shuangliu County, and is within a 5 minutes drive to the Shuangliu International Airport.
- Hefei Mengchenglu is a comprehensive retail mall focused on providing diversified retail services to meet demands of family-oriented residents in the Luyang District. The mall is prominently located in a densely populated mature residential area, in Hefei’s North First Ring retail hub.
- Dalian Jinsanjiao is a property master-leased to BHG Hypermarket, the only supermarket in the area. The property resides in Jinsanjiao area, which is surrounded by mature residential projects, and is situated in close proximity to the Huanan retail hub, a key retail area north of Dalian.
- Xining Huayuan is a retail mall master-leased to BHG Hypermarket, which caters to individuals with middle or upper-middle level income. The mall resides in Ximen-Dashizi retail hub area, the political, cultural, and business centre of Xining, with a high population density and immediate residential catchment.

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On 2 April 2019, the REIT has completed its first acquisition of retail property since listing:

- Hefei Changjiangxilu Mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province. The catchment population within a 3 kilometre radius from the mall is approximately 200,000, which comprise about 50 local communities.

Hefei Changjiangxilu Mall is a five-storey retail mall (which includes one underground storey) offering supermarket, recreation, food and beverage and fashion tenants. It enjoys good connectivity as it is close to several public bus stations and well-connected to the Hefei Metro Line 2, which commenced operations on 26 December 2017.

The Group is presenting its financial results for the fourth quarter and year ended 31 December 2019.

For ease of reference, the following abbreviations are used in this announcement:

“4Q 2018”: For the 3-month period from 1 October 2018 to 31 December 2018;

“4Q 2019”: For the 3-month period from 1 October 2019 to 31 December 2019;

“FY 2018”: For the 12-month period from 1 January 2018 to 31 December 2018; and

“FY 2019”: For the 12-month period from 1 January 2019 to 31 December 2019.

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1(a) Consolidated Statement of Total Return and Distribution Statement

	4Q 2019 ^(a)	4Q 2018 ^(a)	Change	FY 2019 ^(a)	FY 2018 ^(a)	Change	
Note	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)	
Statement of Total Return							
Gross revenue	20,413	17,198	18.7	79,058	69,669	13.5	
Property operating expenses ^(b)	(7,988)	(6,069)	31.6	(28,582)	(24,022)	19.0	
Net property income	12,425	11,129	11.6	50,476	45,647	10.6	
Other income	(1)	167	161	3.7	482	309	56.0
Manager's base fee	(2)	(439)	(420)	4.5	(1,862)	(1,971)	(5.5)
Trustee's fee		(37)	(33)	12	(148)	(135)	9.6
Other expenses		(626)	(448)	39.7	(1,624)	(1,249)	30.0
Finance income		67	219	(69.4)	422	647	(34.8)
Foreign exchange (loss)/gain - realised		(41)	(45)	(8.9)	(157)	261	>100.0
Finance cost	(3)	(3,683)	(2,463)	49.5	(14,815)	(9,709)	52.6
Total return before change in fair value of investment property and unrealised foreign gain	7,833	8,100	(3.3)	32,774	33,800	(3.0)	
Change in fair value of investment property	(4)	16,436	25,664	(36.0)	48,856	25,664	90.4
Foreign exchange gain - unrealised		1,853	100	>100.0	1,758	73	>100.0
Total return for the period/year before taxation	26,122	33,864	(22.9)	83,388	59,537	40.1	
Taxation	(5)	(6,318)	(8,745)	(27.8)	(20,788)	(13,889)	49.7
Total return for the period/year after taxation	19,804	25,119	(21.2)	62,600	45,648	37.1	
Attributable to:							
Unitholders		11,907	16,875	(29.4)	48,006	31,157	54.1
Non-controlling interests		7,897	8,244	(4.2)	14,594	14,491	0.7
Total return for the period/year after taxation	19,804	25,119	(21.2)	62,600	45,648	37.1	
Distribution Statement							
Total return for the period/year attributable to Unitholders	(6)	11,907	16,875	(29.4)	48,006	31,157	54.1
Distribution adjustments		(7,521)	(12,682)	(40.7)	(29,390)	(11,451)	>100.0
Amount available for distribution	4,386	4,193	4.6	18,616	19,706	(5.5)	
Less: Amount retained ^(c)		(439)	-	N/M	(1,862)	-	N/M
Amount to be distributed to Unitholders	3,947	4,193	(5.9)	16,754	19,706	(15.0)	

N/M: not meaningful

Footnotes:

- The results of the Group's foreign subsidiaries were translated using the average SGD:CNY rate of 1:5.168, 1:5.028, 1:5.061 and 1:4.898 for 4Q 2019, 4Q 2018, FY 2019 and FY 2018, respectively.
- Includes property management fees of S\$743,000, S\$613,000, S\$2,910,000 and S\$2,419,000 for 4Q 2019, 4Q 2018, FY 2019 and FY 2018, respectively.
- 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.

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Notes to Consolidated Statement of Total Return and Distribution Statement:

(1) Other income

Other income mainly comprised fine and penalties from tenants, government grant and miscellaneous income.

(2) Manager's management fees

Manager's base management fee is calculated as 10.0% per annum of the Distributable Income of the Group.

Manager's performance fee is calculated as 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.

(3) Finance cost

Finance cost comprised the following:

	4Q 2019 (S\$'000)	4Q 2018 (S\$'000)	Change (%)	FY 2019 (S\$'000)	FY 2018 (S\$'000)	Change (%)
Borrowing costs	3,087	2,262	36.5	12,700	9,225	37.7
Settlement of IRS contracts	(5)	108	>100.0	(53)	108	>100.0
Amortisation of debt establishment costs ^(a)	601	93	>100.0	2,168	376	>100.0
	3,683	2,463	49.5	14,815	9,709	52.6

Footnote:

(a) Increase in 4Q 2019 arose from the amortisation of higher debt origination costs. Also, included in FY 2019 are write off of prior year debt establishment costs after the loan refinancing in 1Q 2019.

(4) Change in fair value of investment property

The Group's policy is to conduct annual valuation of its investment properties, with any changes in fair value being recorded in the statement of total return. A full annual valuation was performed as at 31 December 2019.

FY 2019 valuation is inclusive of fair value adjustment of Hefei Changjiangxilu mall which was acquired on 2 April 2019, and the value was adjusted based on the full valuation conducted by the independent valuers as at 31 December 2019.

Changes in fair value of investment properties do not affect the distribution per Unit of the REIT.

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(5) Taxation

Taxation comprised income tax, deferred tax and withholding tax relating to the Group's foreign subsidiaries.

	4Q 2019 (S\$'000)	4Q 2018 (S\$'000)	Change (%)	FY 2019 (S\$'000)	FY 2018 (S\$'000)	Change (%)
Current period:						
- Income tax ^(a)	2,007	1,747	14.9	7,918	6,894	14.9
- Deferred tax ^(b)	4,239	6,623	(36.0)	12,157	6,452	88.4
- Withholding tax ^(c)	72	375	(80.8)	713	543	31.3
	6,318	8,745	(27.8)	20,788	13,889	49.7

Footnotes:

- (a) Higher income tax in 4Q 2019 and FY 2019 is in-line with higher operating profits.
(b) In 4Q 2019, decrease in deferred tax is due to fair value adjustments of investment properties as at 31 December 2019 is lower than last financial year. Higher deferred tax in FY 2019 is mainly due to provision for deferred tax expenses derived from the change in fair value of the newly acquired Hefei Changjiangxilu mall on 2 April 2019.
(c) In 4Q 2019, decrease in withholding tax is due to dividend repatriation from respective China subsidiaries were completed in 3Q 2019 and 4Q 2019 payments pertained to withholding tax paid for interest payments. Higher withholding tax in FY 2019 is mainly due to higher declared and repatriated of dividends from subsidiaries in China.

(6) Distribution adjustments

	4Q 2019 (S\$'000)	4Q 2018 (S\$'000)	Change (%)	FY 2019 (S\$'000)	FY 2018 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	601	93	>100.0	2,168	376	>100.0
- Change in fair value of investment properties ^(a)	(8,920)	(17,510)	(49.1)	(41,340)	(17,510)	>100.0
- Deferred tax expense ^(a)	2,359	4,584	(48.5)	10,277	4,413	>100.0
- Manager's management base fee payable in Units	439	420	4.5	1,862	1,971	(5.5)
- Property management fees payable in Units	271	178	52.2	1,024	757	35.3
- Transfer to statutory reserve ^(a)	(441)	(372)	18.5	(1,722)	(1,492)	15.4
- Foreign exchange gain - unrealised	(1,853)	(100)	>100.0	(1,758)	(73)	>100.0
- Other adjustments ^(a)	23	25	(8.0)	99	107	(7.5)
Net distribution adjustments	(7,521)	(12,682)	(40.7)	(29,390)	(11,451)	>100.0

Footnote:

- (a) Excludes share attributable to non-controlling interests

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1(b)(i) Statements of Financial Position

	Note	Group		REIT	
		31 Dec 2019 ^(a) (S\$'000)	31 Dec 2018 ^(a) (S\$'000)	31 Dec 2019 ^(a) (S\$'000)	31 Dec 2018 ^(a) (S\$'000)
Non-current assets					
Investment properties	(1)	909,021	808,303	-	-
Plant and equipment		678	630	-	-
Interest in subsidiaries		-	-	591,535	524,512
Trade and other receivables		-	36	-	-
Deferred tax assets		18	21	-	-
		909,717	808,990	591,535	524,512
Current assets					
Trade and other receivables	(2)	1,034	5,289	330	495
Cash and cash equivalents	(3)	47,033	55,590	3,353	112
		48,067	60,879	3,683	607
Total assets		957,784	869,869	595,218	525,119
Non-current liabilities					
Loans and borrowings	(4)	275,425	-	226,890	-
Loan from subsidiaries	(5)	-	-	43,549	24,939
Trade and other payables		1,731	1,207	-	-
Security deposits		7,667	5,157	-	-
Deferred tax liabilities		41,195	29,952	-	-
Financial derivatives	(6)	1,047	-	1,047	-
		327,065	36,316	271,486	24,939
Current liabilities					
Loans and borrowings	(4)	3,159	222,142	2,000	162,548
Trade and other payables	(7)	24,942	17,698	3,250	1,774
Amount owing to subsidiaries		-	-	1,560	41
Security deposits		13,279	12,830	-	-
Current tax payable		1,204	1,801	-	-
Financial derivatives	(6)	-	74	-	74
		42,584	254,545	6,810	164,437
Total liabilities		369,649	290,861	278,296	189,376
Net assets		588,135	579,008	316,922	335,743
Represented by:					
Unitholders' funds		422,517	410,423	316,922	335,743
Non-controlling interests ("NCI")		165,618	168,585	-	-
		588,135	579,008	316,922	335,743

Footnotes:

(a) The results of the Group's foreign subsidiaries were translated using the closing SGD:CNY rate of 1:5.178 and 1:5.049 as at 31 December 2019 and 31 December 2018, respectively.

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Notes to Statements of Financial Position:

- (1) Increase in investment properties are mainly due to the enlarged portfolio resulted from the newly acquired Hefei Changjiangxilu mall on 2 April 2019 and changes in the fair value of the investment properties as compared to last financial year.
- (2) Decrease in trade and other receivables is mainly due to lower prepayments as compared to last financial year.
- (3) Cash and cash equivalents of the Group and the REIT include restricted cash amounting to S\$2.9 million and S\$2.9 million (2018: S\$14.4 million and Nil) respectively, to secure bank facilities.
- (4) Loans and borrowings are measured at amortised cost. The Group and the REIT have completed the refinancing of the existing onshore and offshore facilities, secured a new borrowing facility for the acquisition of Hefei Changjiangxilu and a new revolving credit facility. Movement in the current liabilities and non-current liabilities are classified and/or reclassified in accordance with respective maturity dates.
- (5) The REIT arranged more long-term interest-bearing loans from its subsidiaries as compared to last financial year. These loans are mainly used for the REIT repayment of borrowings and interest expenses.
- (6) These relate to the fair value of the interest rate swaps entered by the REIT, are designated to hedge the variable rate borrowings.
- (7) Increase in trade and other payables is mainly due to the addition of newly acquired Hefei Changjiangxilu mall and higher amounts owing to contractors associated with asset enhancement initiative for malls.

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1 (b)(ii) Aggregate Amount of Borrowings and Debt Securities for the Group

	31 Dec 2019 (S\$'000)	31 Dec 2018 (S\$'000)
Secured borrowings		
- Amount repayable within one year	3,159	221,274
- Amount repayable after one year	281,069	-
Total secured borrowings		
- Less: Debt establishment costs ^(a)	(5,644)	(379)
Total secured borrowings	278,584	220,895
Unsecured borrowings	-	1,247
Total borrowings	278,584	222,142

Footnotes:

(a) Debt establishment costs are amortised over the tenure of the respective loan facilities.

The Manager is confident that the Group will be able to obtain continuing financing from financial institutions, to enable the Group to meet its obligations as and when they fall due.

Details of any collaterals

During March 2019, the Group have completed the refinancing of existing two onshore secured facilities of RMB 241 million and RMB 61 million, respectively, and the existing offshore secured borrowing facility of S\$240 million.

As at 31 December 2019, the two onshore facilities have been fully drawn down, while partial of the offshore facility has been drawn down for approximately S\$233 million.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties which include the Hefei Changjiangxilu mall that was acquired on 2 April 2019, an assignment of contracts and pledge over the receivables of the six subsidiaries in China.

The offshore facility is secured by way of a charge on 100% of the REIT's shareholding in the Singapore holding companies which include the Singapore holding company of Hefei Changjiangxilu mall that was acquired on 2 April 2019, an equity pledge on Petra 1 (China) Mall Pte. Ltd.'s 60% equity interest in Beijing Hualian Wanmao Shopping Mall Management Co., Ltd., and equity pledges on the remaining five Singapore holding companies' 100% equity interest in the respective subsidiaries in China.

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.

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1 (c) Consolidated Statement of Cash Flows

	4Q 2019	4Q 2018	FY 2019	FY 2018
Note	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Operating activities				
Total return for the period/year	19,804	25,119	62,600	45,648
Adjustments for:				
Manager's management fee payable in Units	439	420	1,862	1,971
Property management fees payable in Units	271	178	1,024	757
Finance income	(67)	(219)	(422)	(647)
Finance cost	3,683	2,463	14,815	9,709
Loss on disposal of plant and equipment	-	1	8	2
Depreciation	24	28	111	125
Change in fair value of investment property	(16,436)	(25,664)	(48,856)	(25,664)
Foreign exchange loss - unrealized	(1,853)	(100)	(1,758)	(73)
Taxation	6,318	8,745	20,788	13,889
Operating income before working capital changes	12,183	10,971	50,172	45,717
Changes in working capital:				
Trade and other receivables	3,798	408	(997)	(323)
Trade and other payables	2,078	5,354	3,914	(38)
Cash generated from operating activities	18,059	16,733	53,089	45,356
Tax paid	(2,067)	(1,872)	(9,488)	(7,400)
Net cash from operating activities	15,992	14,861	43,601	37,956
Investing activities				
Acquisition of subsidiaries, net of cash acquired	-	-	(63,055)	-
Capital expenditure on investment properties	(2,784)	(300)	(10,876)	(1,127)
Purchase of plant and equipment	(40)	(5)	(60)	(92)
Interest received	67	219	422	647
Net cash used in investing activities	(2,757)	(86)	(73,569)	(572)
Financing activities				
Distribution to unitholders	-	-	(18,250)	(20,379)
Dividend paid to non-controlling interests	-	(4,120)	(4,866)	(4,120)
Decrease in restricted cash	3,582	(119)	11,435	13,693
Interest paid	(1,644)	(3,778)	(10,173)	(9,246)
Settlement of derivative contracts	5	(108)	53	(108)
Proceeds from borrowings	(1)	2,471	92,338	37,170
Repayment of borrowings	(2)	(4,671)	(29,084)	(54,379)
Payment of transaction costs related to loans and borrowings	-	-	(7,438)	-
Net cash (used in)/from financing activities	(2,728)	(17,793)	34,015	(37,369)
Net increase/(decrease) in cash and cash equivalents	10,507	(3,018)	4,047	15
Cash and cash equivalents at beginning of the period/year	33,991	44,754	41,191	43,352
Effect of exchange rate fluctuations on cash held	(395)	(545)	(1,135)	(2,176)
Cash and cash equivalents at end of the period/year	(3) 44,103	41,191	44,103	41,191

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Notes to Consolidated Statement of Cash Flows:

- (1) Represents drawdown of term loan and RCF in March 2019 and April 2019 to fund the acquisition of Hefei Changjiangxilu Mall, financing related expenses, working capital and interest payments.
- (2) Repayment of borrowings in 4Q 2019 mainly pertaining to settlement of the secure bank facilities with restricted cash. Repayment of borrowings was S\$25.3 million lower than FY 2018 mainly due to lesser short-term facilities.
- (3) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	31 Dec 2019 (S\$'000)	31 Dec 2018 (S\$'000)
Bank and cash balances	47,033	55,590
Less: Restricted cash	(2,930)	(14,399)
Cash and cash equivalents of cash flows statement	44,103	41,191

Restricted cash relates to cash balances which are used to secure bank borrowings.

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1 (d)(i) Statements of Changes in Unitholders' Funds

	Group			
	4Q 2019 (S\$'000)	4Q 2018 (S\$'000)	FY 2019 (S\$'000)	FY 2018 (S\$'000)
Unitholders' funds as at beginning of the period/year	403,869	394,157	410,423	416,454
Change in Unitholders' funds resulting from operations before distribution	11,907	16,875	48,006	31,157
Transfer to statutory reserve	(441)	(372)	(1,722)	(1,492)
Net increase in net assets resulting from operations	11,466	16,503	46,284	29,665
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid/payable in Units	439	420	1,862	1,971
- Manager's acquisition fee payable in Units	-	-	489	-
- Property management fees paid/payable in Units	271	178	1,024	757
Distribution to Unitholders	-	-	(18,250)	(20,379)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	710	598	(14,875)	(17,651)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(174)	(74)	(973)	(74)
Movement in foreign currency translation reserve	6,205	(1,133)	(20,064)	(19,463)
Movement in statutory reserve	441	372	1,722	1,492
Total Unitholders' funds as at end of the period/year	422,517	410,423	422,517	410,423

	REIT			
	4Q 2019 (S\$'000)	4Q 2018 (S\$'000)	FY 2019 (S\$'000)	FY 2018 (S\$'000)
Unitholders' funds as at beginning of the period/year	318,866	336,443	335,743	352,040
Change in Unitholders' funds resulting from operations before distribution	(2,480)	(1,224)	(2,973)	1,428
Net (decrease)/increase in net assets resulting from operations	(2,480)	(1,224)	(2,973)	1,428
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	439	420	1,862	1,971
- Manager's acquisition fee payable in Units	-	-	489	-
- Property management fees paid/payable in Units	271	178	1,024	757
Distribution to Unitholders	-	-	(18,250)	(20,379)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	710	598	(14,875)	(17,651)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(174)	(74)	(973)	(74)
Total Unitholders' funds as at end of the period/year	316,922	335,743	316,922	335,743

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1 (d)(ii) Details of Any Changes in Units

	4Q 2019 (‘000)	4Q 2018 (‘000)	FY 2019 (‘000)	FY 2018 (‘000)
REIT				
Units in issue:				
As at beginning of period/year	507,438	502,851	503,843	499,737
Issue of new units relating to:				
- Manager’s management base fee payable in Units	605	727	2,607	3,057
- Manager’s management acquisition fee payable in Units	-	-	687	-
- Property manager’s fee payable in Units	415	265	1,321	1,049
Issued units as at end of period/year	508,458	503,843	508,458	503,843
Units to be issued:				
Manager’s management base fee payable in Units	638	585	638	585
Property manager’s fee payable in Units	394	249	394	249
To be issued units as at end of period/year	1,032	834	1,032	834
Total issued and issuable units as at end of period/year	509,490	504,677	509,490	504,677

There were no convertibles, treasury units and subsidiary holdings as at 31 December 2019 and 31 December 2018.

1(d)(iii) To show the total number of issued units excluding treasury units as at the end of the current financial period, and as at the end of the immediately preceding year

Total number of issued units as at 31 December 2019 and 31 December 2018 were 508,458,000 and 503,843,000 respectively.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury units and subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of matter)

Not applicable.

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3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the preparation of the financial statements for the current report period are consistent with those stated in the audited financial statements for the financial year ended 31 December 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2019. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

6 Earnings per Unit and Distribution per Unit

	4Q 2019	4Q 2018	FY 2019	FY 2018
Weighted average number of units ('000)				
Basic	508,469	503,851	506,743	502,394
Diluted	509,490	504,677	509,490	504,677
Earnings per unit ("EPU") ^(a) (cents)				
Basic	2.34	3.35	9.47	6.20
Diluted	2.34	3.34	9.42	6.17
Number of Units entitled to distribution ('000)	434,549	381,495	434,549	381,495
Distribution per unit ("DPU") ^{(b)(c)} (cents)	0.93	1.09	3.87	5.16

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
- (b) The reduction in Distribution per Unit is due to the increase of Units entitled to distribution as a result of the reduction of Distribution Waiver as well as the payment of management fees in Units, in lieu of cash.
- (c) 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.

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7 Net Asset Value (“NAV”) per Unit

	Group		REIT	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Number of Units in issue and to be issued at end of period ('000)	509,490	504,677	509,490	504,677
Net asset value per Unit (S\$) ^(a)	0.83	0.81	0.62	0.67

Footnote:

(a) The NAV per unit is computed based on the Units in issue and to be issued of 509,490,000 and 504,677,000 as at 31 December 2019 and 31 December 2018, respectively.

8 Review of the Performance

Gross revenue in 4Q 2019 and FY 2019 were S\$3.2 million (18.7%) and S\$9.4 million (13.5%) higher than in 4Q 2018 and FY 2018 respectively. These were mainly due to strong rental reversion, higher occupancy rates and enlarged portfolio resulted from newly acquired Hefei Changjiangxilu mall.

Property operating expenses in 4Q 2019 and FY 2019 were S\$1.9 million (31.6%) and S\$4.6 million (19.0%) higher than 4Q 2018 and FY 2018 respectively. These were 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 in 4Q 2019. Despite the higher operating expenses, net property income in 4Q 2019 and FY 2019 were S\$1.3 million (11.6%) and S\$4.8 million (10.6%) higher than 4Q 2018 and FY 2018 respectively. These were mainly due to the increase in rental revenue and enlarged portfolio resulted from newly acquired Hefei Changjiangxilu mall.

Finance cost was S\$1.2 million (49.5%) and S\$5.1 million (52.6%) higher than 4Q 2018 and FY 2018 respectively. These were mainly due the higher interest rates and higher amortisation of debt establishment costs due to the early refinancing in 1Q 2019.

Amount available for distribution for FY 2019 was S\$1.1 million (5.5%) lower than FY 2018 and Amount to be distributed to Unitholders was S\$3.0 million (15.0%) lower than FY 2018 which mainly due to higher finance costs and distributable income retained. Approximately S\$1.9 million of the amount available for distribution for the FY 2019 has been retained in anticipation of higher operational expenses and working capital requirements of the REIT’s enlarged portfolio.

9. Variance from previous forecast or prospect statement

The Group has not disclosed any forecast to the market.

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10 Commentary on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

China's gross domestic product¹ ("GDP") grew 6.1% year-on-year to RMB 99.1 trillion for the full year 2019 amid Chinese authorities' efforts to boost consumptions, reduce taxes, and encourage investments. GDP growth for 2019 was within the Chinese government's target of 6.0% to 6.5%¹.

Retail sales¹ of consumer goods rose 8.0% year-on-year to RMB 41.2 trillion for the full year 2019. According to CBRE², China's huge consumer market continues to lure new-to-market retailers, mostly in Shanghai and Beijing.

Disposable income¹ and expenditure per capita¹ of urban residents increased 7.9% and 7.5% year-on-year respectively in 2019. Proportion of urban population to total population (urbanisation rate¹) increased from 59.6% in 2018 to 60.6% in 2019.

Trade tensions eased in the fourth quarter 2019. In December 2019, Washington and Beijing announced the agreement of US-China phase one deal³. Despite easing of trade tensions, Chinese economy is expected to face new challenges in 2020 subsequent to the outbreak of the Novel Coronavirus (Covid-19). In tandem with various precautionary measures adopted across China, BHG Retail REIT's properties and its tenants, along with many other businesses, have faced disruptions caused by the Covid-19 situation. As a socially-responsible owner of retail malls that operate in the community space, BHG Retail REIT is exploring various strategies to support and reinforce its relationship with stakeholders.

Chinese authorities are expected to roll out more support measures to stabilise the economy, prevent shocks caused by the Covid-19 outbreak, and support companies hit by the pandemic. These measures⁴ include liquidity injection and credit easing. Credit supports will especially focus on private, small and micro-companies, as well as manufacturing producers.

Notwithstanding the near-term headwinds in relation to the Covid-19, BHG Retail REIT's long-term strategy remains well-positioned to benefit from China's rising residents' income and consumption upgrade. BHG Retail REIT's strategy to focus on neighbourhood retail properties, in high population density neighbourhoods will continue to underpin the resilience of our foundations.

Footnotes:

1. Source: National Bureau of Statistics of China
2. Source: CBRE Market View
3. Source: State Council of the People's Republic of China
4. Source: State Council of the People's Republic of China and People's Bank of China (PBOC)

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? Yes

Distribution period : 1 July 2019 to 31 December 2019

Distribution rate : 1.71 cents per unit capital distribution, 0.08 cents per unit tax exempt income

Distribution type : Capital distribution/ Tax exempt income

Tax rate : Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who hold the Units as trading assets, the amount of capital gain distribution will be applied to reduce the cost base of their Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of the Units.

Tax exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.

Remark : The capital distribution/tax exempt income from 1 July 2019 to 31 December 2019 is expected to be funded from debt and/or equity financing at the REIT level as well as internal cash flow from operations.

(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediate preceding financial periods? : Yes

Distribution period : 1 July 2018 to 31 December 2018

Distribution rate : 2.42 cents per unit

Distribution type : Capital distribution/ Tax exempt income

(c) Date payable : 30 March 2020

(d) Book closure date : 11 March 2020

12 If no distribution has been declared / recommended, a statement to that effect.

Not Applicable.

13 If the Group has obtained a general mandate from Unitholders for interested person transactions ("IPT"), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from Unitholders for IPT.

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14 Segmental Information

14 (a) Total gross revenue

	FY 2019 Actual (S\$'000)	FY 2018 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	43,977	42,461	3.6
Chengdu Konggang	13,611	12,051	12.9
Hefei Mengchenglu	9,032	9,493	(4.9)
Hefei Changjiangxilu	6,903	-	N/M
	73,523	64,005	14.9
<u>Master-Leased Malls</u>			
Xining Huayuan	3,253	3,330	(2.3)
Dalian Jinsanjiao	2,282	2,334	(2.2)
	5,535	5,664	(2.3)
Total gross revenue	79,058	69,669	13.5

14 (b) Net property income

	FY 2019 Actual (S\$'000)	FY 2018 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	29,668	28,139	5.4
Chengdu Konggang	7,138	6,516	9.5
Hefei Mengchenglu	5,181	5,791	(10.5)
Hefei Changjiangxilu	3,436	-	N/M
	45,423	40,446	12.3
<u>Master-Leased Malls</u>			
Xining Huayuan	2,988	3,073	(2.8)
Dalian Jinsanjiao	2,065	2,128	(3.0)
	5,053	5,201	(2.8)
Total net property income	50,476	45,647	10.6

N/M: not meaningful

15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to item 8 and 14 on the review.

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16 Breakdown of Sales and Net Income

	FY 2019 (S\$'000)	FY 2018 (S\$'000)	Changes (%)
Gross revenue reported for first half year ^{(a), (c)}	38,076	35,167	8.3
Net income after tax and NCI for first half year ^{(a), (c)}	32,544	9,617	>100.0
Gross revenue reported for second half year ^{(b), (c)}	40,982	34,502	18.8
Net income after tax and NCI for second half year ^{(b), (c)}	15,462	21,540	(28.2)

Footnotes:

- The results for the first half year relates to the period from 1 January 2019 to 30 June 2019 and 1 January 2018 to 30 June 2018, respectively.
- The results for the second half year relates to the period from 1 July 2019 to 31 December 2019 and 1 July 2018 to 31 December 2018, respectively.
- Please refer to item 8 on the review.

17 Breakdown of Total Distribution

	FY 2019 (S\$'000)	FY 2018 (S\$'000)
In respect of period:		
1 January 19 - 30 June 19	9,017	-
1 July 19 - 31 December 19	7,778	-
1 January 18 - 30 June 18	-	10,403
1 July 18 - 31 December 18	-	9,232
Annual distribution to Unitholders	16,795	19,635

* For the quarter ended 31 December 2019, the Manager of the REIT declared a distribution per unit of 1.79 Singapore cents totalling S\$7,778,000 to the unitholders of the REIT, payable on 30 March 2020.

Note: Actual annual distributions paid and payable to unitholders for FY 2019 as disclosed in above table are higher than Amount to be distributed to Unitholders disclosed in the Consolidated Statement of Total Return and Distribution Statement on Page 4, due to rounding differences where the actual distribution pay-out is computed using actual number of units multiplied with the Distribution per Unit.

18 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Manager confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual.

19 Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Manager confirms that there is no person occupying a managerial position in the Manager or in any of the REIT's principal subsidiaries who is a relative of a director, chief executive officer, substantial shareholder of the Manager or substantial unitholder of the REIT.

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On behalf of the Board of the Manager

Francis Siu Wai Keung
Chairman

Ben Yeo Chee Seong
Director

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, 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 (including employee wages, benefits and training costs), property expenses and governmental, public policy changes, and the continued availability of financing. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

The value of units in the REIT ("Units") and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, 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 the Group is not necessarily indicative of the future performance of the Group.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

By Order of the Board

Ms Kiar Lee Noi
Company Secretary

BHG Retail Trust Management Pte. Ltd.
(Company registration no. 201504222D)
(as Manager of BHG Retail REIT)

25 February 2020