



**BHG RETAIL REIT**  
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**  
**HALF YEAR ENDED 30 JUNE 2020**

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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 portfolio comprises six 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.
- Hefei Changjiangxilu 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. The mall is located at the junction of Changjiang West Road and Huaining Road, in the Shushan District of Hefei, Anhui Province.
- 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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The Group is presenting its financial results for the half year ended 30 June 2020.

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

“1H 2019”: For the 6-month period from 1 January 2019 to 30 June 2019; and

“1H 2020”: For the 6-month period from 1 January 2020 to 30 June 2020.

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

	1H 2020 <sup>(a)</sup>	1H 2019 <sup>(a)</sup>	Change
Note	(\$'000)	(\$'000)	(%)
<b>Statement of Total Return</b>			
	27,801	38,076	(27.0)
	(11,274)	(12,858)	(12.3)
	<b>16,527</b>	<b>25,218</b>	<b>(34.5)</b>
(1)			
	98	35	>100.0
(2)			
	(480)	(1,002)	(52.1)
(3)			
	(77)	(72)	6.9
	(506)	(491)	3.1
	1	255	(99.6)
	(79)	57	>100.0
(4)	(7,127)	(7,069)	0.8
	<b>8,357</b>	<b>16,931</b>	<b>(50.6)</b>
	-	32,420	(100.0)
(5)	(2,119)	202	>100.0
	<b>6,238</b>	<b>49,553</b>	<b>(87.4)</b>
	(2,447)	(12,384)	(80.2)
(6)	<b>3,791</b>	<b>37,169</b>	<b>(89.8)</b>
<b>Attributable to:</b>			
	896	32,544	(97.2)
	2,895	4,625	(37.4)
	<b>3,791</b>	<b>37,169</b>	<b>(89.8)</b>
<b>Distribution Statement</b>			
	896	32,544	(97.2)
(7)	3,904	(22,519)	>100.0
	<b>4,800</b>	<b>10,025</b>	<b>(52.1)</b>
	(480)	(1,003)	(52.1)
	<b>4,320</b>	<b>9,022</b>	<b>(52.1)</b>

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD:CNY rate of 1:5.029 and 1:4.990 for 1H 2020 and 1H 2019, respectively.
- (b) Includes property management fees of S\$962,000 and S\$1,422,000 for 1H 2020 and 1H 2019, respectively.
- (c) 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.

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**Notes to Consolidated Statement of Total Return and Distribution Statement:**

**(1) Net property income**

Decrease in the net property income mainly resulted from the rental rebates of approximately 1.4 months in average given to eligible tenants due to COVID-19 and lower footfall.

**(2) Other income**

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

**(3) 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.

**(4) Finance cost**

Finance cost comprised the following:

	<b>1H 2020 (S\$'000)</b>	<b>1H 2019 (S\$'000)</b>	<b>Change (%)</b>
Borrowing costs <sup>(a)</sup>	5,567	6,117	(9.0)
Settlement of IRS contracts	383	(27)	>100.0
Amortisation of debt establishment costs <sup>(b)</sup>	1,177	979	20.2
	<b>7,127</b>	<b>7,069</b>	<b>0.8</b>

Footnote:

- (a) Decrease in 1H 2020 arose from interest cost saving on floating rate loans due to lower interest rate as compared to last year.
- (b) Increase in 1H 2020 arose from the amortisation of higher debt origination costs from the loan refinancing completed in March 2019.

**(5) Change in fair value of investment property**

In 1H 2019, change in fair value of investment property pertained to acquisition of Hefei Changjiangxilu mall completed in April 2019.

The Group's policy is to conduct annual valuation of its investment properties at year end, with any changes in fair value being recorded in the statement of total return.

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**(6) Taxation**

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

	<b>1H 2020 (S\$'000)</b>	<b>1H 2019 (S\$'000)</b>	<b>Change (%)</b>
Current period:			
- Income tax <sup>(a)</sup>	2,185	3,945	(44.6)
- Deferred tax <sup>(b)</sup>	194	8,439	(97.7)
- Withholding tax	68	-	N/M
	<b>2,447</b>	<b>12,384</b>	<b>(80.2)</b>

N/M: not meaningful

Footnote:

- (a) Lower income tax in 1H 2020 is in-line with lower operating profits resulting from the rental rebates given to eligible tenants due to COVID-19.  
(b) Lower deferred tax in 1H 2020 due to provision of deferred tax on fair value changes of Changjiangxilu mall investment property which was acquired in April 2019.

**(7) Distribution adjustments**

	<b>1H 2020 (S\$'000)</b>	<b>1H 2019 (S\$'000)</b>	<b>Change (%)</b>
<u>Distribution adjustments</u>			
- Amortisation of debt establishment costs	1,177	979	20.2
- Change in fair value of investment properties <sup>(a)</sup>	-	(32,420)	(100.0)
- Deferred tax expense <sup>(a)</sup>	194	8,439	(97.7)
- Manager's management base fee payable in Units	480	1,002	(52.1)
- Property management fees payable in Units	353	465	(24.1)
- Transfer to statutory reserve <sup>(a)</sup>	(467)	(834)	(44.0)
- Foreign exchange loss/(gain) - unrealised	2,119	(202)	>100.0
- Other adjustments <sup>(a)</sup>	48	52	(7.7)
<b>Net distribution adjustments</b>	<b>3,904</b>	<b>(22,519)</b>	<b>&gt;100.0</b>

Footnote:

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

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**1(b)(i) Statements of Financial Position**

	Note	Group		REIT	
		30 Jun 2020 <sup>(a)</sup> (S\$'000)	31 Dec 2019 <sup>(a)</sup> (S\$'000)	30 Jun 2020 <sup>(a)</sup> (S\$'000)	31 Dec 2019 <sup>(a)</sup> (S\$'000)
<b>Non-current assets</b>					
Investment properties	(1)	929,365	909,021	-	-
Plant and equipment		720	678	-	-
Interest in subsidiaries		-	-	591,888	591,535
Trade and other receivables	(2)	32	-	-	-
Deferred tax assets		43	18	-	-
		<b>930,160</b>	<b>909,717</b>	<b>591,888</b>	<b>591,535</b>
<b>Current assets</b>					
Trade and other receivables	(2)	8,163	1,034	531	330
Cash and cash equivalents		42,176	47,033	3,221	3,353
		<b>50,339</b>	<b>48,067</b>	<b>3,752</b>	<b>3,683</b>
<b>Total assets</b>		<b>980,499</b>	<b>957,784</b>	<b>595,640</b>	<b>595,218</b>
<b>Non-current liabilities</b>					
Loans and borrowings	(3)	279,245	275,425	230,213	226,890
Loan from subsidiaries	(4)	-	-	52,525	43,549
Trade and other payables		3,454	1,731	-	-
Security deposits	(5)	7,992	7,667	-	-
Deferred tax liabilities		42,305	41,195	-	-
Financial derivatives	(6)	3,853	1,047	3,853	1,047
		<b>336,849</b>	<b>327,065</b>	<b>286,591</b>	<b>271,486</b>
<b>Current liabilities</b>					
Loans and borrowings	(3)	8,184	3,159	7,000	2,000
Trade and other payables		24,800	24,942	6,099	3,250
Amount owing to subsidiaries		-	-	1,582	1,560
Security deposits	(5)	11,508	13,279	-	-
Current tax payable		1,136	1,204	-	-
		<b>45,628</b>	<b>42,584</b>	<b>14,681</b>	<b>6,810</b>
<b>Total liabilities</b>		<b>382,477</b>	<b>369,649</b>	<b>301,272</b>	<b>278,296</b>
<b>Net assets</b>		<b>598,022</b>	<b>588,135</b>	<b>294,368</b>	<b>316,922</b>
<b>Represented by:</b>					
Unitholders' funds		425,213	422,517	294,368	316,922
Non-controlling interests ("NCI")		172,809	165,618	-	-
		<b>598,022</b>	<b>588,135</b>	<b>294,368</b>	<b>316,922</b>

Footnotes:

(a) The results of the Group's foreign subsidiaries were translated using the closing SGD:CNY rate of 1:5.066 and 1:5.178 as at 30 June 2020 and 31 December 2019, respectively.

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**Notes to Statements of Financial Position:**

- (1) The carrying amount of investment properties has increased due mainly to the strengthening of RMB against SGD. Notwithstanding a gradual COVID-19 recovery in China, the effects of the pandemic remains fluid and will continue to evolve in the near-term. Assumptions to derive valuations amid these unprecedented times may be subjective and arbitrary, and the valuation process will contain valuation uncertainties. In accordance with the Code of Collective Investment Schemes, we conduct independent fair valuation of our investment properties annually at the end of each financial year. The Manager believes that the carrying amount of the investment properties reflects their respective valuations as at 30 June 2020, and a reassessment will be carried out at year-end.
- (2) Increase in short term trade and other receivables is mainly due to higher rental receivables from tenants as impacted by COVID-19.
- (3) Loans and borrowings are measured at amortised cost. Increase in loan and borrowings are mainly due to the foreign exchange rates fluctuation on loan denominated in foreign currencies and short term loan of S\$5.0 million drawdown by the REIT in March 2020.
- (4) The REIT arranged more long-term interest-bearing loans from its subsidiaries as compared to the last financial year. These loans are mainly used for the REIT distribution payment and interest expenses.
- (5) Decrease in short term security deposits is mainly due to the rental relief that allowed partial security deposits of eligible tenants to be offset against their rents.
- (6) These relate to the fair value of the interest rate swaps entered by the REIT, are designated to hedge the variable rate borrowings.



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

	<b>30 Jun 2020 (S\$'000)</b>	<b>31 Dec 2019 (S\$'000)</b>
Secured borrowings		
- Amount repayable within one year	8,184	3,159
- Amount repayable after one year	283,696	281,069
Total secured borrowings		
- Less: Debt establishment costs <sup>(a)</sup>	(4,451)	(5,644)
Total borrowings	<b>287,429</b>	<b>278,584</b>

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**

The Group has put in place two onshore secured facilities of RMB 241 million and RMB 61 million, respectively, and an offshore secured borrowing facility of S\$240 million.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties 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, 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 has obtained and drawn down from short term facility of S\$5.0 million in March 2020. The facility was obtained mainly for the purpose of financing the payment of distribution.

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**1 (c) Consolidated Statement of Cash Flows**

Note	1H 2020 (S\$'000)	1H 2019 (S\$'000)
<b>Operating activities</b>		
Total return for the period	3,791	37,169
Adjustments for:		
Manager's management fee payable in Units	480	1,002
Property management fees payable in Units	353	465
Finance income	(1)	(255)
Finance cost	7,127	7,069
Loss on disposal of plant and equipment	-	8
Depreciation	53	61
Change in fair value of investment property	-	(32,420)
Foreign exchange loss/(gain) - unrealized	2,119	(202)
Taxation	2,447	12,384
<b>Operating income before working capital changes</b>	<b>16,369</b>	<b>25,281</b>
<b>Changes in working capital:</b>		
Trade and other receivables	(9,865)	(3,538)
Trade and other payables	822	856
<b>Cash generated from operating activities</b>	<b>7,326</b>	<b>22,599</b>
Tax paid	(2,349)	(4,927)
<b>Net cash from operating activities</b>	<b>4,977</b>	<b>17,672</b>
<b>Investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	-	(63,055)
Capital expenditure on investment properties	(743)	(3,769)
Purchase of plant and equipment	(80)	(17)
Interest received	1	255
<b>Net cash used in investing activities</b>	<b>(822)</b>	<b>(66,586)</b>
<b>Financing activities</b>		
Distribution to unitholders	(7,779)	(9,232)
Increased in restricted cash	(15)	(400)
Interest paid	(6,248)	(3,205)
Settlement of derivative contracts	(382)	27
Proceeds from borrowings	5,000	89,117
Repayment of borrowings	(597)	(10,700)
Payment of transaction costs related to loans and borrowings	(24)	(7,440)
<b>Net cash (used in)/from financing activities</b>	<b>(10,045)</b>	<b>58,167</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,890)</b>	<b>9,253</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>44,103</b>	<b>41,191</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>1,018</b>	<b>(390)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>39,231</b>	<b>50,054</b>

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**Notes to Consolidated Statement of Cash Flows:**

- (1) Represents drawdown of S\$5.0 million from short term loan facility in March 2020 to fund the payment of distribution and S\$89.1 million term loan facilities drawdown in March 2019 and April 2019 to fund the acquisition of Hefei Changjiangxilu mall, refinancing related expenses and interest payments of the borrowings.
- (2) For the purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	<b>30 Jun 2020 (S\$'000)</b>	<b>30 Jun 2019 (S\$'000)</b>
Bank and cash balances	42,176	64,779
Less: Restricted cash <sup>(a)</sup>	(2,945)	(14,725)
<b>Cash and cash equivalents of cash flows statement</b>	<b>39,231</b>	<b>50,054</b>

Footnote:

(a) Lower restricted cash mainly due to repayment of borrowings.

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		REIT	
	1H 2020 (S\$'000)	1H 2019 (S\$'000)	1H 2020 (S\$'000)	1H 2019 (S\$'000)
<b>Unitholders' funds as at beginning of the period</b>	<b>422,517</b>	<b>410,423</b>	<b>316,922</b>	<b>335,743</b>
Change in Unitholders' funds resulting from operations before distribution	896	32,544	(12,802)	(7,209)
Transfer to statutory reserve	(395)	(834)	-	-
<b>Net (decrease)/increase in net assets resulting from operations</b>	<b>501</b>	<b>31,710</b>	<b>(12,802)</b>	<b>(7,209)</b>
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fees paid/payable in Units	480	1,002	480	1,002
- Manager's acquisition fee payable in Units	-	489	-	489
- Property management fees paid/payable in Units	353	465	353	465
Distribution to Unitholders	(7,779)	(9,232)	(7,779)	(9,232)
<b>Net decrease in net assets resulting from Unitholders' transactions</b>	<b>(6,946)</b>	<b>(7,276)</b>	<b>(6,946)</b>	<b>(7,276)</b>
<b>Movements in hedging reserve</b>				
Effective portion of changes in fair value of cash flow hedges	(2,806)	(395)	(2,806)	(395)
<b>Movement in foreign currency translation reserve</b>	<b>11,552</b>	<b>(9,049)</b>	<b>-</b>	<b>-</b>
<b>Movement in statutory reserve</b>	<b>395</b>	<b>834</b>	<b>-</b>	<b>-</b>
<b>Total Unitholders' funds as at end of the period</b>	<b>425,213</b>	<b>426,247</b>	<b>294,368</b>	<b>320,863</b>

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

	<b>1H 2020</b> (‘000)	<b>1H 2019</b> (‘000)
<b>REIT</b>		
<b>Units in issue:</b>		
As at beginning of period	508,458	503,843
Issue of new units relating to:		
- Manager’s management base fee payable in Units	638	585
- Manager’s management acquisition fee payable in Units	-	687
- Property manager’s fee payable in Units	394	249
<b>Issued units as at end of period</b>	<b>509,490</b>	<b>505,364</b>
<b>Units to be issued:</b>		
Manager’s management base fee payable in Units	842	1,417
Property manager’s fee payable in Units	663	657
<b>To be issued units as at end of period</b>	<b>1,505</b>	<b>2,074</b>
<b>Total issued and issuable units as at end of period</b>	<b>510,995</b>	<b>507,438</b>

There were no convertibles, treasury units and subsidiary holdings as at 30 June 2020 and 30 June 2019.

**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**

The total number of issued units as at 30 June 2020 and 31 December 2019 were 509,490,000 and 508,458,000 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 2019.

**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 2020. 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**

	<b>1H 2020</b>	<b>1H 2019</b>
Weighted average number of units ('000)		
Basic	509,794	505,507
Diluted	510,995	507,438
Earnings per unit (" <b>EPU</b> ") <sup>(a)</sup> (cents)		
Basic	0.18	6.44
Diluted	0.18	6.41
Number of Units entitled to distribution ('000)	486,359	433,529
Distribution per unit (" <b>DPU</b> ") <sup>(b)(c)</sup> (cents)	0.89	2.08

Footnotes:

- (a) EPU is calculated based on total return after taxation and non-controlling interests.
- (b) The reduction in Distribution per Unit is mainly due to the rental rebates given to eligible tenants due to COVID-19 as well as the increase of Units entitled to distribution as a result of the reduction of Distribution Waiver and the payment of management fees in Units, in lieu of cash.
- (c) In 1H 2020, approximately S\$0.5 million of the amount available for distribution has been retained in anticipation of higher operating expenses and working capital requirements of the REIT's enlarged portfolio.

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**7 Net Asset Value (“NAV”) per Unit**

	Group		REIT	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Number of Units in issue and to be issued at end of period ('000)	510,995	509,490	510,995	509,490
Net asset value per Unit (S\$) <sup>(a)</sup>	0.83	0.83	0.58	0.62

Footnote:

(a) The NAV per unit is computed based on the Units in issue and to be issued of 510,995,000 and 509,490,000 as at 30 June 2020 and 31 December 2019, respectively.

**8 Review of the Performance**

Gross revenue in 1H 2020 was S\$10.3 million (-27.0%) lower than in 1H 2019. This was mainly due to the rental rebates given to eligible tenants, lower occupancy and footfall amid the COVID-19 outbreak in China. Property operating expenses in 1H 2020 was S\$1.6 million (-12.3%) lower than 1H 2019. This was mainly due to overall shorter operating hours which in line with local government guidelines, government assistance and cost cutting measures. As such, the net property income in 1H 2020 was S\$8.7 million (-34.5%) lower than 1H 2019.

Finance cost was S\$0.1 million (0.8%) higher than 1H 2019. This was mainly due to higher interest incurred as a result of higher loan quantum and higher amortisation of debt establishment costs due to the syndication loan refinancing and acquisition of Changjiangxilu Mall completed in March 2019 and April 2019, respectively.

Amount available for distribution for 1H 2020 was S\$5.2 million (-52.1%) lower than 1H 2019 and Amount to be distributed to Unitholders was S\$4.7 million (-52.1%) lower than 1H 2019 which was mainly due to rental rebates given to eligible tenants. Approximately S\$0.5 million (1H 2019: S\$1.0 million) of the amount available for distribution for the 1H 2020 has been retained in anticipation of higher operating expenses and working capital requirements of the REIT’s enlarged portfolio.

Overall, the COVID-19 outbreak has taken a toll on the retail environment and consumer spending behaviours in China and the financial performance of retail malls in REIT’s portfolios are inevitably affected. The financial impact is not quantifiable at this juncture due to the emerge of new cases and rapid changes taking place from government restrictions to safety distancing but it is highly likely that the gross revenue, net property income, amount available for distribution, Distribution per Units and cash flow of the REIT will be affected.

**9. Variance from the previous forecast or prospect statement**

The Group has not disclosed any forecast to the market.

**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**

Faced with significant disruption led by the COVID-19 outbreak, China's gross domestic product<sup>1</sup> ("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 has accelerated since end February 2020. Unemployment rate<sup>2</sup> reached a high of 6.2% in February 2020, and subsequently eased to 5.7% in June 2020. Disposable income<sup>1</sup> per capita of urban residents grew 1.5% year-on-year in 1H 2020. Retail sales<sup>1</sup> 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.

China's central bank<sup>3</sup> 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.

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 reinforce our relationship with them.

Despite these near-term headwinds, the Manager remains focused on our strategy to own and manage community-focused heartland malls which complement the needs of surrounding residents; leverage on high population density neighbourhoods; and to capitalise on the longer-term residents' income growth and consumption upgrade.

Footnotes:

1. Source: National Bureau of Statistics of China.
2. Source: UOB Global Economics & Markets Research (16 July 2020): China: 2Q GDP rebound came in above expectation.
3. Source: Xinhua (20 July 2020): China's central bank injects liquidity into market.



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**11 Distribution**

**(a) Current financial period**

Any distribution declared for the current financial period? Yes

Distribution period : 1 January 2020 to 30 June 2020

Distribution rate : 0.89 cents per unit

Distribution type : Capital distribution

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.

Remark : The capital distribution from 1 January 2020 to 30 June 2020 is expected to be funded from debt and/or 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 January 2019 to 30 June 2019

Distribution rate : 2.08 cents per unit

Distribution type : Capital distribution

**(c) Date payable** : 28 September 2020

**(d) Book closure date** : 9 September 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.

**14 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.

**15 Confirmation pursuant to Rule 705(5) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited interim financial results of the Group and the REIT (comprising the statement of financial position as at 30 June 2020, statement of total return and distribution statement, statement of cash flow and statement of movements in Unitholders' funds for the quarter ended on that date), together with their accompanying notes, to be false or misleading, in any material respect.

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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)

7 August 2020