



BHG RETAIL REIT

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT SECOND HALF AND FULL YEAR ENDED 31 DECEMBER 2020

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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 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 second half and full year ended 31 December 2020.

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

“2H 2019”: For the 6-month period from 1 July 2019 to 31 December 2019;

“2H 2020”: For the 6-month period from 1 July 2020 to 31 December 2020;

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

“FY 2020”: For the 12-month period from 1 January 2020 to 31 December 2020.

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

	2H 2020 ^(a)	2H 2019 ^(a)	Change	FY 2020 ^(a)	FY 2019 ^(a)	Change
Note	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)
Statement of Total Return						
Gross revenue	32,760	40,982	(20.1)	60,561	79,058	(23.4)
Property operating expenses ^(b)	(12,899)	(15,724)	(18.0)	(24,173)	(28,582)	(15.4)
Net property income	19,861	25,258	(21.4)	36,388	50,476	(27.9)
Other income	291	447	(34.9)	389	482	(19.3)
Manager's base fee	(638)	(860)	(25.8)	(1,118)	(1,862)	(40.0)
Trustee's fee	(79)	(76)	3.9	(156)	(148)	5.4
Other expenses	(456)	(1,133)	(59.8)	(962)	(1,624)	(40.8)
Finance income	155	167	(7.2)	156	422	(63.0)
Foreign exchange gain/(loss) - realised	60	(214)	>100.0	(19)	(157)	(87.9)
Finance cost	(7,867)	(7,746)	1.6	(14,994)	(14,815)	1.2
Total return before change in fair value of investment property and unrealised foreign gain	11,327	15,843	(28.5)	19,684	32,774	(39.9)
Change in fair value of investment property	(15,036)	16,436	>100.0	(15,036)	48,856	>100.0
Foreign exchange gain - unrealised	3,166	1,556	>100.0	1,047	1,758	(40.4)
Total return for the period/year before taxation	(543)	33,835	>100.0	5,695	83,388	(93.2)
Taxation	474	(8,404)	>100.0	(1,973)	(20,788)	(90.5)
Total return for the period/year after taxation	(69)	25,431	>100.0	3,722	62,600	(94.1)
Attributable to:						
Unitholders	(1,966)	15,462	>100.0	(1,070)	48,006	>100.0
Non-controlling interests	1,897	9,969	(81.0)	4,792	14,594	(67.2)
Total return for the period/year after taxation	(69)	25,431	>100.0	3,722	62,600	(94.1)
Distribution Statement						
Total return for the period attributable to Unitholders	(1,966)	15,462	>100.0	(1,070)	48,006	>100.0
Distribution adjustments	7,706	(6,871)	>100.0	11,610	(29,390)	>100.0
Amount available for distribution	5,740	8,591	(33.2)	10,540	18,616	(43.4)
Less: Amount retained ^(c)	(574)	(859)	(33.2)	(1,054)	(1,862)	(43.4)
Amount to be distributed to Unitholders	5,166	7,732	(33.2)	9,486	16,754	(43.4)

Footnotes:

- (a) The results of the Group's foreign subsidiaries were translated using the average SGD:CNY rate of 1:4.982, 1:5.134, 1:5.005 and 1:5.061 for 2H 2020 and 2H 2019, FY 2020 and FY 2019, respectively.
- (b) Includes property management fees of S\$1,201,000, S\$1,488,000, S\$2,163,000 and S\$2,910,000 for 2H 2020 and 2H 2019, FY 2020 and FY 2019, respectively.
- (c) Approximately S\$0.6 million and S\$1.1 million of the amount available for distribution had been retained for 2H 2020 and FY 2020, respectively, for operational expenses and working capital requirements of the REIT.

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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 and lease restructuring given to eligible tenants due to COVID-19 and lower occupancy.

(2) Other income

Other income mainly comprised of fines and penalties from tenants, government grants 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 of the following:

	2H 2020	2H 2019	Change	FY 2020	FY 2019	Change
	(S\$'000)	(S\$'000)	(%)	(S\$'000)	(S\$'000)	(%)
Borrowing costs ^(a)	(5,571)	(6,583)	(15.4)	(11,138)	(12,700)	(12.3)
Settlement of IRS contracts ^(b)	(966)	26	>100.0	(1,349)	53	>100.0
Amortisation of debt establishment costs ^(c)	(1,330)	(1,189)	11.9	(2,507)	(2,168)	15.6
	(7,867)	(7,746)	1.6	(14,994)	(14,815)	1.2

Footnote:

(a) Decrease in FY 2020 arose from interest cost savings on floating rate loans due to lower interest rate as compared to last year.

(b) Increase mainly due to hedged interest rate on borrowings higher than the floating interest rates.

(c) Increase in 2H 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

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 2020.

In 2H 2020, the Group recorded a fair value devaluation of its investment properties amounted to S\$15.0 million. See further comments on 1(b)(i) Note 1.

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

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(6) Taxation

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

	2H 2020 (S\$'000)	2H 2019 (S\$'000)	Change (%)	FY 2020 (S\$'000)	FY 2019 (S\$'000)	Change (%)
Current period:						
- Income tax ^(a)	(2,902)	(3,973)	(27.0)	(5,087)	(7,918)	(35.8)
- Deferred tax ^(b)	4,015	(3,718)	>100.0	3,821	(12,157)	>100.0
- Withholding tax ^(c)	(639)	(713)	(10.4)	(707)	(713)	(0.8)
	474	(8,404)	>100.0	(1,973)	(20,788)	(90.5)

Footnote:

- (a) Lower income tax in FY 2020 is in-line with lower operating profits.
(b) In 2H 2020, the Group recorded a reversal of deferred tax liability, in line with the fair value adjustment of investment properties. 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) Lower withholding tax in 2H 2020 was due to lower repatriation of dividends from foreign subsidiaries.

(7) Distribution adjustments

	2H 2020 (S\$'000)	2H 2019 (S\$'000)	Change (%)	FY 2020 (S\$'000)	FY 2019 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	1,330	1,189	11.9	2,507	2,168	15.6
- Change in fair value of investment properties ^(a)	13,335	(8,920)	>100.0	13,335	(41,340)	>100.0
- Deferred tax expense ^(a)	(3,590)	1,838	>100.0	(3,396)	10,277	>100.0
- Manager's management base fee payable in Units ^(b)	-	860	(100.0)	480	1,862	(74.2)
- Property management fees payable in Units	408	559	(27.0)	761	1,024	(25.7)
- Transfer to statutory reserve ^(a)	(688)	(888)	(22.5)	(1,155)	(1,722)	(32.9)
- Foreign exchange gain - unrealised	(3,166)	(1,556)	>100.0	(1,047)	(1,758)	(40.4)
- Other adjustments ^(a)	77	47	63.8	125	99	26.3
Net distribution adjustments	7,706	(6,871)	>100.0	11,610	(29,390)	>100.0

Footnote:

- (a) Excludes share attributable to non-controlling interests
(b) From 2H 2020 onwards, manager's management base fee is payable in cash

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1(b)(i) Statements of Financial Position

	Note	Group		REIT	
		31 Dec 2020 ^(a) (S\$'000)	31 Dec 2019 ^(a) (S\$'000)	31 Dec 2020 ^(a) (S\$'000)	31 Dec 2019 ^(a) (S\$'000)
Non-current assets					
Investment properties	(1)	943,187	909,021	-	-
Plant and equipment		702	678	-	-
Interest in subsidiaries		-	-	591,646	591,535
Deferred tax assets		47	18	-	-
		943,936	909,717	591,646	591,535
Current assets					
Trade and other receivables	(2)	2,947	1,034	589	330
Cash and cash equivalents		48,272	47,033	4,159	3,353
		51,219	48,067	4,748	3,683
Total assets		995,155	957,784	596,394	595,218
Non-current liabilities					
Loans and borrowings	(3)	282,320	275,425	232,595	226,890
Loan from subsidiaries	(4)	-	-	54,276	43,549
Trade and other payables		2,077	1,731	-	-
Security deposits	(5)	6,298	7,667	-	-
Deferred tax liabilities		39,157	41,195	-	-
Financial derivatives	(6)	3,302	1,047	3,302	1,047
		333,154	327,065	290,173	271,486
Current liabilities					
Loans and borrowings	(3)	9,315	3,159	8,101	2,000
Trade and other payables		26,049	24,942	7,785	3,250
Amount owing to subsidiaries		-	-	1,609	1,560
Security deposits	(5)	12,913	13,279	-	-
Current tax payable		1,281	1,204	-	-
		49,558	42,584	17,495	6,810
Total liabilities		382,712	369,649	307,668	278,296
Net assets		612,443	588,135	288,726	316,922
Represented by:					
Unitholders' funds		439,256	422,517	288,726	316,922
Non-controlling interests ("NCI")		173,187	165,618	-	-
		612,443	588,135	288,726	316,922

Footnotes:

(a) The results of the Group's foreign subsidiaries were translated using the closing SGD:CNY rate of 1:4.940 and 1:5.178 as at 31 December 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 offset by the fair value devaluation of the investment properties except for Beijing Wanliu mall as compared to last financial year. 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.

Fair value changes on investment properties for FY 2020 range from 0% to negative mid-3% as compared to FY 2019. This is largely due to potential occupancy changes and lower rents in view of the COVID-19 pandemic and poor economic performance.

- (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 drawdown of short term loans of S\$6.1 million and secured borrowing facility of S\$4.4 million RCF by the REIT during the year.
- (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, interest expenses and working capital.
- (5) Decrease in short term security deposits is mainly due to the lease restructuring and lesser deposits collected for short term leases.
- (6) These relate to the fair value of the interest rate swaps entered by the REIT, and 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

	31 Dec 2020 (S\$'000)	31 Dec 2019 (S\$'000)
Secured borrowings		
- Amount repayable within one year	9,315	3,159
- Amount repayable after one year	285,527	281,069
Total secured borrowings		
- Less: Debt establishment costs ^(a)	(3,207)	(5,644)
Total borrowings	291,635	278,584

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 241.0 million and RMB 61.0 million, respectively, and an offshore secured borrowing facility of S\$240.0 million. In September 2020, the Group drawdown of approximately S\$4.4 million RCF from offshore secured borrowing facility for the purposes of the REIT's interest payment. As at 31 December 2020, both onshore and offshore secured facilities were fully drawn.

The onshore facilities are collectively secured by a legal mortgage over the Group's investment properties and pledged 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 had obtained and drawn down from short term facilities of S\$5.0 million and S\$1.1 million in March 2020 and September 2020 respectively. These facilities were obtained mainly for the purpose of financing the payment of distribution and interest expenses.

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1 (c) Consolidated Statement of Cash Flows

Note	2H 2020 (S\$'000)	2H 2019 (S\$'000)	FY 2020 (S\$'000)	FY 2019 (S\$'000)
Operating activities				
Total return for the period/year	(69)	25,431	3,722	62,600
Adjustments for:				
Manager's management fee payable in Units	-	860	480	1,862
Property management fees payable in Units	408	559	761	1,024
Finance income	(155)	(167)	(156)	(422)
Finance cost	7,867	7,746	14,994	14,815
Loss on disposal of plant and equipment	1	-	1	8
Depreciation	54	50	107	111
Change in fair value of investment property	15,036	(16,436)	15,036	(48,856)
Foreign exchange gain - unrealized	(3,166)	(1,556)	(1,047)	(1,758)
Taxation	(474)	8,404	1,973	20,788
Operating income before working capital changes	19,502	24,891	35,871	50,172
Changes in working capital:				
Trade and other receivables	7,562	2,541	(2,303)	(997)
Trade and other payables	(8,099)	3,058	(7,276)	3,914
Cash generated from operating activities	18,965	30,490	26,292	53,089
Tax paid	(3,426)	(4,561)	(5,775)	(9,488)
Net cash from operating activities	15,539	25,929	20,517	43,601
Investing activities				
Acquisition of subsidiaries, net of cash acquired	-	-	-	(63,055)
Capital expenditure on investment properties	(4,506)	(7,107)	(5,249)	(10,876)
Purchase of plant and equipment	(21)	(43)	(101)	(60)
Interest received	155	167	156	422
Net cash used in investing activities	(4,372)	(6,983)	(5,194)	(73,569)
Financing activities				
Distribution to unitholders	(4,328)	(9,018)	(12,107)	(18,250)
Dividend paid to non-controlling interests	(1,601)	(4,866)	(1,601)	(4,866)
(Increase)/decrease in restricted cash	(1,100)	11,835	(1,115)	11,435
Interest paid	(4,108)	(6,968)	(10,356)	(10,173)
Settlement of derivative contracts	(966)	26	(1,349)	53
Proceeds from borrowings	7,459	3,221	12,459	92,338
Repayment of borrowings	(2,602)	(18,384)	(3,199)	(29,084)
Payment of transaction costs related to loans and borrowings	-	2	(24)	(7,438)
Net cash (used in)/from financing activities	(7,246)	(24,152)	(17,292)	34,015
Net increase/(decrease) in cash and cash equivalents	3,921	(5,206)	(1,969)	4,047
Cash and cash equivalents at beginning of the period/year	39,231	50,054	44,103	41,191
Effect of exchange rate fluctuations on cash held	1,075	(745)	2,093	(1,135)
Cash and cash equivalents at end of the period/year	44,227	44,103	44,227	44,103

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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 and S\$4.4 million RCF and S\$3.1 million of short term loan facilities in September 2020 to fund the payment of distribution and interest expenses. In FY 2019, S\$89.1 million was drawn down from term loan facilities 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:

	31 Dec 2020 (S\$'000)	31 Dec 2019 (S\$'000)
Bank and cash balances	48,272	47,033
Less: Restricted cash ^(a)	(4,045)	(2,930)
Cash and cash equivalents of cash flows statement	44,227	44,103

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

Footnote:

(a) Higher restricted cash mainly due to additional drawdown from the offshore secure facility.

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

	Group			
	2H 2020 (S\$'000)	2H 2019 (S\$'000)	FY 2020 (S\$'000)	FY 2019 (S\$'000)
Unitholders' funds as at beginning of the period/year	425,213	426,247	422,517	410,423
Change in Unitholders' funds resulting from operations before distribution	(1,966)	15,462	(1,070)	48,006
Transfer to statutory reserve	(688)	(888)	(1,155)	(1,722)
Net (decrease)/increase in net assets resulting from operations	(2,654)	14,574	(2,225)	46,284
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid/payable in Units	-	860	480	1,862
- Manager's acquisition fee payable in Units	-	-	-	489
- Property management fees paid/payable in Units	408	559	761	1,024
Distribution to Unitholders	(4,328)	(9,018)	(12,107)	(18,250)
Net decrease in net assets resulting from Unitholders' transactions	(3,920)	(7,599)	(10,866)	(14,875)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	551	(578)	(2,255)	(973)
Movement in foreign currency translation reserve	19,378	(11,015)	30,930	(20,064)
Movement in statutory reserve	688	888	1,155	1,722
Total Unitholders' funds as at end of the period/year	439,256	422,517	439,256	422,517

	REIT			
	2H 2020 (S\$'000)	2H 2019 (S\$'000)	FY 2020 (S\$'000)	FY 2019 (S\$'000)
Unitholders' funds as at beginning of the period/year	294,368	320,863	316,922	335,743
Change in Unitholders' funds resulting from operations before distribution	(2,273)	4,236	(15,075)	(2,973)
Net (decrease)/increase in net assets resulting from operations	(2,273)	4,236	(15,075)	(2,973)
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	-	860	480	1,862
- Manager's acquisition fee payable in Units	-	-	-	489
- Property management fees paid/payable in Units	408	559	761	1,024
Distribution to Unitholders	(4,328)	(9,018)	(12,107)	(18,250)
Net decrease in net assets resulting from Unitholders' transactions	(3,920)	(7,599)	(10,866)	(14,875)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	551	(578)	(2,255)	(973)
Total Unitholders' funds as at end of the period/year	288,726	316,922	288,726	316,922

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

	2H 2020 ('000)	2H 2019 ('000)	FY 2020 ('000)	FY 2019 ('000)
REIT				
Units in issue:				
As at beginning of period/year	509,490	505,364	508,458	503,843
Issue of new units relating to:				
- Manager's management base fee payable in Units	842	2,022	1,480	2,607
- Manager's management acquisition fee payable in Units	-	-	-	687
- Property manager's fee payable in Units	663	1,072	1,057	1,321
Issued units as at end of period/year	510,995	508,458	510,995	508,458
Units to be issued:				
Manager's management base fee payable in Units	-	638	-	638
Property manager's fee payable in Units	723	394	723	394
To be issued units as at end of period/year	723	1,032	723	1,032
Total issued and issuable units as at end of period/year	511,718	509,490	511,718	509,490

There were no convertibles, treasury units and subsidiary holdings as at 31 December 2020 and 31 December 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 31 December 2020 and 31 December 2019 were 510,995,000 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

	2H 2020	2H 2019	FY 2020	FY 2019
Weighted average number of units ('000)				
Basic	511,188	507,959	510,493	506,743
Diluted	511,718	509,490	511,718	509,490
Earnings per unit (" EPU ") ^(a) (cents)				
Basic	(0.38)	3.04	(0.21)	9.47
Diluted	(0.38)	3.03	(0.21)	9.42
Number of Units entitled to distribution ('000)	487,082	434,549	487,082	434,549
Distribution per unit (" DPU ") ^{(b)(c)} (cents)	1.06	1.79	1.95	3.87

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 FY 2020, approximately S\$1.1 million of the amount available for distribution had been retained for the purpose of operating expenses and working capital requirements of the REIT.

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7 Net Asset Value (“NAV”) per Unit

	Group		REIT	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Number of Units in issue and to be issued at end of period ('000)	511,718	509,490	511,718	509,490
Net asset value per Unit (S\$) ^(a)	0.86	0.83	0.56	0.62

Footnote:

(a) The NAV per unit is computed based on the Units in issue and to be issued of 511,718,000 and 509,490,000 as at 31 December 2020 and 31 December 2019, respectively.

8 Review of the Performance

Gross revenue in 2H 2020 and FY 2020 were S\$8.2 million (-20.1%) and S\$18.5 million (-23.4%) lower than in 2H 2019 and FY 2019 respectively. This was mainly due to the rental rebates and lease restructuring extended to eligible tenants to assist them to tide through the impact of COVID-19. In addition, the portfolio occupancy rate was 93.5% as at 31 December 2020, lower than 96.7% as at 31 December 2019. Property operating expenses in 2H 2020 and FY 2020 were S\$2.8 million (-18.0%) and S\$4.4 million (-15.4%) lower than in 2H 2019 and FY 2019 respectively. This was mainly due to cost savings from various cost cutting measures, COVID-19 assistance from the government, as well as lower property management fees. As such, the net property income in 2H 2020 and FY 2020 were S\$5.4 million (-21.4%) and S\$14.1 million (-27.9%) lower than in 2H 2019 and FY 2019 respectively.

Finance costs in 2H 2020 and FY 2020 were S\$0.1 million (1.6%) and S\$0.2 million (1.2%) higher than 2H 2019 and FY 2019 respectively. This was mainly due to 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 to be distributed to Unitholders in 2H 2020 and FY 2020 were S\$2.6 million (-33.2%) and S\$7.3 million (-43.4%) lower than 2H 2019 and FY 2019 respectively. Approximately S\$1.1 million (FY 2019: S\$1.9 million) of the amount available for distribution for FY 2020 had been retained for the purpose of operating expenses and working capital requirements of the REIT.

9. Variance from the 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 6.5% in the fourth quarter ("4Q 2020") and 2.3% year-on-year for full year 2020 ("FY 2020"). With stringent precautionary measures at the onset of the COVID-19 outbreak, the nation's GDP contracted 6.8% in the first quarter 2020. Following an expeditious control of the pandemic, its economy experienced a V-shaped recovery. China registered GDP growth of 3.2% and 4.9% year-on-year in the second and third quarter 2020, respectively.

Retail sales¹ of consumer goods were up 4.6% year-on-year for the 4Q 2020, and down 3.9% year-on-year for the FY 2020. Recovery in the nation's retail sales of consumer goods trailed its GDP performance, with year-on-year change of -15.8%, -1.8%, +3.3%, and 4.6%, in March, June, September and December 2020, respectively. According to CBRE², retail activity continued to head along the recovery track, with shopping mall footfall back at 86% of pre-pandemic levels during National Day in October. Stronger leasing demand was observed.

In tandem with other economic performance, China's urban residents' disposable income¹ and consumption expenditure¹ also recovered progressively (since moderating at the inception of COVID-19). Disposable income per capita of urban residents grew 5.7% in the 4Q 2020 and 3.5% year-on-year in FY 2020. Expenditure per capita of urban residents was +1.0% in 4Q 2020 and -3.8% year-on-year for FY 2020.

In line with China's commendable recovery, BHG Retail REIT's gross revenue recovered 79.9% in 2H 2020 vis-à-vis 2H 2019. Progressive global inoculation efforts are underway but any resurgence of infections may potentially hinder economic recovery efforts. Notwithstanding the recovery, the Manager will remain cautious and sensitive to evolving consumer behaviour and spending patterns, so as to maintain the malls' relevancy going forward. We will continue to focus on our strategy to own and manage community-focused heartland malls that 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: CBRE Market View.

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? Yes

Distribution period : 1 July 2020 to 31 December 2020

Distribution rate : 1.06 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 July 2020 to 31 December 2020 is expected to be funded from 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 2019 to 31 December 2019

Distribution rate : 1.79 cents per unit

Distribution type : Capital distribution/Tax exempt income

(c) Date payable : 31 March 2021

(d) Book closure date : 11 March 2021

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 2020 (S\$'000)	FY 2019 (S\$'000)	Change (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	31,802	43,977	(27.7)
Chengdu Konggang	10,685	13,611	(21.5)
Hefei Mengchenglu	5,312	9,032	(41.2)
Hefei Changjiangxilu	7,238	6,903	4.9
	55,037	73,523	(25.1)
<u>Master-Leased Malls</u>			
Xining Huayuan	3,246	3,253	(0.2)
Dalian Jinsanjiao	2,278	2,282	(0.2)
	5,524	5,535	(0.2)
Total gross revenue	60,561	79,058	(23.4)

14 (b) Net property income

	FY 2020 Actual (S\$'000)	FY 2019 Actual (S\$'000)	Changes (%)
<u>Multi-Tenanted Malls</u>			
Beijing Wanliu	20,205	29,668	(31.9)
Chengdu Konggang	5,345	7,138	(25.1)
Hefei Mengchenglu	2,399	5,181	(53.7)
Hefei Changjiangxilu	3,340	3,436	(2.8)
	31,289	45,423	(31.1)
<u>Master-Leased Malls</u>			
Xining Huayuan	2,997	2,988	0.3
Dalian Jinsanjiao	2,102	2,065	1.8
	5,099	5,053	0.9
Total net property income	36,388	50,476	(27.9)

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 2020 (S\$'000)	FY 2019 (S\$'000)	Change (%)
Gross revenue reported for first half year ^{(a), (c)}	27,801	38,076	(27.0)
Net income after tax and NCI for first half year ^{(a), (c)}	896	32,544	(97.2)
Gross revenue reported for second half year ^{(b), (c)}	32,760	40,982	(20.1)
Net income after tax and NCI for second half year ^{(b), (c)}	(1,966)	15,462	>100.0

Footnotes:

- The results for the first half year relates to the period from 1 January 2020 to 30 June 2020 and 1 January 2019 to 30 June 2019, respectively.
- The results for the second half year relates to the period from 1 July 2020 to 31 December 2020 and 1 July 2019 to 31 December 2019, respectively.
- Please refer to item 8 on the review.

17 Breakdown of Total Distribution

	FY 2020 (S\$'000)	FY 2019 (S\$'000)
In respect of period:		
1 January 2020 - 30 June 2020	4,329	-
1 July 2020 - 31 December 2020	5,163	-
1 January 2019 - 30 June 2019	-	9,017
1 July 2019 - 31 December 2019	-	7,778
Annual distribution to Unitholders	9,492	16,795

* For the second half year ended 31 December 2020, the Manager of the REIT declared a distribution per unit of 1.06 Singapore cents totalling S\$5,163,000 to the unitholders of the REIT, payable on 31 March 2021.

Note: Actual annual distributions paid and payable to unitholders for FY 2020 as disclosed in above table are lower 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)

26 February 2021