



BHG RETAIL REIT

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019

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**BHG RETAIL REIT
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019**

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 acquisition of first 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 second quarter and half year ended 30 June 2019.

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

“2Q 2018”: For the 3-month period from 1 April 2018 to 30 June 2018;

“2Q 2019”: For the 3-month period from 1 April 2019 to 30 June 2019;

“1H 2018”: For the 6-month period from 1 January 2018 to 30 June 2018; and

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

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

	2Q 2019 ^(a)	2Q 2018 ^(a)	Change	1H 2019 ^(a)	1H 2018 ^(a)	Change
	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)
Statement of Total Return						
Gross revenue	20,202	17,738	13.9	38,076	35,167	8.3
Property operating expenses ^(b)	(6,806)	(5,758)	18.2	(12,858)	(11,551)	11.3
Net property income	13,396	11,980	11.8	25,218	23,616	6.8
Other income	22	11	100.0	35	22	59.1
Manager's base fee	(526)	(511)	2.9	(1,002)	(1,040)	(3.7)
Trustee's fee	(39)	(35)	11	(72)	(69)	4.3
Other expenses	(284)	(217)	30.9	(491)	(407)	20.6
Finance income	153	174	(12.1)	255	339	(24.8)
Foreign exchange gain - realised	21	58	(63.8)	57	58	(1.7)
Finance cost	(4,018)	(2,610)	53.9	(7,069)	(4,887)	44.6
Total return before unrealised foreign loss	8,725	8,850	(1.4)	16,931	17,632	(4.0)
Change in fair value of investment property	32,420	-	N/M	32,420	-	N/M
Foreign exchange gain - unrealised	755	139	>100.0	202	120	68.3
Total return for the period before taxation	41,900	8,989	>100.0	49,553	17,752	>100.0
Taxation	(10,369)	(1,988)	>100.0	(12,384)	(3,884)	>100.0
Total return for the period after taxation	31,531	7,001	>100.0	37,169	13,868	>100.0
Attributable to:						
Unitholders	29,179	4,817	>100.0	32,544	9,617	>100.0
Non-controlling interests	2,352	2,184	7.7	4,625	4,251	8.8
Total return for the period after taxation	31,531	7,001	>100.0	37,169	13,868	>100.0
Distribution Statement						
Total return for the period attributable to Unitholders	29,179	4,817	>100.0	32,544	9,617	>100.0
Distribution adjustments	(23,916)	300	>100.0	(22,519)	787	>100.0
Amount available for distribution	5,263	5,117	2.9	10,025	10,404	(3.6)
Less: Amount retained ^(c)	(1,003)	-	N/M	(1,003)	-	N/M
Distributable income to Unitholders	4,260	5,117	(16.7)	9,022	10,404	(13.3)

N/M: not meaningful

Footnotes:

- The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:5.003, 1:4.778, 1:4.990 and 1:4.799 for 2Q 2019, 2Q 2018, 1H 2019 and 1H 2018, respectively.
- Includes property management fees of S\$750,000, S\$618,000, S\$1,422,000 and S\$1,213,000 for 2Q 2019, 2Q 2018, 1H 2019 and 1H 2018, respectively.
- In 1H 2019, approximately S\$1.0 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:

	2Q 2019 (S\$'000)	2Q 2018 (S\$'000)	Change (%)	1H 2019 (S\$'000)	1H 2018 (S\$'000)	Change (%)
Borrowing costs	3,417	2,515	35.9	6,117	4,698	30.2
Settlement of IRS contracts	(33)	-	N/M	(27)	-	N/M
Amortisation of debt establishment costs ^(a)	634	95	>100.0	979	189	>100.0
	4,018	2,610	53.9	7,069	4,887	44.6

N/M: not meaningful

Footnote:

(a) Increase in 2Q 2019 arose from the amortisation of higher debt origination costs. Also, includes in 1H 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, typically at year end, with any changes in fair value being recorded in the statement of total return.

However, due to the acquisition of Hefei Changjiangxilu mall which was completed on 2 April 2019, the fair value of the investment property was adjusted based on the last available full valuation conducted by the independent valuers.

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.

	2Q 2019 (S\$'000)	2Q 2018 (S\$'000)	Change (%)	1H 2019 (S\$'000)	1H 2018 (S\$'000)	Change (%)
Current period:						
- Income tax	2,114	1,814	16.5	3,945	3,538	11.5
- Deferred tax ^(a)	8,255	(2)	>100.0	8,439	(2)	>100.0
- Withholding tax	-	176	(100.0)	-	348	(100.0)
	10,369	1,988	>100.0	12,384	3,884	>100.0

Footnote:

(a) Increase 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.

(6) Distribution adjustments

	2Q 2019 (S\$'000)	2Q 2018 (S\$'000)	Change (%)	1H 2019 (S\$'000)	1H 2018 (S\$'000)	Change (%)
<u>Distribution adjustments</u>						
- Amortisation of debt establishment costs	634	95	>100.0	979	189	>100.0
- Change in fair value of investment properties	(32,420)	-	N/M	(32,420)	-	N/M
- Deferred tax expense ^(a)	8,255	(2)	>100.0	8,439	(2)	>100.0
- Manager's management base fee payable in Units	526	511	2.9	1,002	1,040	(3.7)
- Property management fees payable in Units	265	196	35.2	465	394	18.0
- Transfer to statutory reserve ^(a)	(451)	(389)	15.9	(834)	(770)	8.3
- Foreign exchange gain - unrealised	(755)	(139)	>100.0	(202)	(120)	68.3
- Other adjustments ^(a)	30	28	7.1	52	56	(7.1)
Net distribution adjustments	(23,916)	300	>100.0	(22,519)	787	>100.0

N/M: not meaningful

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 2019 ^(a) (S\$'000)	31 Dec 2018 ^(a) (S\$'000)	30 Jun 2019 ^(a) (S\$'000)	31 Dec 2018 ^(a) (S\$'000)
Non-current assets				
(1)	899,870	808,303	-	-
	699	630	-	-
	-	-	591,116	524,512
	60	36	-	-
	18	21	-	-
	900,647	808,990	591,116	524,512
Current assets				
(2)	13,427	5,289	252	495
(3)	64,779	55,590	3,192	112
	78,206	60,879	3,444	607
	978,853	869,869	594,560	525,119
Non-current liabilities				
(4)	276,159	-	226,089	-
(5)	-	-	26,019	24,939
	1,567	1,207	-	-
	4,961	5,157	-	-
	38,094	29,952	-	-
(6)	296	-	296	-
	321,077	36,316	252,404	24,939
Current liabilities				
(4)	17,860	222,142	16,678	162,548
	24,014	17,698	3,593	1,774
	-	-	849	41
	16,394	12,830	-	-
	1,110	1,801	-	-
(6)	173	74	173	74
	59,551	254,545	21,293	164,437
	380,628	290,861	273,697	189,376
	598,225	579,008	320,863	335,743
Represented by:				
	426,247	410,423	320,863	335,743
	171,978	168,585	-	-
	598,225	579,008	320,863	335,743

Footnotes:

(a) The results of the Group's foreign subsidiaries were translated using the closing SGD: CNY rate of 1:5.075 and 1:5.049 as at 30 June 2019 and 31 December 2018, respectively.

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Notes to Statements of Financial Position:

- (1) Increase in investment properties is mainly due to the enlarged portfolio resulted from the newly acquired Hefei Changjiangxilu mall on 2 April 2019, offset by weaker RMB against SGD.
- (2) Increase in trade and other receivables is mainly due to higher receivables from tenants and prepayments. For the REIT, the increase is mainly due to higher GST receivables from loan financing related expenses.
- (3) Cash and cash equivalents include restricted cash amounting to S\$14.7 million and S\$14.4 million as at 30 June 2019 and 31 December 2018, respectively, which is used to secure bank facilities. For the REIT, the increase is mainly due to higher deposits required for the new banking facility.
- (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 a long-term interest-bearing loan from one of the subsidiaries in 2018. This is 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.

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

	30 Jun 2019 (S\$'000)	31 Dec 2018 (S\$'000)
Secured borrowings		
- Amount repayable within one year	16,642	221,274
- Amount repayable after one year	282,998	-
- Less: Debt establishment costs ^(a)	(6,839)	(379)
Total secured borrowings	292,801	220,895
Unsecured borrowings	1,218	1,247
Total borrowings	294,019	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 30 June 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\$1.2 million and S\$3.2 million in 2Q 2019 and 1H 2019 respectively. 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

Note	2Q 2019 (S\$'000)	2Q 2018 (S\$'000)	1H 2019 (S\$'000)	1H 2018 (S\$'000)
Operating activities				
Total return for the period	31,531	7,001	37,169	13,868
Adjustments for:				
Manager's management fee payable in Units	526	511	1,002	1,040
Property management fees payable in Units	265	196	465	394
Finance income	(153)	(174)	(255)	(339)
Finance cost	4,018	2,610	7,069	4,887
Loss on disposal of plant and equipment	8	1	8	1
Depreciation	34	34	61	66
Change in fair value of investment property	(32,420)	-	(32,420)	-
Foreign exchange gain - unrealized	(755)	(139)	(202)	(120)
Taxation	10,369	1,988	12,384	3,884
Operating income before working capital changes	13,423	12,028	25,281	23,681
Changes in working capital:				
Trade and other receivables	(10,790)	2,432	(3,538)	(26)
Trade and other payables	8,426	(1,598)	856	(1,193)
Cash generated from operating activities	11,059	12,862	22,599	22,462
Tax paid	(2,252)	(1,875)	(4,927)	(3,605)
Net cash from operating activities	8,807	10,987	17,672	18,857
Investing activities				
Acquisition of subsidiaries, net of cash acquired	(63,055)	-	(63,055)	-
Capital expenditure on investment properties	(3,260)	(125)	(3,769)	(609)
Purchase of plant and equipment	(17)	(58)	(17)	(79)
Interest received	153	174	255	339
Net cash used in investing activities	(66,179)	(9)	(66,586)	(349)
Financing activities				
Distribution to unitholders	-	-	(9,232)	(9,976)
(Increase)/decrease in restricted cash	-	10,068	(400)	10,068
Interest paid	(174)	(3,877)	(3,205)	(4,562)
Settlement of derivative contracts	33	-	27	-
Proceeds from borrowings	(1)	66,847	13,180	89,117
Repayment of borrowings	(2)	(9,303)	(28,910)	(10,700)
Payment of transaction costs related to loans and borrowings		(208)	(7,440)	-
Net cash from/(used in) financing activities	57,195	(9,539)	58,167	(9,505)
Net (decrease)/increase in cash and cash equivalents	(177)	1,439	9,253	9,003
Cash and cash equivalents at beginning of the period	52,254	51,398	41,191	43,352
Effect of exchange rate fluctuations on cash held	(2,023)	(446)	(390)	36
Cash and cash equivalents at end of the period	(3) 50,054	52,391	50,054	52,391

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Notes to Consolidated Statement of Cash Flows:

- (1) The REIT has drawdown S\$66.8 million and S\$13.2 million in 2Q 2019 and 2Q 2018 respectively, to fund the acquisition of Hefei Changjiangxilu Mall, refinancing and new financing related expenses, working capital and interest payments on borrowings.
- (2) Repayment of borrowings were S\$19.6 million and S\$18.7 million lower than 2Q 2018 and 1H 2018 respectively mainly due to lesser short-term facilities. Repayment of borrowings in 2Q 2018 mainly pertaining to early settlement of the partial onshore borrowings.
- (3) For purpose of the Consolidated Statement of Cash Flows, the cash and cash equivalents comprised the following:

	30 Jun 2019 (S\$'000)	30 Jun 2018 (S\$'000)
Bank and cash balances	64,779	71,220
Less: Restricted cash	(14,725)	(18,829)
Cash and cash equivalents of cash flows statement	50,054	52,391

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			
	2Q 2019 (S\$'000)	2Q 2018 (S\$'000)	1H 2019 (S\$'000)	1H 2018 (S\$'000)
Unitholders' funds as at beginning of the period	420,556	423,248	410,423	416,454
Change in Unitholders' funds resulting from operations before distribution	29,179	4,817	32,544	9,617
Transfer to statutory reserve	(451)	(389)	(834)	(770)
Net increase in net assets resulting from operations	28,728	4,428	31,710	8,847
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid/payable in Units	526	511	1,002	1,040
- Manager's acquisition fee payable in Units	489	-	489	-
- Property management fees paid/payable in Units	265	196	465	394
Distribution to Unitholders	-	-	(9,232)	(9,976)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	1,280	707	(7,276)	(8,542)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(458)	-	(395)	-
Movement in foreign currency translation reserve	(24,310)	(9,283)	(9,049)	1,960
Movement in statutory reserve	451	389	834	770
Total Unitholders' funds as at end of the period	426,247	419,489	426,247	419,489

	REIT			
	2Q 2019 (S\$'000)	2Q 2018 (S\$'000)	1H 2019 (S\$'000)	1H 2018 (S\$'000)
Unitholders' funds as at beginning of the period	323,162	340,769	335,743	352,040
Change in Unitholders' funds resulting from operations before distribution	(3,121)	(2,124)	(7,209)	(4,146)
Net decrease in net assets resulting from operations	(3,121)	(2,124)	(7,209)	(4,146)
Unitholders' transactions				
Issue of new Units				
- Manager's management fee paid/payable in Units	526	511	1,002	1,040
- Manager's acquisition fee payable in Units	489	-	489	-
- Property management fees paid/payable in Units	265	196	465	394
Distribution to Unitholders	-	-	(9,232)	(9,976)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	1,280	707	(7,276)	(8,542)
Movements in hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(458)	-	(395)	-
Total Unitholders' funds as at end of the period	320,863	339,352	320,863	339,352

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

	2Q 2019 ('000)	2Q 2018 ('000)	1H 2019 ('000)	1H 2018 ('000)
REIT				
Units in issue:				
As at beginning of period	504,677	500,934	503,843	499,737
Issue of new units relating to:				
- Manager's management base fee payable in Units	-	681	585	1,620
- Manager's management acquisition fee payable in Units	687	-	687	-
- Property manager's fee payable in Units	-	255	249	513
Issued units as at end of period	505,364	501,870	505,364	501,870
Units to be issued:				
Manager's management base fee payable in Units	1,417	710	1,417	710
Property manager's fee payable in Units	657	271	657	271
To be issued units as at end of period	2,074	981	2,074	981
Total issued and issuable units as at end of period	507,438	502,851	507,438	502,851

There were no convertibles, treasury units and subsidiary holdings as at 30 June 2019 and 30 June 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 30 June 2019 and 31 December 2018 were 505,364,000 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.

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.

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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

	2Q 2019	2Q 2018	1H 2019	1H 2018
Weighted average number of units ('000)				
Basic	506,319	501,881	505,507	501,415
Diluted	507,438	502,851	507,438	502,851
Earnings per unit ("EPU") ^(a) (cents)				
Basic	5.76	0.96	6.44	1.92
Diluted	5.75	0.96	6.41	1.92
Number of Units entitled to distribution ('000)	433,529	379,670	433,529	379,670
Distribution per unit ("DPU") ^{(b)(c)} (cents)	0.98	1.35	2.08	2.74

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 1H 2019, approximately S\$1.0 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.

7 Net Asset Value ("NAV") per Unit

	Group		REIT	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Number of Units in issue and to be issued at end of period ('000)	507,438	504,677	507,438	504,677
Net asset value per Unit (S\$) ^(a)	0.84	0.81	0.63	0.67

Footnote:

- (a) The NAV per unit is computed based on the Units in issue and to be issued of 507,438,000 and 504,677,000 as at 30 June 2019 and 31 December 2018, respectively.

8 Review of the Performance

Gross revenue in 2Q 2019 and 1H 2019 were S\$2.5 million (13.9%) and S\$2.9 million (8.3%) higher than in 2Q 2018 and 1H 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 2Q 2019 and 1H 2019 were S\$1.1 million (18.2%) and S\$1.3 million (11.3%) higher than 2Q 2018 and 1H 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 2Q 2019. Despite the higher operating expenses, net property income in 2Q 2019 and 1H 2019 were S\$1.4 million (11.8%) and S\$1.6 million (6.8%) higher than 2Q 2018 and 1H 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\$1.4 million (53.9%) and S\$2.2 million (44.6%) higher than 2Q 2018 and 1H 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 1H 2019 was S\$0.4 million (3.6%) lower than 1H 2018 and Distributable income to Unitholders was S\$1.4 million (13.3%) lower than 1H 2018 mainly due to higher finance costs and distributable income retained. Approximately S\$1.0 million of the amount available for distribution for the 1H 2019 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.

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

The China economy grew 6.3% year-on-year to RMB 45.1 trillion in 1H 2019, in line with the government's annual target of 6.0% to 6.5%. Disposable income and consumption expenditure per capita for urban residents increased 8.0% and 6.4%, respectively in 1H 2019. (Source: National Bureau of Statistics of China)

During a symposium with economists and entrepreneurs in July 2019, the government shared that downward pressure on the economy will remain for the foreseeable future. In view of the protracted period of market uncertainty, China should press on with its economic reform and opening-up policies to optimize and upgrade its economic structure. Accordingly, China should continue to implement a positive fiscal policy, a steady monetary policy and an employment-first policy. These macro policies and actions will stimulate market vitality and encourage businesses to grow sustainably, thereby driving employment and consumption. (Source: The State Council of PRC)

Retail sales rose 8.4% year-on-year to RMB 19.5 trillion in 1H 2019. According to CBRE, the F&B and omni-channel supermarket sectors continued to display robust leasing demand. This year-on-year growth in retail sales was also supported by online retailers' move to introduce brick-and-mortar stores. This growth is evident in the year-on-year increase of rental income of major shopping centre developers. (Source: National Bureau of Statistics of China, CBRE Marketview)

Overall retail environment remains cautiously positive. Against a backdrop of stable employment, rising residents' income and spending, and multiple stimulus policies, BHG Retail REIT's properties situated in densely populated residential communities are expected to remain resilient.

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11 Distribution

(a) Current financial period

Any distribution declared for the current financial period? Yes

Distribution period : 1 January 2019 to 30 June 2019

Distribution rate : 2.08 cents per unit⁽¹⁾

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 2019 to 30 June 2019 is expected to be funded from borrowing 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 January 2018 to 30 June 2018

Distribution rate : 2.74 cents per unit

Distribution type : Capital distribution

(c) Date payable : 27 September 2019

(d) Books closure date : 9 September 2019

Footnote:

(1) In 1H 2019, approximately S\$1.0 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.

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 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 2019, 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.

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.

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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)

8 August 2019