



BHG Retail REIT's 1H 2023

Ongoing Tenancy Rejuvenation Efforts to Enhance Shopper's Experience Healthy Portfolio Occupancy Rate of 95.8%

SINGAPORE, 8th August 2023 – BHG Retail Trust Management Pte. Ltd., the Manager of BHG Retail REIT (“Manager”), announced today the results of BHG Retail REIT (or the “REIT”) for the first half year period (“1H 2023”) ended 30 June 2023.

In 1H 2023, BHG Retail REIT registered an amount to be distributed to unitholders¹ of S\$1.8 million. 1H 2023 distributable income was mainly impacted by the weakening of Renminbi against the Singapore Dollar and higher interest expenses. The distribution per unit (“DPU”) of 0.35 Singapore cents will be paid to Unitholders on 28 September 2023.

Ms Chan Iz-Lynn, Chief Executive Officer of BHG Retail Trust Management Pte. Ltd., said, “The Manager’s proactive portfolio management effort contributed to the resilience of BHG Retail REIT’s portfolio in a challenging environment. As at 30 June 2023, the REIT’s portfolio occupancy rate stood healthy at 95.8% with a weighted average lease expiry of 3.3 years (by gross rental income) and 5.4 years (by net lettable area).

In 1H 2023, the Manager continued to be proactive in enhancing the vibrancy of its tenant mix with the introduction of new tenants from diverse sectors including lifestyle, F&B and retail, as part of the malls’ tenancy rejuvenation efforts.

In tandem with the improving consumer sentiments, the REIT continued to engage its shoppers and communities through marketing activities such as the musical festival and street dance competition events at Beijing Wanliu, the public square dancing and E-Sports events at Hefei Changjiangxilu, among others, in 1H 2023.

Footnote:

1. For the 1H 2023, approximately S\$0.2 million of the amount available for distribution has been retained for operational expenses and working capital requirements of the REIT.

With the government's commitment to step up policy support for the economy, focusing on boosting domestic demand and boosting confidence, we remain optimistic on China's post-COVID economic recovery and believe that our quality portfolio of retail malls in high population density neighbourhoods are well-positioned to capitalise on its recovery.

Looking ahead, the Manager will remain focused on its existing strategy, continue to refresh and optimise its malls' tenant mix, remain prudent in its capital management, and pursue yield-accretive acquisition opportunities, to remain an attractive long-term yield-play investment to our Unitholders."

Capital Management

As at 30 June 2023, the REIT's gearing ratio was 39.3%. Total borrowings drawn down aggregated to S\$299.9 million, with more than 80% of borrowings denominated in Singapore dollars, and the remaining denominated in Renminbi.

Approximately 50% of the REIT's offshore debt has also been hedged from a floating interest rate to a fixed interest rate via interest rate swap instruments, so as to mitigate the effects of volatility in the interest rates

Outlook

China's 1H2023 gross domestic product ("GDP") grew 5.5% year-on-year to RMB 59.3 trillion. 1H 2023 disposable income per capita of urban residents grew 4.9% year-on-year, while retail sales of consumer goods was up 8.2% year-on-year².

Fitch Ratings reported that even though recent data point to a fading rebound from the reopening at end-2022, China's GDP growth should still remain above the 2023 government target of 5%. It expects China's GDP to grow at 5.6% in FY 2023 as the economy normalises following weak consumption growth in FY 2022³.

China's top leaders pledged at the Politburo meeting in July 2023 to step up economic policy adjustments, focusing on expanding domestic demand, boosting confidence and preventing risks, signalling more stimulus steps⁴.

Footnotes:

2. Source: National Bureau of Statistics of China.
3. Fitch Ratings (18 July 2023): China's Growth to Remain Above Target as Recovery Momentum Fades.
4. Reuters (25 July 2023): China to step up policy adjustments amid tortuous recovery.

In July 2023, the Federal Reserve raised its benchmark interest rate to its highest level since 2001, by 25 basis points to a range of 5.25% to 5.50%, following three interest rate hikes in 1H 2023. It also signalled the possibility of more interest rate hikes amid improving economic prospects⁵.

ABOUT BHG RETAIL REIT (<http://www.bhgreit.com>)

BHG Retail REIT is the first pure-play China Retail REIT sponsored by a leading China integrated retail group. The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 11 December 2015. 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.

As at 30 June 2023, the REIT's portfolio comprises six retail properties, Beijing Wanliu (60%), Chengdu Konggang, Hefei Mengchenglu, Hefei Changjiangxilu, Xining Huayuan, Dalian Jinsanjiao located in Tier 1, Tier 2 and other cities of significant economic potential in China. The portfolio gross floor area of about 311,691 sqm, has a committed occupancy of 95.8% as at 30 June 2023.

As at the latest date of valuation, total appraised value was approximately RMB 4,703 million. Under voluntary right of first refusal agreements, properties may potentially be offered to BHG Retail REIT as future pipeline assets.

ABOUT THE REIT MANAGER

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly owned subsidiary of the Sponsor, Beijing Hualian Department Store Co., Ltd. The Manager's key financial objectives are to provide Unitholders of BHG Retail REIT with an attractive rate of return on their investment through regular and stable distributions to Unitholders and to achieve long-term sustainable growth in distribution per unit and net asset value per Unit, while maintaining an appropriate capital structure for BHG Retail REIT.

ABOUT THE SPONSOR

BHG Retail REIT is the first retail REIT sponsored by an established PRC home-grown retail property operator, Beijing Hualian Department Store Co., Ltd. (the "Sponsor"). Established in May 1998, the Sponsor is a listed company on the Shenzhen Stock Exchange (stock code: 000882). The Sponsor is one of the first companies to be engaged in retail property management in China whose focus is mainly on the ownership and management of community retail properties. These properties are positioned as one-stop family-oriented destinations for the community in its locality, with shopping, dining, recreational and entertainment facilities to cater to an extensive variety of communal needs.

Footnote:

5. The Business Times (27 July 2023): US Fed lifts rates to highest since 2001 and hints at more to come.

For further information and enquiries:

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IMPORTANT NOTICE

The value of units in BHG Retail REIT (“Units”) and the income derived from them, if any, may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (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 BHG Retail REIT is not necessarily indicative of its future performance.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of BHG Retail REIT (“Unitholders”) may only deal in their Units through trading on the SGX-ST. Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

This press release may contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements and/or financial information involve a number of factors, risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, the present and future business strategies, the environment in which BHG Retail REIT will operate in the future, 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, property expenses and governmental and public policy changes, and the continued availability of financing. The actual results, performance or achievements of BHG Retail REIT or the Manager, or industry results, may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and/or financial information, as these statements and financial information reflect the Manager’s current views concerning future events and necessarily involve risks, uncertainties and assumptions. Prospective investors and Unitholders are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.