Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

REIT: BHG Retail REIT
(Manager: BHG Retail Trust Management Pte. Ltd.)

Stock code: BMGU

Meeting details:
Date: 27 April 2021
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. As shown in the financial review, the REIT's revenue for FY2020 decreased by 24% in local currency term, slipping to RMB303.1 million.

GROSS REVENUE	RMB'000 FY 2020	RMB'000 FY 2019	RMB'000 Change (%)	S$'000 FY 2020	S$'000 FY 2019	S$'000 Change (%)
Multi-Tenanted						
Beijing Wanliu	159,157	222,566	-28.5%	31,802	43,977	-27.7%
Chengdu Konggang	53,474	68,882	-22.4%	10,685	13,611	-21.5%
Hefei Changjiangxilu[3]	36,222	34,937	3.7%	7,238	6,903	4.9%
Hefei Mengchenglu	26,586	45,708	-41.8%	5,312	9,032	-41.2%
	275,439	**372,093**	**-26.0%**	**55,037**	**73,523**	**-25.1%**
Master-Leased						
Xining Huayuan	16,248	16,466	-1.3%	3,246	3,253	-0.2%
Dalian Jinsanjiao	11,398	11,548	-1.3%	2,278	2,282	-0.2%
	27,646	**28,014**	**-1.3%**	**5,524**	**5,535**	**-0.2%**
Portfolio	**303,085**	**400,107**	**-24.2%**	**60,561**	**79,058**	**-23.4%**

1 Based on FY 2020 results.
2 Based on 100% contribution from Beijing Wanliu.
3 Hefei Changjiangxilu Mall was acquired on 2 April 2019.

(Source: adapted from annual report)

The REIT offered relief arrangements such as rental rebate to qualifying tenants to help them tide over this disruption, and to reinforce the long-term partnerships.

(i) **How did the REIT manager determine which tenants qualified for rental relief? What was the total amount of rental relief given to its tenants?**

On 15 November 2020, the REIT announced that it had agreed with Beijing Hualian Hypermarket Co., Ltd. ("BHH") to terminate the existing lease agreement at Wanliu Mall and enter into a new 20-year lease agreement with a wholly-owned subsidiary of BHH, Beijing Hualian Life Supermarket Co.,Ltd. in relation to the lease of a total of about 4,180.3 sqm (a decrease from 7,231.8 square metres previously).

As at 31 December 2020, the occupancy of Wanliu decreased from 96.2% to 92.7%.

In the November announcement, it was stated that the manager expects to achieve positive rental reversion for the REIT based on the manager's estimates of the rent which could be derived from new incoming tenants of the space returned by BHH. On page 50, the manager has stated that the returned space has been rezoned for 19 new retail and F&B tenants.

(ii) **Can the manager let unitholders know the success it has had to lease out the space returned by BHH? What is the current occupancy rate of Wanliu? What was the increase in rental achieved?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Hefei Mengchenglu's relatively low occupancy rate of 81.72% (down from 95.1%) has been attributed to an ongoing tenancy rejuvenation (page 50 – Operations review).

(iii) **Can the REIT manager help unitholders understand the progress made in the tenancy rejuvenation efforts? When will it be completed?**

(iv) **What is the projected rental increase?**

Q2. In the Financial review: Capital management (page 56), the REIT disclosed that it utilises an offshore secured borrowing facility of S$240.0 million ("Facility 1"), and two existing onshore secured borrowing facilities of RMB 241.0 million and RMB 61.0 million ("Facility 2" and "Facility 3", respectively). As at 31 December 2020, Facilities 1, 2, and 3 have been fully drawn down.

The REIT has also obtained and drawn down from short term facilities of $6.1 million in FY 2020 to finance the payment of interest expenses and working capital.

(i) **Can the manager help unitholders understand the remaining banking facilities available to the REIT?**

(ii) **Can the REIT provide unitholders with greater clarity on the unsecured SGD interest-free loan of $1.1 million?**

(iii) **Are the REIT's cash flows and distributions sustainable given that it has drawn down short term facilities of $6.1 million to finance the payment of interest expenses and working capital?** In addition to the $1.1 million unsecured interest-free SGD loan, the REIT has also drawn down $5 million in SGD secured loan with borrowing rates of 3.70-4.03%.

The REIT has more than 80% of its borrowings denominated in Singapore dollars and US dollars when all of its assets are denominated in RMB and earning revenue in RMB.

(iv) **With just 20% of its borrowings denominated in RMB, how effective is the REIT's natural hedge?**

(v) **Has the manager considered the risks associated with the currency mis-match?** The group is subject to volatility in the foreign currency translation reserve. Translation difference was a positive $30.9 million in FY2020 reversing a negative $(20.1) million amount recognised in FY2019.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q3. As disclosed in the IPO prospectus and in Note 15 (pages 139 to 141 – Units in issue), the Strategic Investor has irrevocably and unconditionally waived its entitlement to distributions from the listing date to 31 December 2020. The aggregate number of units under the waiver decreased from 147.8 million (30%) to 24.6 million (5%) at the end of the waiver period.

Distribution Period	Aggregate number of Strategic Investor Units not entitled to Distributions	% of total number of units on Listing Date
Listing Date – 31 December 2016	147,817,500	30.0
1 January 2017 – 31 December 2017	135,499,375	27.5
1 January 2018 – 31 December 2018	123,181,250	25.0
1 January 2019 – 31 December 2019	73,908,750	15.0
1 January 2020 – 31 December 2020	24,636,250	5.0

(Source: annual report)

Accordingly, all the units of the strategic investor will be entitled to distributions in FY2021 onwards.

The amount of distributions waived, attributable to the strategic investor units, for the year ended 31 December 2020 and 2019 amounted to approximately $1.4 million and $3.6 million respectively.

(i) **Can the manager help unitholders understand its strategy to maintain/increase the DPU given that the distribution waiver has now expired?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US