



# POISED FOR GROWTH

## BHG RETAIL REIT

FINANCIAL RESULTS FOR 2<sup>ND</sup> QUARTER 2017  
ENDED 30 JUNE 2017

8 AUGUST 2017



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**DBS Bank Ltd. was the Financial Adviser, Issue Manager, Bookrunner and Underwriter for the initial public offering of BHG Retail REIT.**

- 1** 2Q 2017 Key Highlights
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*For ease of reference, the following abbreviations are used in this document:*  
"2Q 2016": For the 3-month period from 1 April 2016 to 30 June 2016;  
"2Q 2017": For the 3-month period from 1 April 2017 to 30 June 2017;  
"1H 2016": For the 6-month period from 1 January 2016 to 30 June 2016; and  
"1H 2017": For the 6-month period from 1 January 2017 to 30 June 2017.

# 2Q 2017 Key Highlights



Photo of Chengdu Konggang 成都空港

# 2Q 2017 Key Highlights



**+8.7%**  
Net Property  
Income  
(RMB)<sup>1</sup>

**+5.7%**  
Net Property  
Income  
(SGD)<sup>1</sup>

**1.35**  
cents  
Distribution per  
Unit ("DPU")

**7.47%**  
Annualised  
Distribution  
Yield<sup>2</sup>

**98.9%**  
Portfolio  
Occupancy<sup>3</sup>

**32.4%**  
Gearing<sup>3,4</sup>

**Healthy  
Rental Reversion**

**+6.9%**  
China GDP  
Growth in  
1H 2017<sup>5</sup>  
(y-o-y)

**+10.4%**  
China Retail  
Sales Growth  
in 1H 2017<sup>5</sup>  
(y-o-y)

**+6.5%**  
Disposable income per capita  
for urban residents in 1H 2017  
(Real growth)<sup>5</sup>  
(y-o-y)

1 The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929 and 1:4.810 for 2Q 2017 and 2Q 2016, respectively.

2 Based on closing price of S\$0.74 as at 30 June 2017 and annualised 1H 2017 Distribution per Unit.

3 As at 30 June 2017.

4 MAS leverage limit is 45% with effect from 1 January 2016.

5 Source: National Bureau of Statistics of China.

- **Net property income (SGD) and (RMB) increased 5.7%<sup>1</sup> and 8.7%<sup>1</sup> year-on-year for the quarter, respectively**
  - 2Q 2017 Distribution per Unit held steady year-on-year at 1.35 cents
  - Annualised distribution yield of 7.47%<sup>2</sup>
- **Resilient strategy with community focus**
  - High portfolio occupancy rate of 98.9%<sup>3</sup>
  - Positive rental reversion
- **Healthy gearing of 32.4%<sup>3,4</sup>**
- **Positive China Retail Outlook<sup>5</sup> (1H 2017, year-on-year)**
  - China GDP grew 6.9%, Retail Sales up 10.4%.
  - Disposable income and consumption expenditure per capita for urban residents increased 6.5% and 5.1%, respectively.

<sup>1</sup> The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929 and 1:4.810 for 2Q 2017 and 2Q 2016, respectively.

<sup>2</sup> Based on closing price of S\$0.74 as at 30 June 2017 and annualised 1H 2017 Distribution per Unit.

<sup>3</sup> As at 30 June 2017.

<sup>4</sup> MAS leverage limit is 45% with effect from 1 January 2016.

<sup>5</sup> Source: National Bureau of Statistics of China.



# Financial Highlights



# Stable & Resilient 2Q 2017 Performance



Portfolio	2Q 2017 <sup>2</sup>	2Q 2016 <sup>1,2</sup>	Change (%)
Gross revenue (RMB'000)	78,151	73,822	5.9 <sup>4</sup>
Net property income (RMB'000)	53,711	49,424	8.7 <sup>4,5</sup>
Gross revenue (SGD'000)	15,858	15,372	3.2 <sup>4,6</sup>
Net property income (SGD'000)	10,900	10,309	5.7 <sup>4,5,6</sup>
Amount available for distribution (SGD'000)	4,918	4,711	4.4
Distribution per Unit (DPU) (cents)	1.35	1.35	-
Annualised Distribution Yield (%)			
- Based on closing price <sup>3</sup>	7.32	7.37	(0.7)

1. The comparative figures were for the quarter from 1 April 2016 to 30 June 2016. These figures were extracted from BHG Retail REIT's results for the second quarter ended 30 June 2016.
2. The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.929 and 1:4.810 for 2Q 2017 and 2Q 2016, respectively.
3. Based on closing price of S\$0.74 and S\$0.735 as at 30 June 2017 and 30 June 2016, respectively.
4. Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, Value Added Tax ("VAT") replaced Business Tax in China and it is net off the revenue instead of reflecting in the property operating expenses.
5. With effect from 1 July 2016, the Beijing State Government aligned its tax policy with the national practice of charging Property Tax based on rental income. This resulted in higher property-related tax expenses for Beijing Wanliu Mall. The change in Beijing's Property Tax is in-line with current property tax for the other 4 properties in the portfolio.
6. Weaker RMB against SGD.



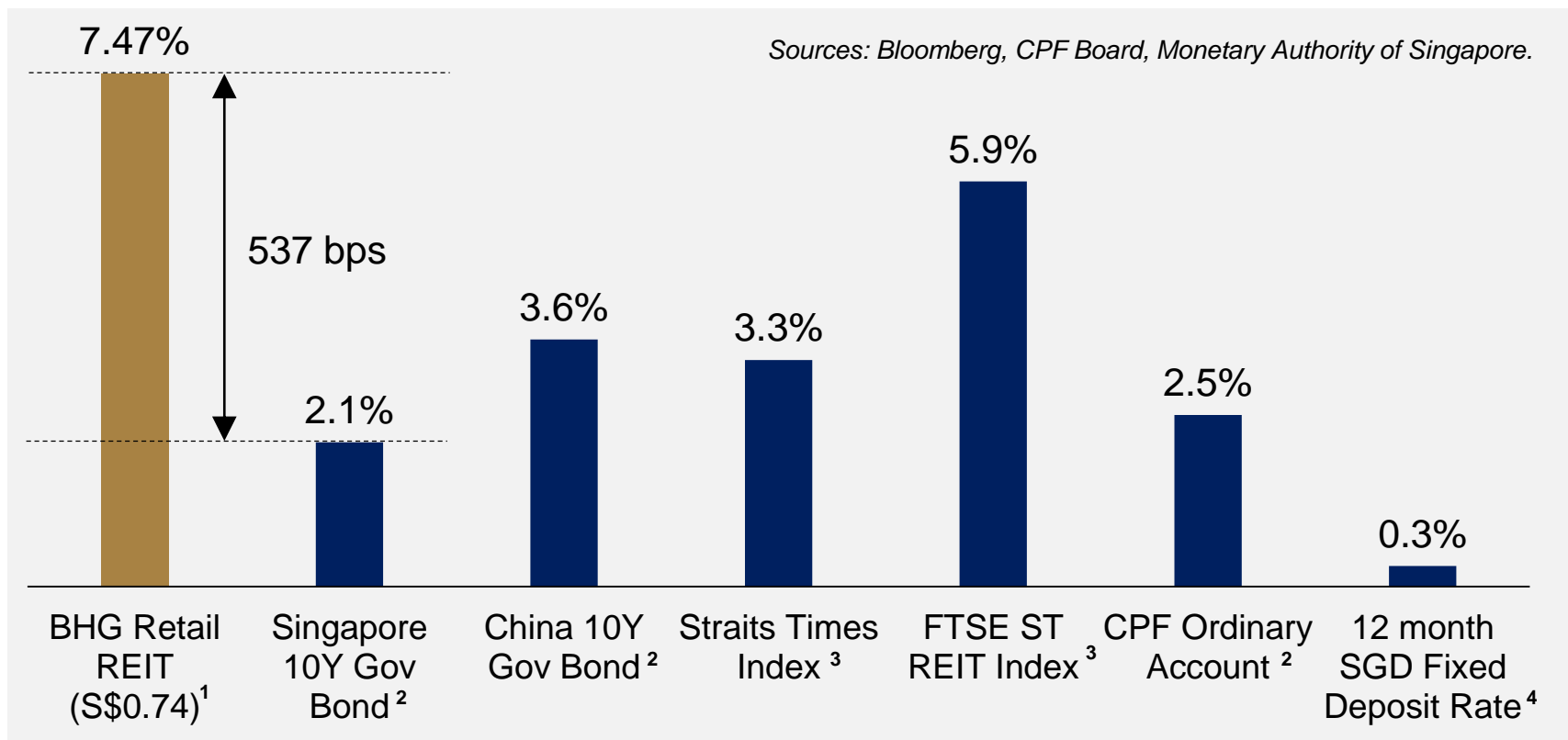
# Stable & Resilient 1H 2017 Performance



Portfolio	1H 2017 <sup>2</sup>	1H 2016 <sup>1,2</sup>	Change (%)
Gross revenue (RMB'000)	153,499	148,505	3.4 <sup>4</sup>
Net property income (RMB'000)	104,151	96,612	7.8 <sup>4,5</sup>
Gross revenue (SGD'000)	31,350	31,411	(0.2) <sup>4,6</sup>
Net property income (SGD'000)	21,271	20,448	4.0 <sup>4,5,6</sup>
Amount available for distribution (SGD'000)	9,974	9,454	5.5
Distribution per Unit (DPU) (cents)	2.74	2.72	0.7
Annualised Distribution Yield (%)			
- Based on closing price <sup>3</sup>	7.47	7.42	0.6

1. The comparative figures were for the half year from 1 January 2016 to 30 June 2016. These figures were extracted from BHG Retail REIT's results for the half year ended 30 June 2016.
2. The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.896 and 1:4.713 for 1H 2017 and 1H 2016, respectively.
3. Based on closing price of S\$0.74 and S\$0.735 as at 30 June 2017 and 30 June 2016, respectively.
4. Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, Value Added Tax ("VAT") replaced Business Tax in China and it is net off the revenue instead of reflecting in the property operating expenses.
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6. Weaker RMB against SGD.

## BHG Retail REIT trading at 537 bps risk premium above Singapore 10-year government bond yield



1. Based on closing price of S\$0.74 as at 30 June 2017 and annualised 1H 2017 Distribution per Unit.
2. As at 30 June 2017.
3. Based on the average gross dividend yield for the 12 months ended 30 June 2017.
4. Based on the average SGD fixed deposit rate for the 12 months ended 30 June 2017.

## Distribution Details

Distribution Period	1 January 2017 to 30 June 2017
Distribution Per Unit (SGD)	2.74 cents per unit

## Distribution Timetable

Ex-Date	8 September 2017
Book Closure Date	12 September 2017
Payment Date	27 September 2017

# Healthy Financial Position



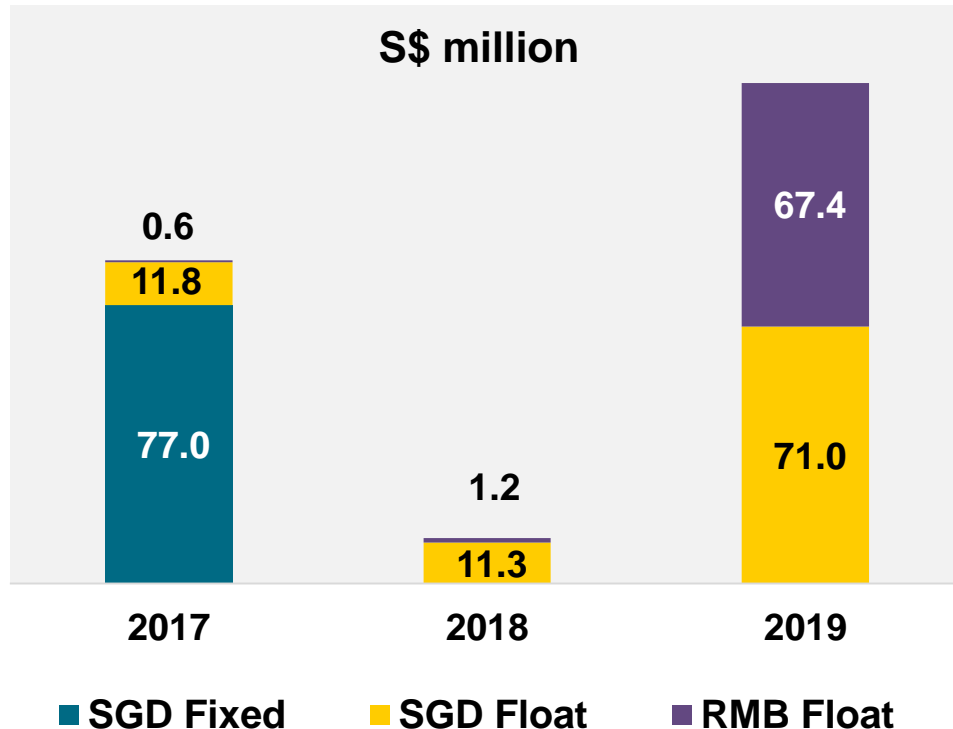
<b>As at 30 June 2017</b>	<b>S\$'000</b>
<b>Total Assets</b>	<b>872,332</b>
<b>Total Liabilities</b>	<b>296,498</b>
<b>Net Assets Attributable to Unitholders</b>	<b>413,661</b>
<b>Net Asset Value per unit</b>	<b>S\$0.83</b>
<b>Gearing<sup>1</sup></b>	<b>32.4%</b>

1. Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders.

# Debt Maturity Profile



Aggregate borrowings drawn down as at 30 June 2017: S\$ 240.3 million



Gearing Ratio

32.4<sup>1</sup>%

30 June 2017

Average Cost of Debt

3.66%

30 June 2017

Weighted Average Term To Maturity

1.5 years

30 June 2017

1. Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders.

- About 70% of debt denominated in functional currency of the REIT (SGD).
- Apart from the natural hedge from RMB denominated borrowings, about 45% of the SGD-denominated borrowing are on a fixed interest rate basis.

# Portfolio Review

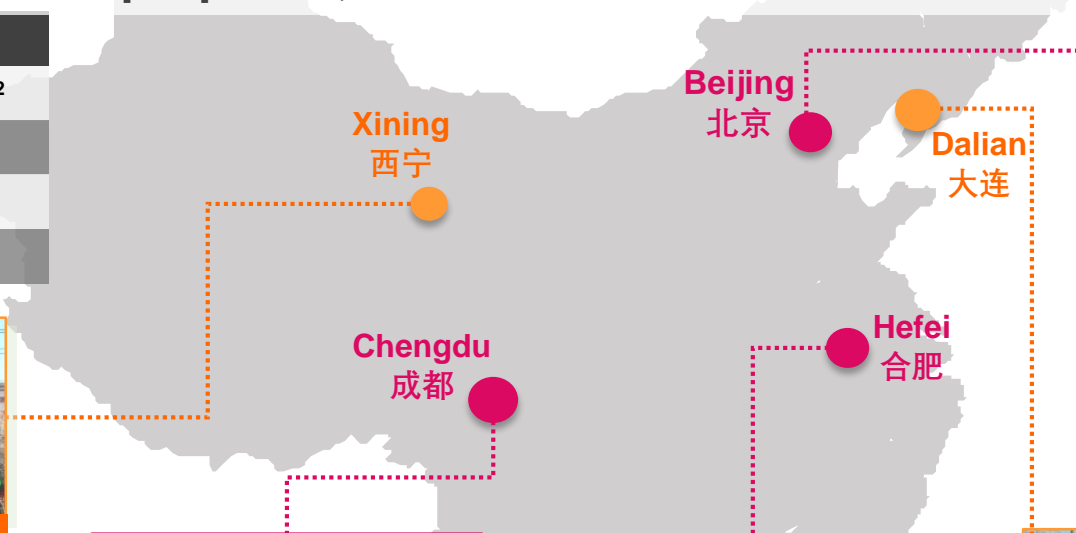


# Portfolio Summary<sup>1</sup>



**Investment Mandate: Income-producing real estate used primarily for retail purposes, with an initial focus on China**

<b>Portfolio</b>
<b>Valuation : RMB 3,890 mil<sup>2</sup></b>
<b>NLA : 155,388 sqm</b>
<b>WALE (NLA) : 8.5 years</b>
<b>Occupancy : 98.9 %</b>



<b>Beijing Mall</b>
<b>Valuation : RMB 2,235 mil<sup>2</sup></b>
<b>NLA : 54,555 sqm</b>
<b>WALE (NLA) : 3.7 years</b>
<b>Occupancy : 100.0 %</b>



<b>Xining Mall</b>
<b>Valuation : RMB 278 mil<sup>2</sup></b>
<b>NLA : 20,807 sqm</b>
<b>WALE (NLA) 17.5 years</b>
<b>Occupancy : 100.0 %</b>



<b>Chengdu Mall</b>
<b>Valuation : RMB 631 mil<sup>2</sup></b>
<b>NLA : 39,451 sqm</b>
<b>WALE (NLA) : 5.3 years</b>
<b>Occupancy : 95.8 %<sup>3</sup></b>



<b>Hefei Mall</b>
<b>Valuation : RMB 584 mil<sup>2</sup></b>
<b>NLA : 25,230 sqm</b>
<b>WALE (NLA) : 6.3 years</b>
<b>Occupancy : 100.0 %</b>



<b>Dalian Property</b>
<b>Valuation : RMB 162 mil<sup>2</sup></b>
<b>NLA : 15,345 sqm</b>
<b>WALE (NLA) : 17.5 years</b>
<b>Occupancy: 100.0 %</b>

- Multi-tenanted
- Master-leased

1 As at 30 June 2017.  
 2 Based on independent valuation from Knight Frank Petty Limited as at 31 December 2016.  
 3 As at 30 June 2017, the asset enhancement initiative at Chengdu Konggang Mall was ongoing. It has since been completed, in line with the target completion of 3Q 2017.

# Resilient Portfolio & Steady Catchment

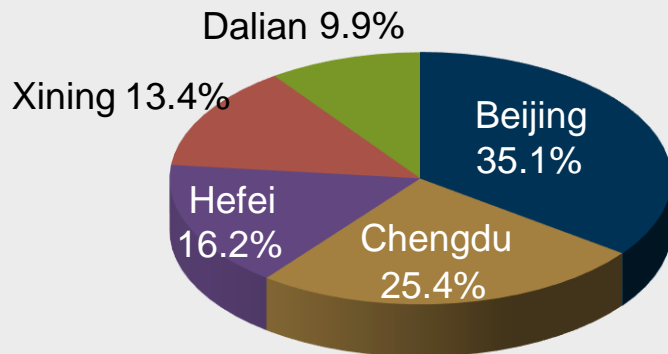


- One-stop destination malls that serve surrounding communities
- Surrounded by densely populated residential properties
- Strong focus on experiential and lifestyle segment
- Well-positioned to capitalise on the rising middle income population

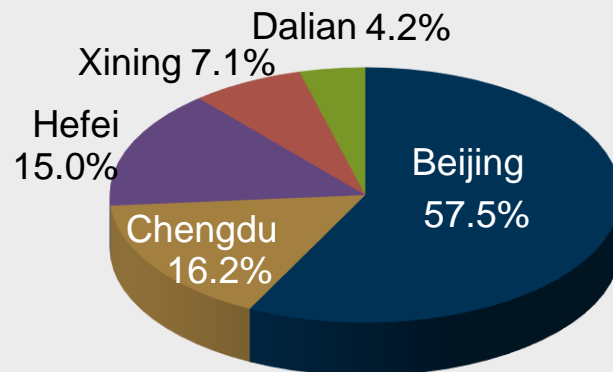




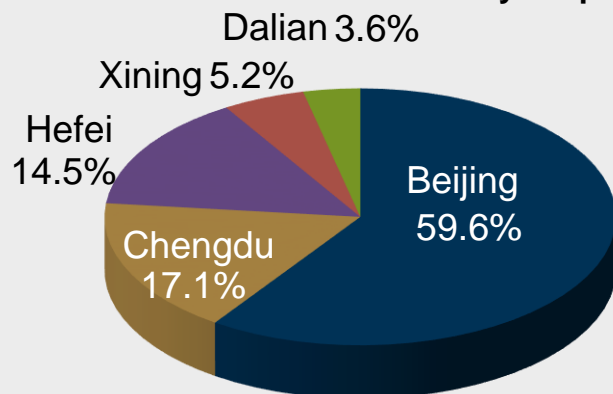
**Breakdown of NLA<sup>1</sup> by Property**



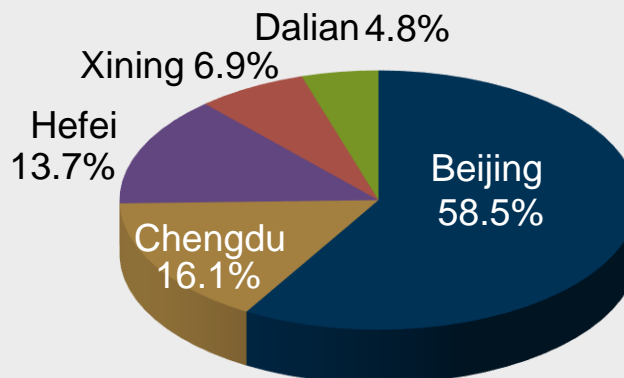
**Breakdown of Valuation<sup>2</sup> by Property**



**Breakdown of Gross Revenue<sup>3</sup> by Property**



**Breakdown of Net Property Income<sup>3</sup> by Property**



1 As at 30 June 2017

2 Based on independent valuation from Knight Frank Petty Limited as at 31 December 2016.

3 Based on 2Q 2017 results

# High Portfolio Occupancy of 98.9%



Occupancy Rate	30 June 2017
Beijing Wanliu	100.0%
Chengdu Konggang <sup>1</sup>	95.8%
Hefei Mengchenglu	100.0%
Xining Huayuan	100.0%
Dalian Jinsanjiao	100.0%
<b>Portfolio (NLA Weighted)</b>	<b>98.9%</b>



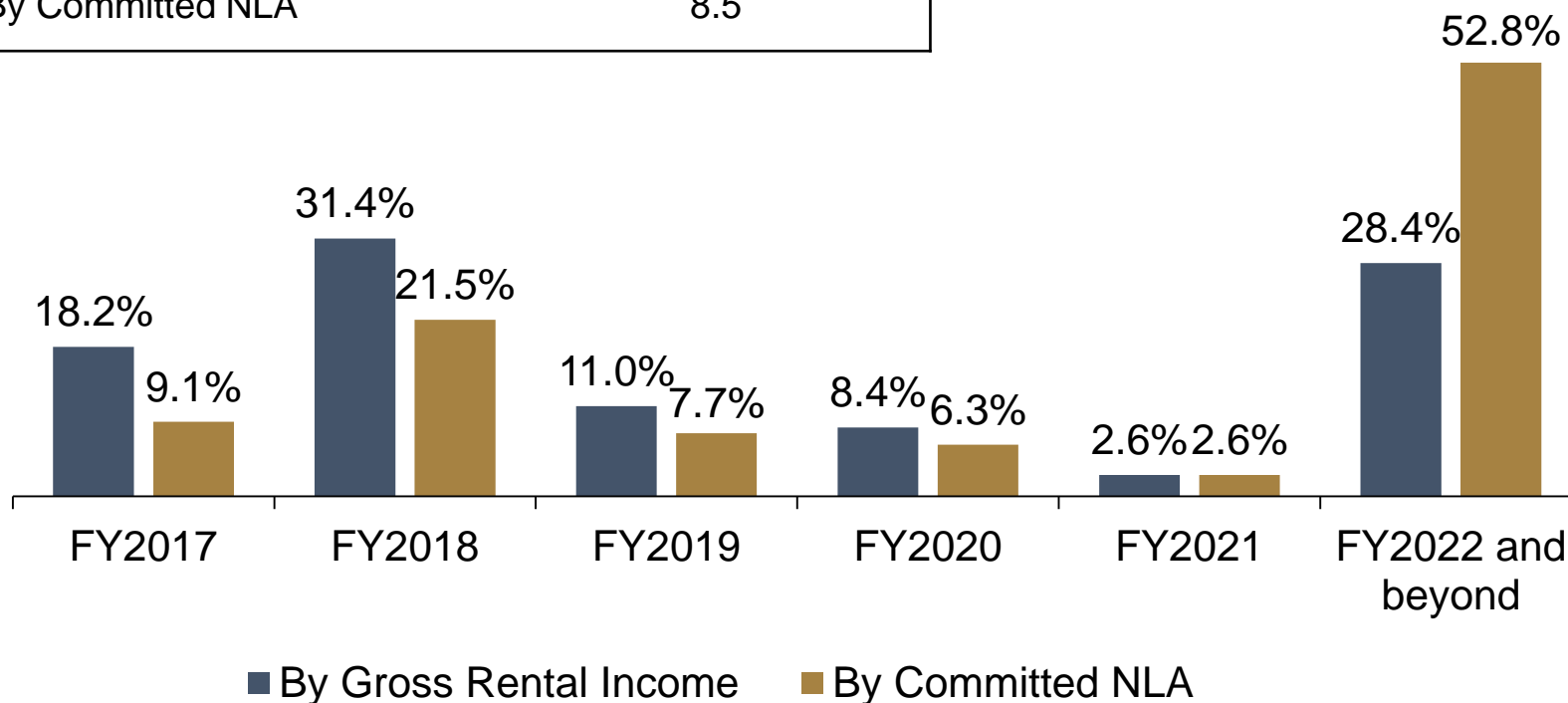
1 As at 30 June 2017, the asset enhancement initiative at Chengdu Konggang Mall was ongoing. It has since been completed, in line with the target completion of 3Q 2017.

# Well-Staggered Lease Expiry Profile

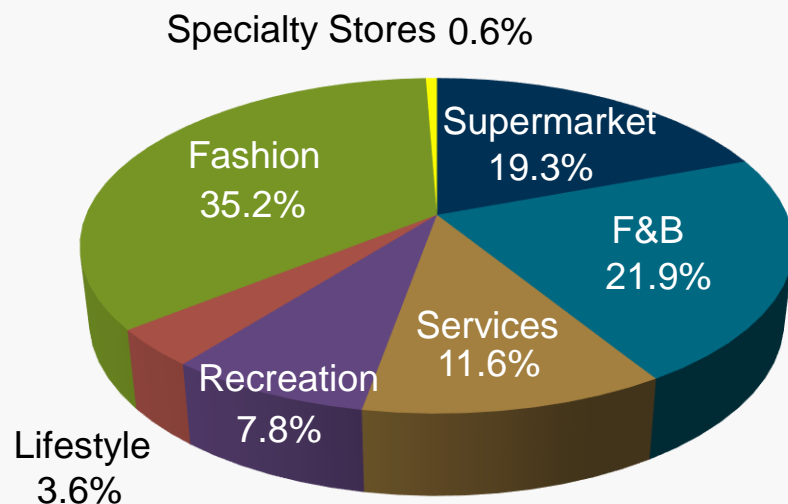


As at 30 June 2017

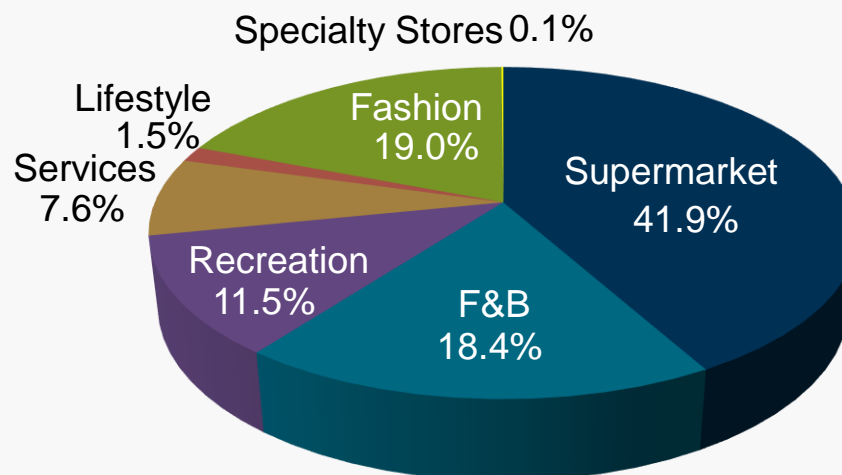
Weighted average lease expiry (WALE) (No. of years)	
By Gross Rental Income	4.8
By Committed NLA	8.5



## Breakdown of Gross Rental Income<sup>1</sup> by Trade Sector



## Breakdown of NLA<sup>2</sup> by Trade Sector



***Close to 65% of Gross Rental Income and above 80% of NLA from experiential segment (exclude fashion and specialty stores)***

- 1 As percentage of the portfolio's gross rental income for the month of June 2017.
- 2 As percentage of the portfolio's net lettable area as at 30 June 2017.

# Asset Enhancement & Tenancy Rejuvenation



## CHENGDU KONGGANG Asset enhancement completed on schedule<sup>1</sup>

- Enhanced offering of active lifestyle merchandise
- In line with rising consumer demand for sports merchandise and services.
- Strong growth in shopper traffic



1 As at 30 June 2017, the asset enhancement initiative at Chengdu Konggang Mall was ongoing. It has since been completed, in line with the target completion of 3Q 2017.

# Engaging The Community & Tenants



## Beijing Wanliu 北京万柳

### China Merchant Bank Credit Card Carnival



### Bike to Shop Event



### Children Art & Painting



# Engaging The Community & Tenants

## Chengdu Konggang 成都空港

### Children's Day Celebration



### Mini Golf On Sports Day



### Meet With Cast of 'Men with Sword' Drama



# Engaging The Community & Tenants



Hefei Mengchenglu 合肥蒙城路

Children Fun Carnival



Cooking Competition



“SING! CHINA” Audition (Season 2)





# Overview of Beijing Hualian Group

*First China Retail REIT Sponsored by a China Based Group*



# Beijing Hualian Group's Core Businesses



## Retail Malls

*37 Retail Malls owned and/or under management*

*Beijing Hualian Department Store Co., Ltd.*

- Listed on Shenzhen Stock Exchange in 1998
- Market cap of RMB 9.96b<sup>1</sup>
- Wide network of retail malls across China
- With focus on community retail malls well located in areas of high population density
- <http://www.bhgmall.com.cn/>



“Sponsor”

## Supermarkets

*More than 150 Supermarkets across entire China*  
*Beijing Hualian Hypermarket Co., Ltd.*

- Listed on Shanghai Stock Exchange in 2001
- Market cap of RMB 3.95b<sup>1</sup>
- Anchor / master-lease tenants at every property in the REIT's portfolio
- Attracts recurring footfall while providing stable income and step-up.



## Beijing SKP Luxury Department Store

*One of the Largest  
Luxury Department Stores in China*

- Operates Beijing SKP, located at Beijing's prime Central Business District
- Offers high-end retail goods and services
- One of Beijing's landmark shopping places
- <http://www.skp-beijing.com/>



北京SKP

## International Retail Partnerships

- Secure distributorships for international renowned brands
- Partnering brands are featured in the REIT's portfolio
- Joint venture with Costa Coffee for the entire Northern China





# Growth Strategy



## Organic Growth

### Proactive Asset Management

- Reinforce community positioning of our malls
- Improve rents while maintaining high occupancy rates
- Build firm partnerships with tenants, and demonstrate proactive tenant management
- Proactive marketing strategies
- Tap on Sponsor and Group retailer network and experience

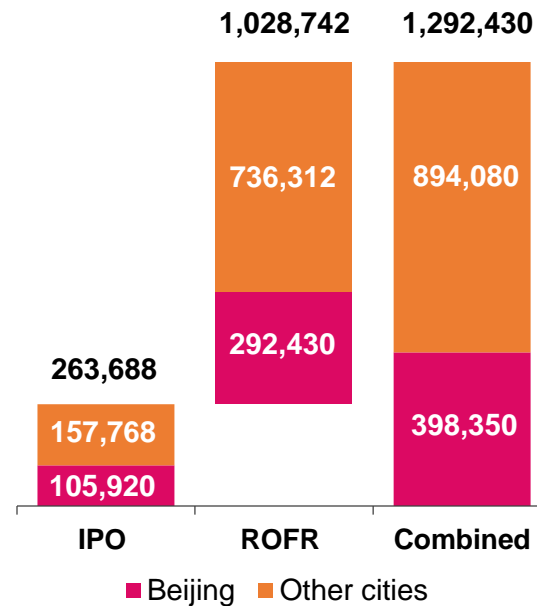
### Proactive Asset Enhancement

- Identify opportunities to improve the malls
- Achieve better efficiency or higher rental potential
- Upgrade existing facilities and reconfigure existing spaces

## Acquisition Growth

### 14 Voluntary ROFRs Properties In The Pipeline <sup>^</sup>

**14 ROFR Properties (GFA sqm)**  
(as at 30 June 2017)



### Explore Acquisition Opportunities In Other Quality Income-Producing Retail Properties

#### Key criteria:

- Yield accretive
- Location (Ease of access, connectivity, targeted catchment, concentration of competitors, etc)
- Potential for asset enhancement

<sup>^</sup> 3 out of the 14 ROFRs were granted by a private fund, managed by a fund manager 50% owned by Beijing Hualian Group Investment Holding Co., Ltd.

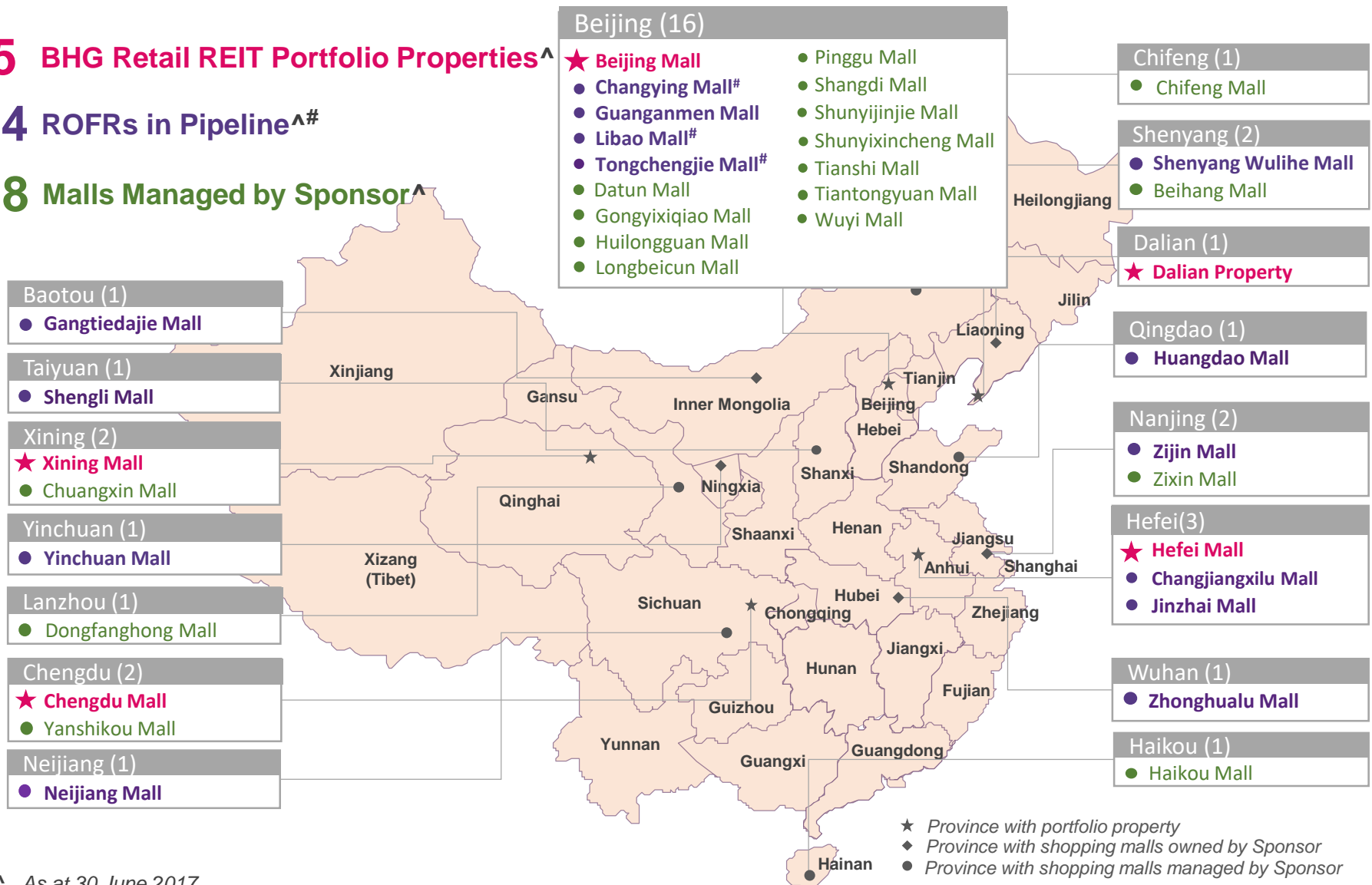
# Sponsor: Strong Retail Mall Management Experience



**5** BHG Retail REIT Portfolio Properties<sup>^</sup>

**14** ROFRs in Pipeline<sup>^#</sup>

**18** Malls Managed by Sponsor<sup>^</sup>



★ Province with portfolio property  
 ◆ Province with shopping malls owned by Sponsor  
 ● Province with shopping malls managed by Sponsor

<sup>^</sup> As at 30 June 2017

<sup>#</sup> 3 out of the 14 ROFRs (namely Tongchengjie, Libao, and Changying) were granted by a private fund, managed by a fund manager 50% owned by Beijing Hualian Group Investment Holding Co., Ltd.

Photo of Beijing Wanliu's 'Bike to Shop' Event



## Market Outlook



- ***China economy grew 6.9% year-on-year in 2Q 2017 and 1H 2017<sup>1</sup>***
- ***Retail sales in the second quarter 2017 increased 10.4% year-on-year to RMB 8.6 trillion<sup>1</sup>***
- ***Residents' income and spending continued to increase steadily<sup>1</sup>***
  - Disposable income and expenditure per capita for urban residents increased 6.5% and 5.1%, respectively in the first half of 2017.
- ***According to CBRE, the China retail outlook remains cautiously positive amid steady demand from existing and new brands<sup>2</sup>***
  - Discretionary sectors such as entertainment and leisure will continue to see growth.
  - By sector, F&B retailers continued to display robust leasing demand, and the Sports and Health sector continue to grow rapidly.

1. Source: National Bureau of Statistics of China  
2. Source: CBRE (Asia Pacific Retail Trends)

# Thank You

For further information and enquiries:

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