



BUILDING ON OUR STRENGTHS



# BHG RETAIL REIT

## FINANCIAL RESULTS FOR THE THIRD QUARTER & NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

8 NOVEMBER 2018





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

“3Q 2017”: For the 3-month period from 1 July 2017 to 30 September 2017;

“3Q 2018”: For the 3-month period from 1 July 2018 to 30 September 2018.

“9M 2017”: For the 9-month period from 1 January 2017 to 30 September 2017; and

“9M 2018”: For the 9-month period from 1 January 2018 to 30 September 2018.



# Key Highlights 3Q 2018



Photo of Hefei Mengchenglu 合肥蒙城路



# Key Highlights 3Q 2018

**+5.1%**

Gross Revenue  
3Q 2018  
(SGD)<sup>1</sup>

**+3.5%**

Net Property Income  
3Q 2018  
(SGD)<sup>1</sup>

**1.33**

Distribution Per Unit  
3Q 2018<sup>1</sup>  
(cents)

**7.8%**

Annualised Distribution Yield<sup>2</sup>

**97.5%**  
Portfolio Occupancy<sup>3</sup>

Healthy  
3Q 2018  
Rental Reversion

Hefei  
Mengchenglu  
Mall's Asset Enhancement

**32.7%**  
Gearing<sup>3,4</sup>

**+6.7%**  
China GDP Growth  
In 9M 2018<sup>5</sup>  
(y-o-y)

**+9.3%**  
China Retail Sales Growth  
in 9M 2018<sup>5</sup>  
(y-o-y)

**+7.9%**  
Disposable income

**+6.5%**  
Consumption Expenditure

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per capita for urban residents  
in 9M 2018<sup>5</sup> (y-o-y)

1 The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.973 for 3Q 2018.

2 Based on closing price of S\$0.70 as at 30 September 2018, and 9M 2018 Distribution per Unit.

3 As at 30 September 2018.

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

5 Source: National Bureau of Statistics of China.



# Key Highlights 3Q 2018

- **Financial Results Driven By Strong Foundations**
  - Gross revenue (SGD) up **+5.1%<sup>1</sup>** year-on-year (y-o-y)
  - Net property income (SGD) up **+3.5%<sup>1</sup>** y-o-y
- **Attractive Annualised Distribution Yield of 7.8%<sup>2</sup>**
  - 3Q 2018 Distribution per Unit (“DPU”) of 1.33<sup>1</sup> cents
- **Track Record of Healthy Operational Performance**
  - High portfolio occupancy rate of **97.5%<sup>3</sup>**, and healthy rental reversion
  - Hefei Mengchenglu Supermarket Resizing & Asset Enhancement
- **Low Gearing of 32.7%<sup>3,4</sup>**
- **Positive China Retail Outlook<sup>5</sup>**
  - 9M 2018 China GDP & retail sales up 6.7% and 9.3% y-o-y, respectively
  - Disposable income and consumption expenditure per capita for urban residents increased 7.9% and 6.5%, respectively in 9M 2018.

1 The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.973 for 3Q 2018.

2 Based on closing price of S\$0.70 as at 30 September 2018, and 9M 2018 Distribution per Unit.

3 As at 30 September 2018.

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

5 Source: National Bureau of Statistics of China.



# Financial Highlights





# 3Q 2018 Financial Performance

Portfolio	3Q 2018 <sup>1</sup>	3Q 2017 <sup>1</sup>	% Change
<b>RMB'000</b>			
Gross revenue	86,022	80,656	6.7
Net property income	54,279	51,622	5.1
<b>SGD'000</b>			
Gross revenue	17,304	16,462	5.1
Net property income	10,902	10,536	3.5
Amount available for distribution	5,109	5,148	(0.8)
Distribution per Unit (DPU) (cents)	1.33	1.41	(5.7)

1. The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.973 and 1:4.900 for 3Q 2018 and 3Q 2017, respectively.





# 9M 2018 Financial Performance

Portfolio	9M 2018 <sup>1</sup>	9M 2017 <sup>1</sup>	% Change
<b>RMB'000</b>			
Gross revenue	254,777	234,155	8.8
Net property income	167,604	155,773	7.6
<b>SGD'000</b>			
Gross revenue	52,471	47,812	9.7
Net property income	34,518	31,807	8.5
Amount available for distribution	15,513	15,122	2.6
Distribution per Unit (DPU) (cents)	4.07	4.15	(1.9)

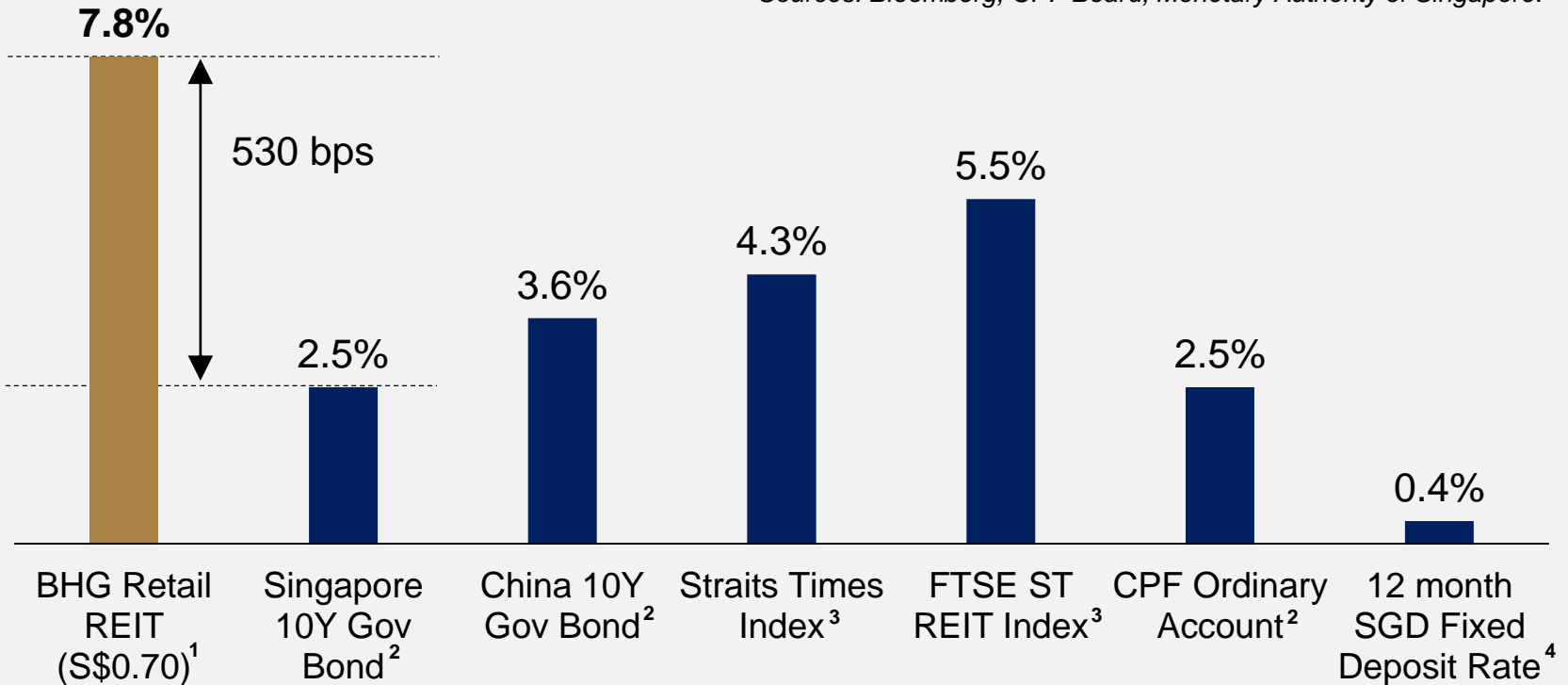
1. The results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.856 and 1:4.897 for 9M 2018 and 9M 2017, respectively.



# Attractive Yield of 7.8%

**BHG Retail REIT trading at 530 bps risk premium above Singapore 10-year government bond yield**

Sources: Bloomberg, CPF Board, Monetary Authority of Singapore.



1. Based on closing price of S\$0.70 as at 30 September 2018, and 9M 2018 Distribution per Unit.
2. As at 30 September 2018.
3. Based on the average gross dividend yield for the 12 months ended 30 September 2018.
4. Based on the average SGD fixed deposit rate for the 12 months ended 30 September 2018.



# Capital Management

Low Gearing  
Ratio

**32.7<sup>1</sup>%**

30 Sep 2018

Average  
Cost of Debt

**4.2%**

30 Sep 2018

- Aggregate borrowings drawn down as at 30 September 2018 was S\$ 232.5 million.
- Low gearing of 32.7%<sup>1</sup> allows a comfortable debt headroom for potential acquisition growth.
- About 70% of debt denominated in functional currency of the REIT (SGD).

1. Based on total loans and borrowings principal attributable to Unitholders divided by total assets attributable to Unitholders. MAS leverage limit is 45% with effect from 1 January 2016.

# Portfolio Review



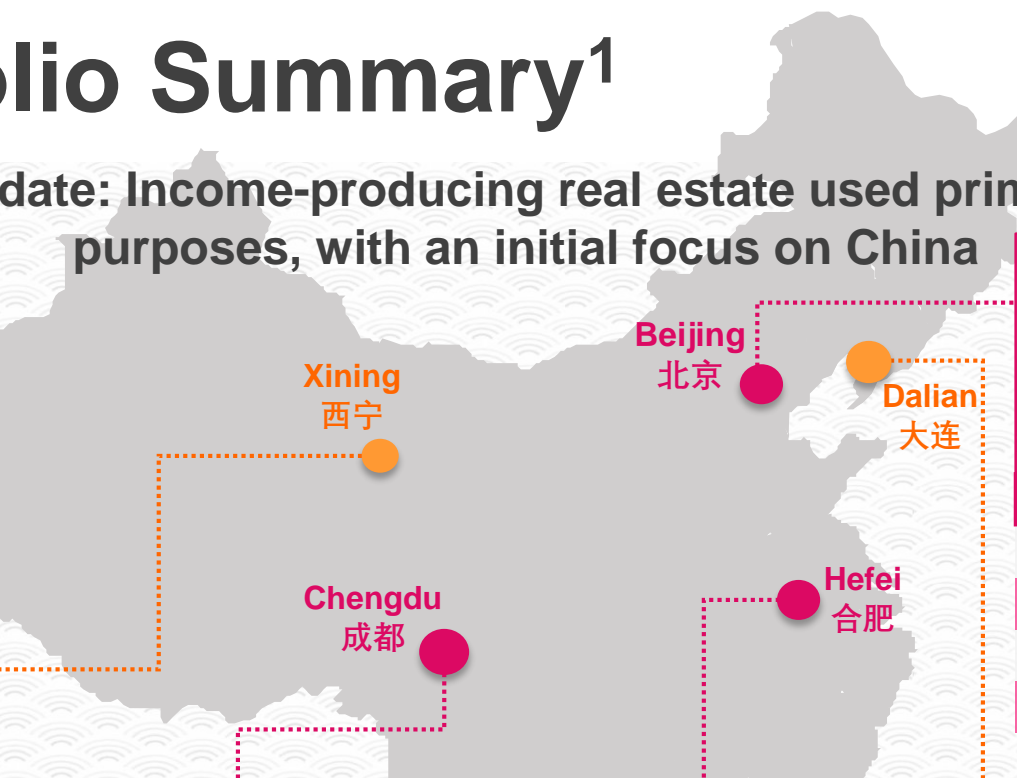
Photo of Chengdu Konggang 成都空港



# 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 3,946 mil<sup>2</sup></b>
<b>NLA : 155,922 sqm</b>
<b>WALE (NLA) : 7.4 years</b>
<b>Occupancy : 97.5 %</b>



<b>Beijing Mall</b>
<b>Valuation : RMB 2,287 mil<sup>2</sup></b>
<b>NLA : 55,200 sqm</b>
<b>WALE (NLA) : 3.1 years</b>
<b>Occupancy : 100.0 %</b>



<b>Xining Mall</b>
<b>Valuation : RMB 280 mil<sup>2</sup></b>
<b>NLA : 20,807 sqm</b>
<b>WALE (NLA) 16.3 years</b>
<b>Occupancy : 100.0 %</b>



<b>Chengdu Mall</b>
<b>Valuation : RMB 633 mil<sup>2</sup></b>
<b>NLA : 39,197 sqm</b>
<b>WALE (NLA) : 4.3 years</b>
<b>Occupancy : 96.5 %</b>



<b>Hefei Mall</b>
<b>Valuation : RMB 584 mil<sup>2</sup></b>
<b>NLA : 25,373 sqm</b>
<b>WALE (NLA) : 4.7 years</b>
<b>Occupancy : 90.3 %</b>



<b>Dalian Property</b>
<b>Valuation : RMB 162 mil<sup>2</sup></b>
<b>NLA : 15,345 sqm</b>
<b>WALE (NLA) : 16.3 years</b>
<b>Occupancy: 100.0 %</b>

- Multi-tenanted
- Master-leased

1 As at 30 September 2018.  
 2 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2017.

# Resilient Portfolio & Stable Catchment

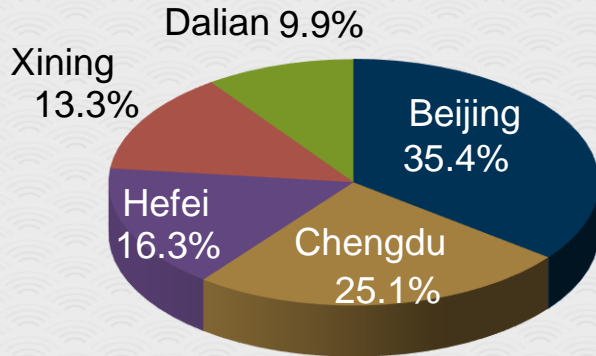
- One-stop destination malls that serve adjacent communities
- Surrounded by densely populated residential properties
- Strong focus on experiential and lifestyle segment
- Underpinned by rising resident income and domestic consumption



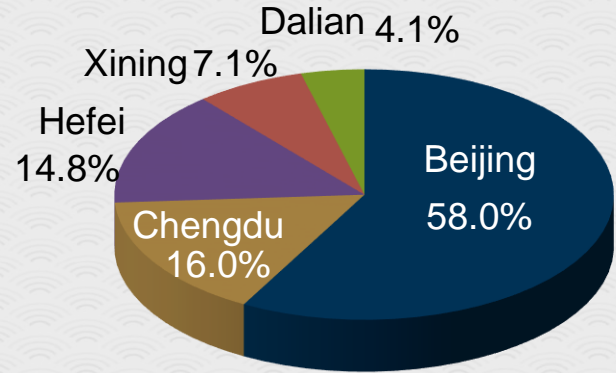


# Portfolio Summary

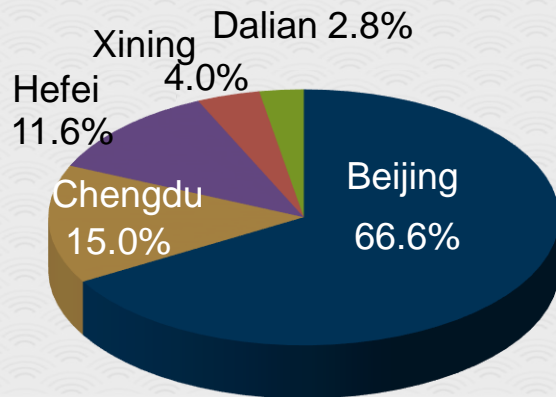
### Breakdown of NLA<sup>1</sup> by Property



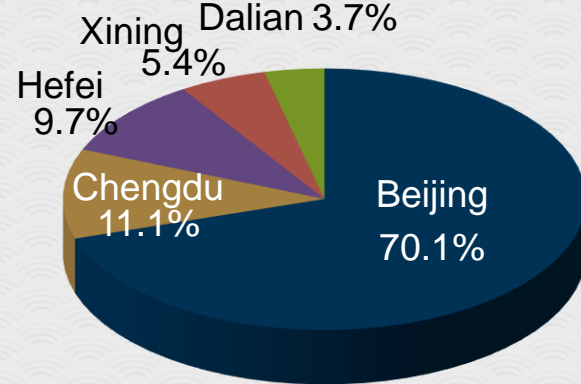
### Breakdown of Valuation<sup>2</sup> by Property



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



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



1 As at 30 September 2018

2 Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2017.

3 Based on 3Q 2018 results



# High Occupancy Rate

Occupancy Rate	30 Sep 2018
Beijing Wanliu	100.0%
Chengdu Konggang	96.5%
Hefei Mengchenglu	90.3%
Xining Huayuan	100.0%
Dalian Jinsanjiao	100.0%
<b>Portfolio (NLA Weighted)</b>	<b>97.5%</b>







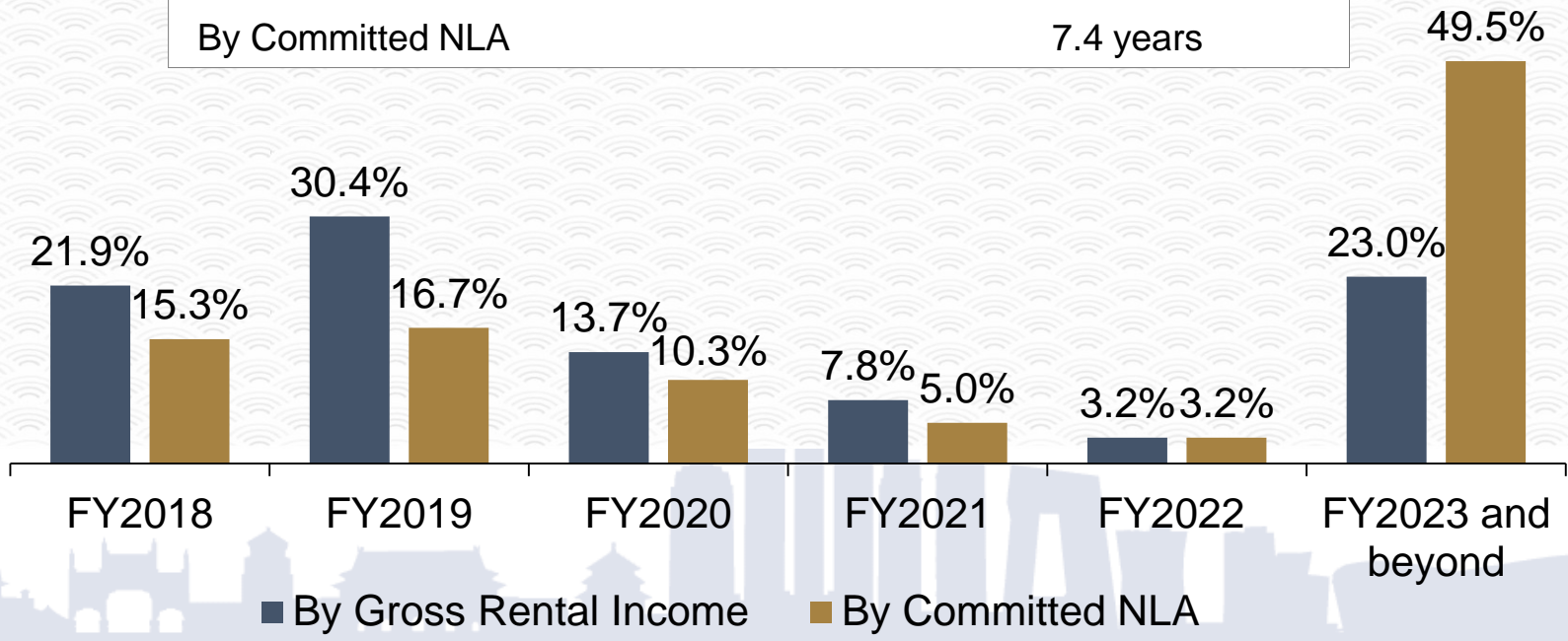
# Optimal Leasing Strategy

**Healthy  
Retention  
Rate**

**Healthy  
Rental  
Reversion**

**Weighted  
average lease  
expiry (years)**  
**4.0**  
By GRI

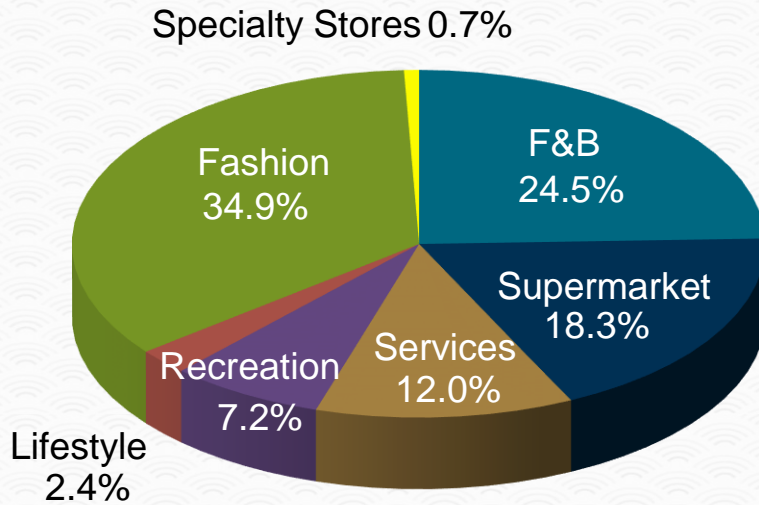
Weighted average lease expiry (WALE) as at 30 September 2018	
By Gross Rental Income	4.0 years
By Committed NLA	7.4 years



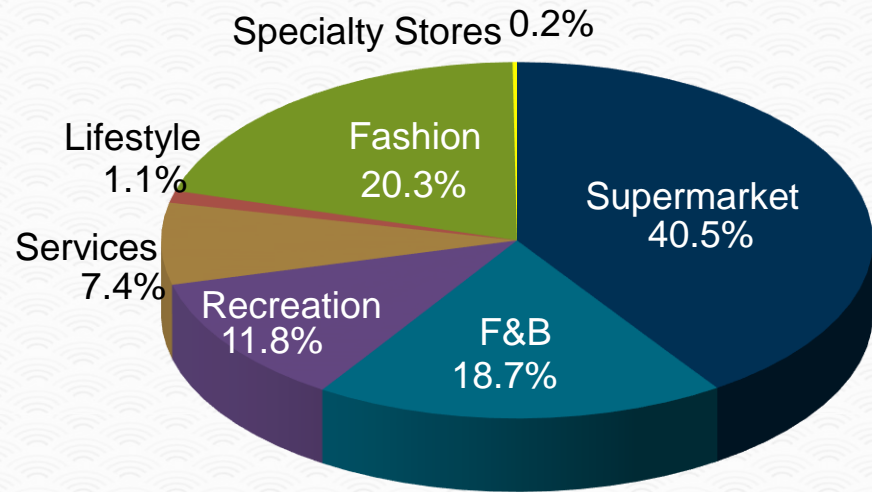


# Well Diversified Portfolio Tenant Mix

### 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 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 September 2018.

2 As percentage of the portfolio's net lettable area as at 30 September 2018.



# Continual Asset Enhancement

## Hefei Mengchenglu Mall: Supermarket Resizing & Asset Enhancement

- **Supermarket Resizing Exercise**
  - Unlock underlying potential of newly released space
  - Rejuvenate the cluster
  - Widen the range of offerings for its customers
  - Retain supermarket's competitive mass to serve its surrounding community residents.
  
- **Holistic Asset Enhancement**
  - Installation of additional set of escalators
  - Significantly enhance natural traffic circulation
  - Improve accessibility to tenants at basement two
  
- **Integrated Enhancement Slated To Complete Around Mid-2019**
  - Elevate long-term attractiveness of the anchor tenant and new cluster
  - Further reinforce Hefei Mengchenglu's position as the mall of choice for the Luyang district community.



Photo of Beijing Wanliu 北京万柳



# Engaging The Community & Tenants

# Engaging The Community & Tenants

Beijing Wanliu 北京万柳

### Cover Girl Contest



### Family Bonding Activity



### Food Festival



### BHG Mall Community Activity



# Engaging The Community & Tenants

Chengdu Konggang 成都空港

## Spinning Demonstration Class



## Children Games Activity



## Dance Competition





# Engaging The Community & Tenants

Hefei Mengchenglu 合肥蒙城路

Children Story Telling Session



Youth Street Dance Contest



Community Food Festival



# Overview of Beijing Hualian Group

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







# Beijing Hualian Group's Core Businesses

## Retail Malls

*More than 30 Retail Malls owned and/or under management*  
*Beijing Hualian Department Store Co., Ltd.*

- Listed on Shenzhen Stock Exchange in 1998
- Market cap of RMB 6.05b<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 China*  
*Beijing Hualian Hypermarket Co., Ltd.*

- Listed on Shanghai Stock Exchange in 2001
- Market cap of RMB 2.19b<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.



**SKP Luxury Department Stores**  
**Operates SKP Beijing & Xi'An**  
*Offers high-end retail goods and services*

- Amongst the Largest Luxury Department Stores in China
- SKP Beijing: Located at Beijing's prime Central Business District, as one of Beijing's landmark shopping places  
<http://www.skp-beijing.com/>
- SKP Xi' An: Opened in May 2018



## 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





# Looking Forward



Photo of Chengdu Konggang 成都空港



# Looking Forward

## 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

### Explore Acquisition Opportunities In Both Right of First Refusal (“ROFR”) and Third Party Quality Income-Producing Retail Properties

#### Key criteria

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



# Market Outlook

- ***China economy grew 6.7% year-on-year (y-o-y) in 9M 2018<sup>1</sup>.***
- ***Retail sales rose 9.3% y-o-y to RMB 27.4 trillion in 9M 2018<sup>1</sup>.***
- ***Residents' income and spending continue to rise steadily.***
  - Disposable income and consumption expenditure per capita of urban residents increased 7.9% and 6.5% y-o-y respectively in 9M 2018<sup>1</sup>.
- ***According to CBRE<sup>2</sup>, international fashion brands, domestic middle range apparel brands, and cafes and restaurants continued to aggressively expand.***
  - Demand for bricks-and-mortar retail space continues to recover, backed by a range of drivers including growing investment from venture capital, the expansion of domestic apparel brands and strong demand from retailers for experience-based stores.

1. Source: National Bureau of Statistics of China

2. Source: CBRE Marketview

**BHG**

MALL REIT

# Thank you

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