



CREATING VALUE. PURSUING GROWTH.



# BHG RETAIL REIT

## FINANCIAL RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2019

10 MAY 2019





# Contents

- 1 Key Highlights 1Q 2019**
- 2 Financial Highlights**
- 3 Portfolio Review**
- 4 Beijing Hualian Group**
- 5 Looking Forward**

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

“1Q 2018”: For the 3-month period from 1 January 2018 to 31 March 2018;

“1Q 2019”: For the 3-month period from 1 January 2019 to 31 March 2019.





# Key Highlights 1Q 2019

Photo of Hefei Mengchenglu 合肥蒙城路





# Key Highlights 1Q 2019

<b>+5.9%</b> Gross Revenue (RMB) 1Q 2019 (y-o-y)	<b>+5.0%</b> Net Property Income (RMB) 1Q 2019 (y-o-y)	<b>1.10</b> Distribution Per Unit 1Q 2019 (cents)	<b>6.5%</b> Annualised 1Q 2019 Distribution Yield <sup>1</sup>
<b>98.5%</b> Portfolio Occupancy <sup>2</sup>	<b>Healthy</b> 1Q 2019 Rental Reversion	<b>Ongoing Asset Enhancements Initiatives At Multiple Malls</b>	<b>32.5%</b> Gearing <sup>2,3</sup>
<b>+6.4%</b> China GDP Growth in 1Q 2019 <sup>4</sup> (y-o-y)	<b>+8.3%</b> China Retail Sales Growth in 1Q 2019 <sup>4</sup> (y-o-y)	<b>+7.9%</b> Disposable income	<b>+6.1%</b> Consumption Expenditure
<hr/> per capita for urban residents in 1Q 2019 <sup>4</sup> (y-o-y)			

1 Based on closing price of S\$0.685 as at 31 March 2019, and 1Q 2019 Distribution per Unit.

2 As at 31 March 2019.

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

4 Source: National Bureau of Statistics of China.



# Financial Highlights





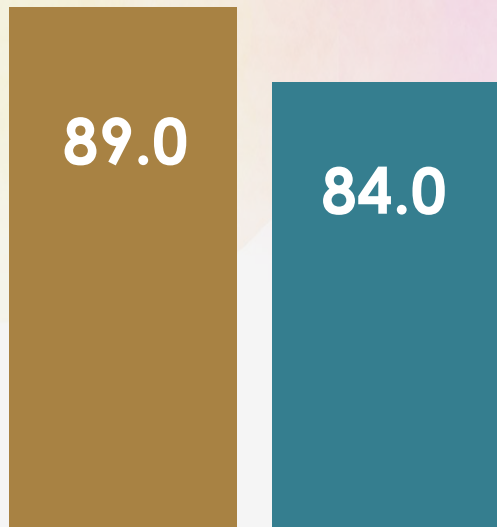


# Financial Performance

■ 1Q 2019 ■ 1Q 2018

## Gross Revenue

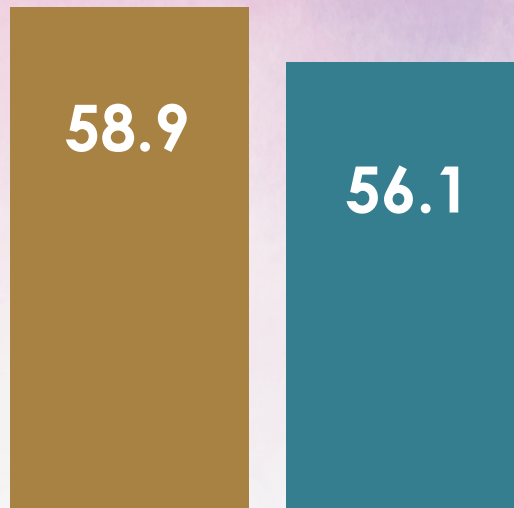
▲ **5.9%**  
Year-on-year



RMB million

## Net Property Income

▲ **5.0%**  
Year-on-year



RMB million

Distribution per Unit  
1Q 2019

**1.10**

Singapore cents

Annualised Distribution Yield<sup>1</sup>  
1Q 2019

**6.5%**

1. Based on closing price of S\$0.685 as at 31 March 2019, and 1Q 2019 Distribution per Unit.



# Capital Management

Completed refinancing exercise during the quarter

Aggregated borrowings drawn down<sup>1</sup>

**S\$ 245.7 mil**

31 Mar 2019

Low Gearing Ratio<sup>1</sup>

**32.5 %**

31 Mar 2019

Average Cost of Debt

**4.2%**

31 Mar 2019

As at 31 March 2019

- About 75% of borrowings are denominated in Singapore dollars and US dollars (“Offshore”).
- Over 40% of offshore loans hedged via interest rate swaps.

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

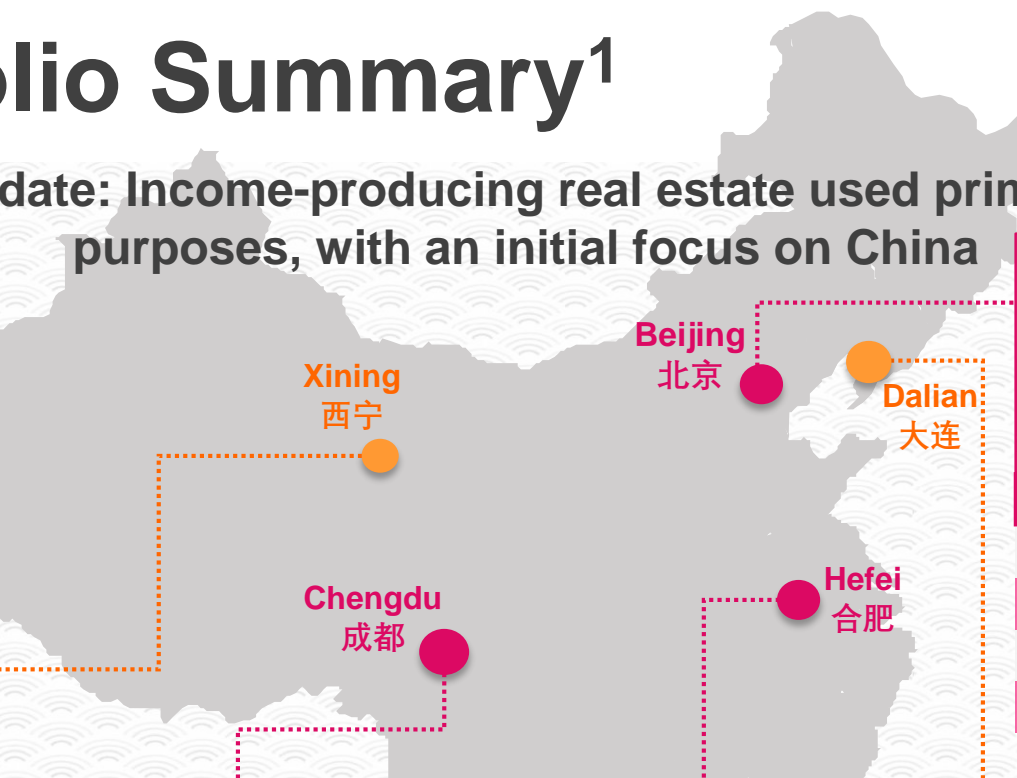




# Portfolio Summary<sup>1</sup>

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

<b>Portfolio</b>
<b>Valuation : RMB 4,081.1 mil<sup>2</sup></b>
<b>NLA : 153,291 sqm</b>
<b>WALE (NLA) : 7.4 years</b>
<b>Occupancy : 98.5 %</b>



**Xining Mall**

Valuation : RMB 280 mil<sup>2</sup>

NLA : 20,807 sqm

WALE (NLA) 15.8 years

Occupancy : 100.0 %

Multi-tenanted

Master-leased



**Chengdu Mall**

Valuation : RMB 640.1 mil<sup>2</sup>

NLA : 39,064 sqm

WALE (NLA) : 4.4 years

Occupancy : 97.2 %



**Hefei Mall**

Valuation : RMB 605 mil<sup>2</sup>

NLA : 23,045 sqm

WALE (NLA) : 4.7 years

Occupancy : 97.0 %



**Beijing Mall**

Valuation : RMB 2,394 mil<sup>2</sup>

NLA : 55,030 sqm

WALE (NLA) : 3.3 years

Occupancy : 99.1 %



**Dalian Property**

Valuation : RMB 162 mil<sup>2</sup>

NLA : 15,345 sqm

WALE (NLA) : 15.8 years

Occupancy: 100.0 %

<sup>1</sup> As at 31 March 2019.

<sup>2</sup> Based on independent valuation from Cushman & Wakefield Limited as at 31 December 2018.



# Resilient Portfolio & Steady Catchment

One-stop destination malls that serve surrounding communities

Surrounded by densely populated residential homes

Strong focus on experiential and lifestyle segment

Underpinned by rising resident income and domestic consumption







# High Occupancy Rate

Occupancy Rate	31 Mar 2019
Beijing Wanliu	99.1%
Chengdu Konggang	97.2%
Hefei Mengchenglu	97.0%^
Xining Huayuan	100.0%
Dalian Jinsanjiao	100.0%
<b>Portfolio (NLA Weighted)</b>	<b>98.5%</b>



^ Total area used to compute occupancy rate in Hefei Mengchenglu excludes area under ongoing asset enhancement initiative. Works expected to complete around mid-2019.



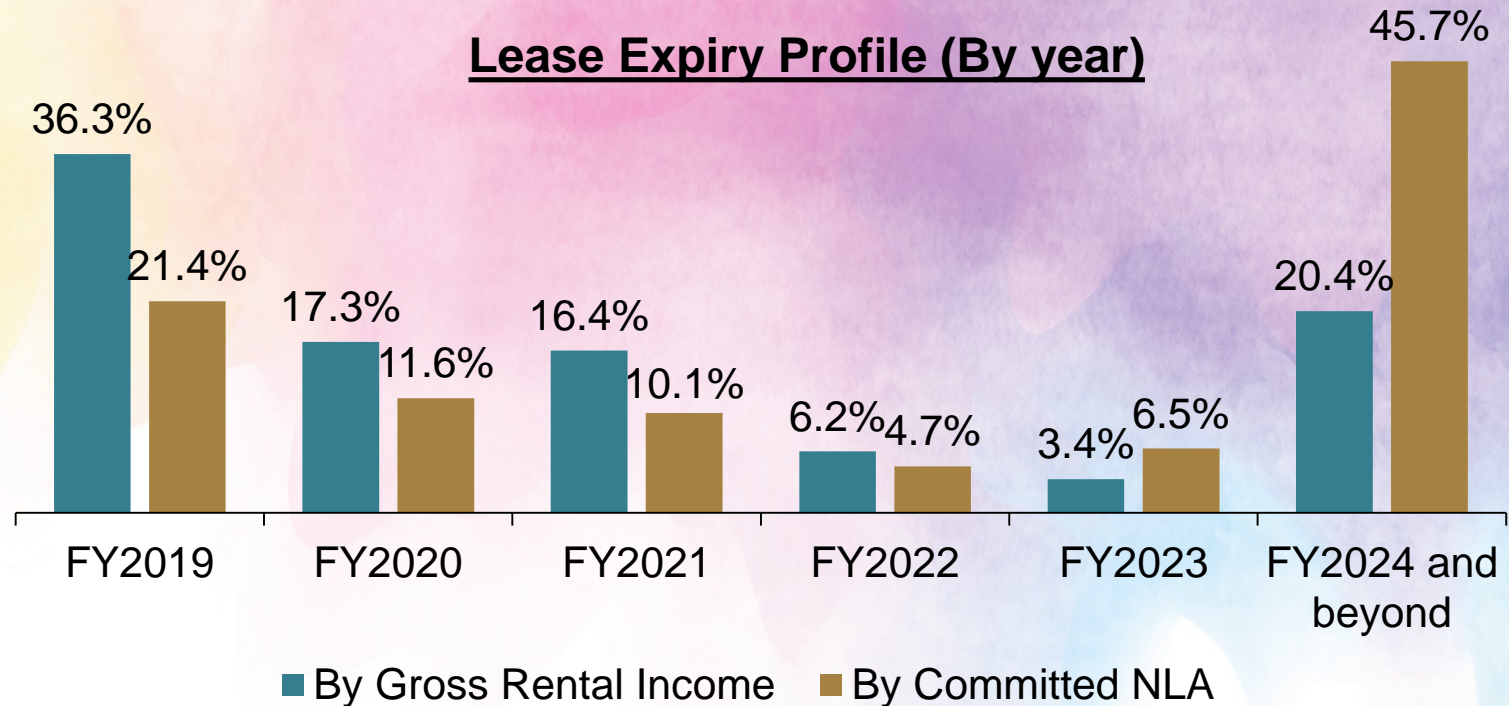
# Optimal Leasing Strategy

**Healthy  
Rental  
Reversion**

**Weighted average lease expiry (WALE)  
as at 31 March 2019**

By Gross Rental Income	3.8 years
By Committed NLA	7.4 years

## Lease Expiry Profile (By year)



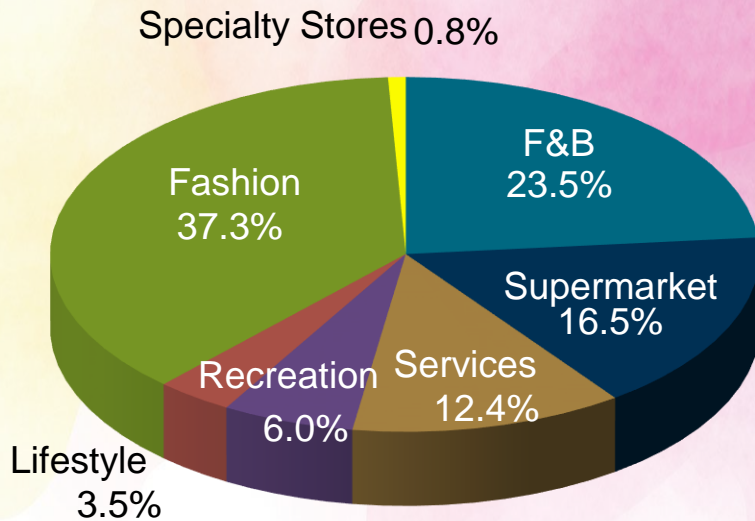




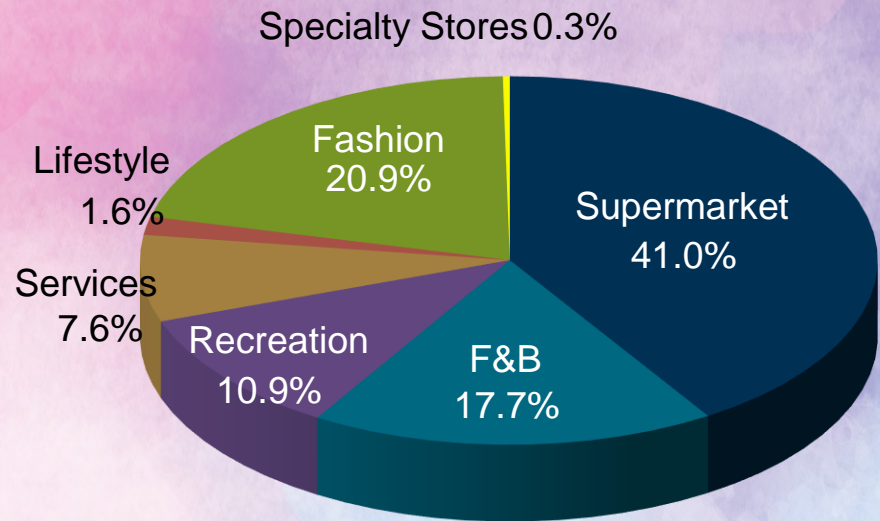
# Well Diversified Portfolio Tenant Mix

*Over 60% of Gross Rental Income and Close to 80% of NLA from experiential segment (exclude fashion and specialty stores)*

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



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



1 As percentage of the portfolio's gross rental income for the month of March 2019.

2 As percentage of the portfolio's net lettable area as at 31 March 2019.

# Beijing Wanliu Asset Management & Enhancement: Proactive Anchor Resizing

## Hai Di Lao 海底捞 Resizing

### Background

- Hai Di Lao tenancy included area on level 4 & 5.
- Management proactively approached and convinced the popular tenant to release some area (level 4).

### Unlock Underlying Potential of Area

- Usher in more tenants, widen the range of mall's offerings.
- Increases original area's average per square metre rent.
- While maintaining the popularity of existing anchor tenant.







# Chengdu Konggang Asset Enhancement: Exterior Upgrade

Before Exterior Upgrade



Completed Exterior Upgrade







# Hefei Mengchenglu Mall: Supermarket Resizing & Asset Enhancement

## Hefei Mengchenglu Mall Supermarket Resizing & Asset Enhancement On Track For Completion Around Mid-2019

- **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 and Integrated Asset Enhancement**
  - Installation of additional set of escalators
  - Significantly enhance natural traffic circulation
  - Improve accessibility to tenants at basement two
  - 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.

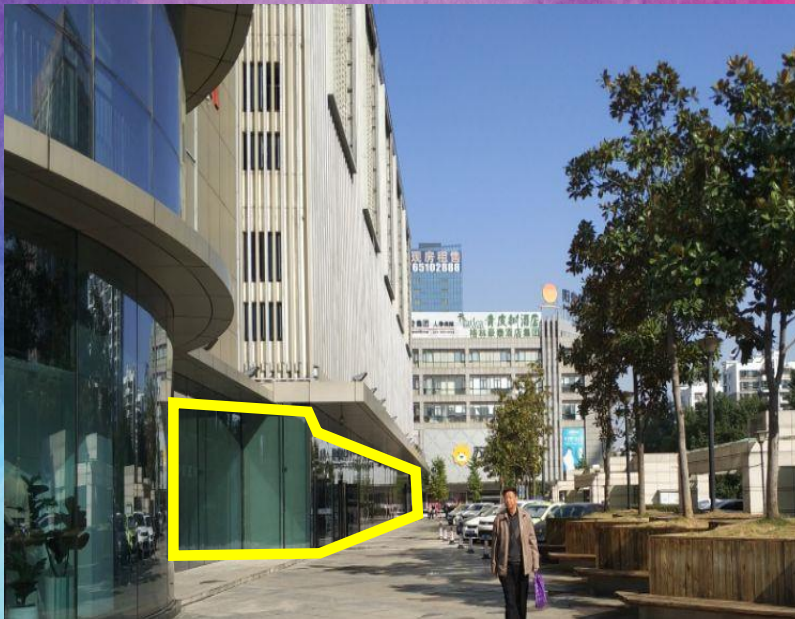


# Hefei Mengchenglu: Asset Enhancement Initiative

## Create Exterior Facing Entrances For Some Level One Shops

- Increases Visibility of Brands From Exterior
- Enhances Overall Vibrancy of the Mall From Exterior

*Before*



*After*







# Engaging The Community



To Create Memorable Experiences  
To Provide Third Space  
To Maintain the Relevancy of Our Malls' Offerings  
To Be the Community's Best Neighbour “社区的好邻居”





# Engaging The Community & Tenants

## Beijing Wanliu 北京万柳

### New Year Performance



### Food Carnival



### Earth Hour Celebration







# Engaging The Community & Tenants

Chengdu Konggang 成都空港

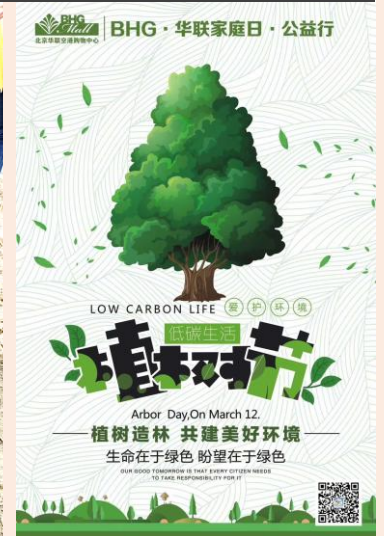
## Consumer Rights Protection Day



## Children Pastry Making Class



## Arbor Day: Plant A Tree







# Engaging The Community & Tenants

Hefei Mengchenglu 合肥蒙城路

### Children Violin Performance



### Festive Couplet Writing



### Story-Telling Session







# Overview of Beijing Hualian Group

## 北京华联集团介绍

Singapore's First Pure-Play 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 7.88b<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 3.04b<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







# 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



# Outlook<sup>1</sup>

**+6.4%**

China GDP  
Growth in 1Q 2019  
(y-o-y)

**+8.3%**

China Retail Sales  
Growth in 1Q 2019  
(y-o-y)

Urban residents  
increase from  
58.5% in 2017 to  
59.6% in 2018

**+7.9%**

Disposable income  
per capita for  
urban residents in  
1Q 2019 (y-o-y)

**+6.1%**

Expenditure per  
capita for urban  
residents in  
1Q 2019 (y-o-y)

1. Source: National Bureau of Statistics of China



**BHG**

MALL REIT

# Thank you

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