



# BHG RETAIL REIT

Financial Results for 2Q 2016  
from 1 April to 30 June 2016

12 August 2016

# Important Notice

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The past performance of BHG Retail REIT is not necessarily indicative of its future performance. This presentation shall be read in conjunction with BHG Retail REIT's financial results for the quarter ended 30 June 2016 in the SGXNET announcement.

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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.**



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# Key Highlights



Chengdu Konggang 成都空港



# 2Q 2016 Key Highlights



**7.37%**  
Annualised  
Distribution  
Yield<sup>1</sup>

**+4.9%**  
Amount  
available for  
distribution<sup>2</sup>

**+6.5%**  
Net Property  
Income  
(RMB)<sup>2</sup>

**97.9%**  
Portfolio  
Occupancy

**13 ROFRs**  
Increase GFA  
by 4 times

**Strong  
Rental Uplift**

**29.4%**  
Low Gearing<sup>3</sup>

**Strong Sponsor  
and Group**

**Healthy  
Shopper Traffic &  
Tenant Sales**

**Debt headroom  
of approx.  
S\$104m**

**+6.7%**  
China GDP  
Growth in  
2Q 2016 &  
1H 2016 (y-o-y)

**+10.3%**  
China Retail  
Sales  
Growth in  
2Q 2016 & 1H  
2016 (y-o-y)

**+5.8%**  
Urban residents  
per capita  
disposable  
income real  
growth (y-o-y)

Urban residents  
to increase  
from 56.1% in  
2015 to 60.0%  
over next 5  
years

Two  
child  
Policy  
from  
2016

**1** Based on annualised 2Q 2016 DPU, and closing price of S\$0.735 as at 30 June 2016

**2** For 2Q 2016, compared to forecast

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

# 2Q 2016 Key Highlights

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- **Annualised Distribution Yield of 7.37<sup>1</sup>% for 2Q 2016**

- NPI exceeds forecast by 6.5% in 2Q 2016 (RMB)
- Amount available for distribution up 4.9% against forecast in 2Q 2016
- 1H 2016<sup>2</sup> DPU of 2.85 cents per unit (first distribution)

- **Resilient strategy with community focus**

- High portfolio occupancy rate of 97.9%
- Strong rental uplift for the quarter
- Healthy shopper traffic and tenant sales

- **Low gearing<sup>3</sup> of 29.4%**

- Debt headroom of approximately SGD 104m for potential acquisitions

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1 Based on 2Q 2016 closing price of S\$0.735 as at 30 June 2016

2 Refers to the period from 11 December 2015 (Listing date) to 30 June 2016

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



# Overview of Beijing Hualian Group



**THE BHG GROUP IS A LEADING INTEGRATED RETAIL GROUP IN CHINA WITH MORE THAN 20 YEARS OF RETAILING EXPERIENCE**

While Beijing Hualian Department Store Co., Ltd. (the “Sponsor”) is involved in the formulation of retail concepts and the owning and operation of retail properties, Beijing Hualian Group forms an entire retail value chain consisting of the running of retail properties, supermarkets, luxury department store, and international retail partnerships.

# Overview of Beijing Hualian Group

40 Retail Malls  
owned and/or  
under  
management

Beijing SKP  
One of the Largest  
Luxury  
Department Stores  
in China

170 BHG  
Supermarkets

International  
Retail  
Partnerships

- Beijing Hualian Group is one of the few largest retail enterprises in the whole of China.
- **4 Core Businesses:** Retail Malls, Beijing SKP Luxury Department Store, Supermarkets, and International Retail Partnerships.
- **The only Chinese retailer** and board member of the **International Association of Department Stores (IADS).**
- **The only Chinese retailer** as a board member of the **Global Consumer Groups Forum.**
- Poised to have an in-depth appreciation of China's consumer sentiments, and retail environment.



# Beijing Hualian Group's 4 Core Businesses

## Retail Malls

Beijing Hualian Department Store Co. Ltd (BHDS)

- 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

Beijing Hualian Hypermarket Co. Ltd (BHH)

- Over 170 Supermarkets across entire China
- Attracts recurring footfall while providing stable income and step-up.



## Beijing SKP Luxury Department Store

- 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 IPO portfolio properties



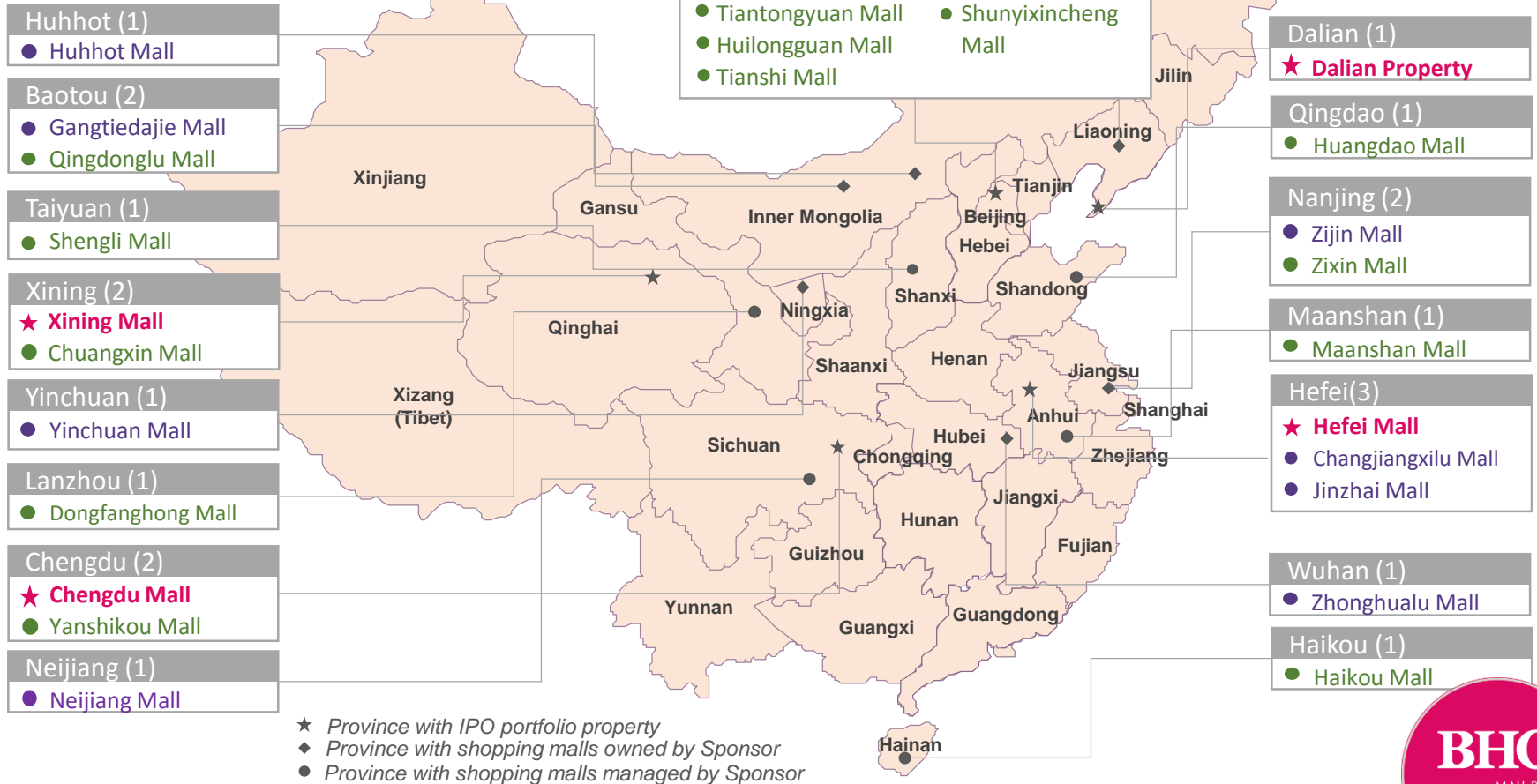
# Sponsor: Strong Retail Malls Management Experience

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

**13** Voluntary Sponsor ROFRs in Pipeline<sup>^</sup>

**22** Shopping Malls managed by Sponsor<sup>^</sup>

<sup>^</sup> as at 30 June 2016





# About BHG Retail REIT

# About BHG Retail REIT



Sponsor	▪ Beijing Hualian Department Store Co. Ltd. (the “Sponsor”)
REIT Manager	▪ BHG Retail Trust Management Pte Ltd. (the “Manager”) (100% indirectly owned subsidiary of the Sponsor)
Investment Mandate	▪ Income-producing real estate used primarily for retail purposes, with an initial focus on China
Market Capitalisation	▪ S\$362.2m as at 30 June 2016
IPO Portfolio	▪ 5 properties with total valuation of S\$774.0m <sup>1</sup>



Beijing Wanliu

*Only community mall with a premium positioning in Wanliu*



Chengdu Konggang

*Community retail mall located in an emerging residential area with a large number of mature and high-density residential projects*



Hefei Mengchenglu

*One of the first comprehensive multi-tenanted retail malls in Hefei*



Xining Huayuan

*Located in Xining, the largest city on the Tibetan Plateau*



Dalian Jinsanjiao

*Only Supermarket in the area and is popular among residents in its catchment area*

● Multi-tenanted

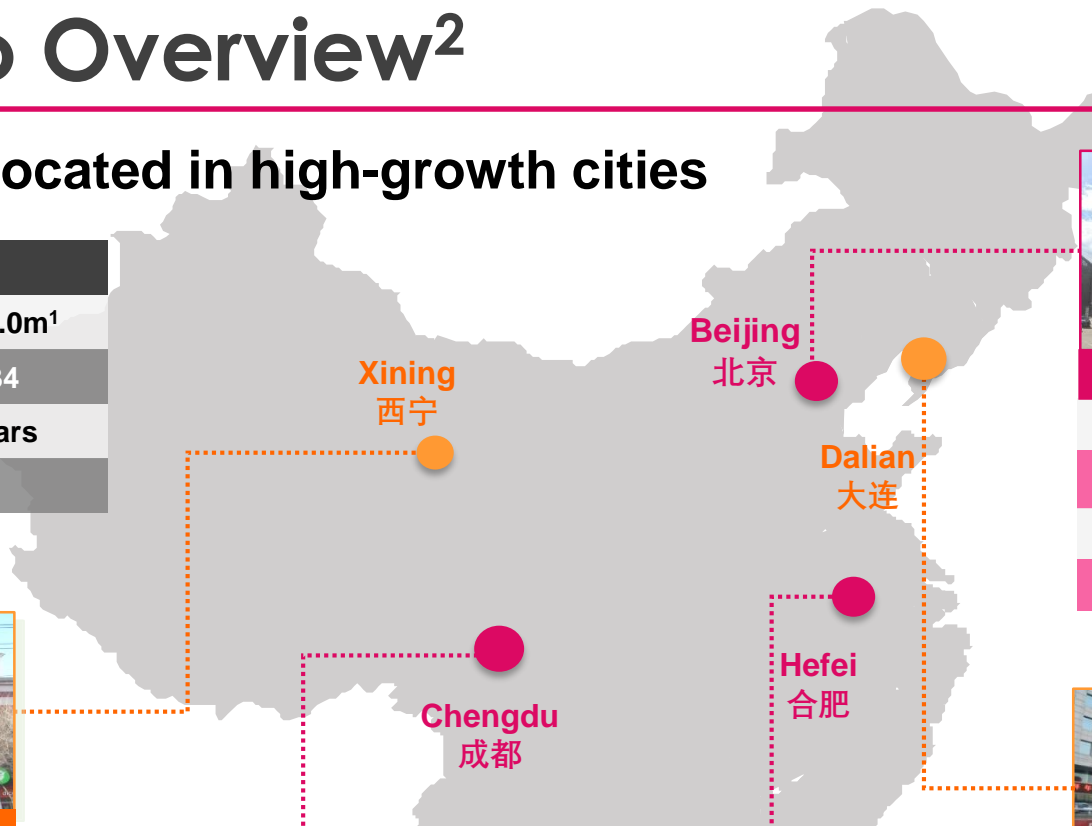
● Master-leased

<sup>1</sup> Based on independent desktop valuation from Knight Frank as at 30 June 2016.

# Portfolio Overview<sup>2</sup>

Strategically located in high-growth cities

Portfolio	
Valuation	S\$774.0m <sup>1</sup>
NLA sqm	156,034
WALE (NLA)	9.2 years
Occupancy	97.9%



Beijing Mall	
Valuation	S\$440.9m <sup>1</sup>
NLA sqm	54,527
WALE (NLA)	4.4 years
Occupancy	99.4%



Xining Mall	
Valuation	S\$56.4m <sup>1</sup>
NLA sqm	20,807
WALE (NLA)	18.5 years
Occupancy	100.0%



Chengdu Mall	
Valuation	S\$127.1m <sup>1</sup>
NLA sqm	40,127
WALE (NLA)	5.6 years
Occupancy	92.7%



Hefei Mall	
Valuation	S\$116.8m <sup>1</sup>
NLA sqm	25,228
WALE (NLA)	7.1 years
Occupancy	100.0%



Dalian Property	
Valuation	S\$32.8m <sup>1</sup>
NLA sqm	15,345
WALE (NLA)	18.5 years
Occupancy	100.0%

- Multi-tenanted
- Master-leased

<sup>1</sup> Based on independent desktop valuation from Knight Frank as at 30 June 2016.  
<sup>2</sup> As at 30 June 2016.



# Investment Proposition

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- **Community-focused malls**

- BHG Retail REIT strategy is to focus on highly populated, community catchments.

- **Strong local retail knowledge and network**

- Capitalise on Beijing Hualian Group's local expertise, knowledge, and network spanning the entire retail value chain.

- **China's macroeconomic environment**

- Ride on rising middle-class income, high retail sales growth, increasing urban residents, and implementation of two child policy.
- We believe our portfolio of five community-focused retail properties is resilient, and well positioned to benefit from China's economic transformation to a model with increasing emphasis on domestic demand.

- **Organic and Inorganic growth**

- Continue to deliver positive results
- Continue to pursue DPU yield-accretive growth opportunities for unitholders.

北京华联蒙城路购物中心



生·活·超·市  
LIFESTYLE MARKET

财富中英街  
欢乐万达城  
6536 8888

旺角影城



# Financial Highlights



# 2Q 2016 Annualised Distribution Yield of 7.37%

Portfolio 2Q 2016	Actual <sup>1</sup>	Forecast <sup>2</sup>	Change (%)
Gross revenue (RMB'000)	73,822	73,798	- <sup>5</sup>
Net property income (RMB'000)	49,424	46,393	6.5
Gross revenue (SGD'000)	15,372	16,043	(4.2) <sup>5,6</sup>
Net property income (SGD'000)	10,309	10,085	2.2
Amount available for distribution (SGD'000)	4,711	4,491	4.9
Distribution per Unit (DPU) (cents)	1.35	1.30	3.8
Annualised Distribution Yield (%)			
- Based on IPO price <sup>3</sup>	6.77	6.51	4.0
- Based on 2Q 2016 closing price <sup>4</sup>	7.37	7.09	4.0

1. The actual results were translated using the average SGD: CNY rate of 1: 4.810

2. The forecast results were translated using the average SGD: CNY rate of 1: 4.60

3. Based on IPO price of S\$0.80 as at 11 December 2015.

4. Based on Closing price of S\$0.735 as at 30 June 2016.

5. With effect from 1 May 2016, China implemented a nation-wide VAT reform. Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, VAT replaced Business Tax and it is net off the revenue instead of reflecting in the property operating expenses. No significant impact to the net property income is expected from the implementation of the VAT.

6. Weaker RMB against SGD.





# 1H 2016 Annualised Distribution Yield of 6.97%

Portfolio 1H 2016 <sup>1</sup>	Actual <sup>2</sup>	Forecast <sup>3</sup>	Change (%)
Gross revenue (RMB'000)	165,232	163,834	0.9 <sup>6</sup>
Net property income (RMB'000)	105,373	101,624	3.7
Gross revenue (SGD'000)	35,060	35,616	(1.6) <sup>6,7</sup>
Net property income (SGD'000)	22,359	22,092	1.2
Amount available for distribution (SGD'000)	9,888	9,653	2.4
Distribution per Unit (DPU) (cents)	2.85	2.79	2.2
Annualised Distribution Yield (%)			
- Based on IPO price <sup>4</sup>	6.41	6.27	2.2
- Based on 1H 2016 closing price <sup>5</sup>	6.97	6.82	2.2

1. Refers to the period from 11 December 2015 (Listing date) to 30 June 2016.

2. The actual results were translated using the average SGD: CNY rate of 1: 4.713.

3. The forecast results were translated using the average SGD: CNY rate of 1: 4.60.

4. Based on IPO price of S\$0.80 as at 11 December 2015.

5. Based on Closing price of S\$0.735 as at 30 June 2016.

6. With effect from 1 May 2016, China implemented a nation-wide VAT reform. Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, VAT replaced Business Tax and it is net off the revenue instead of reflecting in the property operating expenses. No significant impact to the net property income is expected from the implementation of the VAT.

7. Weaker RMB against SGD.



# Healthy Financial Position

Portfolio Group Level	Actual As at 30 June 2016 (S\$'000)
Investment Properties	774,046
Cash and cash equivalents	33,793
Other assets	10,122
<b>Total assets</b>	<b>817,961</b>
Loans and borrowings	217,178
Other liabilities	50,605
<b>Total liabilities</b>	<b>267,783</b>
<b>Net assets</b>	<b>550,178</b>
Net assets attributable to unitholders	398,071
Non-controlling interest	152,107
No. of issued and issuable units ('000)	494,636
Net asset value per unit (S\$)	0.80
<b>Gearing<sup>1</sup> (%)</b>	<b>29.4</b>

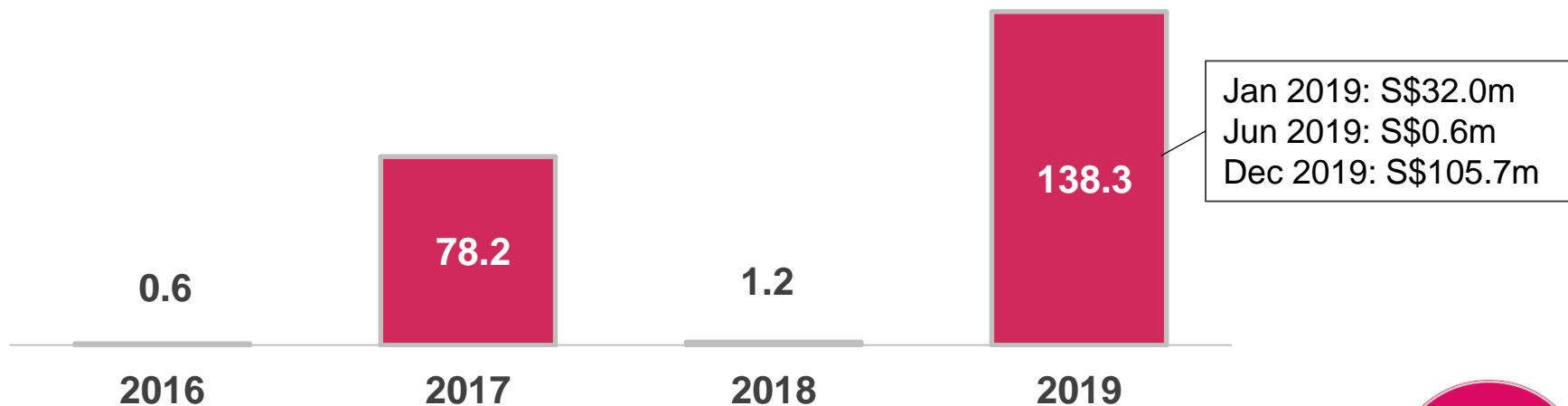
- 1 Based on Total Loans and borrowings principal attributable to unitholders divided by Total assets attributable to unitholders.



# Low Gearing & No Refinancing Requirements Until End 2017

- Low gearing of 29.4% (compared with MAS leverage limit of 45% with effect from 1 January 2016)
- Debt headroom of approximately SGD 104m for potential acquisitions
- No refinancing requirements until December 2017
- Weighted average term to maturity of 2.58 years

Debt maturity profile (S\$ million)



Hefei Mengchenglu 合肥蒙城路

# Portfolio Highlights



# Portfolio Summary



Beijing Wanliu



Chengdu Konggang



Hefei Mengchenglu



Xining Huayuan



Dalian Jinsanjiao

	Beijing	Chengdu	Hefei	Xining	Dalian	Portfolio
<b>Valuation<sup>1</sup></b>	S\$440.9m	S\$127.1m	S\$116.8m	S\$56.4m	S\$32.8m	<b>S\$774.0m</b>
<b>NLA<sup>2</sup> (sqm)</b>	54,527	40,127	25,228	20,807	15,345	<b>156,034</b>
<b>Commence Operations</b>	Aug 2010	Dec 2013	Feb 2013	Aug 2000 <sup>3</sup>	Jul 2000	-
<b>Lease Type</b>	Multi-tenanted	Multi-tenanted	Multi-tenanted	Master-leased	Master-leased	-
<b>Leasable floors</b>	6	6	6	4	2	-
<b>WALE by NLA<sup>2</sup></b>	4.4	5.6	7.1	18.5	18.5	<b>9.2</b>

1 Based on independent desktop valuation from Knight Frank as at 30 June 2016.

2 As at 30 June 2016

3 Refurbished in 1H 2015



# High Portfolio Occupancy of 97.9%

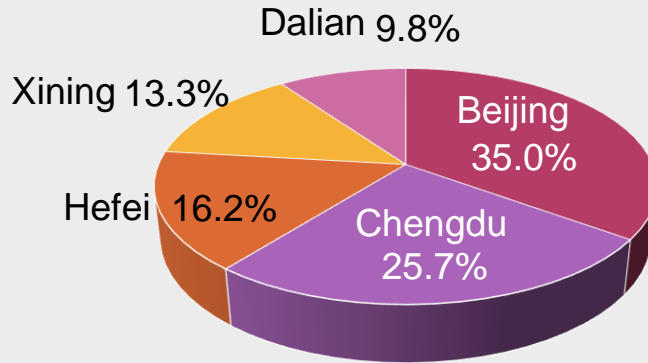
Occupancy rate as at 30 June 2016	
Beijing Wanliu	99.4%
Chengdu Konggang	92.7 <sup>(1)</sup> %
Hefei Mengchenglu	100.0%
Xining Huayuan	100.0%
Dalian Jinsanjiao	100.0%
<b>Portfolio</b>	<b>97.9%</b>



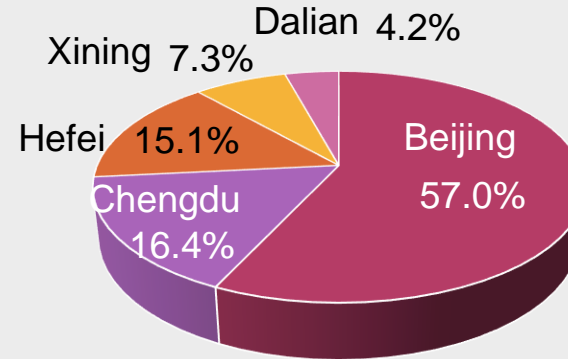
1 Chengdu Konggang Mall is undergoing an exercise to rejuvenate the mall's offering to shoppers.

# Portfolio Summary

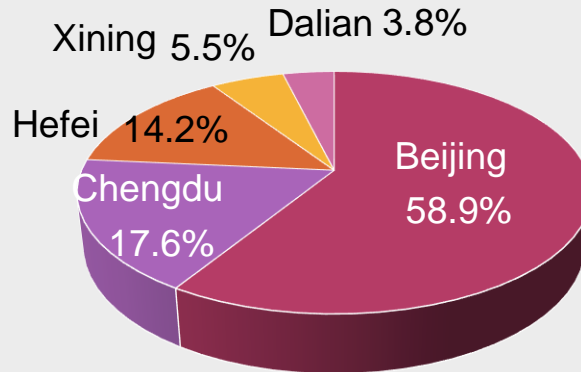
**Breakdown of NLA<sup>(1)</sup> by Property**



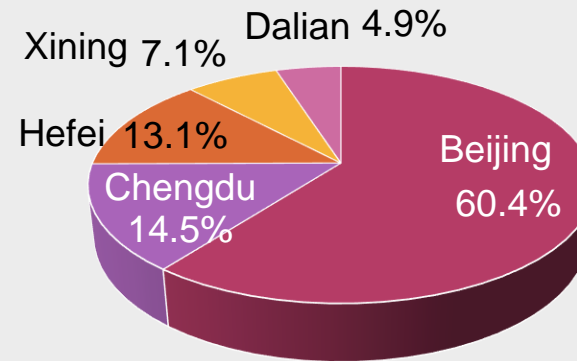
**Breakdown of Valuation<sup>(2)</sup> by Property**



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



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



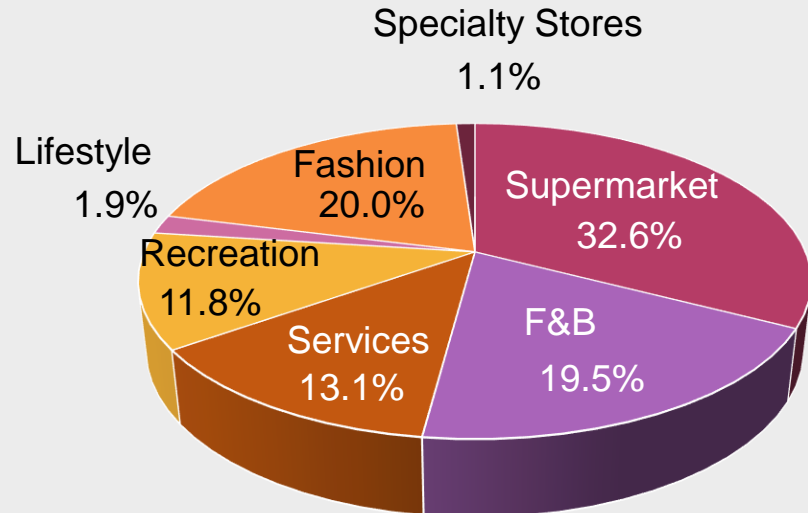
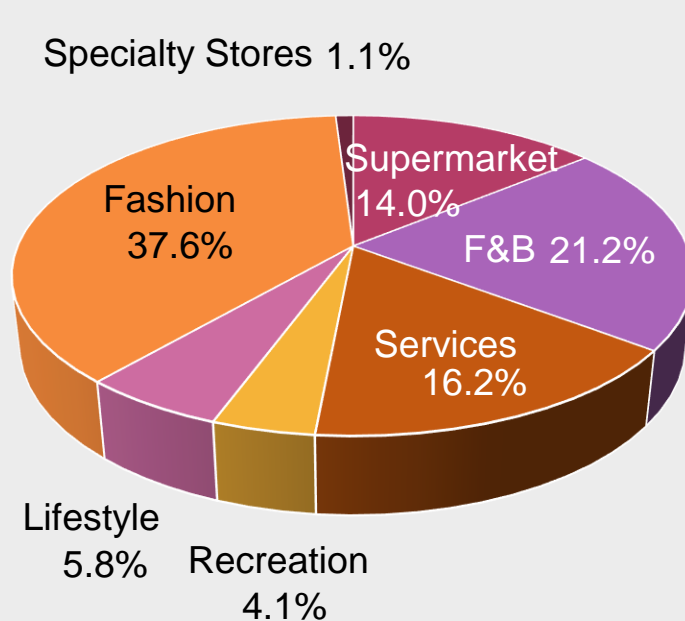
1 As at 30 June 2016

2 Based on independent desktop valuation from Knight Frank as at 30 June 2016

3 Based on 2Q 2016 results

# Well Diversified Portfolio Tenant Mix

**Breakdown of Gross Rental Income<sup>(1)</sup> by Trade Sector**      **Breakdown of NLA<sup>(1)</sup> by Trade Sector**



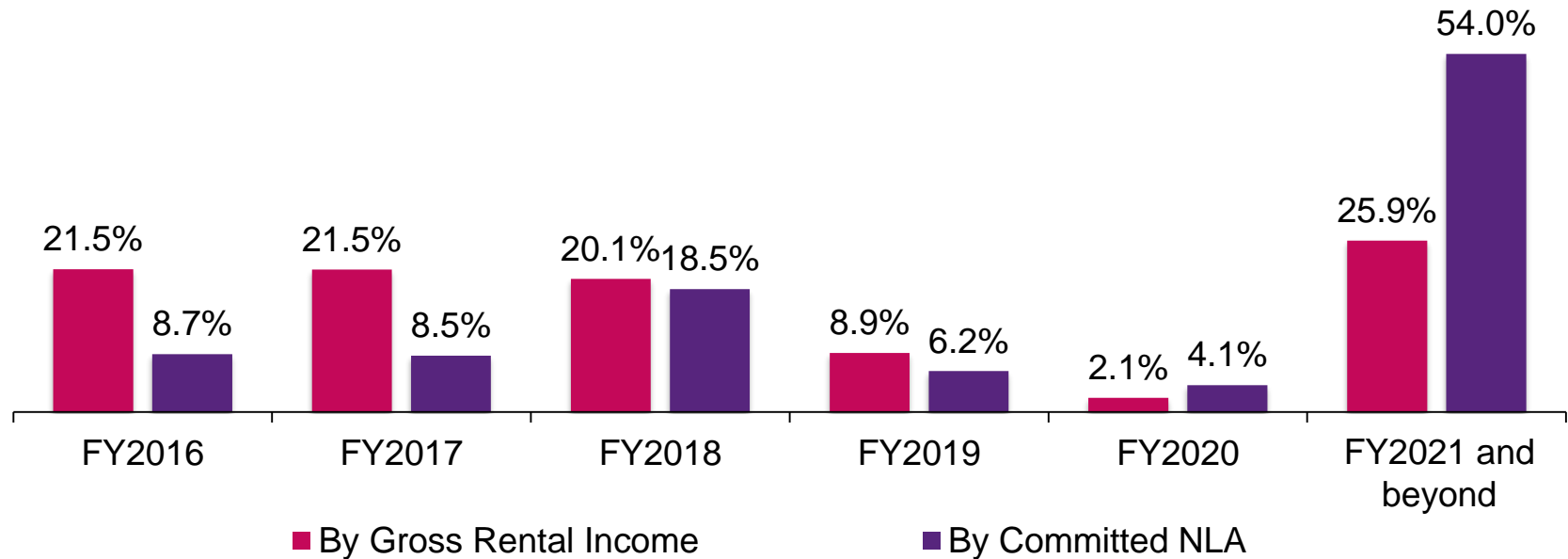
***Above 60% of Gross Rental Income, and close to 80% of NLA from experiential segment (exclude fashion and specialty stores).***

1 As at 30 June 2016



# Well-Staggered Lease Expiry Profile

Weighted average lease expiry (WALE) (No. of years)	
By Committed NLA	9.2
By Gross Rental Income	4.9



# Engaging The Community & Tenants

Beijing Wanliu 北京万柳

## Children Flea Market Exchange



## Kids Gym (Tenant activity)



## Cat Fanciers Association: Exhibition



# Engaging The Community & Tenants

## Chengdu Konggang 成都空港

### “Let's Mix” Street Dance



### Dumplings Wrapping Challenge



### Tertiary School Band Competition



# Engaging The Community & Tenants

Hefei Mengchenglu 合肥蒙城路



"The Plank" Challenge



Children: Do It Yourself - Food



Goodbye To Singlehood

# New Offerings At Beijing Wanliu in 1H 2016



TISSOT 天梭



唱吧麦颂量贩式KTV



Element Fresh 新元素



Musangking 猫山王  
Durian Desert



Bellagio 鹿港小镇



Porridge Jiahe 嘉和一品

天意坊烤鴨

UNI  
QLO

# Growth Strategy

24小时自助银行服务  
SELF SERVICE BANKING

北京华联万柳购物中心 2F  
QLO 优衣库 百搭时尚，服适人生 2F  
北京华联万柳购物中心 QLO 百搭



# Growth Strategy

## Organic Growth

### Proactive asset management

- Reinforce positioning of our malls
- Improve rents while maintaining high occupancy rates
- Build firm partnerships with tenants, and demonstrate proactive tenant management
- Proactive marketing strategies

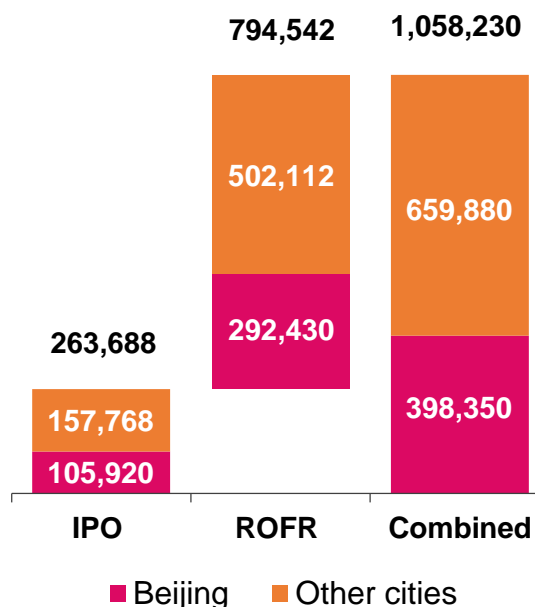
### Proactive asset enhancement

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

## Inorganic Growth

### 13 Voluntary Sponsor ROFRs properties in the pipeline

13 ROFR Properties (GFA sqm)  
(as at 30 June 2016)



Explore acquisition opportunities in other quality income-producing retail properties

### Key criterias:

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



# Market Outlook

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## ***China targets GDP growth of 6.5 to 7.0% year-on-year in 2016***

- According to National Bureau of Statistics of China's preliminary estimate, the China economy grew 6.7% year-on-year in the second quarter and the first half of 2016. The China economy showed moderate growth in the first half of 2016 albeit ongoing global economic uncertainties. *(National Bureau of Statistics of China)*

## ***Stable employment and rising income levels***

- In the first half of 2016, employment situation remained stable, the per capita disposable income of urban residents registered real growth of 5.8% year-on-year. *(National Bureau of Statistics of China)*

## ***Retail sales increased 10.3% year-on-year to RMB 15.6 trillion in the first half of 2016***

- Overall demand continued to be led by lifestyle and experience-oriented retailers particularly F&B groups. Consumers' focus on value-for-money products continued to support steady leasing activity from mid-range brands, especially for fashion retailers. Other key growth sectors include cosmetics and retailers catering to children. *(CBRE Retail Trends Q2 2016)*



# 1H 2016 Distribution Details

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## Distribution Details

Distribution Period	11 <sup>th</sup> December 2015 to 30 <sup>th</sup> June 2016
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Distribution Per Unit (SGD)	2.85 cents per unit
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## Distribution Timetable

Ex-Date	5 <sup>th</sup> September 2016
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Record Date	8 <sup>th</sup> September 2016
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Payment Date	21 <sup>st</sup> September 2016
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# Thank you

For further information and enquiries:

Nigel Nai Zi  
Investor Relations Manager  
BHG Retail Trust Management Pte. Ltd.

Contact: (65) 6805 8283 Email: [ir@bhgreit.com](mailto:ir@bhgreit.com)  
Mailing address: 100 Beach Road, #25-11 Shaw Tower, Singapore 189702  
Website: <http://www.bhgreit.com>

