



# BHG RETAIL REIT

Financial Results for 4<sup>th</sup> Quarter

Ended 31 December 2016

23 February 2017



# 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 31 December 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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- FY 2016<sup>1</sup> Key Highlights
- Financial Highlights
- Portfolio Review
- Growth Strategy
- Beijing Hualian Group
- Market Outlook



1 For the financial period from 18 November 2015 (Date of Constitution) to 31 December 2016 (“FY 2016”)

Beijing Wanliu 北京万柳

## Key Highlights



# FY 2016 Key Highlights



<p><b>7.87%</b> Annualised Distribution Yield<sup>1</sup></p>	<p><b>+2.4%</b> Distribution per Unit ("DPU")<sup>2</sup></p>	<p><b>+4.2%</b> Net Property Income ("RMB")<sup>2</sup></p>	<p><b>+4.2%</b> Independent Valuation<sup>3</sup></p>
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<p><b>97.6%</b> Portfolio Occupancy</p>	<p><b>14 ROFRs</b> Increase GFA by close to 5 times</p>	<p><b>Healthy Rental Uplift, Shopper Traffic &amp; Tenant Sales</b></p>	<p><b>31.0%</b> Low Gearing<sup>4</sup></p>
	<p><b>Strong Sponsor and Group</b></p>		

<p><b>+6.7%</b> China GDP Growth in 2016 (y-o-y)</p>	<p><b>+10.4%</b> China Retail Sales Growth in 2016 (y-o-y)</p>	<p><b>+5.6%</b> Disposable income per capita for urban residents in 2016 (Real growth) (y-o-y)</p>	<p>Urban residents increase from 56.1% in 2015 to 57.3% in 2016</p>	<p>Two child Policy from 2016</p>
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1 Based on annualised DPU for the period from 11 December 2015 (Listing date) to 31 December 2016, and closing price of S\$0.655 as at 31 December 2016

2 Actual vs Forecast for the financial period from 18 November 2015 (Date of Constitution) to 31 December 2016 ("FY 2016")

3 Independent valuation as at 31 December 2016 vs 30 June 2015 (as per IPO Prospectus)

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

# FY 2016 Key Highlights

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- **Distribution per Unit exceeds forecast by 2.4%<sup>1</sup>**
  - Annualised Distribution Yield of 7.87%<sup>2</sup> for FY 2016
  - Net Property Income (RMB) up 4.2%<sup>1</sup> against forecast
  - Independent valuations up 4.2%<sup>3</sup> since listing
- **Resilient strategy with community focus**
  - High portfolio occupancy rate of 97.6%
  - Healthy rental reversion, shopper traffic and tenant sales
- **Low gearing of 31.0%<sup>4</sup>**
- **2017 Chengdu Konggang AEI & Tenancy Rejuvenation**

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1 For the financial period from 18 November 2015 (Date of Constitution) to 31 December 2016 ("FY 2016")

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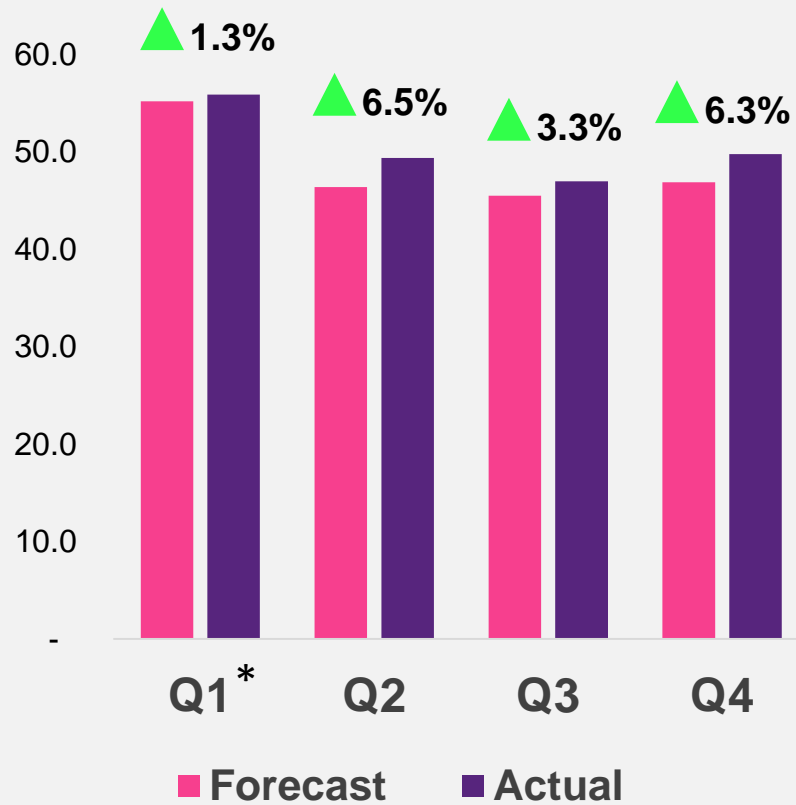
# Financial Highlights

Chengdu Konggang 成都空港

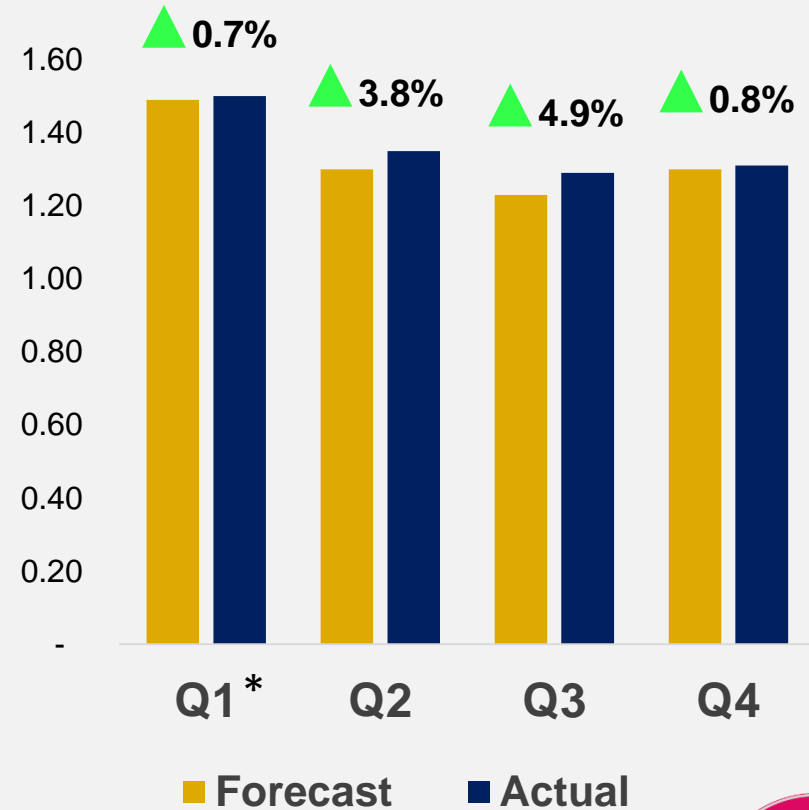


# NPI (RMB) & DPU above forecast through 2016

## 2016 Net Property Income in RMB (millions)



## 2016 Distribution Per Unit in SGD (cents)



\* For the period from 11 December 2015 (Listing date) to 31 March 2016



# 4Q 2016 Net Property Income (RMB) up 6.3%

Portfolio 4Q 2016	Actual <sup>1</sup>	Forecast <sup>2</sup>	Change (%)
Gross revenue (RMB'000)	76,441	76,092	0.5 <sup>6</sup>
Net property income (RMB'000)	49,841	46,874	6.3 <sup>6,7</sup>
Gross revenue (SGD'000)	15,791	16,542	(4.5) <sup>6,8</sup>
Net property income (SGD'000)	10,300	10,191	1.1 <sup>6,7,8</sup>
Amount available for distribution (SGD'000)	4,629	4,553	1.7
Distribution per Unit (DPU) (cents)	1.31	1.30	0.8
Annualised Distribution Yield (%)			
- Based on IPO price <sup>3</sup>	6.51	6.46 <sup>5</sup>	0.8
- Based on closing price <sup>4</sup>	7.96	7.90 <sup>5</sup>	0.8

1. The actual results were translated using the average SGD: CNY rate of 1: 4.844.
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\$0.655 as at 31 December 2016.
5. The forecast annualised distribution yield for 4Q 2016 was prorated based on forecast 2015 of 5.7% and projection 2016 of 6.3% as shown in the Prospectus.
6. With effect from 1 May 2016, China implemented a nation-wide VAT reform.
7. 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. The change has resulted in an additional 7.7% in property operating expenses for 4Q 2016.
8. Weaker RMB against SGD.



# FY 2016<sup>1</sup> Annualised Distribution Yield of 7.87%

Portfolio FY 2016 <sup>1</sup>	Actual <sup>2</sup>	Forecast <sup>3</sup>	Change (%)
Gross revenue (RMB'000)	317,334	315,210	0.7 <sup>7</sup>
Net property income (RMB'000)	202,168	193,967	4.2 <sup>7,8</sup>
Gross revenue (SGD'000)	66,234	68,524	(3.3) <sup>7,9</sup>
Net property income (SGD'000)	42,197	42,167	0.1 <sup>7,8,9</sup>
Amount available for distribution (SGD'000)	19,038	18,507	2.9
Distribution per Unit (DPU) (cents)	5.45	5.32	2.4
Annualised Distribution Yield (%)			
- Based on IPO price <sup>4</sup>	6.44	6.29 <sup>6</sup>	2.4
- Based on closing price <sup>5</sup>	7.87	7.68 <sup>6</sup>	2.5

1. For the financial period from 18 November 2015 (Date of Constitution) to 31 December 2016 ("FY 2016")

2. The actual results were translated using the average SGD: CNY rate of 1: 4.791

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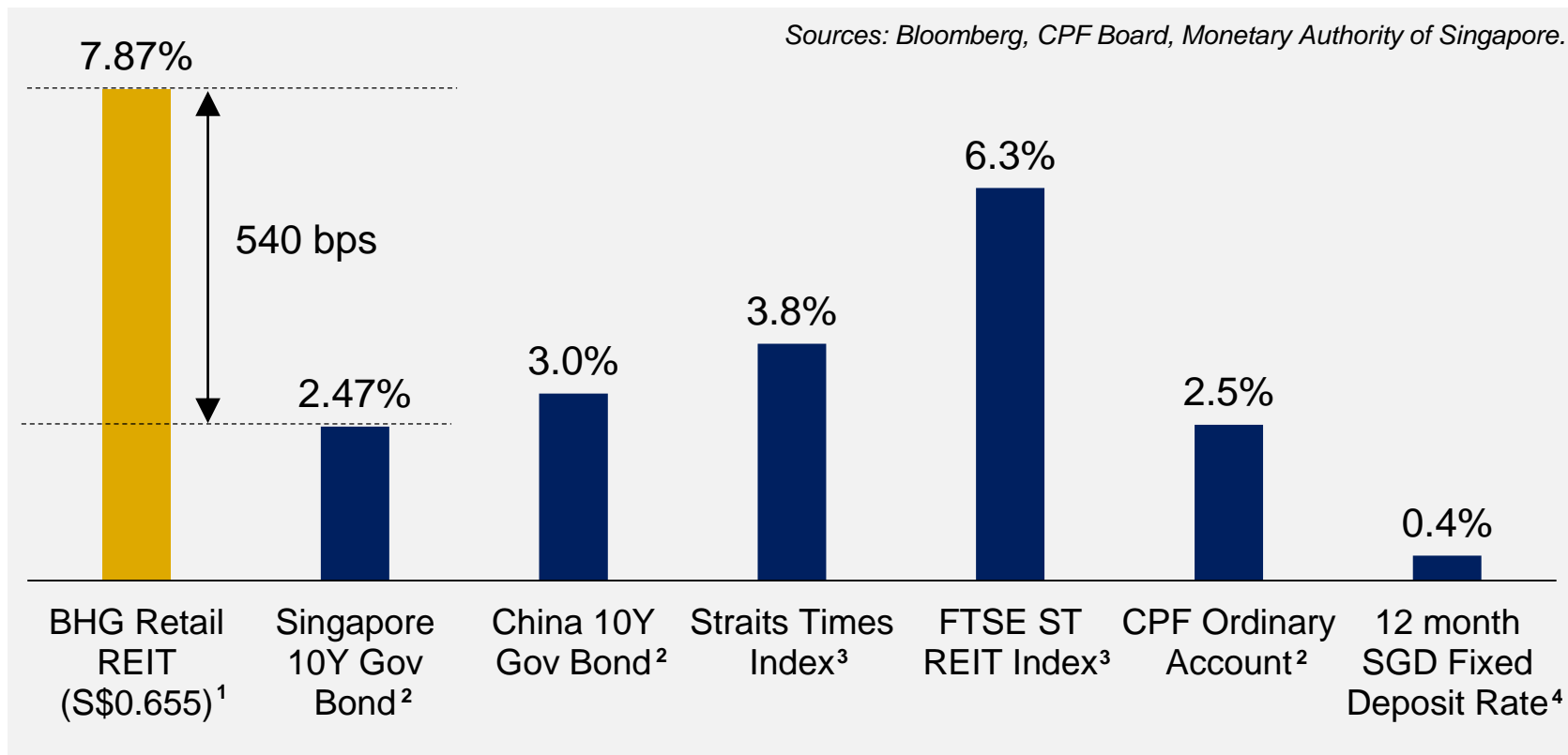
8. With effect from 1 July 2016, the Beijing State Government aligned its tax policy with the national practice of charging Property Tax based on rental income. This resulted in higher property-related tax expenses for Beijing Wanliu Mall. The change in Beijing's Property Tax is in-line with current property tax for the other 4 properties in the portfolio. The change has resulted in an additional 3.3% in property operating expenses for FY 2016.

9. Weaker RMB against SGD.



# Distribution Yield of 7.87%

## BHG Retail REIT trading at 540 bps risk premium above Singapore 10-year government bond yield

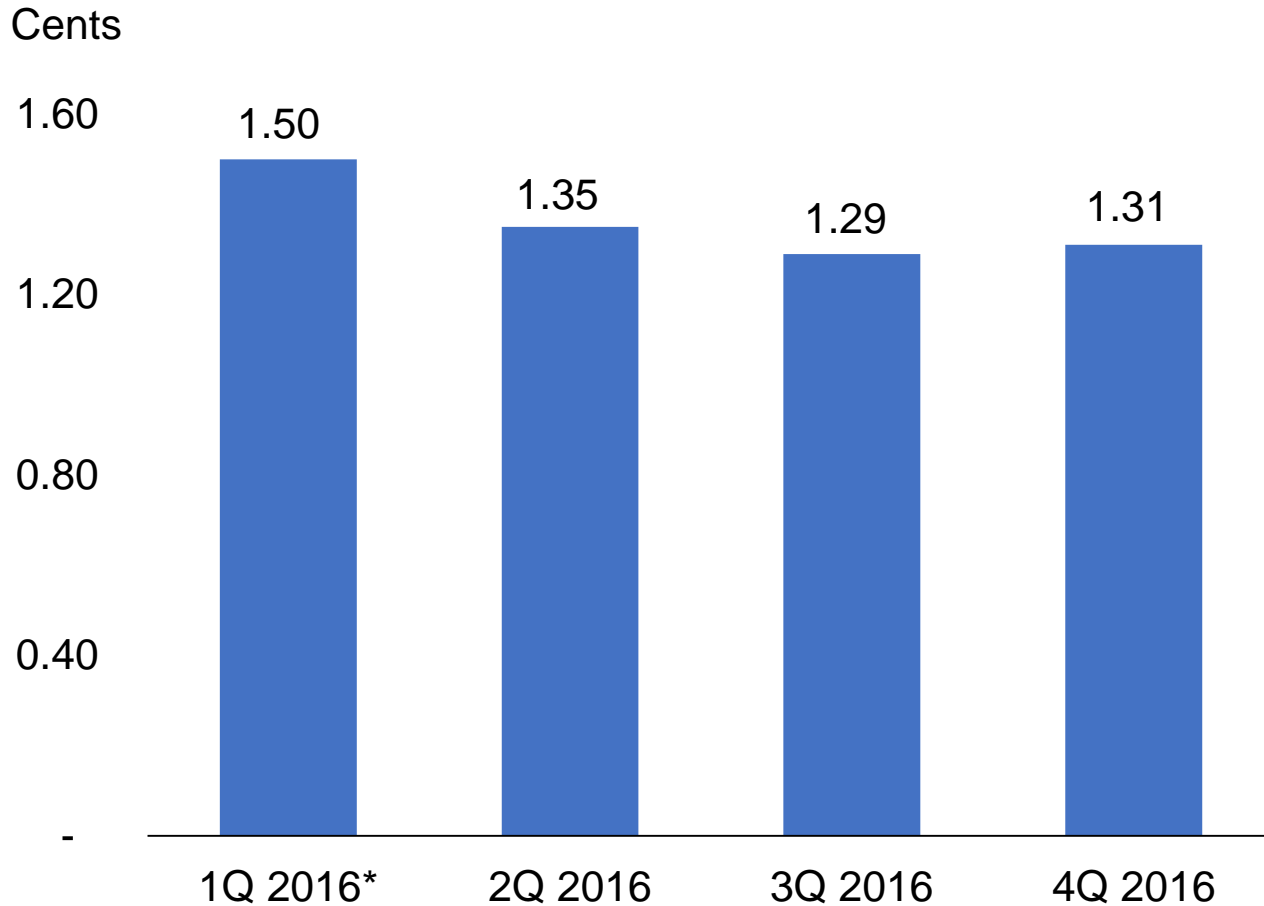


1. Based on annualised distribution per unit for the period from 11 December 2015 (Listing date) to 31 December 2016, and the unit closing price of S\$0.655 as at 31 December 2016.
2. As at 31 December 2016.
3. Based on the average gross dividend yield for the 12 months ended 31 December 2016.
4. Based on the average SGD fixed deposit rate for the 12 months ended 31 December 2016.



# Stable and regular Distribution

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\* For the period from Listing date 11 December 2015 to 31 March 2016



# 2H 2016 Distribution Payment

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## Distribution Details

Distribution Period	1 July 2016 to 31 December 2016
Distribution Per Unit (SGD)	2.60 cents per unit

## Distribution Timetable

Ex-Date	15 March 2017
Record Date	17 March 2017
Payment Date	28 March 2017

# Healthy Financial Position

Portfolio Group Level	Actual As at 31 December 2016 (S\$'000)
Investment Properties	810,692
Cash and cash equivalents	51,669
Other assets	9,266
<b>Total assets</b>	<b>871,627</b>
Loans and borrowings	230,462
Other liabilities	59,779
<b>Total liabilities</b>	<b>290,241</b>
<b>Net assets</b>	<b>581,386</b>
Net assets attributable to unitholders	421,177
Non-controlling interests	160,209
No. of issued and issuable units ('000)	496,877
Net asset value per unit (S\$)	0.85
<b>Gearing<sup>1</sup> (%)</b>	<b>31.0</b>

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



# Independent Valuations Up 4.2%

<b>Investment Properties</b>	<b>As at 31 December 2016<sup>1</sup> (S\$ millions)</b>	<b>As at 30 June 2015<sup>2</sup> (S\$ millions)</b>
Beijing Wanliu	465.8	430.3
Chengdu Konggang	131.5	131.3
Hefei Mengchenglu	121.7	121.9
Xining Huayuan	57.9	59.3
Dalian Jinsanjiao	33.8	35.2
<b>Portfolio</b>	<b>810.7</b>	<b>778.0</b>

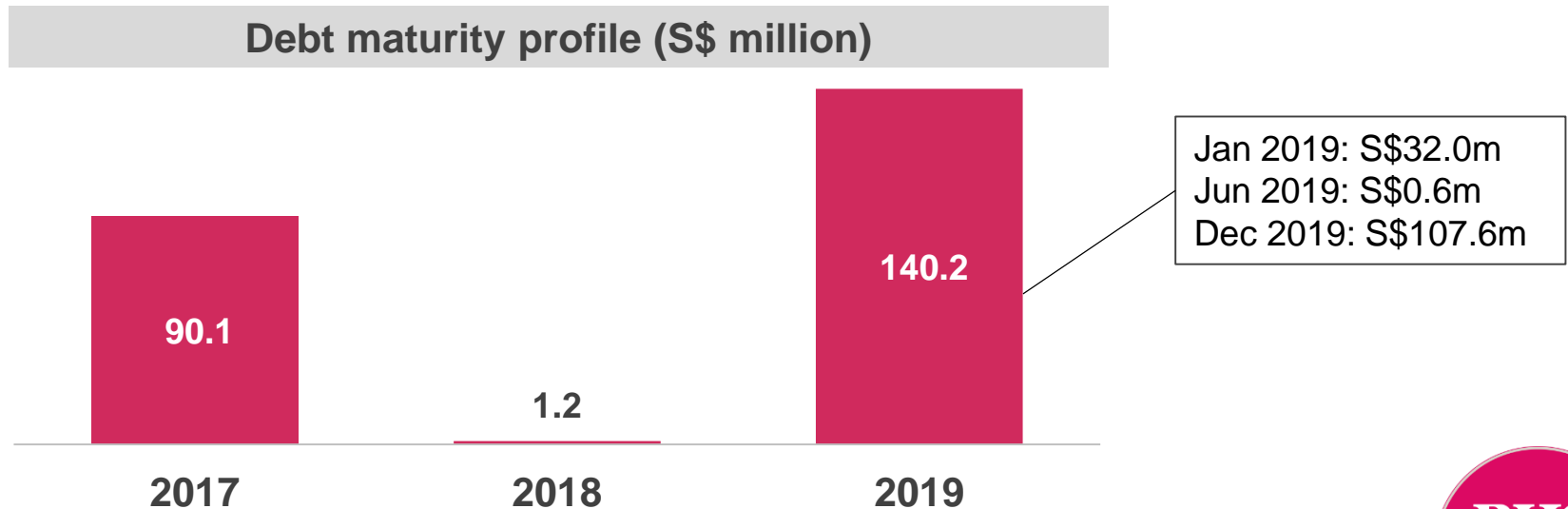
1 Based on independent valuation from Knight Frank as at 31 December 2016.

2 Based on average of independent valuations from Knight Frank and DTZ as at 30 June 2015 (as per IPO Prospectus).



# Low Gearing of 31.0%

- Low gearing of 31.0%  
(compared with MAS leverage limit of 45% with effect from 1 January 2016)
- Weighted average term to maturity of 2.0 years
- About 70% of debt denominated in functional currency of the REIT (SGD)
- Interest rates for SGD denominated debts balanced between fixed and variable
- Average cost of debt of 3.75%





# Portfolio Review



英语培训专家  
本座2层北侧

3F

全球英语培训专家

EF  
第一品牌世界

EF  
第一品牌世界

EF  
第一品牌世界

ANNIVERSARY  
10TH ANNIVERSARY  
1998-2008  
10周年庆典  
10周年庆典



看世界  
EF  
EF

# Portfolio Summary

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

**5 properties with total valuation of S\$810.7 million<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

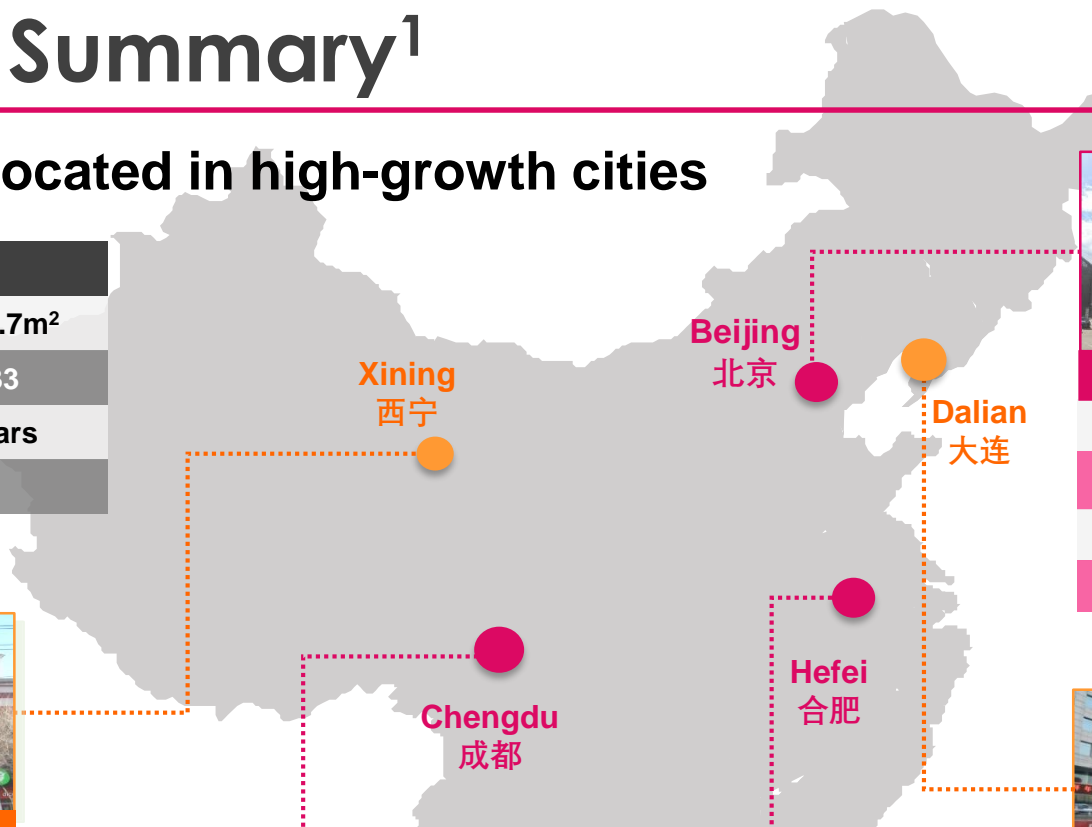
<sup>1</sup> Based on independent desktop valuation from Knight Frank as at 31 December 2016.



# Portfolio Summary<sup>1</sup>

## Strategically located in high-growth cities

Portfolio	
Valuation	S\$810.7m <sup>2</sup>
NLA sqm	156,033
WALE (NLA)	8.8 years
Occupancy	97.6%



### Beijing Mall

Valuation	S\$465.8m <sup>2</sup>
NLA sqm	54,462
WALE (NLA)	4.0 years
Occupancy	99.5%



### Xining Mall

Valuation	S\$57.9m <sup>2</sup>
NLA sqm	20,807
WALE (NLA)	18.0 years
Occupancy	100.0%



### Chengdu Mall

Valuation	S\$131.5m <sup>2</sup>
NLA sqm	40,191
WALE (NLA)	5.4 years
Occupancy	91.3%



### Hefei Mall

Valuation	S\$121.7m <sup>2</sup>
NLA sqm	25,228
WALE (NLA)	6.8 years
Occupancy	100.0%



### Dalian Property

Valuation	S\$33.8m <sup>2</sup>
NLA sqm	15,345
WALE (NLA)	18.0 years
Occupancy	100.0%

- Multi-tenanted
- Master-leased

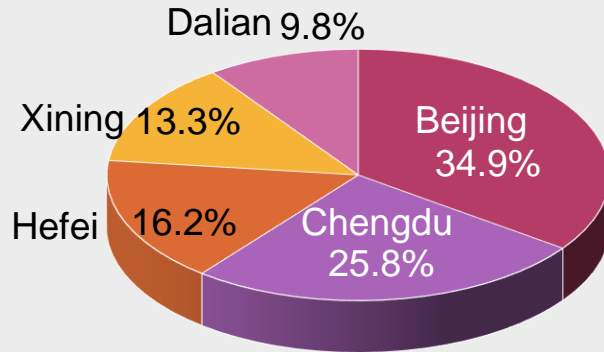
<sup>1</sup> As at 31 December 2016.

<sup>2</sup> Based on independent desktop valuation from Knight Frank as at 31 December 2016.

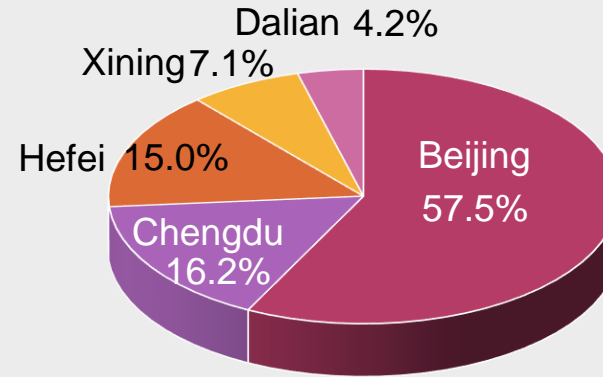


# Portfolio Summary

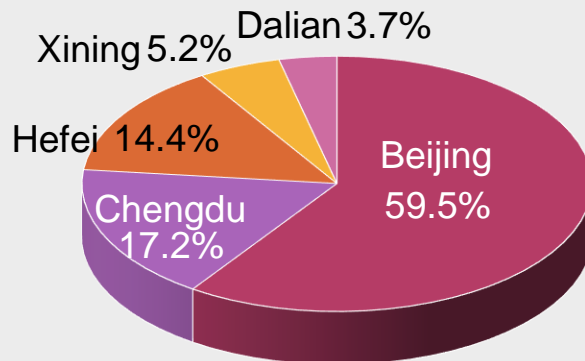
**Breakdown of NLA<sup>1</sup> by Property**



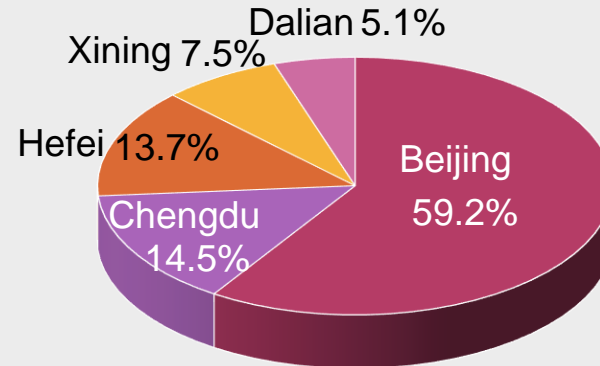
**Breakdown of Valuation<sup>2</sup> by Property**



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



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



1 As at 31 December 2016

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

3 Based on 4Q 2016 results

# High Portfolio Occupancy of 97.6%

Occupancy Rate	30 June 2015 <sup>1</sup>	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016
Beijing Wanliu	80.5 <sup>2</sup> %	99.4%	99.4%	99.0%	99.5%
Chengdu Konggang	98.0%	96.9%	92.7 <sup>3</sup> %	91.4 <sup>3</sup> %	91.3 <sup>3</sup> %
Hefei Mengchenglu	100.0%	95.9%	100.0%	100.0%	100.0%
Xining Huayuan	100.0%	100.0%	100.0%	100.0%	100.0%
Dalian Jinsanjiao	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Portfolio (NLA Weighted)</b>	<b>98.1%</b>	<b>98.3%</b>	<b>97.9%</b>	<b>97.4%</b>	<b>97.6%</b>

1 Based on IPO Prospectus.

2 Beijing Wanliu Mall: Tenancy rejuvenation exercise (approx. 70,000 sqm NLA) prior to listing.

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

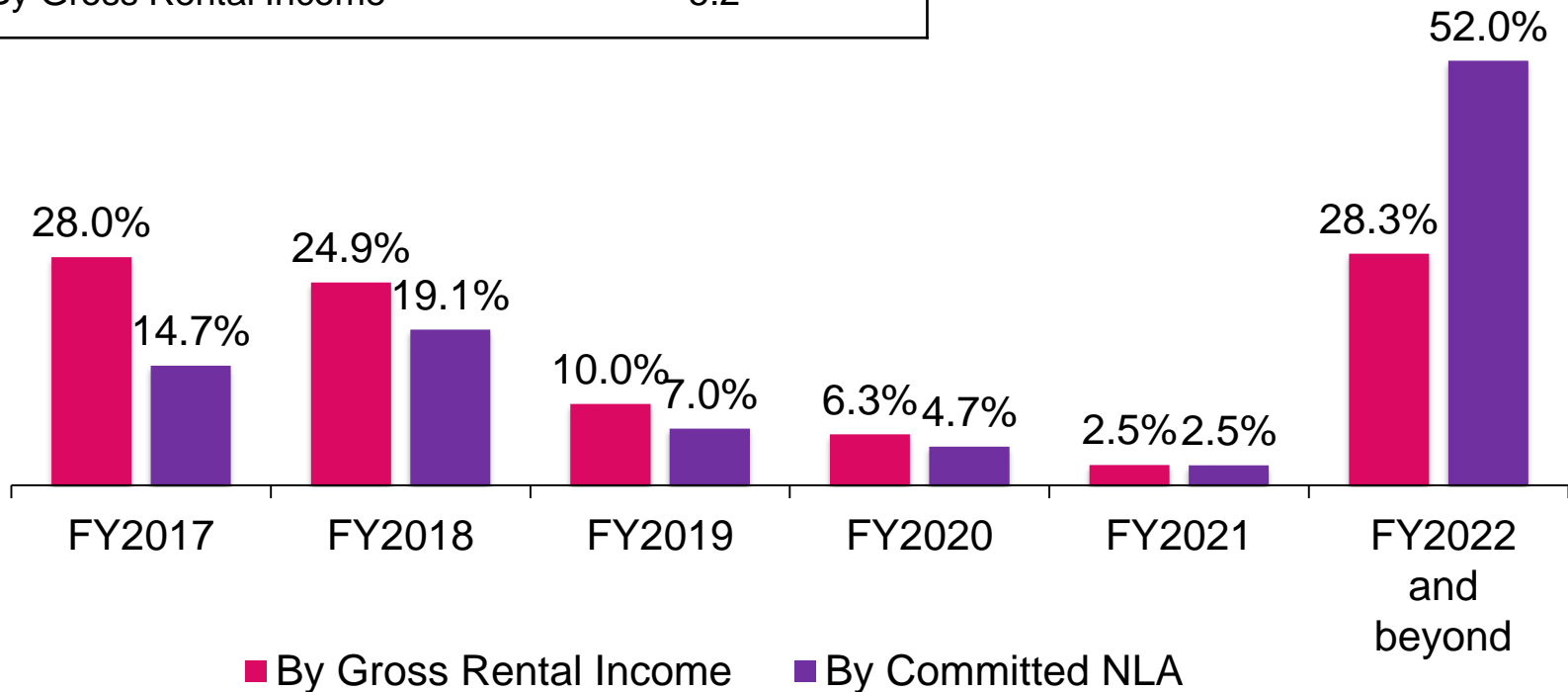


# Well-Staggered Lease Expiry Profile

As at 31 December 2016

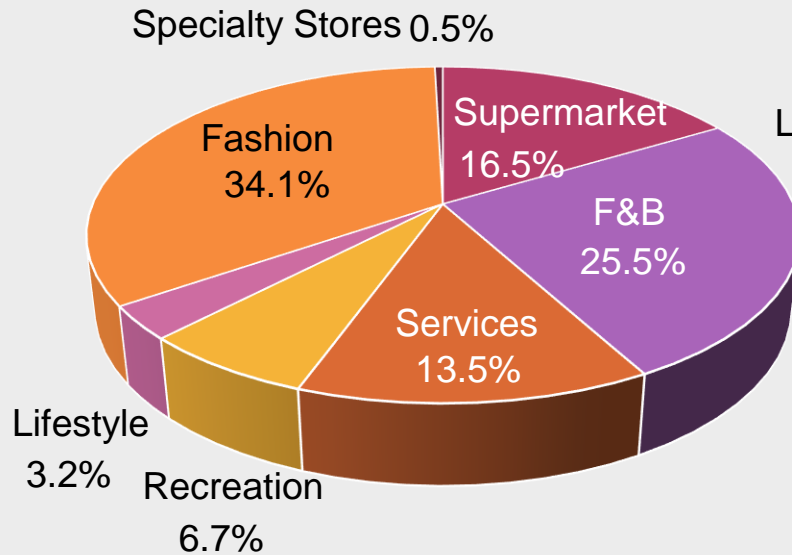
## Weighted average lease expiry (WALE) (No. of years)

By Committed NLA	8.8
By Gross Rental Income	5.2

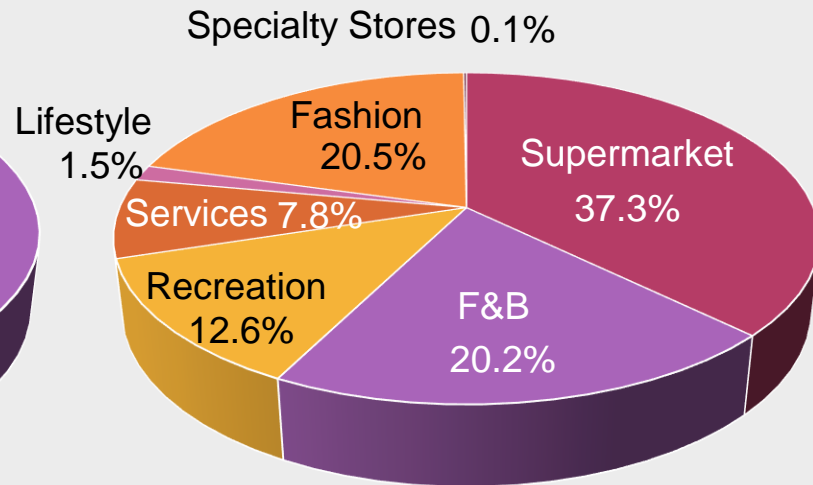


# Well Diversified Portfolio Tenant Mix

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



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



***Above 65% of Gross Rental Income, and close to 80% of NLA from experiential segment (exclude fashion and specialty stores).***

<sup>1</sup> As at 31 December 2016

# Engaging The Community & Tenants

Beijing Wanliu 北京万柳

## Halloween 万圣节-全城来捣蛋



## Christmas Handicraft



## Art Appreciation Class





# Engaging The Community & Tenants

Chengdu Konggang 成都空港

College Singing Contest Finals



# Engaging The Community & Tenants

Hefei Mengchenglu 合肥蒙城路

Pre-School Joint Event



Studies of the Chinese Culture 国学课堂



Street Dance Competition



# Chengdu Konggang Mall AEI



*Images attached herein are based on artist impression and are subject to change.*

- AEI to elevate the mall's active lifestyle offering and revitalise our offering on basement one, in light of rising demand for sports merchandise and services.
- Project includes:
  - ✓ Asset enhancement work on basement one
  - ✓ Relocation of certain tenants from level two to basement one
  - ✓ Amongst the new and existing active lifestyle brands are Nike, Adidas, Jordan, and Li Ning (李宁).
- This AEI which commenced in 1Q 2017 and is expected to complete around 3Q 2017, is part of a multi-phased project which will create value and strengthen the long-term quality and sustainability of the mall.

# Overview of Beijing Hualian Group

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



# Beijing Hualian Group's 4 Core Businesses

## Retail Malls

*37 Retail Malls owned and/or under management*

- Listed on Shenzhen Stock Exchange in 1998, with market cap of RMB 9.55b<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

*Over 170 Supermarkets across entire China*

- Listed on Shanghai Stock Exchange in 2001, market cap of RMB 5.05b<sup>1</sup>
- Anchor / master-lease tenants at every IPO portfolio property
- 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 IPO portfolio properties
- Joint venture with Costa Coffee for the entire Northern China



北京华联蒙城路购物中心  
BHG Mall

生·活·超·市  
LIFESTYLE MARKET

# Growth Strategy



# 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

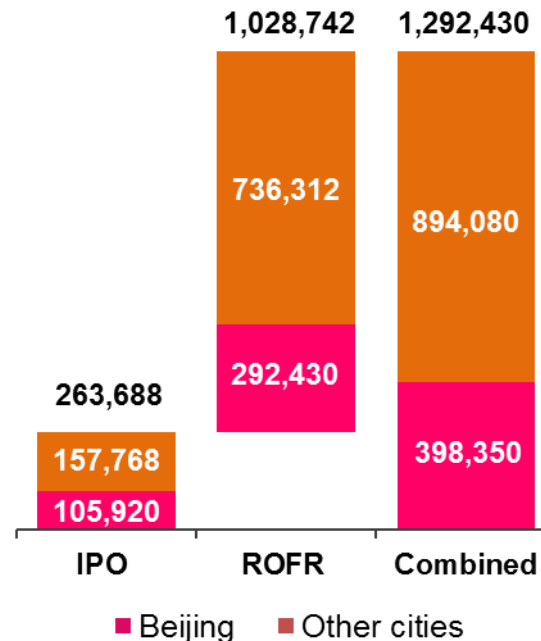
### Proactive asset enhancement

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

## Inorganic Growth

### 14 Voluntary ROFRs properties in the pipeline <sup>^</sup>

14 ROFR Properties (GFA sqm) <sup>^</sup>  
(as at 16 February 2017)



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

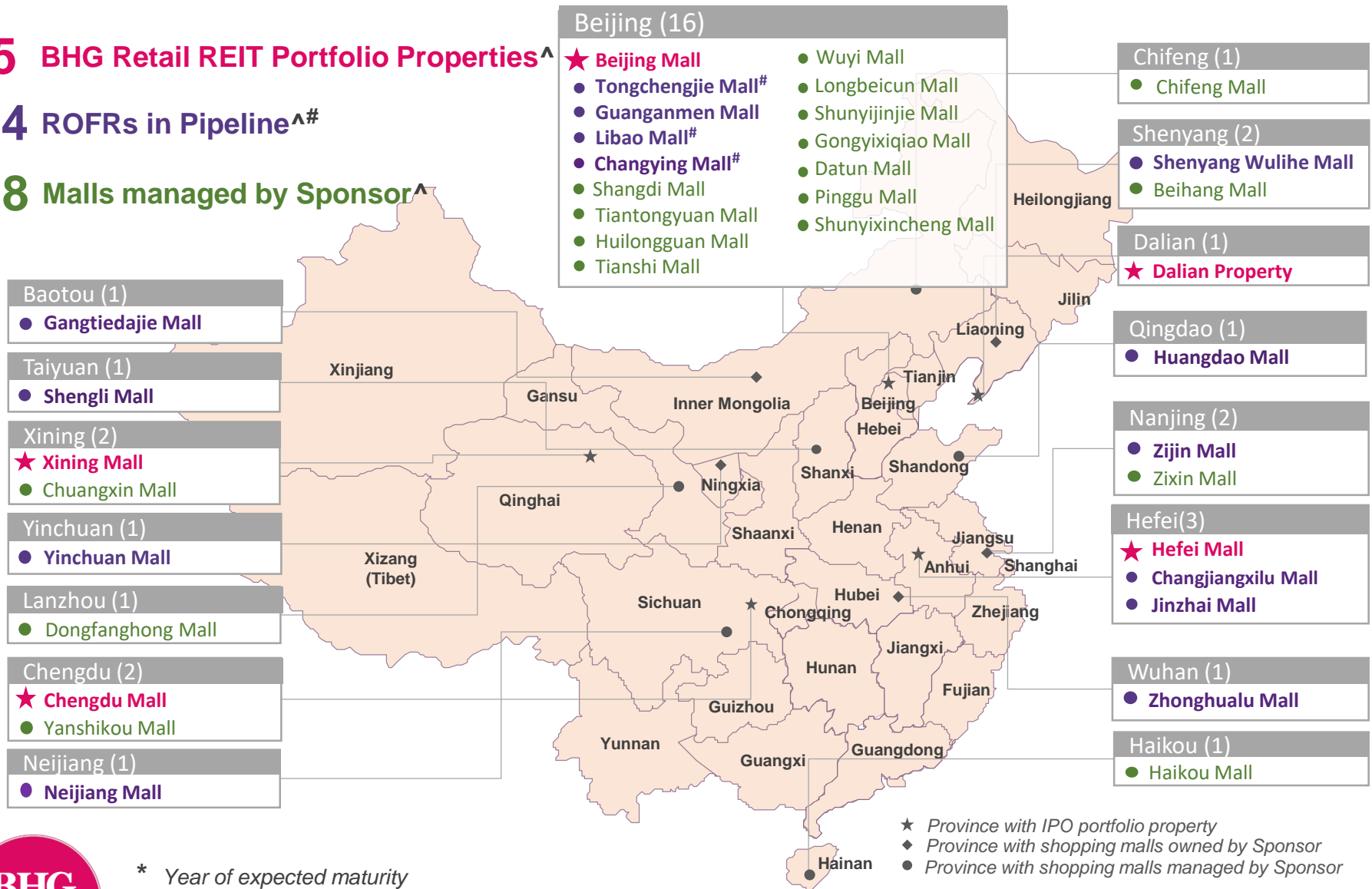


# Sponsor: Strong Retail Malls Management Experience

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

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

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



\* Year of expected maturity

<sup>^</sup> As at 16 February 2017

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





# Market Outlook

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## *The China economy continue to achieve moderate growth*

- According to the preliminary estimate, the China's gross domestic product grew 6.7% year-on-year to RMB 74.4 trillion in 2016. (National Bureau of Statistics of China)
- China's official think-tank forecasts 6.5% growth in 2017 (Chinese Academy of Social Science)

## *Residents' income continued to increase steadily*

- Urban residents' disposable income per capita increased 5.6% year-on-year in 2016. (National Bureau of Statistics of China)

## *Urbanisation rate increased from 56.1% in 2015 to 57.3% in 2016*

- Proportion of urban population to total population (urbanization rate) increased from 56.1% in 2015 to 57.3% in 2016. (National Bureau of Statistics of China)

## *Total retail sales increased 10.4% year-on-year to RMB 33.2 trillion for whole of 2016. (National Bureau of Statistics of China)*

- According to CBRE, F&B retailers continued to be strong during the quarter, sportswear brands are also capitalising on a health and wellness trend and are implementing aggressive expansion plans. (CBRE Asia Pacific Retail Trends Q4 2016)
- China's growing upper middle class and increasingly affluent population are driving a shift in consumption trends toward discretionary items such as entertainment and leisure. (CBRE Asia Pacific Retail Trends Q4 2016)

# Thank you

For further information and enquiries:

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