

Letter to Unitholders



From left
Mr Francis Siu Wai Keung
Chairman

Ms Chan Iz-Lynn
Chief Executive Officer

Dear Unitholders,

On behalf of the Board of Directors of BHG Retail Trust Management Pte. Ltd. (the “Manager”), we are pleased to present BHG Retail REIT’s inaugural annual report for the financial period from 18 November 2015 (“Date of Constitution”) to 31 December 2016 (“FY 2016”).

BHG Retail REIT (the “REIT”), the first pure-play China retail REIT sponsored by a China-based group, made its debut on the mainboard of Singapore Exchange on 11 December 2015 (the “Listing

Date”). This successful listing is an affirmation of the REIT’s robust fundamentals and growth prospects.

PERFORMANCE BEATS FORECAST

2016 was a year which saw prolonged uncertainty in global financial markets. China’s gross domestic product (“GDP”) growth moderated to 6.7% year-on-year in 2016 amidst its government’s efforts to find a subtle balance between near-term economic growth and longer-term structural reforms.

Despite these macro headwinds, we are pleased to announce that the REIT has beaten its forecast for FY 2016, and has delivered commendable operational performance.

Distribution per unit ("DPU") for the period from the REIT's Listing Date to 31 December 2016 of 5.45 cents has exceeded the forecast by 2.4%. Similarly, the amount available for distribution to Unitholders was up 2.9% against the forecast. The net property income ("NPI") in RMB was 4.2% higher compared to the forecast for the corresponding period.

SOLID FUNDAMENTALS

The REIT's portfolio consists of five quality retail properties, each situated in prudently selected locales with a high population density in cities of significant economic potential in China. These cities are Beijing, Chengdu, Hefei, Xining and Dalian. We continue to observe strong GDP per capita growth in these cities, which translates to a trend towards premiumisation and sustainable growth in consumption.

Our portfolio properties, which are focused on serving the communities in their respective locations, have consistently maintained a high committed occupancy rate since the Listing Date. As at 31 December 2016, the REIT's portfolio committed occupancy rate was 97.6%.

Rents for new and renewed leases in FY 2016 turned in a healthy portfolio rental reversion. The healthy

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rental uplift is a result of active management of the malls, leading to strong success in attracting new retailers while retaining quality tenants.

Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2016 through dedicated efforts to continually enhance the popularity of our malls and maintain our status as the mall of choice for tenants and the surrounding communities. In recognition of our effort to constantly improve the shopping experience, Hefei Mengchenglu Mall beat over 40 participating malls and was awarded "2016 Hefei's Most Popular Shopping Centre of the Year (2016年度合肥最受欢迎的商场)" by a local media platform, "Hefei Forum (合肥论坛)", in February 2017.

We adopt a prudent capital management strategy to support our operational requirements. As at 31 December 2016, our gross loan and borrowings of S\$231.5 million

had a weighted average term to maturity of 2.0 years, and a low gearing ratio of 31.0%. The average cost of debt was 3.75%. To further manage the cost of debt and mitigate interest rate risk, about 50% of the REIT's Singapore dollar-denominated debt are on fixed rates.

With Beijing Hualian Group's core businesses spanning the entire retail value chain (in retail mall management, luxury department store management, supermarket operation and international retail partnerships), the REIT benefits from Beijing Hualian Group's in-depth knowledge of consumption patterns. By tapping into Beijing Hualian Group's extensive network of retailers, we are able to constantly adjust the tenant mix of our Malls to offer an ever-refreshing shopping experience. In 2015, we were successful in repositioning Beijing Wanliu Mall by bringing in 25 popular brands targeted specifically at our middle to high income consumers. These

Letter to Unitholders

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brands included the renowned jeweller Chow Tai Fook (周大福), popular Japanese lifestyle brand Muji, America's iconic Calvin Klein Jeans, South Korea's cosmetic brand Etude House, one of China's rising culinary stars Element Fresh, and one of Taiwan's more popular restaurant chains Bellagio (鹿港小镇).

Coupled with our proactive engagement of the surrounding communities and strong collaboration with tenants, the REIT is able to adjust our product and service offerings quickly to meet the fast changing needs of our shoppers and the communities that we serve.

SERVING THE COMMUNITIES

Our strong portfolio of malls is geared towards the needs of the communities located within a few kilometers. For instance, Beijing Wanliu Mall is located in the Haidian District, one of the most populous urban districts in the capital. It is close to Zhongguancun, and is a short distance from the prestigious Peking University and Tsinghua University. The mall is geared towards serving the upper middle and high income residents. It has a wide tenant mix of international brands and quality dining options as well as experiential services such as children's enrichment programs, leisure and entertainment.

Our Chengdu Konggang Mall is situated near Chengdu Airport and is located in a residential area with a healthy catchment. The catchment of shoppers are middle and upper-middle income consumers living and working in the residential and commercial facilities in the area.

Across the five cities, our malls have established themselves as the unofficial heart of the communities as they attract families and professionals with a wide range of quality essentials (such as dining and groceries), recreation and experiential services. Our malls

are often the locations of choice for major festivals and community events and activities, drawing in high shopper traffic from the surrounding neighbourhoods.

Besides international fashion brands, which have strong appeal to consumers, one of our differentiating factors is our strong focus on non-fashion experiential segments. This segment contributed more than 65% of gross rental income and close to 80% of Net Lettable Area ("NLA") of the REIT's portfolio as at 31 December 2016. Besides staying ahead of changing consumer needs, the focus on non-fashion experiential segments also mitigates the risks brought about by e-commerce.

POISED FOR GROWTH

With the objective of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we will continue to build on our strong fundamentals as well as to drive growth.

We will continue to undertake proactive lease management and asset enhancement to enhance the value of the malls under our portfolio. In addition, we are also actively exploring growth via an existing voluntary Right of First Refusal ("ROFR") with regard to 14 identified properties. These 14 ROFR properties in the pipeline set a solid foundation for the REIT's long-term growth. As such, the Manager monitors the developments and maturity of these malls closely. The Manager will also explore opportunities for third-party acquisitions.



OUTLOOK

We expect 2017 to be a challenging year. We will be watchful of changes in consumer preferences, developments in the economy and changes in government policies that will have an adverse impact on our business.

The Chinese government has announced in December 2016 that they will continue to seek progress while maintaining stability for the coming year. According to the National Development and Reform Commission of the People's Republic of China, the government has set its GDP growth target at approximately 6.5% for 2017. GDP per capita, which is highly correlated with spending patterns, is projected to increase from US\$8,200 to US\$11,700 over the next 3-5 years¹. We therefore expect the consumer and retail contribution to GDP growth to increase.

As a result, we believe that the REIT's portfolio is well-positioned to meet the needs of the rising middle income population and provide a quality lifestyle experience at our malls. We remain committed to drive growth through potentially yield-accretive acquisitions, proactive asset enhancement and proactive asset management.

APPRECIATION

In closing, we would like to offer our deepest appreciation to the other Directors on the Board, the Management, and staff for their dedication and hard work since listing, as well as to Unitholders, business partners, tenants, and shoppers for their unwavering support in the past year. We look forward to another year of growth with you together.

Thank you.

Mr Francis Siu Wai Keung
Chairman

Ms Chan Iz-Lynn
Chief Executive Officer

28 February 2017

1. International Monetary Fund Forecast.

致信托单位 持有人

尊敬的信托单位持有人：

我们诚挚地代表北京华联商业信托管理有限公司（以下称“管理人”）董事会公布北京华联商业信托自2015年11月18日（“成立日”）至2016年12月31日的第一份财政年度（“2016财年”）报告。

北京华联商业信托（以下称“本信托”）于2015年12月11日（以下称“挂牌日”）在新加坡证券交易所主板上市，成为新交所第一只纯粹由中资集团保荐、投资于中国零售商场的房地产信托基金。此次成功上市，是对本信托稳健的根基以及乐观发展前景的肯定。

超预期的表现

2016年环球经济呈现持续不稳定性，随着中国政府在寻求短期经济增长与长期结构改革的平衡关系进程中，中国2016年的国内生产总值同比增速减缓至6.7%。

尽管存在这些宏观因素，我们仍欣然宣布本信托2016年度的业绩超出预期，营运表现可圈可点。

截至2016年12月31日，每信托单位可派发5.45分，比预期高出2.4%。同样的，可派发给信托单位持有人的收益也比预期高出2.9%，净物业收入以人民币计算更比预期高出4.2%。

稳固的根基

本信托投资组合包括5个优质零售物业，均经过精心挑选并位于人口密度高、具有经济增长潜力的城市，它们分别是北京、成都、合肥、西宁和大连。我们持续观察到这些城市的人均国内生产总值强劲的增长势头，这就意味着消费的增长以及可持续发展的趋势。

我们的各个零售商场致力于服务其所在的社区。自上市以来，始终保持所承诺的高出租率。截至2016年12月31日，本信托的整体出租率为97.6%。

在2016财年，通过对商场的积极管理，我们成功留住了优质租户、并同时吸引了新零售租户进场，使新增租约和续租租约租金都呈现出健康良好的增长势头。

在2016财年，本信托旗下的一站式购物中心整体客流量年同比上扬，这是因为我们不断致力于提高旗下商场的人气，并确保租户和周边社区以我们的商场为首选。2017年2月，在合肥当地媒体“合肥论坛”主办的购物商场评选中，合肥蒙城路购物中心在40多个参评商场中脱颖而出，荣获了“2016年度合肥最受欢迎商场”的殊荣，以表彰我们在持续改善购物体验方面所做出的努力。



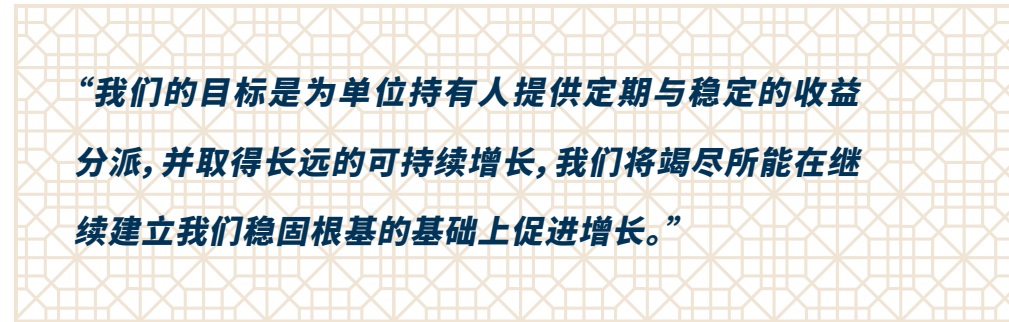
我们采用审慎的资本管理策略来支持营运需要。截至2016年12月31日，我们的借贷总额为2.315亿新元，加权平均还款期限为2.0年，负债比率低至31.0%。平均借贷成本为3.75%。为了进一步管理借贷成本，降低利率风险，本信托约50%的新元借款属于定息借款。

由于北京华联集团的核心业务横跨整个零售价值链(包括零售商场管理、高级百货公司管理、超市运营和国际零售业务合作等)，本信托也因华联集团对消费模式的深刻认知而大受其益。透过北京华联集团广泛的零售商网络，我们能够不断地调整商场的租户组合，提供崭新的购物体验。2015年，我们成功对北京万柳购物中心进行了重新定位，并引入25个深受中、高收入消费者所喜爱的品牌，包括著名的珠宝商周大福(Chow Tai Fook)、日本流行生活品牌无印良品(Muji)，美国标志性的牛仔裤品牌卡尔文(CK)，韩国化妆品品牌伊蒂之屋(Etude House)、正在中国兴起的餐饮新星，台湾最受欢迎的连锁餐厅之一的鹿港小镇等等。

基于我们采取的主动与周边社区积极互动并与租户紧密地合作，我们能快速调整我们的产品和服务以满足商场消费者以及我们所服务的社区瞬息万变的需求。

服务社区

我们所投资的商场都以服务周边几公里范围内的社区为宗旨。例如，北京万柳购物中心位于海淀区，是北京市人口第二稠密的城区。该商场毗邻中关村以及闻名遐迩的北京大学和清华大学，服务面向中高收入的人群。商场云集了众多的国际品牌和优质的餐饮选择，



并提供各项体验式服务，如儿童培训课程、休闲活动和娱乐设施等。

我们的成都空港购物中心位于成都机场附近，地处人流稳健的住宅区。面向的人群是在该区居住或在附近商厦工作的中高收入消费者。

我们的商场在各自所处的五个城市中，已成为相关社区的非正式枢纽，吸引了众多家庭及专业人士前来享受一系列高品质的消费(如餐饮和生活用品)、娱乐和体验式服务。社区活动主办者在主要节庆日也往往选择我们的商场举办活动，吸引了来自周边的大量购物人群。

除了具有强劲吸引力的国际时尚品牌之外，我们区别于其他业者的因素之一是我们对非时尚体验型服务市场的特别关注。截至2016年12月31日，超过65%的租金收入总额来自于这一领域的租户贡献，而其对应的租用面积则占本信托净可租用面积的近80%。对于非时尚体验式服务市场的关注，一方面是为了赶上变化的消费需求，另一方面可以缓解电子商务带来的风险。



致信托单位 持有人

“北京华联商业信托良好的市场定位将能满足正在崛起的中产阶层的需求,并为他们提供一个优质的生活体验。”



蓄势待发

我们的目标是为单位持有人提供定期与稳定的收益分派,并取得长远的可持续增长,我们将竭尽所能在继续建立稳固根基的基础上促进增长。

我们将继续对本信托旗下的资产采取积极主动的租赁管理和资产提升措施。此外,我们也积极探索通过14个优先购买权(ROFR)的商场来获得增长。这14个商场为本信托长期持续地发展提供了无以比拟的坚实基础。管理人也密切关注着这些商场的发展和成熟期状况,同时也在寻求第三方收购的机会。

展望

2017年将会是充满挑战的一年,我们将密切关注消费者的偏好、经济的发展以及政府政策可能对我们的商场所带来的负面影响。

2016年12月,中国政府宣布来年将在保持稳定的基础上寻求发展。根据中国国家发展和改革委员会,中国政府将2017年国内生产总值增长率的目标定为6.5%。另一方面,与消费模式高度相关的人均国内生产总值预计在未来的3-5年中将从8,200美元提高到11,700美元¹。因此,我们

预计消费和零售业对国内生产总值增长的贡献将上升。

我们相信北京华联商业信托良好的市场定位将能满足正在崛起的中产阶层的需求,并为他们提供一个优质的生活体验。我们将继续致力于通过潜在的增值收购、积极的资产提升和资产管理来推动增长。

鸣谢

最后,我们想借此机会对董事会的其他成员、管理层以及员工自上市以来的奉献和辛勤付出致以深切的谢意,同时也要感谢所有单位持有人、商业伙伴、租户和我们的商场顾客在过去一年里始终如一的支持。我们期待在新的一年里与大家共享增长。

谢谢!

萧伟强

主席

陈懿璘

首席执行官

2017年2月28日

1. 国际货币基金组织预测