



BHG Retail REIT 3Q 2017

Distribution per Unit rose 9.3% year-on-year

Net property income up 10.5% year-on-year

- Gross revenue for 3Q 2017 grew 7.0% year-on-year
- Consistently robust portfolio occupancy rate of 99.0%
- Healthy rental reversion

SINGAPORE, November 7, 2017 – BHG Retail Trust Management Pte. Ltd., the Manager of BHG Retail REIT, is pleased to announce today the financial results of BHG Retail REIT for the third quarter (“3Q 2017”) and nine months period (“9M 2017”) ended 30 September 2017.

Gross revenue and net property income rose 7.0% and 10.5% year-on-year, respectively in 3Q 2017. The growth in top line and net property income were attributed to underlying rental uplifts achieved for new and renewed leases, as well as in-built rental escalation for ongoing tenancies.

Amount available for distribution was S\$5.1 million for the 3Q 2017. Distribution per Unit (“DPU”) of 1.41 cents for 3Q 2017 was 9.3% higher year-on-year. The aggregated DPU of 4.15 cents for 9M 2017 was 3.5% above the corresponding period last year. Annualised distribution yield for 9M 2017 was 7.45%², based on a closing price of S\$0.745 as at 30 September 2017.

Strong Fundamental Performance

As at 30 September 2017, portfolio committed occupancy rate stood high at 99.0%. Multi-tenanted malls continued to observe encouraging demand for space, and healthy rental uplift from new and existing tenant quarter after quarter. Going forward, the properties will continue to fine-tune and strengthen their offerings, to remain relevant as attractive destinations for surrounding communities.

Footnotes:

- 1 DBS Bank Ltd. was the Financial Adviser, Issue Manager, Bookrunner and Underwriter for the initial public offering of BHG Retail REIT.
- 2 Based on closing price of S\$0.745 as at 30 September 2017 and annualised 9M 2017 Distribution per Unit.

Ms Chan Iz-Lynn, Chief Executive Officer of BHG Retail Trust Management Pte. Ltd., said, “BHG Retail REIT has delivered commendable performance in the third quarter. The underlying operational growth affirms our community mall focused strategy, which further benefits from a rising domestic consumption environment in China. Our results were underpinned by the proactive engagement with neighbouring communities, in-depth knowledge of local consumer sentiment, and firm partnership with our tenants. Looking ahead, we will continue to harness our strengths and pursue sustainable growth through both organic and acquisition channels.”

For the period from 1 Jul to 30 Sep 2017	3Q 2017³	3Q 2016^{3,4}	Change%
Gross revenue [RMB'000]	80,656	75,661	6.6
Net property income [RMB'000]	51,622	46,955	9.9
Gross revenue [SGD'000]	16,462	15,383	7.0
Net property income [SGD'000]	10,536	9,538	10.5
Amount available for distribution [SGD'000]	5,148	4,521	13.9
Distribution per unit (cents) [SGD cents]	1.41	1.29	9.3

For the period from 1 Jan to 30 Sep 2017	9M 2017³	9M 2016^{3,4}	Change%
Gross revenue [RMB'000]	234,155	224,166	4.5 ⁵
Net property income [RMB'000]	155,773	143,567	8.5 ^{5,6}
Gross revenue [SGD'000]	47,812	46,794	2.2 ^{5,7}
Net property income [SGD'000]	31,807	29,986	6.1 ^{5,6,7}
Amount available for distribution [SGD'000]	15,122	13,975	8.2
Distribution per unit (cents) [SGD cents]	4.15	4.01	3.5

Footnotes:

- 3 The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.900, 1:4.929, 1:4.897 and 1:4.776 for 3Q 2017, 3Q 2016, 9M 2017 and 9M 2016, respectively.
- 4 The comparative figures were for the quarter from 1 July 2016 to 30 September 2016 and for nine months from 1 January 2016 to 30 September 2016, respectively. These figures were extracted from BHG Retail REIT's results for the third quarter and nine months ended 30 September 2016.
- 5 Prior to 1 May 2016, Business Tax was reflected under property operating expenses. With effect from 1 May 2016, Value Added Tax (“VAT”) replaced Business Tax in China and it is net off the revenue instead of reflecting in the property operating expenses.
- 6 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.
- 7 Weaker RMB against SGD.

Capital Management

BHG Retail REIT's gearing remained healthy at 32.5%. It has a staggered debt maturity profile with weighted average term to maturity of 1.3 years. About 70% of debt are denominated in Singapore dollars. Apart from the natural hedge from RMB denominated borrowings, about 45% of the SGD-denominated borrowing are on a fixed interest rate basis.

Outlook

China's economy achieved a stable momentum in the third quarter 2017, amidst transition towards a more sustainable growth trajectory. Gross domestic product grew 6.8%^a year-on-year during the quarter, in line with the International Monetary Fund's growth forecast for the full year 2017. Consumption continues to emerge as a new engine of economic growth in China^b, with a 64.5%^a contribution to total economic growth in the first three quarters of 2017. Retail sales rose 10.4%^a year-on-year to date in 2017. Disposable income and expenditure per capita of urban residents increased 6.6%^a and 5.9%^a year-on-year respectively in the nine months period ended 30 September 2017.

a. Source: National Bureau of Statistics of China

b. Source: CBRE Market View

ABOUT BHG RETAIL REIT (<http://www.bhgreit.com>)

BHG Retail REIT is the first pure-play China Retail REIT sponsored by a leading China integrated retail group. The REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 11 December 2015. The principal investment strategy of BHG Retail REIT is to invest, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail purposes (whether either wholly or partially), as well as real estate-related assets in relation to the foregoing, with an initial focus on China.

Its portfolio comprises five retail properties, Beijing Wanliu (60%), Chengdu Konggang, Hefei Mengchenglu, Xining Huayuan, Dalian Jinsanjiao located in Tier 1, Tier 2 and other cities of significant economic potential in China. As at 30 September 2017, the portfolio gross floor area ("GFA") of about 264,000 sqm, has a committed occupancy of 99.0%. As at 31 December 2016 (date of latest valuation), total appraised value of approximately RMB 3,890 million.

Under voluntary right of first refusal agreements ("ROFR"), 15 properties may potentially be offered to BHG Retail REIT as future pipeline assets. Of these 15 ROFR properties, 11 are held by the Sponsor. Three ROFR properties, namely Tongchengjie, Libao, and Changying are held by a private fund, managed by a fund manager 50% owned by Beijing Hualian Group Investment Holding Co., Ltd.. One ROFR property, Anzhen Mall, is held by Beijing Hualian Group Investment Holding Co., Ltd. jointly with other third parties, and the consent of such third parties is required for Anzhen Mall to be offered to BHG Retail REIT.

If these 15 properties are acquired, the resulting enlarged portfolio GFA of approximately 1,336,000 sqm will be about five times of BHG Retail REIT's IPO Portfolio, and will increase the REIT's presence to 13 cities in China.

ABOUT THE REIT MANAGER

BHG Retail REIT is managed by BHG Retail Trust Management Pte. Ltd., an indirect wholly owned subsidiary of the Sponsor, Beijing Hualian Department Store Co., Ltd. The Manager's key financial objectives are to provide Unitholders of BHG Retail REIT with an attractive rate of return on their investment through regular and stable distributions to Unitholders and to achieve long-term sustainable growth in distribution per unit ("DPU") and net asset value ("NAV") per Unit, while maintaining an appropriate capital structure for BHG Retail REIT.

ABOUT THE SPONSOR

BHG Retail REIT is the first retail REIT sponsored by an established PRC home-grown retail property operator, Beijing Hualian Department Store Co., Ltd. (the "Sponsor"). Established in May 1998, the Sponsor is a listed company on the Shenzhen Stock Exchange (stock code: 000882). The Sponsor is one of the first companies to be engaged in retail property management in China whose focus is mainly on the ownership and management of community retail properties. These properties are positioned as one-stop family-oriented destinations for the community in its locality, with shopping, dining, recreational and entertainment facilities to cater to an extensive variety of communal needs.

For further information and enquiries:

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IMPORTANT NOTICE

The value of units in BHG Retail REIT ("Units") and the income derived from them, if any, may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the "Manager") or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of BHG Retail REIT is not necessarily indicative of its future performance.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of BHG Retail REIT ("Unitholders") may only deal in their Units through trading on the SGX-ST. Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

This press release may contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements and/or financial information involve a number of factors, risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, the present and future business strategies, the environment in which BHG Retail REIT will operate in the future, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes, and the continued availability of financing. The actual results, performance or achievements of BHG Retail REIT or the Manager, or industry results, may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and/or financial information, as these statements and financial information reflect the Manager's current views concerning future events and necessarily involve risks, uncertainties and assumptions. Prospective investors and Unitholders are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.