

# LETTER TO UNITHOLDERS

Dear Unitholders,

On behalf of the Board of Directors and the management team of BHG Retail Trust Management Pte. Ltd., we are pleased to present to you BHG Retail REIT's annual report for the financial year 2017 ("FY 2017").

2017 was a year which saw much improvement in market sentiments. Global economy quietly gathered pace above estimates. China's economy achieved a stable momentum as it transitioned towards a more sustainable growth trajectory. At the REIT level, our portfolio of community-focused retail properties in prudently selected cities with high population density precincts, delivered a commendable set of results in FY 2017.

## DELIVERING COMMENDABLE PERFORMANCE<sup>1</sup>

The Management's relentless effort in pursuing regular, stable distributions and sustainable growth has navigated the REIT well. Gross revenue and net property income ("NPI") in Renminbi rose 5.0% and 8.7% respectively year-on-year in 12M 2017, on the back of underlying rental uplifts achieved for new and renewed leases, as well as in-built rental escalation for ongoing tenancies.

The amount available for distribution to Unitholders was up 7.5% year-on-year. Aggregate distribution per unit ("DPU") for 12M 2017 of 5.47 cents outperformed the corresponding full calendar year 2016 by 2.8%, and translated to a distribution yield of 7.39% based on the closing price of S\$0.74 as at 31 December 2017.

Portfolio committed occupancy rate was 99.7% as at 31 December 2017. All five properties recorded high occupancy rates of above 90% throughout the year. Rents for new and renewed leases in FY 2017 continued to achieve very healthy rental uplifts quarter after quarter. Our malls' strong success in attracting new retailers while retaining quality tenants was attributed to the proactive leasing

activities, tenant engagement, as well as astute asset management. Average passing rents registered positive increase year-on-year in 12M 2017.

BHG Retail REIT's multi-tenanted malls contributed 88.1% of the entire portfolio's net property income in 12M 2017. These key contributors, namely Beijing Wanliu Mall, Chengdu Konggang Mall, and Hefei Mengchenglu Mall, accounted for 59.3%, 14.9% and 13.9% respectively of FY 2017's NPI. Our multi-tenanted malls on average achieved higher year-on-year overall shopper traffic in FY 2017. This was achieved through dedicated efforts to continually enhance the popularity of our malls and to entrench our malls as the mall of choice for tenants and the surrounding communities.



Mr Francis Siu Wai Keung, Chairman

1. "12M 2017" and "12M 2016" refers to "1 January to 31 December 2017", and "1 January to 31 December 2016". "12M" was adopted in place of "FY" to facilitate comparative purposes, as the financial period 2016 ("FY 2016") included an additional 21 days from 11 December 2015 ("Listing Date") to 31 December 2015.



Ms Chan Iz-Lynn, Chief Executive Officer

In line with the national fitness drive in China, we embarked on an asset enhancement initiative this year in Chengdu Konggang Mall to elevate the mall's active lifestyle offering. In light of rising demand for sports apparel and products, the cluster in basement one now houses popular brands including Nike, Adidas, Skechers, Jordan, and Li-Ning (李宁). We are happy to announce that the enhancement was well received by surrounding communities, and have witnessed a good growth in visitorship for the entire mall since the reopening of the cluster.

Over at Beijing Wanliu Mall, several new stores opened doors in 2017. They include children's apparel (Carter's and Nike Kids), fashion retailer (Lacoste) and local cuisines (江边城外 and 旺顺阁). We

also successfully brought in Happy Pony 快乐小马, a 508 square metre (approximately 5,400 square feet) children's horse-riding stable and training school, which drew an overwhelming response in 2H 2017. With growing aspirational demographics in Beijing, shoppers often desire better quality products and experiences. In view of these rising trends, we will remain astute in our leasing strategies.

### STRENGTHENING FINANCIAL POSITION

BHG Retail REIT's portfolio of five quality assets was valued at RMB 3,946 million as at 31 December 2017, an increase of 1.4% over the previous valuation as at 31 December 2016.

We adopt a prudent capital management strategy to support our operational requirements. As at 31 December 2017, our gross loan and borrowings of S\$242.2 million had a weighted average term to maturity of 1.7 years, and an average cost of debt of 3.70%. Gearing remained low at 32.2% and allows a comfortable debt headroom for potential acquisition growth.

### RESILIENT COMMUNITY-MALL FOCUSED STRATEGY

With the mission of providing Unitholders with regular, stable distributions and sustainable growth in the long term, we endeavour to build on our resilient community-mall focused and experiential strategy, and to capitalise on the rising middle income population.

Leveraging on Beijing Hualian Group's wealth of knowledge and substantial footprint in retail mall management, luxury department store management, supermarket operation and international retail partnerships, the REIT and property managers benefit from the Group's strong understanding of Chinese consumption patterns.

## LETTER TO UNITHOLDERS



Coupled with proactive engagement of the surrounding communities and strong collaboration with tenants, the REIT is able to promptly identify the fast changing demands of shoppers and communities that we serve, thereby maintaining the relevancy of our malls. In addition, Beijing Hualian Group's extensive network of retailers strengthens our ability to draw new retailers into our malls to provide an ever-refreshing retail-tainment experience.

To embrace consumers' omni-channel retailing trends, the REIT will continue to focus on the experiential segment. This segment, which typically requires consumers to visit the mall, contributed about 60% and 80% of gross rental income and net lettable area respectively of the entire portfolio as at 31 December 2017.

### PROACTIVE INVESTOR ENGAGEMENT

2017 has been an exciting year on the investor relations front. Our investor relations team intensified efforts to engage both retail and institutional investors through the media, webinar (live video conference seminar), seminars, roadshows, and one-to-one meetings.

With firm partnership between Singapore Exchange ("SGX"), REIT Association of Singapore ("REITAS"), Shareinvestor and financial institutions, we participated in a number of events, including the REIT Symposium 2017, SGX-REITAS Educational Series, SGX-REITAS Webinar, SGX-Phillip luncheon seminar, and SGX-Credit Suisse Real Estate Corporate Day. Besides regular one-to-one meetings with Singapore investors, the investor

relations team also conducted non-deal roadshows in Kuala Lumpur and Hong Kong to widen our investor outreach. Furthermore, BHG Retail REIT was featured in Fortune Times magazine, and SGX Market Dialogues' Kopi-C article and video interview.

In addition, we also had the opportunity to create awareness of the REIT at the International Council of Shopping Centers' Recon Asia-Pacific conference in Bangkok, as well as Singapore Management University Business Society's Bondue networking event.

### ACCOLADES & RECOGNITION

In August 2017, BHG Retail REIT won the Bronze Award at the prestigious Asia Pacific Best of the Breeds REITs Awards 2017, under the Retail REITs category.



WITH PROACTIVE ENGAGEMENT OF THE SURROUNDING COMMUNITIES AND STRONG COLLABORATION WITH TENANTS, THE REIT IS ABLE TO PROMPTLY IDENTIFY THE FAST CHANGING DEMANDS OF SHOPPERS AND COMMUNITIES THAT WE SERVE, THEREBY MAINTAINING THE RELEVANCY OF OUR MALLS.

With continuous emphasis in good corporate governance practices and transparency, BHG Retail REIT was ranked 17th amongst 43 real-estate investment trusts and business trust in Singapore's inaugural Governance Index For Trust ("GIFT").

We are humbled and pleased to receive these recognitions as an affirmation of our efforts to pursue value for our unitholders. These will serve as inspiration for us to remain focused on our mission to deliver sustainable returns to our unitholders, and to be committed to good corporate governance practices.

## OUTLOOK

China's GDP and retail sales registered 6.9% and 10.2% year-on-year growth in 2017. Disposable income and expenditure per capita of urban residents increased 6.5% and 5.4% year-on-year in 2017.

Despite uncertainties from China's regulatory changes and structural

reforms, the near-term China economy outlook is expected to remain stable. We remain confident that our portfolio of quality community malls will stay robust going forward, underpinned by rising domestic consumption, higher disposable income, increasing middle-income population, rural-urban migration (urbanisation) and implementation of the two-child policy.

Looking ahead, we will be watchful of changes in consumer preferences, developments in the economy and changes in government policies that may have an adverse impact on our business. We will continue to undertake proactive lease management and asset enhancement to enhance the value of the malls under our portfolio.

To lay a strong foundation for the REIT's next phase of growth, we will continue to seek potential DPU yield-accretive acquisition opportunities through both Right of First Refusal ("ROFR"), as well as third-party properties.

## WITH APPRECIATION

In closing, we take this opportunity to acknowledge the dedication and contributions by fellow Board members, the management team and staff in the past year. We also like to express our appreciation to our business partners, tenants, and shoppers for their continuous support. Last but not least, we offer our sincere gratitude to our Unitholders for their unwavering support and confidence in us. Together, let us look forward to another year of steady performance and sustainable growth.

Thank you.

**Mr Francis Siu Wai Keung**  
Chairman

**Ms Chan Iz-Lynn**  
Chief Executive Officer

15 March 2018

## 致信托单位持有人

尊敬的信托单位持有人：

我们很荣幸代表北京华联商业信托管理有限公司董事会及管理层公布北京华联商业信托2017财政年度（“2017财年”）业绩报告。

在全球经济持续复苏的背景下，2017年市场的氛围明显好转，全球经济表现优于预期。中国经济以平稳的节奏，向可持续发展方向推进。在商业房地产信托领域，我们精挑细选，投资组合为位于高密度人口城市、以社区为枢纽的购物中心，在2017财年取得了突出的业绩表现。

### 业绩表现突出

管理团队一直为追求定期、稳定的分红回报和可持续增长做出不懈努力，使商业信托保持良好的运作。2017财年，以人民币计量，总收入和物业净收入同比增长幅度分别为5.0%和8.7%。增长主要原因为新租约和续租的租金基础有所增长，同时，租赁期内的租金标准也按预期实现递增。

可派发给单位持有人的收益年同比增长7.5%。2017财年平均每单位派息为5.47分，比2016年高出2.8%。按照2017年12月31日的收盘价\$0.74新元计，收益率为7.39%。



截至2017年12月31日，本信托组合的出租率为99.7%。旗下五个商场出租率全年保持在90%以上。2017财年新增租约和续租租约每季度都保持良好的增长。旗下商场采取积极主动的租赁管理方式，与租户保持良好的互动，再加上优良的物业管理，不仅留住现有的优质租户，也成功吸引了新租户，2017财年的平均租金同比正向增长。

2017财年，北京华联商业信托旗下多租户商场取得的收益，占整个投资组合物业净收益的88.1%。其中，北京万柳购物中心、成都空港购物中心以及合肥蒙城路购物中心分别占2017财年物业净收益的59.3%，14.9%和13.9%。这三家多租户商场在本财年平均客流同比增长。上述业绩表现要归功于管理团队专心致力于不断提高各商场人气，深

化各商场租户经营的首选地位，同时使周边居民将我们商场作为购物首选。

为配合中国的全民健身计划，成都空港购物中心在本财年推出物业改良计划，塑造商场倡导积极生活方式的形象。对商场地下一层及时换新，聚集了家喻户晓的流行运动品牌如耐克、阿迪达斯、斯凯奇、乔丹和李宁等，满足消费者对运动装备产品上升的需求。我们很高兴的宣布，改良计划大受好评，地下一层翻新后，明显带动了整个商场客流量增长。

在北京万柳购物中心，2017财年增加了一些新概念和商铺。这些商铺包括，儿童品牌-卡特童装和耐克童装 (Carter's and Nike Kids)，服饰品牌-法国鳄鱼 (Lacoste)，以及本土餐饮品



牌-江边城外和旺顺阁。另外，我们也成功的引进了新概念儿童娱乐品牌-快乐小马 (Happy Pony)，一间占地508平米 (约5,400平方尺) 的儿童马术训练学校，该商铺在2017年下半年取得了不错的反响。随着北京领导性消费群体的增长，消费者总是渴望得到质量更好的产品和更佳消费体验。据此，我们将在租赁战略中保持高度敏锐性。

### 强化财务状况

截至2017年12月31日，北京华联商业信托旗下五个优质商场总值39.46亿人民币，与2016年12月31日的估值相比，提高了1.4%。

我们采取稳健的资本管理策略来支持营运上的需要。截至2017年12月31日，我们的贷款总额为2.422亿新元，加权平均还款期限为1.7年，平均贷款成本为3.70%，负债比率依然维持在32.2%的低水平，这给予我们足够的空间来促成潜在的整体增长。

### 社区商场聚焦的弹性策略

我们希望为单位持有人提供定期、稳定的分红以及保持长远的可持续增长，为此，我们所采取的弹性策略是建立社区商场和体验式购物，瞄准中等收入群体的增长趋势。

在购物中心管理、奢侈品百货商店管理、超市经营和国际零售伙伴关系管理方面，北京华联集团拥有丰厚经验，本信托和物业经理人得益于集团对中国各消费模式敏锐的洞察力。

本信托采取积极主动的措施带动商场周边的社区，并与租户建立紧密的合作关系，因此能够及时识别购物群体和社区消费者快速多变的需求，确保能够持续提供服务满足消费者需求。此外，北京华联集团广阔的零售脉络也有助于我们引入新商户进驻旗下商场，不断为商场注入新鲜的零售娱乐体验。

为了确保旗下商场能迎合并适应消费者全渠道零售需求，本信托将继续致力于打造体验型服务市场，这类市场通常需要消费者亲临商场，截至2017

年12月31日，这一领域占本投资组合租金收益的60%，可租用面积的80%。

### 积极主动地接触投资者

2017年对于投资者关系部是非常有意义的一年。我们利用各种渠道，包括媒体、网络研讨会 (实况视频研讨会)、研讨会、路演和一对一面谈，深化与个人投资者和机构投资者合作关系。

我们也与新加坡交易所 (SGX)、新加坡房地产投资信托协会 (REITAS)、智科 (亚太) 资讯中心和其他金融机构建立了紧密的伙伴关系，并参与一系列活动，包括2017年房地产投资信托大会、SGX-REITAS教育讲座系列、SGX-REITAS网络研讨会、SGX-Phillip午餐会议，以及SGX-瑞信银行房地产企业推介日等。除了日常与新加坡投资者一对一面谈，投资者关系部也在吉隆坡和香港举行非交易性质路演，旨在拓展投资者延伸范围。除此之外，《时代财智》、新加坡交易所网上定期栏目《Kopi-C》对北京华联商业信托管理有限公司进行专访，并上传了采访视频。

## 致信托单位持有人

本信托采取积极主动的措施带动商场周边的社区,并与租户建立紧密的合作关系,因此能够及时识别购物群体和社区消费者快速多变的需求,确保能够持续提供服务满足消费者需求。

另外,通过出席国际购物中心协会在曼谷举办的全球商业地产亚太大会,以及新加坡管理大学商业学会的Bondue联谊活动,使得本信托有更多展示机会,提高大众对商业房地产信托的认知度。

### 荣誉认证

2017年8月北京华联商业信托管理有限公司荣获2017年“Asia Pacific Best of the Breeds REITs Awards”零售房地产信托级别中的铜奖。

北京华联商业信托管理有限公司一直重视良好的企业治理和透明度。在新加坡首届信托监管指数排行榜中,本信托在43家房地产投资信托和商业信托中名列第17位。

这些荣誉肯定了我们为基金持有人创造价值付出的努力。我们以谦逊的态度接受荣誉,并将其转化为动力,践行目标牢记使命,为信托持有人持续带来回报,在企业治理方面更上一层楼。

### 展望

2017年,中国国内生产总值年同比增长率为6.9%,零售销售年同比增幅为10.2%,可支配收入年同比增长6.5%,城市居民人均开支年同比上升5.4%。

尽管中国法律监管和结构改革仍处于调整阶段,但中国近期经济趋势依然十分稳定。我们对旗下优质商场能够在未来持续保持强劲势头有信心。利好方面,国内消费趋势、可支配收入、中等收入人口都呈上升趋势,城市化进程和“二孩政策”同样对我们有利。

展望未来,我们密切关注与业务相关的消费走势、经济发展变化和政策调整。我们将继续积极进行租赁管理和物业改善计划,提升旗下商场价值。

为了本信托下一阶段的增长奠定坚实基础,我们会持续在拥有优先购买权(“ROFR”)以及第三方持有物业中寻找收购机会,并通过收购获得每股派息增值的潜力。

### 鸣谢

最后,我们借此机会对董事会成员、管理层以及员工过去一年来的辛勤奉献致以诚挚的谢意,同时也感谢我们的商业伙伴、租户和顾客一贯的支持。我们也由衷感谢各基金持有人对我们的信任和支持。让我们共同期待未来业绩稳健,持续发展。

谢谢!

**萧伟强**  
主席

**陈懿璘**  
首席执行官

2018年3月15日