



## **BHG Retail REIT Beats Forecast in Maiden Year Distribution per Unit of 5.45 cents<sup>2</sup>, 2.4% Above Forecast Annualised Distribution Yield of 7.87%<sup>2,3</sup>**

- High portfolio occupancy rate of 97.6%
- Healthy rental reversion
- FY 2016 amount available for distribution up 2.9% against forecast

**SINGAPORE, February 23, 2017** – BHG Retail Trust Management Pte. Ltd., the Manager of BHG Retail REIT (the “Manager”), announced today that BHG Retail REIT’s inaugural year results have beaten the IPO forecast. Distribution per Unit (“DPU”) of 5.45 cents for the financial period from 18 November 2015 (Date of Constitution) to 31 December 2016 (“FY 2016”) was 2.4% above forecast. Annualised DPU yield for FY 2016 was 7.87%, based on the year end closing price of S\$0.655. Net asset value (“NAV”) per unit was S\$0.85 cents as at 31 December 2016.

For the fourth quarter ended 31 December 2016 (“4Q 2016”), net property income (RMB) was 6.3% higher compared to forecast. DPU for the fourth quarter was 1.31 cents. The aggregate second half 2016 (“2H 2016”) DPU of 2.60 cents will be paid to unitholders on the 28 March 2017.

### ***Resilient Operational Performance***

Leasing activities during the year reflected resilient demand from existing and new tenants amidst macro-headwinds. Portfolio occupancy rate remained high at 97.6% as at 31 December 2016. In February 2017, the Hefei Mengchenglu Mall was awarded “2016 Hefei’s Most Popular Shopping Centre of the Year (2016 年度合肥最受欢迎的商场)” amongst over 40 participating malls by local media platform “Hefei Forum (合肥论坛)”.

#### Footnotes:

- 1 DBS Bank Ltd. was the Financial Adviser, Issue Manager, Bookrunner and Underwriter for the initial public offering of BHG Retail REIT.
- 2 For the period from 11 December 2015 (Listing date) to 31 December 2016.
- 3 Based on closing price of S\$0.655 as at 31 December 2016.

***Continual Asset Enhancement Initiative***

Chengdu Konggang Mall has embarked on an asset enhancement initiative (“AEI”) to elevate the mall’s active lifestyle offering, in light of rising demand for sports apparels at the mall. The project aims to introduce a new active lifestyle themed concept and to revitalise our offering on basement one. Amongst the new and existing active lifestyle brands are Nike, Adidas, Jordan, and Li Ning (李宁). This AEI which is expected to complete in 3Q 2017, is part of a multi-phased project which will create value and strengthen the long-term quality and sustainability of the mall.

***Capital Management***

Gearing of BHG Retail REIT remained low at 31.0%. It has a staggered debt maturity profile with weighted average term to maturity of 2.0 years. About 70% of debt are denominated in Singapore dollars. Interest rates for Singapore dollar denominated debts were balanced between fixed and variable.

***Macroeconomy Outlook***

According to preliminary estimate, the China’s gross domestic product grew 6.7% year-on-year to RMB 74.4 trillion in 2016. Amidst rebalancing and structural reforms in China, coupled with uncertainties impacting global trade, the China’s official think-tank (*Chinese Academy of Social Science*) forecasts a 6.5% growth for the China economy in 2017. Urbanization rate increased from 56.1% in 2015 to 57.3% in 2016. Disposable income per capita for urban residents increased 5.6% year-on-year in 2016. Total retail sales increased 10.4% year-on-year to RMB 33.2 trillion for the whole of 2016. (*Source: 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. 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. The slower growth of online retail and greater importance of physical stores is being reflected by the increasing number of online retailers investing in their offline networks. (*Source: CBRE Asia Pacific Retail Trends Q4 2016*)

Ms Chan Iz-Lynn, Chief Executive Officer of the Manager, said, “we are pleased to announce that BHG Retail REIT has delivered steady performance in its maiden year. For the financial period from 18 November 2015 (Date of Constitution) to 31 December 2016, portfolio net property income in Renminbi exceeded forecast by 4.2%, and distribution per unit was 2.4% above forecast, despite implementation of the change in Beijing’s property tax to one based on revenue with effect from 1 July 2016. This heartening performance from the malls reflects the resilience of our experiential-

focused community portfolio and the expertise of the property management team behind these community malls.

Going forward, we will continue to strengthen our malls' identity as the mall of choice, pursue opportunities that are DPU-yield accretive, and deliver sustainable returns to our unitholders.

<b>4Q 2016</b>	<b>Actual<sup>5</sup></b>	<b>Forecast<sup>6</sup></b>	<b>Change%</b>
Gross revenue [RMB'000]	76,441	76,092	0.5 <sup>8</sup>
Net property income [RMB'000]	49,841	46,874	6.3 <sup>8,9</sup>
Gross revenue [SGD'000]	15,791	16,542	(4.5) <sup>8,10</sup>
Net property income [SGD'000]	10,300	10,191	1.1 <sup>8,9,10</sup>
Amount available for distribution [SGD'000]	4,629	4,553	1.7
Distribution per unit (cents) [SGD cents]	1.31	1.30	0.8
Annualised distribution yield (%)			
- Based on IPO price <sup>4</sup>	6.51	6.46 <sup>7</sup>	0.8
- Based on closing price <sup>2</sup>	7.96	7.90 <sup>7</sup>	0.8
<b>18 November 2015 (Date of Constitution) to 31 December 2016 ("FY 2016")</b>	<b>Actual<sup>5</sup></b>	<b>Forecast<sup>6</sup></b>	<b>Change%</b>
Gross revenue [RMB'000]	317,334	315,210	0.7 <sup>8</sup>
Net property income [RMB'000]	202,168	193,967	4.2 <sup>8,9</sup>
Gross revenue [SGD'000]	66,234	68,524	(3.3) <sup>8,10</sup>
Net property income [SGD'000]	42,197	42,167	0.1 <sup>8,9,10</sup>
Amount available for distribution [SGD'000]	19,038	18,507	2.9
Distribution per unit (cents) [SGD cents]	5.45	5.32	2.4
Annualised distribution yield (%)			
- Based on IPO price <sup>4</sup>	6.44	6.29 <sup>7</sup>	2.4
- Based on closing price <sup>2</sup>	7.87	7.68 <sup>7</sup>	2.5

## Footnotes:

- 4 Based on IPO price of S\$0.80 as at 11 December 2015.
- 5 The actual results of the Group's foreign subsidiaries were translated using the average SGD: CNY rate of 1:4.844 and 1: 4.791 for 4Q 2016 and FY 2016, respectively.
- 6 The forecast was prorated based on forecast and projection shown in BHG Retail REIT Prospectus dated 2 December 2015 (the "Prospectus") for 4Q 2016 and FY 2016, respectively. An exchange rate of SGD: CNY 1:4.60 was adopted in the forecast.
- 7 The forecast annualised distribution yield for 4Q 2016 and FY 2016 were prorated based on forecast 2015 of 5.7% and projection 2016 of 6.3% as shown in the Prospectus.
- 8 With effect from 1 May 2016, China implemented a nation-wide VAT reform.
- 9 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% and 3.3% in property operating expenses for 4Q 2016 and FY 2016, respectively.
- 10 Weaker RMB against SGD.

**DISTRIBUTION POLICY**

BHG Retail REIT's distribution policy is to distribute 100.0% of its amount available for distribution to Unitholders for the financial period 18 November 2015 (Date of Constitution) to 31 December 2016. Thereafter, BHG Retail Trust Management Pte. Ltd. ("the Manager") will distribute at least 90.0% of BHG Retail REIT's amount available for distribution with the actual level of distribution to be determined at the discretion of the Board of Directors of the Manager. Distribution to Unitholders will be made semi-annually based on the half-yearly results of BHG Retail REIT and will be paid no later than 90 days after the end of each distribution period.

**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%), Hefei Mengchenglu, Chengdu Konggang, Dalian Jinsanjiao and Xining Huayuan located in Tier 1, Tier 2 and other cities of significant economic potential in China. As at 31 December 2016, the portfolio gross floor area ("GFA") of about 264,000 sqm, has a committed occupancy of 97.6%, with a total appraised value of approximately S\$810.7 million.

**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.

14 properties were identified under the voluntary right of first refusal ("ROFR") and will potentially be offered to BHG Retail REIT as future pipeline assets. 11 of those ROFRs were granted by the Sponsor, and the remaining 3 properties were from a private fund, managed by a fund manager which is 50.0% owned by Beijing Hualian Group Investment Holding Co., Ltd and another third party. If acquired, the 14 properties, with an aggregate GFA of approximately 1,292,000 sqm, will be close to five times the BHG Retail REIT's IPO Portfolio and increase its presence to 13 cities in China.

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

## **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.