

# BHG RETAIL REIT

## Phillip Securities Webinar

30 May 2023



*Anchoring Foundations  
Staying Resilient*



# Content

- **Overview**
- **Investment Overview**
- **Looking Forward**



# Brief Introduction

Listed on SGX Mainboard  
on the 11 December 2015

Singapore's First Pure-Play China  
Retail REIT Established  
By A China-Based Group  
("Beijing Hualian Group")

## Investment Mandate

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

Number of  
Properties

6

Valuation  
of AUM<sup>1</sup>  
4.7  
RMB billion



## MULTI-TENANTED

Beijing Wanliu



Chengdu Konggang



Hefei Mengchenglu

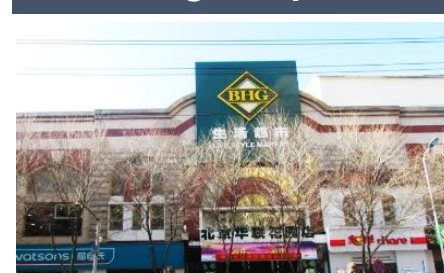


Hefei Changjiangxilu

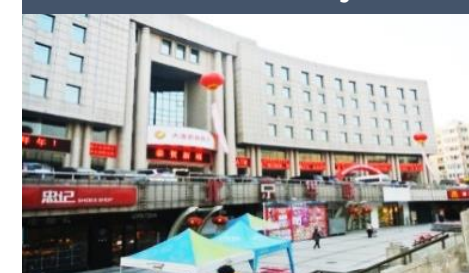


## MASTER-LEASED

Xining Huayuan



Dalian Jinsanjiao



1. Based on independent valuation from Colliers International (Hong Kong) Limited as at 31 December 2022.



# The Big Picture: Our Value Proposition

## Strategy

- One-stop destination malls
- Located in High Density Residential Neighbourhoods (Recurring Visitor-ships)
- Rising Chinese Residents' income + Consumption upgrade

## Quality

- Track Record of Healthy occupancy rate and rental growth
- Capital Management
- Financially Strong & Committed Sponsor Group
  - Retail Conglomerate
  - Networks

## Growth

- Hefei Changjiangxilu Acquisition (April 2019)
  - NAV per Unit & DPU accretive
- Visible & Substantial Sponsor Pipeline
- Continual Asset Enhancements



Financially Strong &  
Committed Sponsor Group

# Beijing Hualian Group (BHG)

One of the Leading Chinese Retailers Headquartered in Beijing



# BHG: Financially Strong & Committed Sponsor Group

## Retail Malls

More than 30 Retail Malls owned and/or under management  
Beijing Hualian Department Store Co., Ltd.

- Listed on Shenzhen Stock Exchange (1998)
- Market cap of RMB 4.7 Billion<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

1. Bloomberg data as of 19 May 2023.

## Supermarkets

More than 140 Supermarkets across entire China  
Beijing Hualian Life Supermarket Co., Ltd.

- Anchor / master-lease tenants at most properties in the REIT's portfolio
- Attracts recurring footfall while providing stable income and step-up



ANCHORING FOUNDATIONS. STAYING RESILIENT.

BHG RETAIL REIT : CORPORATE PRESENTATION 6

# BHG: Financially Strong & Committed Sponsor Group

## SKP

### SKP Luxury Department Stores

SKP Operates SKP Beijing, SKP Xi'An, SKP-S and SKP Chengdu

- Amongst the Largest Luxury Department Stores in China
- SKP Beijing: Located at Beijing's prime Central Business District, as one of Beijing's landmark shopping places  
<http://www.skp-beijing.com>
- SKP Xi' An: Opened in May 2018
- SKP-S: Opened in Dec 2019
- SKP Chengdu: Opened in Dec 2022



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BHG RETAIL REIT : CORPORATE PRESENTATION 7



# Investment Overview



Photo of Beijing Wanliu



# Investment Overview

- 1 Growing China Economic Fundamentals**
- 2 Resilient Sustainable Strategy:  
Situated in Densely Populated Residential Neighborhoods**
- 3 Robust Quality Assets & Performance**
- 4 Track Record of Strong Asset Enhancement and Asset Management Capabilities**

# China Economic Fundamentals<sup>1</sup>

## Gross Domestic Product (GDP) Growth

**+4.5%**  
1Q 2023 GDP  
Growth  
y-o-y

**+7.6%**  
2012-2022  
GDP CAGR Growth

- China's 1Q 2023 gross domestic product<sup>1</sup> ("GDP") grew at a faster-than-expected rate of 4.5% year-on-year, beating market forecasts<sup>2</sup>

- Bank of America Global Research raised its forecast for China's 2023 GDP growth from 5.5% to 6.3%, following stronger than expected 1Q 2023 economic growth<sup>3</sup>

- During the annual Two Sessions held in March 2023, the Chinese authorities announced the 2023 GDP growth target of 5%, making it one of the world's fastest-growing major economies<sup>4</sup>

- One of the key economic strategies aimed at achieving the target growth rate is to boost domestic demand and consumption by improving the disposable income of residents<sup>4</sup>

1. National Bureau of Statistics of China.

2. The Straits Times (18 April 2023): China's economic recovery speeds up but global headwinds point to bumpy outlook.

3. The Business Times (21 April 2023): Bank of America joins others in raising China's 2023 GDP growth forecast after strong Q1.

4. China Briefing (29 March 2023): China's 2023 Government Work Report: Highlights from the Two Sessions.

## Disposable income per capita for urban residents

**+4.0%**  
1Q 2023 Growth  
y-o-y

**+6.7%**  
2012-2022  
CAGR Growth

- Disposable income per capita of urban residents grew 4.0% year-on-year in 1Q 2023<sup>1</sup>

## Retail Sales Growth

**+5.8%**  
1Q 2023 Growth  
y-o-y

**+7.2%**  
2012-2022  
CAGR Growth

- Total retail sales of consumer goods rose 5.8% year-on-year in 1Q 2023. Retail sales jumped 10.5% year-on-year in March alone<sup>1</sup>

## 2 Resilient Sustainable Strategy: Situated in Densely Populated Residential Neighborhoods

### Stable & Recurring Neighbourhood Visitorships (Against Backdrop of Healthily Growing Residents' Income & Spending)

Beijing Wanliu



#### Typical Characteristics of Surrounding Neighbourhoods

- Residents population of about 200,000 to 300,000 within 3km radius
- Suburban community, visitor profiles include:
  - People who drop-by the mall to shop for groceries or essential items before heading home after work
  - Families who choose to eat out, and shop around after a meal
  - Parents/Grand parents bringing children for enrichment classes
  - Whole family coming to mall to attend events organised by the mall

## 2 Resilient Sustainable Strategy: Situated in Densely Populated Residential Neighborhoods

**Stable & Recurring Neighbourhood Visitorships  
(Against Backdrop of Healthily Growing Residents' Income & Spending)**

Chengdu Konggang



Hefei Mengchenglu

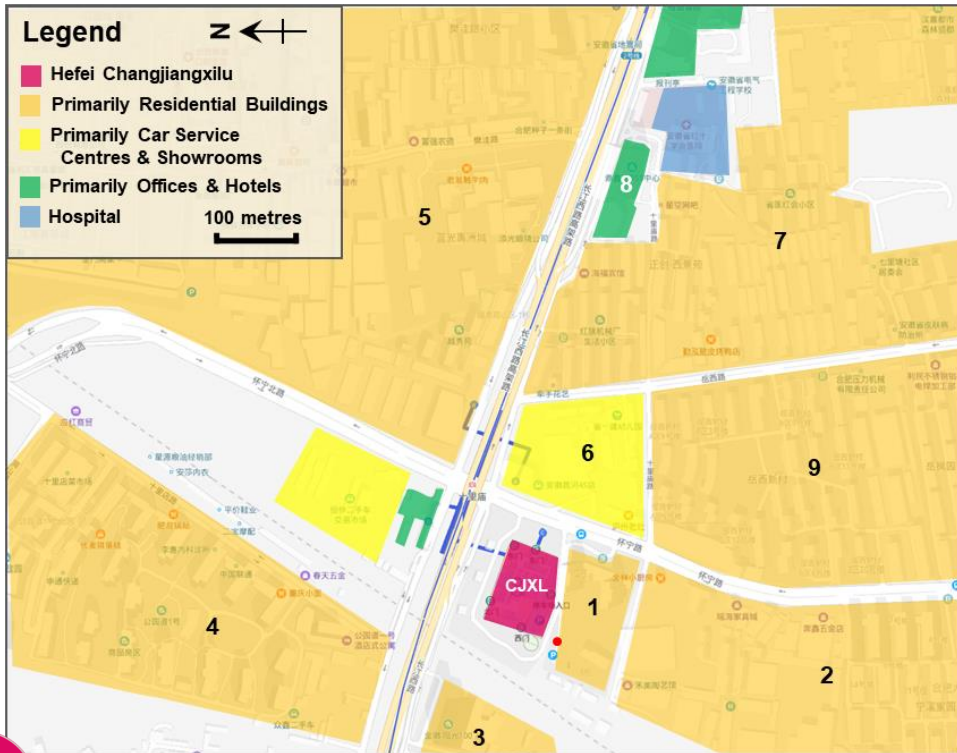


# 2

## Resilient Sustainable Strategy: Situated in Densely Populated Residential Neighborhoods

Hefei Changjiangxilu (十里庙 Shilimiao Community, Shushan District)

Catchment Population Within a 3-kilometre Radius of Approximately 200,000, 50 Local Communities



# Robust Quality Assets & Performance

## Track Record of High Occupancy Rate and Healthy Leasing Demand

OCCUPANCY RATE	2016 <sup>1</sup>	2017 <sup>1</sup>	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>1</sup>	2021 <sup>1</sup>	2022 <sup>2</sup>	1Q 2023 <sup>3</sup>
● Beijing Wanliu	99.5%	100%	100%	96.2%	92.7%	96.1%	94.1%	96.3%
● Chengdu Konggang	91.3%	96.8%	97.0%	94.7%	96.4%	98.0%	96.6%	96.8%
● Hefei Mengchenglu	100.0%	100.0%	96.2%	95.1%	81.7% <sup>4</sup>	91.3%	91.1%	91.7%
● Hefei Changjiangxilu <sup>2</sup>	N.A.	N.A.	N.A.	97.6%	92.4%	98.2%	92.7%	93.7%
● Xining Huayuan	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
● Dalian Jinsanjiao	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Portfolio (NLA Weighted)</b>	<b>97.6%</b>	<b>99.7%</b>	<b>98.7%</b>	<b>96.7%</b>	<b>93.5%</b>	<b>97.0%</b>	<b>95.2%</b>	<b>96.1%</b>

1. As at 31 December.

2. Hefei Changjiangxilu Mall was acquired on 2 April 2019.

3. As at 31 March 2023.

4. This was due to ongoing tenancy rejuvenation.

● Multi-tenanted ● Master-leased



# Robust Quality Assets & Performance

## Lease Structure

### Defensive Lease Structure

- Protected by base rents
- Enjoy upside from the turnover rents
- Majority of leases also come with rental escalation

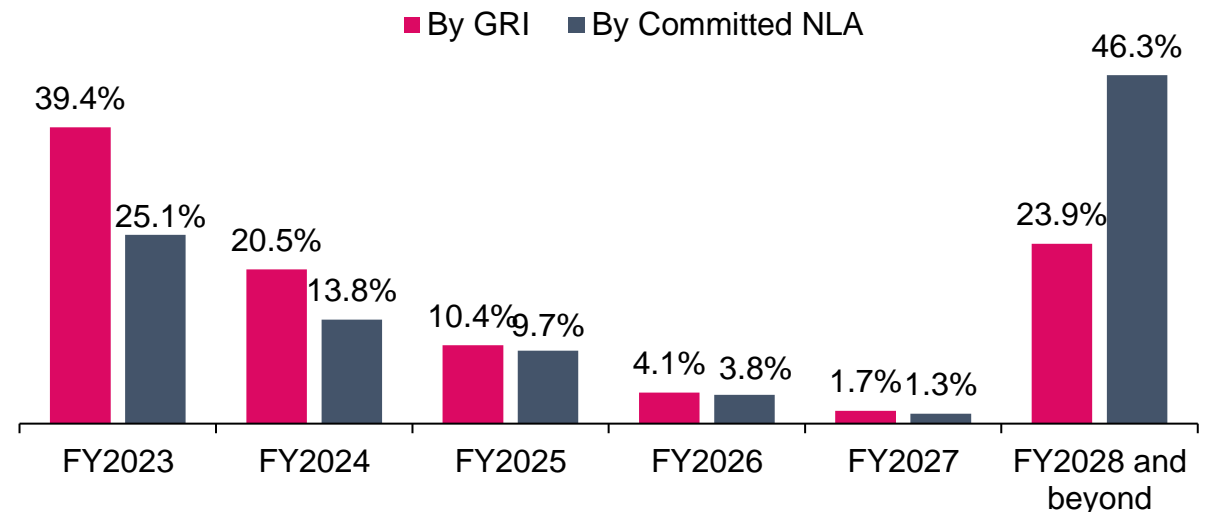
## Lease Expiry Profile<sup>1</sup>

### Staggered Lease Expiries

#### Weighted average lease expiry (WALE)

By Gross Rental Income: 3.3 years

By Committed NLA: 5.4 years



1. As at 31 March 2023.

# Robust Quality Assets & Performance

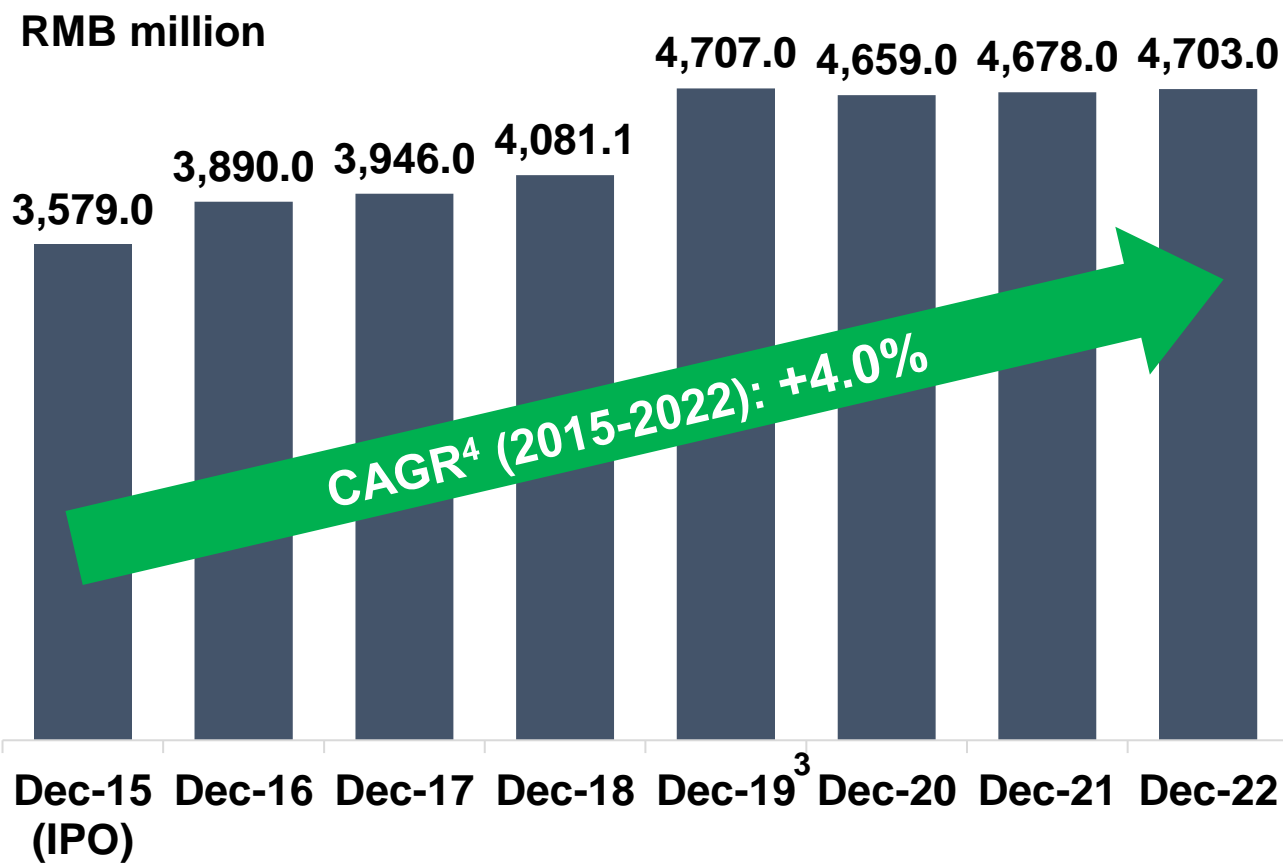
## Solid Assets-Backed Financial Position

Extracted Statement of Financial Position  
As at 31 December 2022 (SGD million)

Investment Properties	912.2
Total Assets	959.2
Total Liabilities	375.2
Net Assets	583.9
Net Asset Value Per Unit <sup>1</sup> (SGD cents)	0.79

1. Based on 100% contribution from Beijing Wanliu.
2. Based on annual valuation from independent valuers.
3. Includes the valuation of Hefei Changjiangxilu Mall which was acquired on 2 April 2019.
4. Compound Annual Growth Rate.

Valuation of Investment Properties<sup>1,2</sup>:  
Dec 2015-2022 CAGR of ▲ 4.0% p.a.





# Robust Quality Assets & Performance

## Financial Performance 2016 to 2019

### Consistently Higher Gross Revenue and NPI Year After Year (Pre-COVID-19)

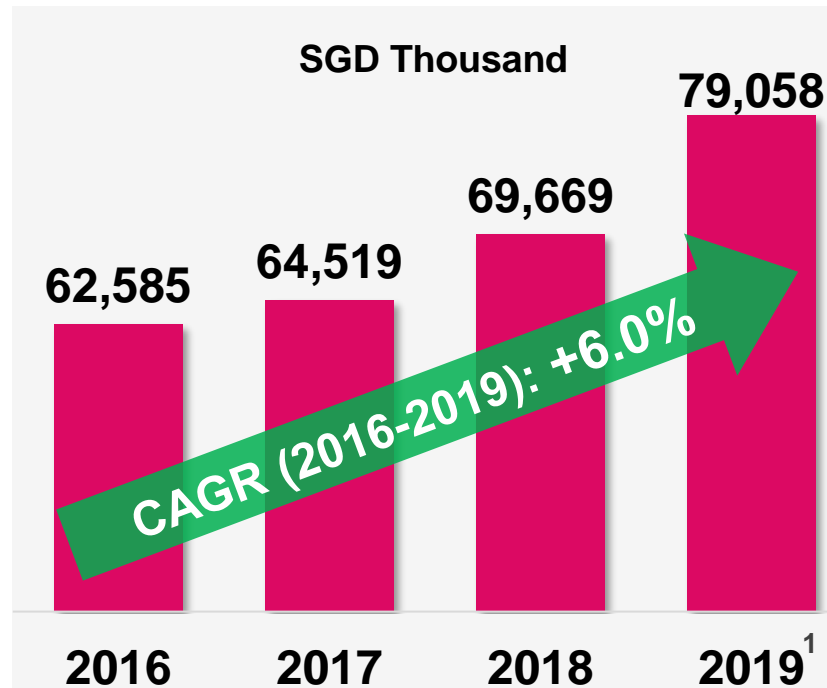
Gross Revenue  
CAGR  
2016-2019

▲ 6.0%

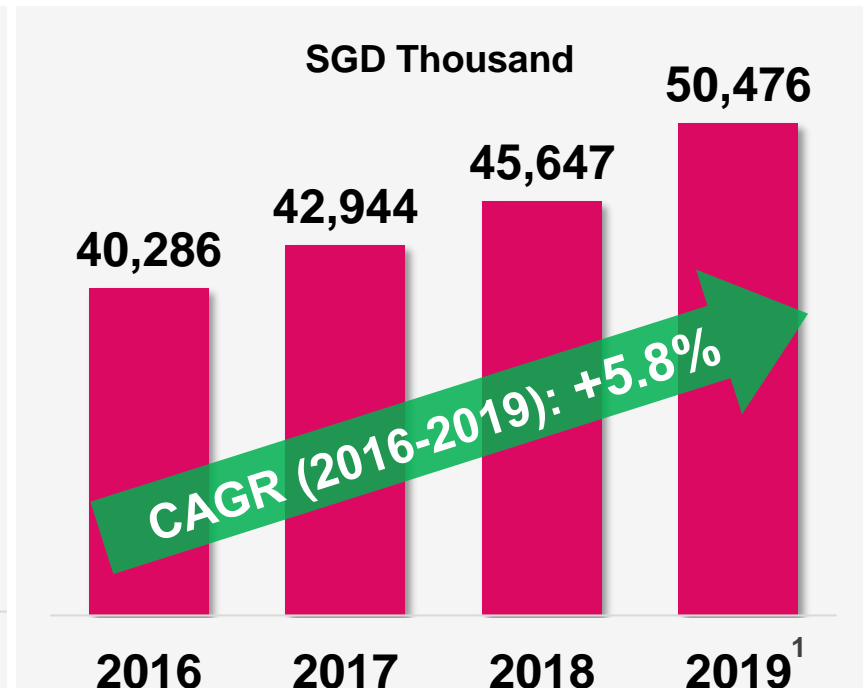
Net Property  
Income  
CAGR  
2016-2019

▲ 5.8%

### Gross Revenue



### Net Property Income



1. Includes contribution from Hefei Changjiangxilu Mall which was acquired on 2 April 2019.

# Robust Quality Assets & Performance

## FY 2022 Financial Update

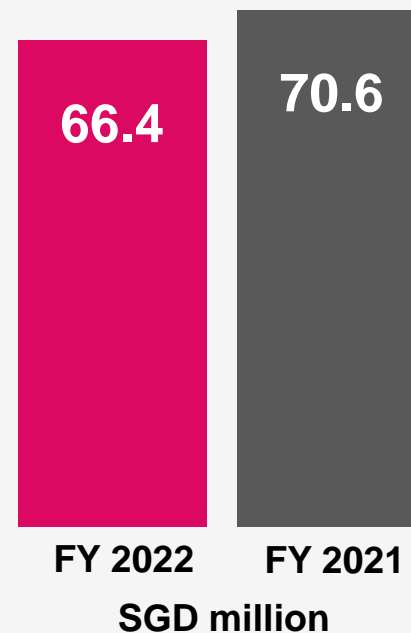
**Gross Revenue**  
FY 2022  
**S\$66.4**  
million

**Net Property  
Income**  
FY 2022  
**S\$37.7**  
million

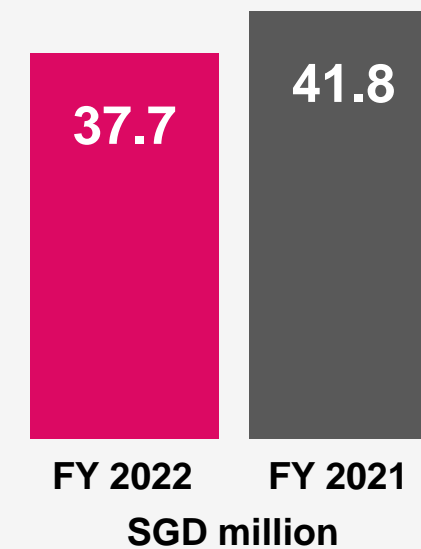
**Amount to be  
distributed to  
Unitholders<sup>1,2</sup>**  
FY 2022  
**S\$6.0**  
million

**Distribution per  
Unit<sup>1,2</sup>**  
FY 2022  
**1.17**  
Singapore cents

### Gross Revenue



### Net Property Income



1. For the FY 2022, approximately S\$0.7 million of the amount available for distribution has been retained for operational expenses and working capital requirements of the REIT.
2. Lower year-on-year largely attributed to rental rebates provided to support tenants in FY 2022 due to the COVID-19 situation in China while no rental rebates were given in FY 2021, as well as higher interest expenses, and refinancing expenses incurred during the refinancing exercise completed in March 2022.

# Robust Quality Assets & Performance

## Healthy Gearing With Debt Headroom For Growth

**As at 31 March 2023**

Aggregated Borrowings Drawn Down  
**s\$301.6m**

Gearing Ratio<sup>1</sup>  
**38.2%**

Average Cost of Debt<sup>2</sup>  
**5.4%**

Interest Coverage Ratio<sup>3</sup>  
**2.1x**

- Above 80% of borrowings are denominated in Singapore dollars (offshore borrowings)
- Approximately 50% of offshore borrowings hedged via interest rate swaps



Photo of Chengdu Konggang

1. Based on total loans and borrowings principal attributable to Unitholdings divided by total assets attributable to Unitholders. MAS gearing ratio was raised from 45% to 50% on 16 April 2020, to provide S-REITs greater flexibility to manage their capital structure and to raise debt financing.
2. Average cost of debt will be approximately 6.2% per annum if amortisation of loan establishment fee is included.
3. Interest coverage ratio ("ICR") means a ratio that is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees. The adjusted ICR is the same as the ICR.

# Track Record of Strong Asset Enhancement

Beijing Wanliu (2018~2019):  
Anchor Tenant Resize (Hai Di Lao Level 4 & 5)



Beijing Wanliu (2020):  
Supermarket Resizing and Enhancement on B1



Chengdu Konggang (2017):  
Sports Zone Enhancement (B1 AEI + New Tenancies)



Chengdu Konggang (2018~2019):  
Exterior Upgrade in 2018 and Addition of Container-Style Food Lane in 2019



## 4

# Track Record of Strong Asset Enhancement

**Hefei Mengchenglu (2022):**  
Completion of new entrance to enhance accessibility and improve shopper traffic flow and connectivity between ground and basement Levels



Photo of New Entrance @ Hefei Mengchenglu

**Chengdu Konggang (2022):**  
Rejuvenation of exterior area, Yuelai Square, with appealing F&B pushcarts and container-style stores



# 4 Strong Asset Management

## E-commerce platform: Staying Connected with Omnichannel Visitors

**Select Mall**

北京 其他地区

当前门店: 暂无当前门店信息请自选门店

北京华联公益西桥购物中心	44
北京华联亦庄力宝购物中心	44
北京华联万柳购物中心	44
北京华联天时尚名苑购物中心	44
北京华联常营购物中心	44
北京华联肖家河购物中心	44
北京华联武夷花园购物中心	44

自动积分 每日签到 门店活动 积分换礼 积分抽奖

新会员专区 限时抢购

全部 美食 娱乐 生活 购物

B1 遛弯儿市集 B1全新亮相 免费领 立即领取

F4 麦当劳 麦辣鸡翅一对 免费领 立即领取

- The BHG Mall online platform was launched amid COVID-19 via the WeChat Mini-Program
- Sharing online capability across all BHG Malls
- Keeps customers apprised of promotional items and events
- Provides a convenient and regular way for customers to stay connected with our malls
- Reward points to enhance customers' loyalties to both BHG malls as well as retailers



# 4 Strong Asset Management

## Innovative New Retail @ Work



### Live Broadcasts

- By Internet celebrities, retailers, and malls
- Combination of various style/format for example:
  - (1) In-store retail exploration
  - (2) Product introduction and awareness
  - (3) Promotional deals
  - (4) Showcasing skills & dining experience

### WeChat Groups

- Exclusive BHG mall's WeChat group with participating merchants and members
- Efficient channel to communicate promotions, events, as well as mall information



# Revitalising Tenancies

## Enhancing Experiences





## New Lifestyle and Children's Offerings

Coco Arts Center 可可艺术中心



Tmall Musical 天猫乐器体验馆



Wenjie Weiqi 文杰围棋



Seven Rainbow Tribes 七彩虹部落



Uncle Hippo 河马叔叔



Link Family 林克宝宝



## Newly Curated Fashion Offerings

The North Face 北面



@ Beijing Wanliu

VIER 唯怡儿



@ Hefei Mengchenglu

ZHiIN 知茵



@ Chengdu Konggang

You.Can



@ Beijing Wanliu

## Popular F&B Selections

Jiayi Bin 甲乙饼



@ Beijing Wanliu



Jianbing Dao 煎饼道



@ Chengdu Konggang



Scholar Dumplings 状元水饺



@ Chengdu Konggang



- Customers continue to desire social interactions and physical events
- We continued to engage with surrounding communities through various physical events

Anchoring Foundations. Staying Resilient.



**Engaging Communities**  
**Creating Lasting Memories**

## Spring Festival Activities



Heritage Shadow Puppets Event @ Beijing Wanliu



Chinese New Year Event @ Chengdu Konggang



Chinese New Year Event @ Hefei Changjiangxilu



Spring Outdoor Market @ Hefei Mengchenglu

## Children & Family Activities



Parent-Child Art & Craft @ Beijing Wanliu



Treasure Hunt @ Hefei Changjiangxilu



Spring Festival Fair @ Chengdu Konggang



Children Art & Craft @ Hefei Mengchenglu

# Our Sustainability Journey

## Environmental, Social and Governance (ESG)



# Our Sustainability Journey

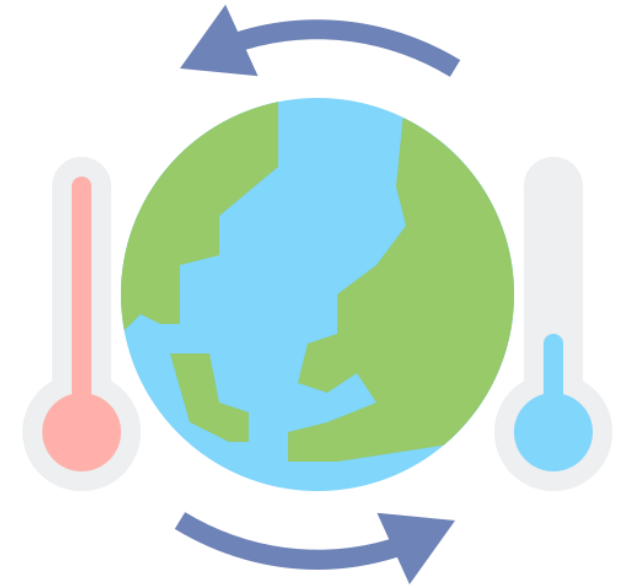
## Environmental, Social and Governance (ESG)

### Background

- We are cognisant of ESG issues that are relevant for BHG Retail REIT and our stakeholders
- Proactively strive to consider and address these ESG issues during our business strategy formulation
- Started annual sustainability reporting and issued first Sustainability Report in FY 2018

### Climate Change

- We recognise that climate change has a widespread and severe impact on the environment we live in
- Constantly finding ways to reduce carbon emissions and started exploring innovative solutions for our retail properties
- Started climate risk assessment and scenario analysis in FY 2021 for our retail properties located in China





# Our Sustainability Journey: Environmental

## Water Management

Implemented practices to control and manage water wastage.

Such as:

- ✓ Utilising water-efficient flushing cisterns;
- ✓ Installing motion sensor water faucets;
- ✓ Reducing tap flow rate



## Energy Efficiency

Established energy savings plan to ensure energy efficiency through lighting management efforts and optimisation of air-conditioning system output, such as:

- ✓ Installing motion sensor-based & timing-controlled lights and LED lights;
- ✓ Installing air curtains, strip curtains and sunshades to dissipate excess heat, keeping the mall interior cool without requiring a high system output;
- ✓ Regular readjustment of system output based on actual weather conditions and temperature to minimise energy wastage



# Our Sustainability Journey: Social (CSR Initiatives)

CNY Gift Packs to Elderly 孤寡老人爱心慰问活动



Tree Planting Programme 植树节



Movies for the Disabled 残疾人公益观影活动



Calligraphy Workshop with Visually Impaired Artist



# Our Sustainability Journey: Governance

Awards	Results	Year
<b>1 Best Retail REIT (for companies with less than US\$1 billion in market capitalisation) Asia Pacific Best of the Breed REITs Awards 2023™</b>	<b>Platinum</b>	<b>2023</b>
<b>2 Best Investor Relations Asia Pacific Best of the Breed REITs Awards 2023™</b>	<b>Platinum</b>	<b>2023</b>
<b>3 Best Corporate Communications and Investor Relations Team (The Global CSR &amp; ESG Awards 2022™ )</b>	<b>Platinum</b>	<b>2022</b>
<b>4 Best Community Programme Award (The Global CSR &amp; ESG Awards 2022™)</b>	<b>Platinum</b>	<b>2022</b>
<b>5 CSR &amp; ESG Leadership Award (The Global CSR &amp; ESG Awards 2022™)</b>	<b>Platinum</b>	<b>2022</b>

# Looking Forward

The Manager remains focused and committed to proactively manage the existing portfolio, as well as to pursue growth

## Creating Organic Value

### Proactive Asset Management

- Reinforce community positioning of our malls
- Improve rent while maintaining healthy occupancy rates
- Build firm partnerships with tenants, and demonstrate proactive tenant management
- Proactive marketing strategies
- Tap on the Sponsor's (Beijing Hualian Department Store Co., Ltd.) and Beijing Hualian Group's retail network and experience

### Proactive Asset Enhancement

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

## Pursuing Acquisition Growth

- Completed acquisition of Hefei Changjiangxilu in April 2019
- We will continue to explore acquisition opportunities in relation to quality income-producing properties from the Sponsor's pipeline as well as third-party vendors



Photo of Beijing Wanliu



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# Thank you

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