



BHG RETAIL REIT

(A real estate investment trust constituted on 18 November 2015
under the laws of the Republic of Singapore)

NOVATION OF LEASES ENTERED INTO WITH BEIJING HUALIAN HYPERMARKET CO., LTD. TO ITS WHOLLY-OWNED SUBSIDIARIES

1. INTRODUCTION

- 1.1. BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail Real Estate Investment Trust (“**BHG Retail REIT**”, and as manager of BHG Retail REIT, the “**Manager**”), wishes to announce that BHG Retail REIT’s wholly-owned subsidiaries (i.e. Dalian Hualian Commercial Facilities Operation Co., Ltd., Qinghai Xinglian Real Property Co., Ltd., Chengdu Hairong Xingda Real Property Co., Ltd., Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. and Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd.) (the “**REIT Subsidiaries**”) have each entered into a novation agreement (collectively, the “**Novation Agreements**”) with Beijing Hualian Hypermarket Co., Ltd. (“**BHH**”) ¹ and BHH’s respective wholly-owned subsidiaries listed in Annex A to this announcement (the “**BHH Subsidiaries**”), whereby each of the REIT Subsidiaries has consented to the novation by BHH, as the existing tenant, of the existing leases at Dalian Jinsanjiao, Xining Huayuan, Chengdu Konggang, Hefei Changjiangxilu and Hefei Mengchenglu (the “**Existing Leases**”) to the respective BHH Subsidiaries, as the substitute tenants, with effect from 11 September 2020 (the “**Novation**” and, subsequent to the Novation, the Existing Leases are referred to as the “**Novated Leases**”).

2. THE NOVATED LEASES AND EXECUTED GUARANTEE LETTERS

- 2.1. BHH is the largest tenant of Beijing Wanliu, Chengdu Konggang, Hefei Mengchenglu, Hefei Changjiangxilu, Xining Huayuan and Dalian Jinsanjiao, and in particular, Xining Huayuan and Dalian Jinsanjiao are master-leased to BHH.
- 2.2. BHH has sought the REIT Subsidiaries’ consent to the Novation to allow the BHH Subsidiaries to qualify for the various support measures (for example, tax incentives) which are provided by the provincial Government of the People’s Republic of China which BHH will otherwise not be able to qualify for should the Novated Leases continue to be entered into by BHH (at the listed company level) instead of the various BHH Subsidiaries which are incorporated in the various provinces. As the rental payable by BHH under the Existing Leases is substantial (the rental income from BHH under the Existing Leases accounts for approximately 10.2% of BHG Retail REIT’s annual gross rental income), the Novation will allow the BHH Subsidiaries to enjoy the said support measures and will level the playing field with BHH’s local competitors.

¹ For the avoidance of doubt, BHH is not an “interested party” or “interested person” of BHG Retail REIT as (i) it is not an associate of Beijing Hualian Group Investment Holding Co., Ltd. which only holds 29.17% of the total issued equity interest of BHH, (ii) it is not a controlling shareholder of the Manager and (iii) it is not a controlling unitholder of BHG Retail REIT.

- 2.3. Further, BHH has executed guarantee letters in favour of each of the REIT Subsidiaries to guarantee the obligations of each of the BHH Subsidiaries under the Novated Leases (the “**Guarantee Letters**”). The Guarantee Letters provide, among others, that: BHH unconditionally, continuously and irrevocably guarantees to the REIT Subsidiaries that: (i) the leased area in the Novated Leases will remain unchanged, and the terms and the conditions of the Novated Leases will not be inferior to the Existing Leases, including but not limited to the rent, property management fee and other fees (if any) payable, payment method, term of the Novated Leases thereunder; (ii) BHH will guarantee jointly and severally that each of the BHH Subsidiaries will perform timely all its obligations under each of the Novated Leases and (iii) BHH abides by and undertakes to fulfil all its obligations under each of the Guarantee Letters such that if any of the BHH Subsidiaries fails to perform its obligations under the Novated Leases, BHH will immediately, unconditionally and irrevocably assume the continuing guarantee obligations owed to the relevant REIT Subsidiary when requested by the relevant REIT Subsidiary.
- 2.4. Save for the change in contracting party from BHH to the relevant BHH Subsidiaries under each of the Novated Leases, the remaining terms and conditions under the Novated Leases will remain unchanged pursuant to the Novation. Thus, following the Novation, the BHH Subsidiaries will occupy the same leased area as BHH prior to the Novation, and will continue to use the leased area to operate hypermarkets. Key terms of the Novated Leases, including rent, lease expiry date and security deposit quantum remain unchanged.
- 2.5. The Manager has agreed to the Novation after having considered that the Novation will not prejudice the interests of BHG Retail REIT given that (i) the Novation will not affect the key commercial terms of the Existing Leases, and (ii) BHH has executed the Guarantee Letters to guarantee the obligations of the each of the Incoming Parties under the Novated Leases. Further, the Novation would help BHH to weather the COVID-19 pandemic, and would reinforce the tenancy relationship between BHG Retail REIT and BHH, its largest tenant.

BY ORDER OF THE BOARD

BHG Retail Trust Management Pte. Ltd.

(as manager of BHG Retail Real Estate Investment Trust)

(Company Registration No. 201504222D)

Chan Iz-Lynn

Chief Executive Officer

11 September 2020

IMPORTANT NOTICE

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, 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, (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, 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.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of BHG Retail REIT is not necessarily indicative of the future performance of BHG Retail REIT.

This announcement is not for release, publication or distribution, directly or indirectly, in or into the United States, European Economic Area, Canada, Japan or Australia, and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations.

The Units are not being registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from registration under the Securities Act.

Annex A

Property	Provinces	Parties to the Novation Agreements		
		REIT Subsidiary	BHH Subsidiary	Outgoing Party
Dalian Jinsanjiao	Liaoning	Dalian Hualian Commercial Facilities Operation Co., Ltd. 大连华联商用设施运营有限公司	Liaoning North Hualian Integrated Supermarket Co., Ltd. 辽宁北华联综合超市有限公司	BHH
Xining Huayuan	Qinghai	Qinghai Xinglian Real Property Co., Ltd. 青海兴联置业有限公司	Qinghai Hualian Integrated Supermarket Co., Ltd. 青海华联综合超市有限公司	BHH
Chengdu Konggang	Sichuan	Chengdu Hairong Xingda Real Property Co., Ltd. 成都海融兴达置业有限公司	Sichuan North Hualian Supermarket Co., Ltd. 四川北华联超市有限公司	BHH
Hefei Changjiangxilu	Anhui	Hefei Hualian Ruicheng Shopping Plaza Commercial Operation Ltd. 合肥华联瑞诚购物广场商业运营有限公司	Beijing Hualian Supermarket Anhui Co., Ltd. 北京华联综合超市安徽有限公司	BHH
Hefei Mengchenglu	Anhui	Hefei Hualian Rui An Shopping Mall Commercial Operation Co., Ltd. 合肥华联瑞安购物广场商业运营有限公司	Beijing Hualian Supermarket Anhui Co., Ltd. 北京华联综合超市安徽有限公司	BHH