



BHG RETAIL REIT

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

RESIZING OF AREA IN WANLIU MALL LEASED BY BEIJING HUALIAN HYPERMARKET CO., LTD.

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 subsidiary, Beijing Hualian Wanmao Shopping Mall Management Co., Ltd. ("**REIT Subsidiary**") has on 15 November 2020 entered into (i) a termination agreement (the "**Termination Agreement**") with Beijing Hualian Hypermarket Co., Ltd. ("**BHH**")¹ to terminate the existing lease agreement entered into by BHH in relation to a total of 7,231.8 square metres ("**sqm**") of space at the basement area of Wanliu Mall ("**Existing Lease Agreement**"), and (ii) an agreement for a new 20-year lease (the "**New Lease Agreement**") with a wholly-owned subsidiary of BHH, Beijing Hualian Life Supermarket Co., Ltd. ("**BHH Subsidiary**") in relation to the lease of a total of about 4,180.3 sqm of space at the basement area of Wanliu Mall commencing on 15 November 2020 and ending on 14 November 2040.

2. THE NEW LEASE AGREEMENT AND EXECUTED GUARANTEE LETTER

- 2.1. BHH is the largest tenant of Wanliu Mall. As part of the Manager's overall leasing strategy to realise the potential of the basement area of Wanliu Mall occupied by BHH, the REIT Subsidiary has entered into the Termination Agreement and the New Lease Agreement to reduce BHH's total leased area in Wanliu Mall from 7,231.8 sqm to about 4,180.3 sqm (the "**Resizing of the Leased Area**"). The final leased area under the New Lease Agreement will be determined by the respective engineers of the REIT Subsidiary and the BHH Subsidiary via an on-site measurement of the leased area, and the REIT Subsidiary and the BHH Subsidiary will sign a supplementary agreement to confirm the final leased area under the New Lease Agreement. Pursuant to the Resizing of the Leased Area, BHG Retail REIT has recovered 2,556.5 sqm of net lettable area of Wanliu Mall (the "**Recovered Area**"), which allows the Manager to repurpose and parcel out the Recovered Area to several new individual food and beverage ("**F&B**") and retail tenants, and the Manager is currently in negotiations with new incoming tenants for the Recovered Area.
- 2.2. The Resizing of the Leased Area is expected to (i) invigorate the basement one area of Wanliu Mall, and (ii) achieve positive rental reversion for BHG Retail REIT based on the Manager's

¹ For the avoidance of doubt, BHH is not an "interested party" (for the purposes of Appendix 6 of the Code on Collective Investment Schemes) or "interested person" (for the purposes of the Listing Manual of the SGX-ST) of BHG Retail REIT as (i) it is not an associate (as defined under the Listing Manual) of Beijing Hualian Group Investment Holding Co., Ltd. which only holds 29.17% of the total issued equity interest of BHH as at 30 September 2020, (ii) it is not a controlling shareholder of the Manager and (iii) it is not a controlling unitholder of BHG Retail REIT. Please refer to page 277 of the IPO prospectus of BHG Retail REIT for the disclosure of the foregoing.

estimates of the rent which could be derived from new incoming tenants of the Recovered Area, taking into account the prevailing rent at the basement area of Wanliu Mall.

- 2.3. Under the New Lease Agreement, the BHH Subsidiary will lease a total of about 4,180.3 sqm of space at the basement area of Wanliu Mall commencing on 15 November 2020 and ending on 14 November 2040, and will use the leased area to operate its hypermarket. The aggregate monthly gross rental under the New Lease Agreement amounts to a minimum of RMB 411,744 compared to the aggregate monthly gross rental under the Existing Lease Agreement of a minimum of RMB 712,611 as the BHH Subsidiary will lease a smaller area under the New Lease Agreement compared to the area leased by BHH under the Existing Lease Agreement. Consistent with the rental escalation formula under the Existing Lease Agreement, the aggregate monthly gross rental under the New Lease Agreement will increase by 6% every three years starting from the fourth year of the New Lease Agreement.
- 2.4. Further, the entry into the New Lease Agreement with the BHH Subsidiary (as opposed to with BHH under the Existing Lease Agreement) will allow the BHH Subsidiary to qualify for the various support measures which are provided by the Chinese Government at the district level which BHH will otherwise not be able to qualify for should the lease continue to be entered into by BHH instead of BHH Subsidiary. BHH has adopted this approach in all the cities they operate in. This will allow BHH Subsidiary to enjoy the said support measures and level the playing field with BHH's local competitors, and would reinforce the tenancy relationship between BHG Retail REIT and BHH, its largest tenant.
- 2.5. BHH has also executed a guarantee letter in favour of the REIT Subsidiary to guarantee the obligations of BHH Subsidiary under the New Lease Agreement (the "**Guarantee Letter**"), and the key terms of the Guarantee Letter provide, among others, that: BHH unconditionally, continuously and irrevocably guarantees to the REIT Subsidiary that: (i) BHH will guarantee jointly and severally that BHH Subsidiary will perform timely all its obligations under the New Lease Agreement, and (ii) BHH abides by and undertakes to fulfil all its obligations under the Guarantee Letter such that if BHH Subsidiary fails to perform its obligations under the New Lease Agreement, BHH will immediately, unconditionally and irrevocably assume the continuing guarantee obligations owed to the REIT Subsidiary when requested by the REIT Subsidiary.

3. **OTHER INFORMATION**

- 3.1. No person is proposed to be appointed as a director of the Manager in connection with the New Lease Agreement.

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

15 November 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.

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