



## **BHG RETAIL REIT**

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

### **ENTRY INTO THE NEW INDIVIDUAL PROPERTY MANAGEMENT AGREEMENTS FOR CHENGDU KONGGANG AND HEFEI MENGCHENGLU**

#### **1. INTRODUCTION**

The board of directors of BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail REIT (the “**Manager**”), wishes to announce that BHG Mall (Singapore) Property Management Pte. Ltd. (the “**Property Manager**”), DBS Trustee Limited (in its capacity as trustee of BHG Retail REIT) (the “**Trustee**”) and the Manager had on 27 November 2020 entered into the individual property management agreements for each of Chengdu Konggang (the “**New Chengdu IPMA**”) and Hefei Mengchenglu (the “**New Hefei IPMA**”) (collectively, the New Chengdu IPMA and the New Hefei IPMA will be referred to as the “**New IPMAs**”).

#### **2. RATIONALE FOR THE NEW IPMAS**

The Manager, the Trustee and the Property Manager had on 23 November 2015 entered into (i) the master property management agreement relating to the properties of BHG Retail REIT (the “**MPMA**”), (ii) the individual property management agreement relating to Hefei Mengchenglu (the “**Hefei IPMA**”) and (iii) the individual property management agreement relating to Chengdu Konggang (the “**Chengdu IPMA**”) (the MPMA, the Hefei IPMA and the Chengdu IPMA are collectively referred to as the “**IPO Agreements**”).

As the IPO Agreements are due to expire on the midnight of 10 December 2020 and the Manager will not be obtaining the approval of the unitholders of BHG Retail REIT (“**Unitholders**”) for the renewal of the IPO Agreements in accordance with the terms of the IPO Agreements, the New IPMAs were entered into to be consistent with the terms of the existing property management agreements. The New IPMAs were negotiated on arms’ length basis and freely entered into. Benchmark analysis on the fees of the New IPMAs were undertaken by the Manager, and the Manager found the New IPMAs to be comparable to the fees under property management agreements in the S-REIT market. It should also be noted that the fees charged by the Property Manager pursuant to the New IPMAs remain unchanged as compared to the IPO Agreements.

#### **3. INFORMATION ON THE NEW IPMAS AND THE PROPERTY MANAGER**

Pursuant to each of the New IPMAs, the Trustee, the Manager and the Property Manager agreed to set forth the arrangements for the appointment of the Property Manager to (i) operate, maintain, manage and market, or (ii) procure the operation, maintenance, management and marketing of each of Chengdu Konggang and Hefei Mengchenglu, subject to the overall management and supervision of the Manager, upon the terms and conditions of the New IPMAs. The initial term of each of the New IPMAs shall commence on 11 December 2020 (the “**Commencement Date**”), and shall expire on the earlier of (i) midnight of the date immediately

preceding the first anniversary of the Commencement Date and (ii) midnight of the date of termination of the relevant New IPMAs.

No later than the date falling three months before the expiry of the term, the Trustee (acting on the recommendation of the Manager) and the Manager shall be entitled, at its absolute discretion, to give written notice to the Property Manager to extend the appointment of the Property Manager for a further term of one year from the expiry of the term, on the same terms and conditions as are contained in this Agreement save for the clause on the extension of the term. The exercise of the option to extend for the additional one-year term is subject to Rules 905 and 906 of the Listing Manual (the "**Listing Manual**") of Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

### **3.1 Property Manager's Services**

The services provided by the Property Manager for each of Chengdu Konggang and Hefei Mengchenglu pursuant to the New IPMAs include the following:

- (i) project management services in relation to development or redevelopment, like its design phase, construction phase, completion phase and other additional services which the Property Manager might be tasked to do;
- (ii) lease management services, in relation to lease administration and tenancy related matters, leasing status management and reporting, rental collection and arrears management and budget forecasting and planning;
- (iii) general management services such as management services, financial and accounting services, contract and legal management services, corporate secretarial services, human resources and administrative services and corporate communications;
- (iv) property management services, including pre-marketing support, property hand-over/taking over, tenants' fitting out, preparing and managing term contracts, maintenance management of facilities, administrative management involving insurance, building safety and financial/cost management; and
- (v) marketing services which involve the planning, preparation of and contracting for advertising and promotional programmes, advising on marketing and public relations and appointing advertising and public relations agencies.

### **3.2 Fees**

Under each of the New IPMAs, the Property Manager is entitled to the property management fees set out below, to be borne out of the deposited property of BHG Retail REIT.

#### Property Management Fees

In respect of the property management services provided by the Property Manager, the Property Manager shall be entitled to receive from the Trustee each quarter, a property management fee, paid quarterly in arrears in units of BHG Retail REIT ("**Units**") and/or cash, as the Property Manager may determine of (a) 2.0% per annum of gross revenue of the relevant

property, (b) 2.5% per annum of the net property income of the relevant property and (c) two months of rental income as leasing commission for securing of new tenants for a tenancy of at least three years.

#### Project Management Fee

In respect of the project management services to be provided by the Property Manager to each of Chengdu Konggang and Hefei Mengchenglu, the Property Manager shall be entitled to receive from the Trustee, a project management fee based on the following for any development, re-development, refurbishment, retrofitting, addition and alteration or renovation works to the relevant property:

- (i) a fee of 3.0% of the construction costs, where the construction costs amount exceed S\$100,000 but do not exceed S\$1.0 million or the equivalent value in the relevant foreign currency for any other country;
- (ii) a fee of 2.0% of the construction costs, where the construction costs amount ranges between S\$1.0 million and S\$10.0 million or the equivalent value in the relevant foreign currency for any other country;
- (iii) provided that no fee will be collected, where the construction costs do not exceed S\$100,000 or the equivalent value in the relevant foreign currency for any other country; and
- (iv) (in the event that the construction costs amount to more than S\$10.0 million or the equivalent value in the relevant foreign currency for any other country), a fee to be mutually agreed by the parties.

For the purpose of calculating the fees payable to the Property Manager, “construction costs” means all construction costs and expenditure valued by the quantity surveyor engaged by the Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants’ professional fees and all applicable taxes.

#### Reimbursable Expenses

In respect of each of Chengdu Konggang and Hefei Mengchenglu, the Trustee shall pay directly or, as the case may be, reimburse the Property Manager in full if such payment has been made by the Property Manager, the agreed property related expenses (including but not limited to employee related expenses paid to employees who are involved in the management of Chengdu Konggang and Hefei Mengchenglu, as approved in the annual business plan and budget for Chengdu Konggang and Hefei Mengchenglu, repair and maintenance expenses, utilities, property related taxes and other general administrative expenses) incurred. The direct payment or, as the case may be, reimbursement by the Trustee shall be net of any revenue generated by Chengdu Konggang and Hefei Mengchenglu that is collected by the Property Manager.

#### Project Management Expenses

The Trustee, on the recommendation of the Manager, shall, at the request of the Property Manager, either pay directly or reimburse the Property Manager for the project management

expenses incurred. Such reimbursement of project management expenses shall be paid to (i) the Property Manager on a quarterly basis in arrears in respect of reimbursable costs and expenses incurred for that quarter, within 14 days after the receipt of the relevant invoices from the Property Manager for that quarter, or (ii) directly to the consultants or the entities rendering the invoice.

#### Provision of Office Space

Where applicable, the Trustee shall permit the staff members of the Property Manager to occupy reasonable equipped office space at each of Chengdu Konggang and Hefei Mengchenglu at BHG Retail REIT's expense without the Property Manager being required to pay any rent, service charge or any other sums in respect thereof.

### **3.3 Termination**

The Trustee or the Manager may terminate the appointment of the Property Manager under the New IPMAs on the occurrence of certain specified events, which include: if the Property Manager is voluntarily or involuntarily dissolved or declared bankrupt, insolvent or commits an act of bankruptcy or if an order is made or resolution is passed or a notice is issued convening a meeting for the purpose of passing a resolution or any analogous proceedings are taken for the appointment of an administrator or judicial manager of or the winding up of the Property Manager, other than a members' voluntary liquidation solely for the purpose of a bona fide amalgamation or reconstruction, or the Property Manager compounds with its creditors or has a receiver appointed over all or any part of its assets or a judicial manager is appointed in respect of the Property Manager or the Property Manager ceases to carry on business.

In the event of a sale of Chengdu Konggang or Hefei Mengchenglu, the Trustee or the Manager may terminate the appointment of the Property Manager under the New IPMAs by giving not less than 30 days' prior written notice to the Property Manager.

In addition, if either the Trustee or the Property Manager is in material breach of any of its obligations under the New IPMAs, and within 60 days of receipt of written notice (or 120 days if remedial actions have been initiated within 60 days), fails to remedy the said breach (which is capable of remedy) of its obligations, the party who is not in breach may terminate the provision of services in respect of the relevant property on the terms of the New IPMAs upon giving 30 days' written notice to the party in breach.

On the termination of the appointment of the Property Manager, the Manager shall, as soon as practicable, procure the appointment of a replacement property manager for the relevant property.

#### Termination Fees

Upon termination of the appointment of the Property Manager under each of the New IPMAs, all amounts due and owing by the relevant parties in relation to the relevant property shall become immediately due and payable and the relevant parties must effect payment to each other within 30 days commencing from such termination subject to the prevailing applicable laws and regulations. For the avoidance of doubt, the Property Manager is not entitled to any compensation in respect of any termination of each of the New IPMAs.

### **3.4 Assignability**

None of the Trustee, the Manager or the Property Manager may assign or transfer any of its rights, benefits or obligations under the New IMPAs except, in the case of the Trustee, with the prior written consent of the Property Manager, and in the case of the Property Manager, with the prior written consent of the Trustee (acting on the recommendation of the Manager) and the Manager, except that each of the Trustee and the Manager is permitted to assign the benefit of, and any of its rights under the New IPMAs without the prior written consent of the Property Manager to a successor trustee or manager (as the case may be) of BHG Retail REIT for the time being.

### **3.5 Exclusion of Liability**

In the absence of fraud, negligence, wilful default or breach of the New IPMAs by the Property Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the New IPMAs, as the case may be.

In addition, the Trustee shall indemnify and keep the Property Manager fully indemnified from and against any actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses to which the Property Manager may suffer or incur, save where they arise out of any breach, negligence, fraud or misconduct in the performance of the obligations and duties under the New IPMAs.

### **3.6 No Restriction on Property Manager**

The Property Manager may provide services similar to those contemplated under the New IPMAs to other parties operating in the same or similar business as BHG Retail REIT, or in other businesses, save that it shall take all reasonable or necessary steps to minimise or resolve any conflicts of interests which may arise thereto.

## **4. VALUE OF INTERESTED PERSON TRANSACTION FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020**

Under Chapter 9 of the Listing Manual, where BHG Retail REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 3% of BHG Retail REIT's latest audited net tangible assets ("NTA"), BHG Retail REIT must make an immediate announcement.

As at the date of this announcement, the Property Manager and the Manager are wholly-owned subsidiaries of Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd., and Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. is a "controlling shareholder" of the Manager for the purposes of the Listing. Accordingly, the Property Manager is an "associate" of Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd.<sup>1</sup> and is therefore an interested person of BHG Retail REIT under the Listing Manual. Therefore, the entry into the

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<sup>1</sup> As at 30 September 2020, Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") holds 25.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd., which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd.

New IPMAs will constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

The total value of the New IPMAs is approximately S\$0.7 million. As at the date of this announcement, the total value of all interested person transactions entered into by BHG Retail REIT (other than transactions of a value below \$100,000 each but including the total value of the New IPMAs) in the current financial year commencing 1 January 2020 up to the date of this announcement is approximately S\$11.8 million.

Based on the latest audited NTA of BHG Retail REIT of approximately S\$588.1 million as at 31 December 2019, each of (i) the total value of the New IPMAs and (ii) the total value of all interested person transactions entered into by BHG Retail REIT (other than transactions of a value below \$100,000 each but including the total value of the New IPMAs), is less than 3% of the latest audited NTA of BHG Retail REIT as at 31 December 2019.

## **5. AUDIT COMMITTEE STATEMENT**

The audit and risk committee of the Manager is of the view that the New IPMAs are on normal commercial terms, and are not prejudicial to the interests of BHG Retail REIT and its minority Unitholders.

## **6. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS**

As at the date of this announcement, none of the directors of the Manager is a director of the Property Manager. Save as disclosed in this announcement, and based on the information available to the Manager as at the date of this announcement, none of the directors of the Manager or substantial unitholders<sup>1</sup> of BHG Retail REIT have an interest in the appointment of the Property Manager to provide the services under the New IPMAs.

## **7. DIRECTOR'S SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Manager in connection with the New IPMAs.

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<sup>1</sup> “Substantial unitholder” refers to a person with an interest in Units constituting not less than 5.0% of the total number of Units in issue. As at 30 September 2020, Beijing Hualian Group holds 25.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd., which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. in turn wholly owns the Property Manager and the Manager. As at 9 October 2020, Beijing Hualian Group is deemed interested in 36.2% of the total issued Units, and Beijing Hualian Department Store Co., Ltd. and Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. are interested in 5.6% of the total issued Units. Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of Beijing Hualian Group and is deemed interested in the Units that Beijing Hualian Group is deemed interested in. Hainan Hong Ju Culture Media Group Limited holds 51.0% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd. and is deemed to be interested in the Units that Hainan Hong Ju Industrial Co., Ltd. is deemed interested in.

**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

28 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.

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.