



BHG RETAIL REIT

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

**UPDATE ON THE PROPOSED ACQUISITION OF BADALING OUTLETS IN
CHENZHUANG VILLAGE, NANKOU TOWN, CHANGPING DISTRICT, BEIJING,
THE PEOPLE'S REPUBLIC OF CHINA**

1. INTRODUCTION

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**”) refers to its announcement dated 2 December 2019 (the “**2 December 2019 Announcement**”).

All capitalised terms used and not defined herein shall have the same meanings ascribed to them in the 2 December 2019 Announcement.

In the 2 December 2019 Announcement, the Manager had announced that:

- (i) DBS Trustee Limited (as trustee of BHG Retail REIT) (the “**Trustee**”) had entered into the conditional Share Purchase Agreement with the Vendor for the Acquisition; and
- (ii) the Manager had entered into the Entrusted Management Agreement for the Entrusted Manager to operate, maintain, manage and market Badaling Outlets for a period of 10 years from the completion of the Acquisition. In connection with the Entrusted Management Agreement, BHG SKP, which wholly owns the Entrusted Manager, had entered into the Guarantee Agreement with Badaling SPV and the Manager to guarantee certain obligations of the Entrusted Manager under the Entrusted Management Agreement (the Guarantee Agreement, the Share Purchase Agreement and the Entrusted Management Agreement are collectively referred to as the “**Agreements**”).

2. TERMINATION OF THE ACQUISITION

Further to the 2 December 2019 Announcement, the Manager had been collaborating with the Vendor and working towards completing the Acquisition (which included taking steps to finalise the Circular for the purposes of seeking the approval of Unitholders for the Acquisition), and had been monitoring the situation closely since the outbreak of the COVID-19 pandemic.

However, in view of the impact of COVID-19 on the capital markets and the economy as well as the inherent unpredictability and evolving situation, in the interest of the Unitholders, the Manager and the Vendor have mutually agreed not to proceed with the Acquisition.

In arriving at its decision not to proceed with the Acquisition, the Manager had considered the following factors:

- (i) it is unlikely that certain key conditions precedent in the Share Purchase Agreement will be fulfilled by 30 June 2020, being the long-stop date because, *inter alia*, the impact of COVID-19

on the equity markets may not be favourable for the Manager in obtaining equity financing to part-finance the Purchase Consideration for the Acquisition to be attractive; and

- (ii) the bases for the Agreements (which include the Purchase Consideration under the Share Purchase Agreement, as well as the Fixed Income amount and the increase at a compounded rate for each successive Operating Year under the Entrusted Management Agreement) which were agreed to prior to the COVID-19 outbreak have been affected by the COVID-19 pandemic, and the valuation of Badaling Outlets was obtained by the Manager and the Trustee based on the Agreements which were agreed prior to the COVID-19 outbreak as well as pre-COVID-19 conditions, and whose impact by the COVID-19 pandemic may not be beneficial to Unitholders.

While the Manager and the Vendor had considered extending the Agreements, it would not be possible to re-negotiate new terms for the Agreements at this stage given the present uncertainties. In the interest of Unitholders, the Manager has decided not to proceed with the Acquisition.

Accordingly, the parties to the Agreements have entered into deeds of termination to terminate the Agreements with effect from 3 June 2020, pursuant to which each party's obligations and liabilities under the Agreements will cease. Under the existing terms of the Agreements, no break fee is payable by BHG Retail REIT or the Vendor to each other in the event that the Acquisition does not proceed, and no deposit had been paid by BHG Retail REIT to the Vendor for the proposed Acquisition.

3. FINANCIAL IMPACT

The termination of the Agreements will not have any material adverse impact on the consolidated net asset value or distributions per unit of BHG Retail REIT for the financial year ending 31 December 2020.

4. FUTURE PLANS

The Manager remains committed to exploring accretive acquisitions to enhance the long-term value of BHG Retail REIT for unitholders and stakeholders.

Unitholders or potential unitholders are advised to read this Announcement and the 2 December 2019 Announcement carefully, and to consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

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

3 June 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.