



BHG RETAIL REIT

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

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

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 the following:

- (i) DBS Trustee Limited (as trustee of BHG Retail REIT) (the "**Trustee**") has today entered into the Share Purchase Agreement (as defined herein) in connection with the acquisition of a leasehold interest in Badaling Outlets in Chenzhuang Village, Nankou Town, Changping District, Beijing, the People's Republic of China ("**PRC**"), for a purchase consideration (the "**Purchase Consideration**") of approximately S\$455.0 million¹ (the "**Acquisition**");
- (ii) the Manager has today entered into an entrusted management agreement (the "**Entrusted Management Agreement**") with Badaling SPV (as defined herein) and Beijing Hualian Fashion Business Consulting Co., Ltd. (北京华联时尚商业咨询有限公司) as the entrusted manager (the "**Entrusted Manager**") to operate, maintain, manage and market Badaling Outlets (the entry of which constitutes an interested person transaction) for a period of ten years commencing from the date of completion of the Acquisition. In connection with the Entrusted Management Agreement, Beijing Hualian (SKP) Department Store Co., Ltd. (北京华联 (SKP) 百货有限公司) ("**BHG SKP**"), which wholly owns the Entrusted Manager, will grant a corporate guarantee (as guarantor) to Badaling SPV and the Manager to guarantee certain obligations of the Entrusted Manager under the Entrusted Management Agreement (the "**Guarantee Agreement**") (the entry of which constitutes an interested person transaction);
- (iii) pursuant to the Share Purchase Agreement, the Manager proposes to issue up to 260.0 million new units of BHG Retail REIT ("**Units**") to the Vendor at an issue price which is the higher of (i) S\$0.75 per new Unit and (ii) the prevailing 10-day VWAP (as defined herein), to satisfy part of the Purchase Consideration (the "**Consideration Units**"); and

¹ Unless otherwise stated, the S\$ equivalent of the RMB figures in this announcement (the "**Announcement**") has been arrived at based on an assumed exchange rate of RMB5.17 : S\$1.00.

- (iv) to part finance the proposed Acquisition, the Manager proposes a private placement of new Units (the “**Private Placement**” and the new Units to be issued under the Private Placement, the “**Private Placement Units**”)

(the Acquisition, entry into the Entrusted Management Agreement (and the Guarantee Agreement), the issue of Consideration Units and the Private Placement, collectively, the “**Transactions**”).

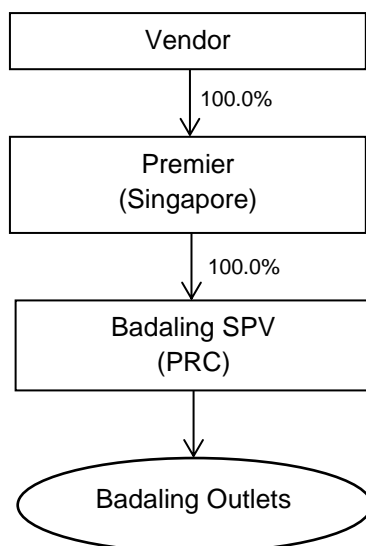
- 1.2** The Acquisition and the issue of the Consideration Units, if they proceed to completion, will constitute a “Very Substantial Acquisition” or a “Reverse Takeover” as defined under Chapter 10 of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and, together with the other Transactions and the Whitewash Resolution (as defined herein) will be subject to, *inter alia*, the approval of the unitholders of BHG Retail REIT (“**Unitholders**”) at an extraordinary general meeting of BHG Retail REIT (“**EGM**”). Further details of the Transactions will be set out in the circular to be issued in connection with the EGM (the “**Circular**”) in due course.

2. THE ACQUISITION, ENTRUSTED MANAGEMENT AGREEMENT AND GUARANTEE AGREEMENT

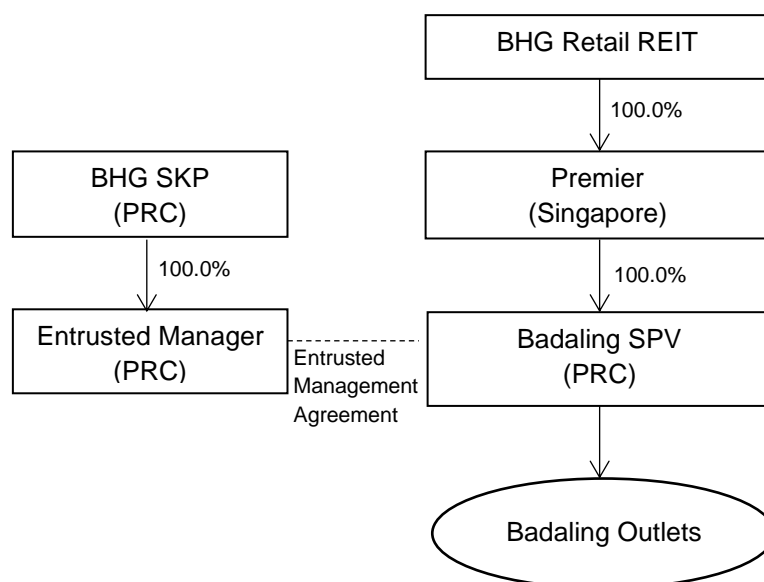
2.1 The Proposed Acquisition

The Trustee, on behalf of BHG Retail REIT, has today entered into a conditional share purchase agreement (the “**Share Purchase Agreement**”) to acquire 100.0% of the shares in Premier Outlets Investment Pte. Ltd. (“**Premier**”) from Horizon Thrive International Limited (the “**Vendor**”) which holds Beijing Badaling Outlets Co., Ltd., (“**Badaling SPV**”, and together with Premier, the “**Target Group**”) which in turn wholly owns the property known as Badaling Outlets, which is located at Chenzhuang Village, Nankou Town, Changping District, Beijing, for the Purchase Consideration of S\$455.0 million. The Vendor is wholly owned by Mr Chang Dingjie (“**Mr Chang**”) who is a director of Beijing Hualian Group Investment Holding Co., Ltd. (“**BHGIH**”)¹. Mr Chang is currently neither an interested person of BHG Retail REIT (for the purposes of the Listing Manual) nor an interested party of BHG Retail REIT (for the purposes of Appendix 6 to the Code on Collective Investment Schemes).

¹ BHGIH is the single largest shareholder of Beijing Hualian Department Store Co., Ltd. (the “**Sponsor**”), with a 25.39% interest in the Sponsor as at the date of this Announcement, and is one of the PRC’s largest retail enterprises with more than 20 years of retail operating experience.



The chart below sets out the holding structure of Badaling Outlets following the completion of the Acquisition, including the entry into the Entrusted Management Agreement.



The proposed Acquisition would be BHG Retail REIT’s first investment in an outlet mall. The following table sets out certain details of Badaling Outlets as at 31 August 2019:

Location	Chenzhuang Village, Nankou Town, Changping District, Beijing, the PRC
Year of Completion	2014
Expiry of Land Use Right	24 September 2037
Site Area	Approximately 128,690.19 square metres (“sq m”)
Gross Floor Area	Approximately 58,348.11 sq m
Net Lettable Area (“NLA”)	Approximately 38,796.80 sq m
Number of Buildings	14 buildings

Valuation by JLL (as defined herein)	RMB 2,991.4 million (approximately S\$578.6 million)
Valuation by Knight Frank (as defined herein)	RMB 2,973.0 million (approximately S\$575.0 million)
Agreed Badaling Outlets Value (as defined herein)	Approximately RMB2,482.3 million (approximately S\$480.1 million)
Weighted Average Lease to Expiry (“WALE”)	By gross revenue: 0.8 years By NLA: 0.9 years
Occupancy rate	100%
FY 2018 Net Property Income⁽¹⁾ (RMB million)	216.6
1H 2019 Net Property Income⁽²⁾ (RMB million)	103.4
Net Property Income Yield⁽³⁾	FY 2018: 8.7% 1H 2019: 8.3%

Notes:

- (1) FY 2018 Net Property Income refers to the net property income for the financial year from 1 January 2018 to 31 December 2018 (“FY 2018”) on a *pro forma* basis, based on the Entrusted Management Agreement.
- (2) 1H 2019 Net Property Income refers to the net property income for the financial period from 1 January 2019 to 30 June 2019 (“1H 2019”) on a *pro forma* basis, based on the Entrusted Management Agreement.
- (3) “Net Property Income Yield” was calculated by: (i) dividing the FY 2018 Net Property Income by the Agreed Badaling Outlets Value (as defined herein) and (ii) dividing the annualised 1H 2019 Net Property Income by the Agreed Badaling Outlets Value.

2.2 Purchase Consideration and Valuation

The Purchase Consideration payable to the Vendor in connection with the proposed Acquisition is S\$455.0 million, comprising:

- (i) the minimum net asset value (“NAV”) ¹ of S\$364.6 million of Premier (on a consolidated basis) as at completion of the Acquisition; and
- (ii) the shareholder loan of S\$90.4 million² owing by Premier to the Vendor which will be assigned to the Trustee (or its subsidiary) (the “Premier Shareholder Loan”),

which takes into account, among other things:

- (a) the agreed property value of Badaling Outlets (the “Agreed Badaling Outlets Value”) of RMB2,482.3 million (approximately S\$480.1 million), which was negotiated on a willing-buyer and willing-seller basis and takes into account the independent valuations of Badaling Outlets conducted by the Independent Valuers (as defined herein); and
- (b) the minimum net asset value of Premier of S\$84.8 million (excluding the Premier Shareholder Loan) and maximum bank loan of RMB100.0 million (approximately S\$19.3 million) by Badaling SPV at completion of the Acquisition.

1 The NAV of Premier (on a consolidated basis) takes into account the assets and the liabilities of Premier and the Agreed Badaling Outlets Value.

2 Calculated based on the exchanged rate of S\$1.3830 : US\$1

The Manager has commissioned an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), and the Trustee has commissioned an independent valuer, Knight Frank Petty Limited (“**Knight Frank**”, and collectively with JLL, the “**Independent Valuers**”), to value Badaling Outlets. The valuations of Badaling Outlets as at 31 August 2019 in comparison with the Agreed Badaling Outlets Value are set out below.

	Agreed Badaling Outlets Value	JLL	Knight Frank
	RMB’ million	RMB’ million	RMB’ million
Badaling Outlets	2,482.3	2,991.4	2,973.0
Discount to Agreed Badaling Outlets Value from independent valuations	–	17.0%	16.5%

The methods used by the Independent Valuers were the discounted cash flow approach and the direct comparison/market approach.

2.3 Total Acquisition Cost

The total cost of the proposed Acquisition (the “**Total Acquisition Cost**”) is approximately S\$471.9 million, comprising:

- (i) the Purchase Consideration payable partly in cash (for the amount of S\$260.0 million) and partly in Consideration Units (an issuance of up to 260.0 million new Units in BHG Retail REIT to the Vendor based on an issue price which is the higher of (i) S\$0.75 per Unit and (ii) the prevailing 10-day VWAP¹ for an aggregate amount of S\$195.0 million); and
- (ii) the estimated professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the proposed Acquisition (inclusive of the equity financing-related expenses and debt financing-related expenses) of approximately S\$16.9 million.

The Manager has agreed to waive the acquisition fee payable by BHG Retail REIT in respect of the proposed Acquisition. The Total Acquisition Cost, including the Purchase Consideration, will be (i) partly funded by cash from debt financing and proceeds from the Private Placement, and (ii) partly funded by the issue of the Consideration Units.

2.4 Certain Principal Terms of the Share Purchase Agreement

In connection with the proposed Acquisition, the Trustee has entered into the Share Purchase Agreement with the Vendor, to acquire all the issued shares of Premier (the “**Shares**”), which in turn directly holds the equity interest in Badaling SPV, which owns Badaling Outlets. The principal terms of the Share Purchase Agreement include, among others, the following:

- (i) the completion of the proposed Acquisition is subject to the satisfaction of the conditions precedent set out in the Share Purchase Agreement, which includes:

¹ The VWAP for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 market days immediately preceding (and for the avoidance of doubt, including) the date of issue of the Consideration Units.

- (a) there being no compulsory acquisition or expropriation of the assets of Premier and Badaling SPV (including without limitation, any of the equity interest held by Premier in Badaling SPV or Badaling Outlets) or any part of it, and no notice of such intended compulsory acquisition or resumption has been given, by the government or other competent authority;
 - (b) there being no breach of any clause of the Share Purchase Agreement (including any of the Vendor's warranties) which, in the reasonable opinion of the Trustee, acting on the recommendation of the Manager, will have or is likely to have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of Premier and Badaling SPV, taken as a whole;
 - (c) no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Shares or the operation of Premier and Badaling SPV having been enacted or taken by any governmental or official authority;
 - (d) the Manager obtaining the approval of the Unitholders at the EGM for the purchase of the Shares, the issuance of the Consideration Units and such other matters in connection with the purchase of the Shares which may require such Unitholders' approval;
 - (e) the receipt of the approval in-principle from SGX-ST for the listing of the Consideration Units, there not having occurred any withdrawal of such approval and, if applicable, the conditions to such approval having been fulfilled;
 - (f) the approval of the SGX-ST for the Acquisition having been obtained where necessary; and
 - (g) the Manager procuring financing for the acquisition of the Shares on terms reasonably satisfactory to the Manager;
- (ii) certain customary representations and warranties;
 - (iii) certain tax indemnities; and
 - (iv) certain indemnities which include:
 - (a) any decrease in the aggregate consolidated NAV of Premier and Badaling SPV as reflected in the Completion Balance Sheet (as defined in the Share Purchase Agreement) compared to the agreed consolidated NAV of Premier and Badaling SPV of S\$364.6 million;
 - (b) any decrease in the aggregate NAV of as reflected in the Completion Balance Sheet compared to the agreed NAV of Premier of S\$84.8 million (on an unconsolidated basis and excluding the Premier Shareholder Loan);
 - (c) any increase or decrease in the outstanding principal amount of the Premier Shareholder Loan of S\$296,725.80 and US\$65,121,716.55; and
 - (d) any increase in the principal amount outstanding under the bank loan by Badaling SPV above RMB100,000,000.

If any of the conditions precedent is not satisfied or (as the case maybe) waived on or before 30 June 2020 (or such later date as the Vendor and the Trustee may agree), the Vendor or

the Trustee may, in its absolute discretion, terminate the Share Purchase Agreement, save for certain surviving clauses which relate to, *inter alia*, confidentiality and costs.

There are certain limitations on the liability of the Vendor including, being able to claim against the Vendor only in a claim where (i) written particulars have been notified to the Vendor before expiry of four years for certain fundamental warranties and taxation claims, and 18 months for any other claims, from the date of completion, and (ii) the aggregate liability of the Vendor in respect of claims shall not exceed the Agreed Badaling Outlets Value.

Please refer to the Circular to be issued in due course for further details of the Share Purchase Agreement.

2.5 Rationale for and Key Benefits of the Proposed Acquisition

The Manager believes that the proposed Acquisition will bring the following key benefits to Unitholders:

- (i) exposure to the fast-growing premier retail outlet mall sector in the PRC;
- (ii) strong economic and market fundamentals in Beijing;
- (iii) strategically located and well-established quality asset;
- (iv) enhance BHG Retail REIT's portfolio;
- (v) attractive value proposition with NPI, DPU and NAV accretion;
- (vi) leverage on strong track record of the Entrusted Manager and BHG SKP; and
- (vii) increase in market capitalisation.

(See paragraph 6 below for further details.)

2.6 Certain Principal Terms of the Entrusted Management Agreement and Guarantee Agreement

The Manager has entered into the Entrusted Management Agreement with Badaling SPV and the Entrusted Manager, pursuant to which the Entrusted Manager will operate, maintain, manage and market Badaling Outlets for an initial term commencing on the date on which the completion of the indirect acquisition of Badaling SPV by BHG Retail REIT occurs ("**Commencement Date**") (which in any event shall be upon or following the completion of the acquisition of Badaling Outlets by Badaling SPV) and shall expire on the day immediately preceding the tenth anniversary of the Commencement Date ("**Initial Operating Term**"), and may be extended for a period of ten full Operating Years¹ or such shorter term which corresponds with the remaining land use right relating to the Property, or such other period mutually agreed in writing between the Parties (the "**Extended Operating Term**") after the Initial Operating Term (or any subsequent Extended Operating Term thereafter (if any)). Pursuant to the Entrusted Management Agreement, Badaling SPV shall be entitled to the Fixed Income (including, for the avoidance of doubt, any value added taxes and/or goods and

¹ An "**Operating Year**" means, in respect of Badaling Outlets, any period of 12 months commencing on the 1st day of January and ending on the 31st day of December, except the first Operating Year which shall be the period commencing on the Commencement Date and ending on the 31st day of December in the year in which the Commencement Date falls. The last Operating Year shall end on the earlier of (i) the day immediately preceding the 10th anniversary of the Commencement Date or, if extended in accordance with the Entrusted Management Agreement, the 20th anniversary of the Commencement Date; and (ii) the date of termination of the Entrusted Management Agreement in relation to Badaling Outlets pursuant to the Entrusted Management Agreement.

services tax (if applicable)) for each Operating Year amounting to a sum of RMB 218,500,000 in the first Operating Year (if the first Operating Year ends on 31 December 2019) or RMB 225,055,000 in the first Operating Year (if the first Operating Year ends on 31 December 2020), and the said sum will increase at a compounded rate of 3% for each successive Operating Year (the “**Fixed Income**”).

The Entrusted Manager shall during the Operating Term provide certain management services including general management, maintenance, marketing communications, operation, operation administration, collection and disbursements, insurances, real estate and corporate income tax, contract and legal management, and maintenance of accounts and records (the “**Services**”) in accordance with the terms and conditions of the Entrusted Management Agreement. In respect of the Services provided by the Entrusted Manager, Badaling SPV shall pay to the Entrusted Manager and the Entrusted Manager shall be entitled to receive in respect of Badaling Outlets during and throughout the Operating Term, monthly in arrears, a base fee (the “**Fixed Fee**”) which shall be calculated as follows for each Operating Year:

2.0% of Adjusted Gross Revenue + 2.5% of Net Property Income (each as defined below)

“**Net Property Income**” in relation to Badaling Outlets and in relation to any Operating Year shall refer to the Adjusted Gross Revenue less the costs and expenses incurred by or on behalf of Badaling SPV in the ownership, operation, maintenance, management and marketing of Badaling Outlets, as well as other deductions. For the avoidance of doubt, the Net Property Income is calculated before the accounting of Fixed Fee and the Resultant Income.

“**Adjusted Gross Revenue**” in relation to Badaling Outlets and in relation to any Operating Year means the gross revenue deducting advertising and promotion levy, charge or contribution, payable to Badaling SPV by a tenant under the relevant joint operation agreement / tenancy.

To incentivise the Entrusted Manager, Badaling SPV shall pay to the Entrusted Manager and the Entrusted Manager shall be entitled to receive in respect of Badaling Outlets during and throughout the Operating Term, quarterly in arrears, an upside (the “**Resultant Income**”). If the Net Property Income after Fixed Fee (as defined below) is higher than the Fixed Income, the Resultant Income shall be calculated as follows for each Operating Year:

If the Net Property Income after Fixed Fee is higher than the Fixed Income, Badaling SPV shall pay 80% of the excess of the Net Property Income after Fixed Fee above the Fixed Income to the Entrusted Manager and retain the remaining amount of the excess of the Net Property Income after Fixed Fee above the Fixed Income.

“**Net Property Income After Fixed Fee**” in relation to Badaling Outlets and in relation to any Operating Year shall refer to the Net Property Income after deducting Fixed Fee. For the avoidance of doubt, the Net Property Income After Fixed Fee is calculated before the accounting of the Resultant Income.

In connection with the Entrusted Management Agreement, BHG SKP has entered into the Guarantee Agreement to guarantee unconditionally and irrevocably guarantee to BHG Retail REIT (through Badaling SPV and the Manager) that the Entrusted Manager will punctually make payment of the shortfall in Fixed Income payable to Badaling SPV under the Entrusted Management Agreement. Upon the default of the Entrusted Manager, BHG SKP will pay (or procure payment of) the shortfall in Fixed Income payable under the Entrusted Management

Agreement. The obligations of BHG SKP under the Guarantee Agreement shall be irrevocable and remain in full force and effect by way of continuing security until the due and proper and complete performance of all the obligations of the Entrusted Manager under the Entrusted Management Agreement.

Please refer to the Circular to be issued in due course for further details of the Entrusted Management Agreement and Guarantee Agreement.

2.7 Rationale for Entrusted Management Agreement

The Manager believes that the Entrusted Management Agreement will provide BHG Retail REIT with a stable stream of revenue, predictable growth and will mitigate income risk caused by uncertainty and volatility of economic conditions due to the following reasons:

- (i) pursuant to the terms of the Entrusted Management Agreement, BHG Retail REIT will be entitled to a Fixed Income from the Entrusted Manager on a monthly basis, payable out of the Net Property Income (as defined in the Entrusted Management Agreement, see paragraph 2.6 above) computed at the end of each quarter, based on the monthly accounts for Badaling SPV, as well as all the marketing, advertising and promotional expenses of Badaling Outlets which shall be borne by the Entrusted Manager. In the event that the Net Property Income is lower than the Fixed Income for that quarter, the Entrusted Manager shall pay BHG Retail REIT for the shortfall between the Net Property Income and the Fixed Income;
- (ii) further, the Fixed Income will increase at a compounded rate of 3% for each successive Operating Year; and
- (iii) the Entrusted Manager will be appointed pursuant to the Entrusted Management Agreement to manage Badaling Outlets. This serves to leverage on the Entrusted Manager's professional knowledge, proprietary operational expertise and unique experience and track record in operating and managing Badaling Outlets to ensure continuity and smooth transition in the management of Badaling Outlets.

2.8 Disclosure under the Listing Manual

2.8.1 Very Substantial Acquisition or Reverse Takeover

- (i) Chapter 10 of the Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by BHG Retail REIT. Such transactions are classified into the following categories:
 - (a) non-discloseable transactions;
 - (b) discloseable transactions;
 - (c) major transactions; and
 - (d) very substantial acquisitions or reverse takeovers.
- (ii) A proposed acquisition by BHG Retail REIT may fall into any of the categories set out in sub-paragraph (i) above depending on the size of the relative figures computed on the following bases of comparison:
 - (a) the net profits attributable to the assets acquired, compared with BHG Retail REIT's net profits;

- (b) the aggregate value of the consideration given, compared with BHG Retail REIT's market capitalisation; and
- (c) the number of Units issued by BHG Retail REIT as consideration for an acquisition, compared with the number of Units previously in issue.

Where any of the relative figures computed on the bases set out above is 100.0% or more, the transaction is classified as a "very substantial acquisition" or "reverse takeover" under Rule 1015 of the Listing Manual. Pursuant to the Listing Manual, a "very substantial acquisition" or "reverse takeover" involving BHG Retail REIT would be subject to the approval of Unitholders.

- (iii) The relative figures for the proposed Acquisition using the applicable bases of comparison described in sub-paragraphs (ii)(a) to (ii)(c) above are set out in the table below.

Comparison of:	Badaling Outlets	BHG Retail REIT	Relative Figure
Net Property Income ⁽¹⁾⁽²⁾ (S\$ million)	29.3	38.1	76.9%
Purchase Consideration against BHG Retail REIT's market capitalisation (S\$ million)	Purchase Consideration: 455.0	BHG Retail REIT's market capitalisation: approximately 351.0 ⁽³⁾	129.6%
Number of Units to be issued to the Vendor against the existing Units (million)	Number of Units to be issued to the Vendor: up to 260.0	Existing Units: 507.4 ⁽⁴⁾⁽⁵⁾	51.2%

Notes:

- (1) In the case of a REIT, the net property income is a close proxy to the net profits attributable to its assets.
- (2) For the financial period from 1 January 2019 to 30 September 2019.
- (3) Based on the volume-weighted average price of S\$0.6917 per Unit on the SGX-ST on 29 November 2019, being the market day prior to the date of the Share Purchase Agreement.
- (4) Based on the Units in issue as at the date of this Announcement.
- (5) Assuming that 94.8 million Units are issued pursuant to the Private Placement, the relative figure is 43.2%.

As the relative figures in relation to the proposed Acquisition for the basis of comparison set out in sub-paragraph (ii)(b) above exceeds 100.0% and the Vendor will become the single largest unitholder of BHG Retail REIT arising from the issue of the Consideration Units, the proposed Acquisition therefore constitutes a “reverse takeover” for BHG Retail REIT under Rule 1015 of the Listing Manual and is therefore required to be approved by Unitholders.

- (iv) As at the date of this Announcement, the Vendor does not have an interest in any Units in issue. The Concert Parties (as defined herein), including BHGIH, held an aggregate indirect interest in 179,190,660 Units as at the date of this Announcement, which is equivalent to approximately 35.3% of the total number of Units in issue.

2.8.2 Interested Person Transaction

- (i) 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 with the same interested person during the same financial year, each of a value equal to or greater than S\$100,000) is equal to or exceeds 5.0% of BHG Retail REIT’s latest audited NTA, Unitholders’ approval is required in respect of the transaction. Based on BHG Retail REIT’s audited consolidated financial statements for FY 2018 (“**FY 2018 Audited Consolidated Financial Statements**”), the NTA of BHG Retail REIT was S\$579.0 million as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by BHG Retail REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$28.95 million, such a transaction would be subject to Unitholders’ approval.

Under the Entrusted Management Agreement, the Entrusted Manager will pay a Fixed Income of RMB225,055,000 per annum in the first Operating Year (if the first Operating Year ends on 31 December 2020), which will be compounded at an interest of 3.0% for each successive Operating Year during the Initial Operating Term and Extended Operating Term, which is equivalent to an aggregate amount of RMB6,047.3 million (approximately S\$1,169.7 million) (being 202.0% of BHG Retail REIT’s NTA as at 31 December 2018). BHG Retail REIT (through Badaling SPV) is also required, *inter alia*, to pay the Fixed Fee and Resultant Income plus reimbursable expenses pursuant to the Entrusted Management Agreement. The value of the Entrusted Management Agreement (including the Guarantee Agreement entered in connection thereto) therefore exceeds the threshold under the Listing Manual and would be subject to Unitholders’ approval.

- (ii) As the Entrusted Manager is wholly owned by BHG SKP, and BHG SKP is an interested person because, *inter alia*, it is 40.0% owned by BHGIH which is a controlling unitholder of BHG Retail REIT, and the Entrusted Manager is therefore an “associate” of BHGIH and an “interested person” (for the

purpose of the Listing Manual), the proposed entry into the Entrusted Management Agreement (and the Guarantee Agreement) will constitute an “interested person transaction” under Chapter 9 of the Listing Manual, in respect of which Unitholders’ approval is required. Further, the renewal of the Entrusted Management Agreement is subject to Rules 905 and 906 of the Listing Manual.

3. ISSUANCE OF CONSIDERATION UNITS

3.1 Proposed Issuance of Consideration Units

To satisfy part of the consideration for the proposed Acquisition, BHG Retail REIT proposes to issue new Units in the following manner:

BHG Retail REIT proposes to issue up to 260.0 million new Units to the Vendor as Consideration Units. The Consideration Units, when issued, will be fully paid. The aggregate number of Consideration Units to be issued at the Issue Price shall be derived in the following manner:

$$\text{No. of Consideration Units} = Y \div \text{Issue Price}$$

Provided that where the number derived is not a board lot, the number of Consideration Units issued shall be rounded downwards to the nearest board lot and any balance sum which is not satisfied by the issue of the Consideration Units due to such rounding down, shall be paid in cash.

Where:

“**Issue Price**” means the higher of (i) S\$0.75 per Unit and (ii) the prevailing 10-day VWAP.

“**Y**” means S\$195,000,000, being the portion of the Purchase Consideration due to the Vendor in Units.

It is noted that as there would have been a “clean-up” distribution in connection with the Private Placement, which would take place prior to the issuance of the Consideration Units, the issue price to be taken into consideration will not deduct the cash distribution that would have accrued to the existing BHG Retail REIT unitholders prior to the issuance of the Consideration Units.

The Consideration Units, when allotted and issued to the Vendor, will be free from encumbrances and will rank *pari passu* in all respects with the Units in issue as at the date of issuance of the Consideration Units.

3.2 Rationale for the Issuance of Consideration Units

As the Manager had determined that Badaling Outlets would be an attractive acquisition for BHG Retail REIT, *inter alia*, in terms of NPI, DPU and NAV accretion, it was agreed that BHG Retail REIT would, subject to the relevant approvals being obtained, pay the Purchase Consideration partly in cash and in Consideration Units to ensure greater certainty of funding. Unlike an equity fund raising exercise, the issue of Consideration Units by BHG Retail REIT is not subject to market conditions.

There would also be no underwriting or placement fee payable by BHG Retail REIT in respect of the issuance of Consideration Units to the Vendor as partial payment of the Purchase Consideration, thereby reducing the fees payable by BHG Retail REIT which would otherwise had been incurred had the number of Consideration Units to be issued to the Vendor been issued as new Units under an equity fund raising instead.

4. PRIVATE PLACEMENT

4.1 Proposed Placement of New Units under the Private Placement

The structure and timing of the Private Placement have not been determined by the Manager. When the Manager decides to undertake the Private Placement, the Private Placement may, at the Manager's absolute discretion and subject to the then prevailing market conditions and accretion levels, comprise a private placement of new Units to institutional and other investors.

The Private Placement Units will be issued pursuant to a general mandate given to the Manager at the annual general meeting held on 26 April 2019. As at 26 April 2019, the number of Units in issue was 505,363,902. The amount of Units that can be issued under the general mandate is 252,681,951 Units, of which no more than 101,072,780 Units may be issued on a non *pro-rata* basis.

From 26 April 2019 to the date of this Announcement, 669,201 Units and 747,481 Units were issued to the Manager as payment of 100% of the base fee component of its management fee for the period from 1 January 2019 to 31 March 2019 and 1 April 2019 to 30 June 2019 respectively. Further, 280,837 Units and 376,139 Units were issued to the Property Manager as payment of the Property Management Fee for the period from 1 January 2019 to 31 March 2019 and 1 April 2019 to 30 June 2019 respectively. As such, the maximum amount of Units which can be issued pursuant to the non *pro-rata* Private Placement under the general mandate (assuming no further issuance of Units under the general mandate from the date of this Announcement to the launch of the Private Placement) shall be 98,999,122 Units. For the avoidance of doubt, the 98,999,122 Units represent the remaining amount of Units which may be utilised under the general mandate and the actual number of Units to be issued under the Private Placement will depend on the amount of gross proceeds raised and the issue price. The Manager intends to raise net proceeds of approximately S\$60.0 million by issuing 94,786,730 Units based on the illustrative price of S\$0.633, which would be within the maximum amount of Units which can be issued under the general mandate on a non *pro-rata* basis.

The Manager may appoint underwriter(s) or placement agent(s) to determine the issue price of the Private Placement Units and the most appropriate time to launch the Private Placement, having regard to the then prevailing market conditions and other factors that the Manager and the underwriter(s) or placement agent(s) may consider relevant.

If and when the Manager decides to undertake the Private Placement, the issue price for the Private Placement Units to be issued under the Private Placement will comply with Rules 811(1) and 811(5) of the Listing Manual, and will not be at more than 10.0% discount to the volume-weighted average price for trades done on the SGX-ST for the full market day on which the subscription agreement is signed, or (if trading in the Units is not available for a full market day) for the preceding market day up to the time the subscription agreement is signed, excluding (where applicable) accrued distributions provided that the holders of the Private Placement Units are not entitled to the accrued distributions. The subscription agreement is anticipated to be signed upon the terms of the Private Placement being agreed upon.

The Manager will make the necessary application to the SGX-ST for the listing and quotation of the Private Placement Units and announce the details of the Private Placement (including receipt of the approval in-principle of the SGX-ST for the listing and quotation of the Private Placement Units) on SGXNET at the appropriate time.

4.2 Placement to Sponsor, BHH and BHGIH

The Manager may place Units to the Sponsor, Beijing Hualian Hypermarket Co., Ltd. (“**BHH**”) and/or BHGIH under the Private Placement and, in such a case, the Manager will seek Unitholders’ approval for the placement of Units to the Sponsor, BHH and BHGIH, to enable the Sponsor, BHH and BHGIH to maintain their pre-placement unitholdings, in percentage terms at the level immediately prior to the issue of new Units under the Private Placement.

In the event that the Sponsor, BHH and BHGIH subscribe for new Units under the Private Placement, the new Units will be issued to them at the same price as the new Units issued to other investors under the Private Placement.

4.3 Use of Proceeds of the Private Placement

The Manager intends to use the net proceeds of the Private Placement of approximately S\$60.0 million to repay approximately S\$35.0 million of BHG Retail REIT’s existing debt, and to pay approximately S\$16.9 million of the Total Acquisition Cost, including the professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the Private Placement, with the balance to be used for other general corporate and working capital purposes.

Notwithstanding its current intention, in the event that the Private Placement is completed but the Acquisition does not proceed for whatever reason, the Manager may, subject to relevant laws and regulations, utilise the net proceeds of the Private Placement at its absolute discretion for other purposes, including without limitation, the repayment of existing indebtedness, for funding capital expenditures and other general working capital purposes.

The Manager will make periodic announcements on the utilisation of the net proceeds of the Private Placement via SGXNET as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated.

Where proceeds are to be used for working capital purposes, the Manager will disclose a breakdown with specific details on the use of proceeds for working capital in BHG Retail REIT’s announcements and in BHG Retail REIT’s annual report, and where there is any material deviation from the stated use of proceeds, the Manager will announce the reasons for such deviation.

Pending the deployment of the net proceeds of the Private Placement, the net proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, or to be used to repay outstanding borrowings or for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit. The Manager believes that upon the closing of the Private Placement and the completion of the proposed Acquisition, the working capital will be sufficient to enable BHG Retail REIT to meet its obligations and continue to operate as a going concern.

4.4 Consequential Adjustment to Distribution Period and Status of the Private Placement Units

BHG Retail REIT's distribution policy is to distribute its distributable income on a semi-annual basis to Unitholders.

However, pursuant to the issuance of the Private Placement Units, the Manager may decide to make adjustments to the distribution period which may include, among others, a cumulative distribution, an advanced distribution or such other plans to ensure fairness to existing Unitholders holding Units on the day immediately prior to the date on which the Private Placement Units are issued.

Further details pertaining to any adjustments to the distribution period, if any, and the status of the new Units issued pursuant to the Private Placement will be announced at the appropriate time.

5. WHITEWASH WAIVER

Following the receipt by the Vendor of the Consideration Units, (a) the Vendor, which currently does not hold any voting rights of BHG Retail REIT, may acquire 30% or more of the voting rights in BHG Retail REIT; and (b) the Vendor and the persons acting in concert with the Vendor (the "**Concert Parties**"), which in aggregate currently hold not less than 30% but not more than 50% of the voting rights of BHG Retail REIT, may acquire more than 1% of the voting rights of BHG Retail REIT in a six-month period, thereby triggering the requirement for the Vendor and the Concert Parties to make a mandatory general offer for all the Units other than those already owned, controlled or agreed to be acquired by the Vendor and the Concert Parties.

On 1 November 2019, the Securities Industry Council of Singapore (the "**SIC**") granted to the Vendor and the Concert Parties a waiver of the requirement to make a mandatory general offer under Rule 14 of the Singapore Code of Take-overs and Mergers in the event that the Vendor and the Concert Parties acquire a sufficient number of Units through the receipt by the Vendor of the Consideration Units, subject to, among others, the approval at the EGM by Unitholders other than the Vendor, the Concert Parties and parties which are not independent of them ("**Whitewash Resolution**").

6. RATIONALE FOR AND KEY BENEFITS OF THE PROPOSED ACQUISITION

6.1 Exposure to the fast-growing premier outlet mall sector in the PRC

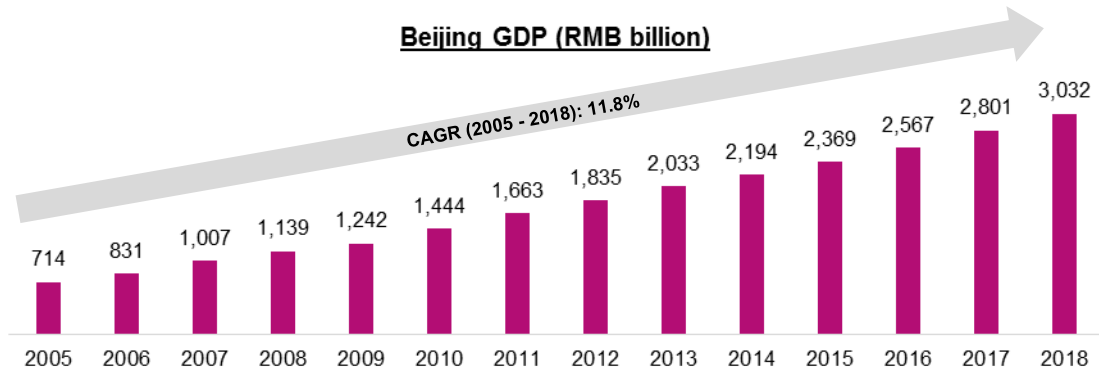
The acquisition of Badaling Outlets will be BHG Retail REIT's first premier outlet mall, and will offer Unitholders the opportunity to gain exposure to the fast-growing premier outlet mall

sector in the PRC.

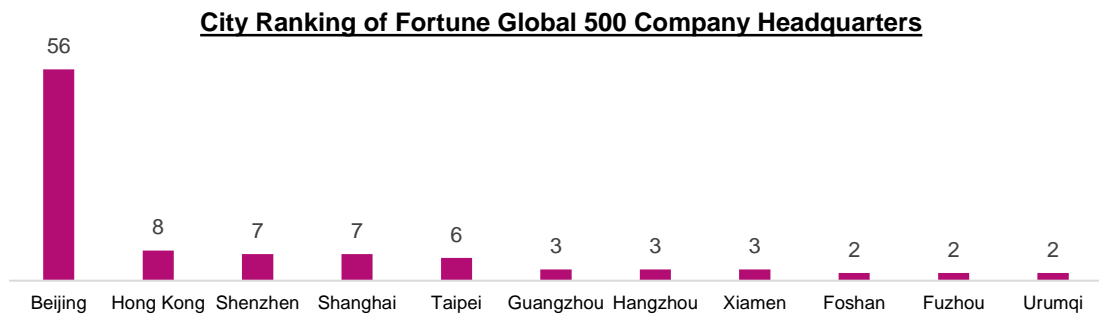
According to Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Independent Market Research Consultant**”), the PRC’s outlet market industry has maintained strong growth momentum since 2012. In terms of sales revenue, the PRC’s outlet market increased from RMB16.8 billion in 2012 to RMB 77.7 billion in 2018, representing a compound annual growth rate (“**CAGR**”) of 29.1%. The outlet market is expected to grow to RMB 305.2 billion by 2025, resulting in a CAGR of 21.1% for the period from 2019 and 2025.

6.2 Strong economic and market fundamentals in Beijing

6.2.1 Positive economic outlook



Source: Independent Market Research Consultant



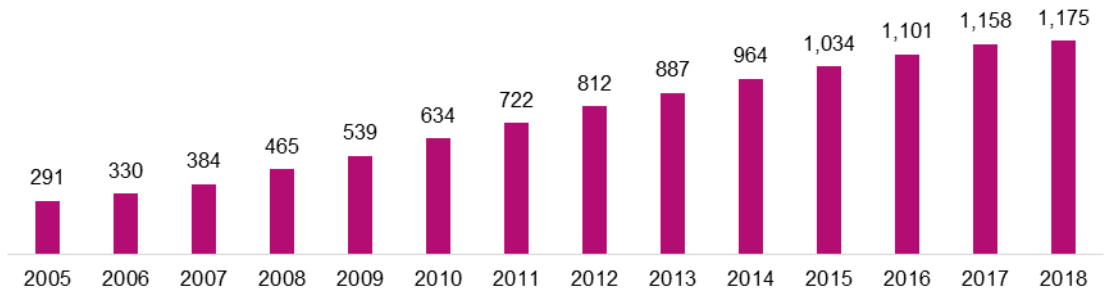
Source: Independent Market Research Consultant

According to the Independent Market Research Consultant, Beijing’s GDP continues to show constant and robust growth since 2005. By the end of 2018, the GDP of Beijing reached RMB 3,032 billion, indicating a CAGR of 11.8% from 2005. The tertiary sector has been the driving force in Beijing’s economy as the number of service sector employees has seen strong growth in the past 40 years, going from 1.4 million in 1978 to 10.1 million in 2017. This represents a compound annual growth rate of 5.2% and is one of the reasons Beijing has sustained strong GDP growth. According to the Independent Market Research Consultant, the number of corporate headquarters in Beijing has grown from 3,937 in 2013 to 4,064 in 2017, of which 886 have received foreign investment. Beijing also has more Global Fortune 500 company headquarters than any other city in the world with 56 firms setting up headquarter here. For the fifth consecutive year, Beijing stands atop the rankings of

the total number of Fortune 500 company headquarters, far ahead other Chinese cities.

6.2.2 Strong retail sales

Beijing Retail Sales (RMB billion)



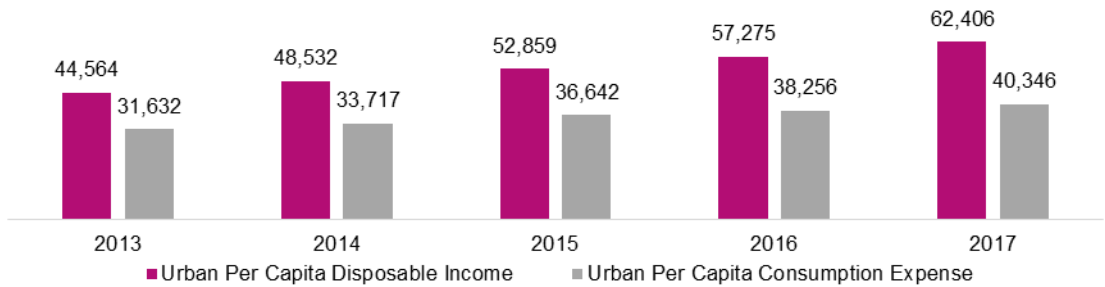
Source: Independent Market Research Consultant

According to the Independent Market Research Consultant, Beijing's retail sales showed continued growth over past years. The robust growth indicates the strong purchasing power and the willingness of consumption of Beijing's population.

In 2018, the 5 main outlet malls in Beijing were ranked among the top 20 outlet malls by sales in China, with a total sales volume of RMB11.57 billion.

6.2.3 Increasing disposable income

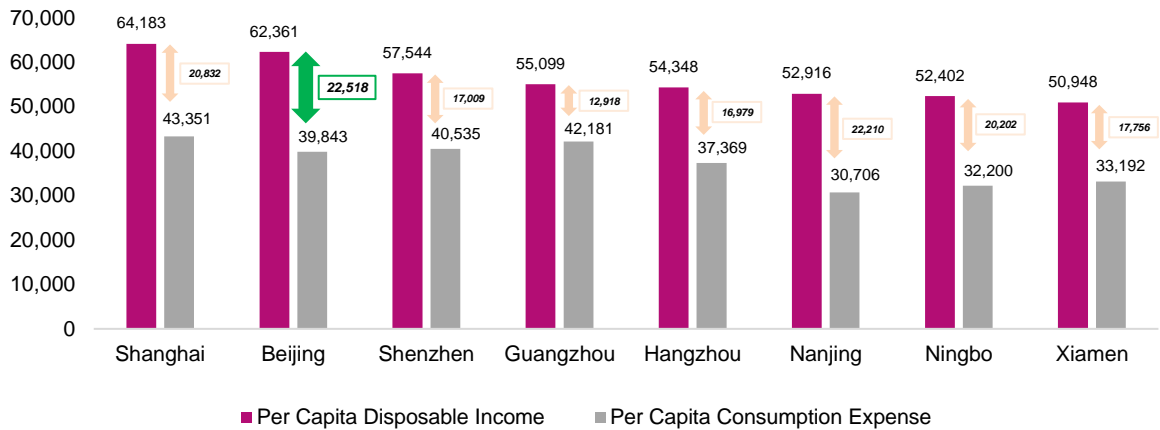
Urban Per Capita Disposable Income & Per Capita Consumption Expenditure for Beijing (RMB)



Source: Independent Market Research Consultant

Both urban per capita disposable income and consumption expenditure experienced constant growth from 2013 to 2017, with urban disposable income increasing by an average of RMB 5,000 per year since 2013.

Top Income and Consumption Cities in China 2018 (RMB)

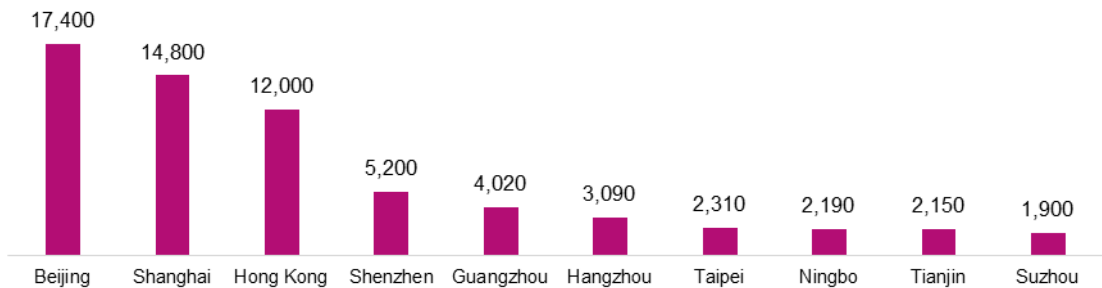


Source: Independent Market Research Consultant

According to the Independent Market Research Consultant, an average middle-class citizen in Beijing earns RMB 256,016 per year, the highest among Chinese cities.

At the end of 2018, income per-capita (including both urban and rural residence) in Beijing ranked 2nd out of all cities in China and stood at RMB 62,361. Compared with other cities, Beijing has more consumption growth potential due to the wide gap between income and expenditure. As at the end of 2018, Beijing's gap between per Capita Disposable Income and per Capita Consumption Expense of RMB 22,518 is the highest amongst the cities in China.

2017 Ultra-High Net-Worth Individuals in Greater China by City



Source: Independent Market Research Consultant

Beijing also has the largest number of ultra-high net-worth individuals in China. The strong presence of leading enterprises and company headquarters helps Beijing attract a large number of high-income executives and high net-worth individuals.

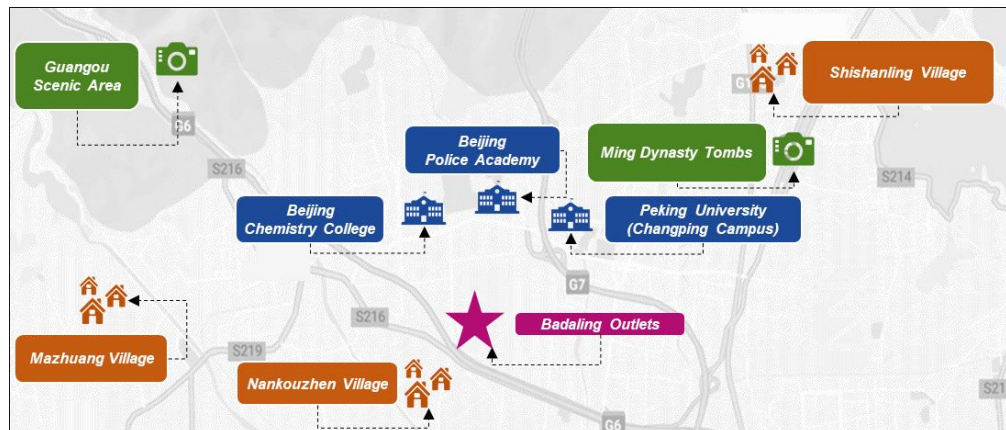
Middle-class households in Beijing are expected to grow fast and the expansion is likely to cause an increase in expenditure for luxury goods, thus benefitting the demand for outlet malls as well.

6.2.4 Increasing demand for branded goods

According to the Independent Market Research Consultant, young consumers in Beijing prefer well-designed products and allocate more income for these products. Successful social media marketing strategies of luxury goods companies has also helped outlet malls gain more customers. These improvements along with the consumption behaviour change will fuel the demand of outlets.

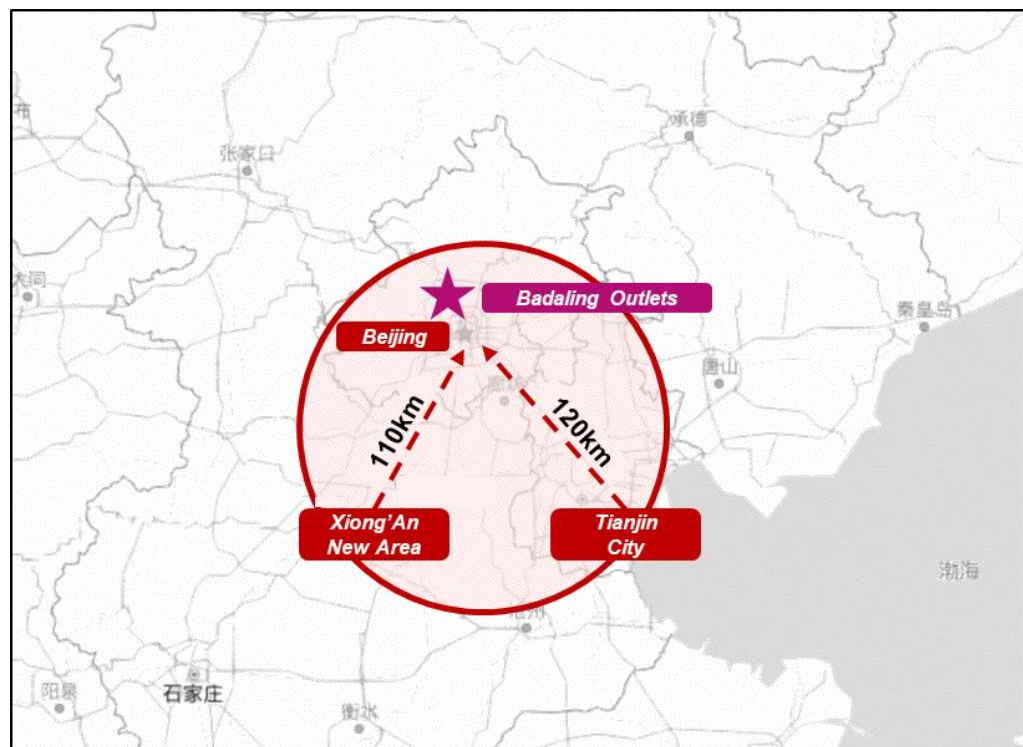
6.3 Strategically located and well-established quality asset

6.3.1 Large addressable market



Source: Independent Market Research Consultant

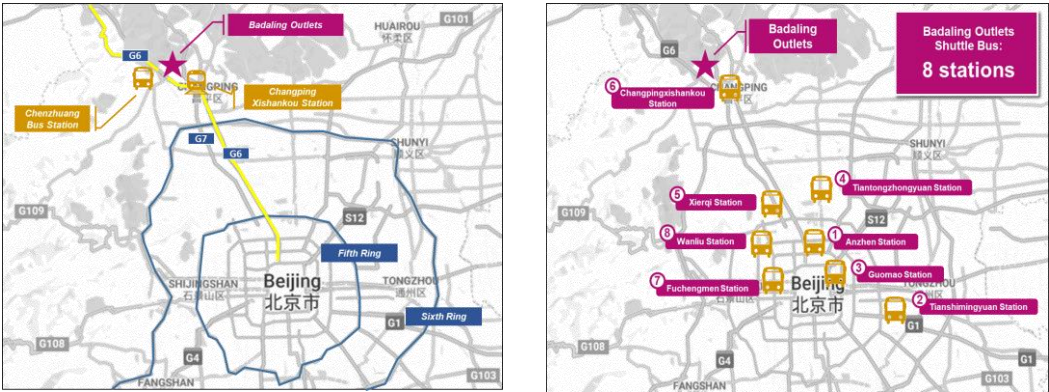
Badaling Outlets is situated at Chenzhuang Village, Nankou Town, Changping District, Beijing. Badaling Outlets is situated near educational institutions, such as Peking University's Changping sub-campus and Beijing Police Academy.



Badaling Outlets not only attracts customers in Beijing with strong purchasing power, it also attracts customers from other areas in west China, such as Hebei Province, Tianjin City and Shandong province. With Beijing being the centre of the metropolitan circle, outlets located here could attract consumers in Xiong'an, Tianjin, as well as other surrounding cities.

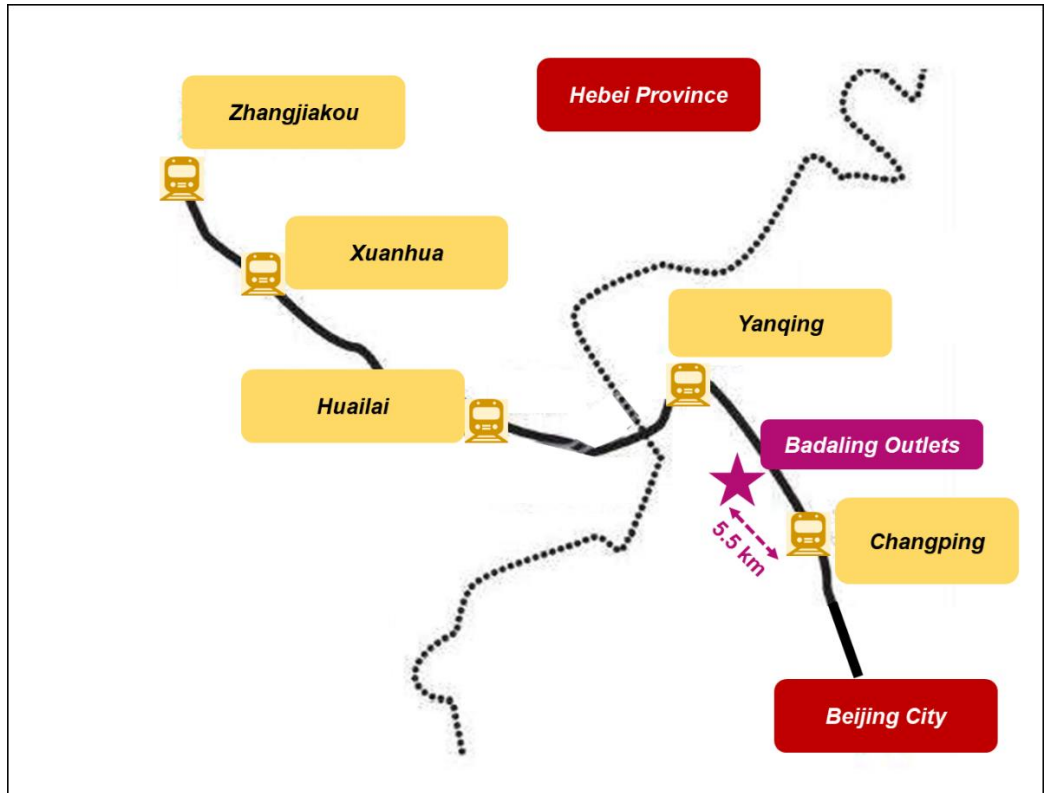
The planned Xiong'an New Area is 110 km away from Beijing and the construction work in core area will be completed in 2022. This new area would help ease Beijing's non-capital functions. It is expected that a large number of enterprises, institutions, financial institutions, and scientific and technological enterprises will settle in Xiong'an after the completion of the new area. With big enterprises like Tencent and Baidu settling in Xiong'an New Area, many of its employees who are potentially affluent consumers will live in this area and consequently drive luxury consumption.

6.3.2 Good transport network connectivity and accessibility



Source: Independent Market Research Consultant

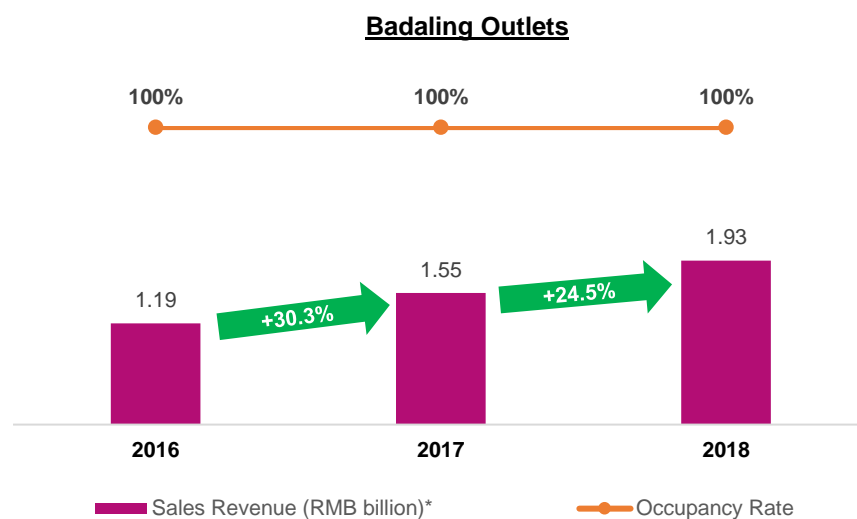
Badaling Outlets is located in the northwest of Beijing and next to the G6 expressway, which is a national highway that links Beijing and Tibet, and enjoys good transport accessibility for customers who self-drive. Badaling Outlets is also well-served by public transportation, with the Chenzhuang bus station located 500 metres from the west of Badaling Outlets and the Changping Xishankou subway station located 2.5 km away from Badaling Outlets. Daily complimentary shuttle buses between the city center and Badaling Outlets are also provided.



Source: Independent Market Research Consultant

According to the Independent Market Research Consultant, the Beijing-Zhangjiakou intercity railway, which is a high-speed railway, is currently under construction between Beijing and Zhangjiakou in Hebei province and is expected to open to public in December 2019. The main line has 10 stations, Beijing North, Qinghe, Shahe, Changping, Badaling Changcheng, Donghuayuan North, Huailai, Xiahuayuan North, Xuanhua North and Zhangjiakou. Changping Station, which is one of the ten stations, is 5.5km away from Badaling Outlets and the management team is considering offering complimentary shuttle bus services between the station and Badaling Outlets. Beijing residents in the urban area would find it convenient to visit Badaling Outlets as Beijing North station is connected with the metro line, while potential customers in surrounding provinces like Inner Mongolia Autonomous Regions and Shanxi Province are able to visit Badaling Outlets via the high speed-railway from Zhangjiakou Station.

6.3.3 Well-established and best-in-class quality asset



Source: Independent Market Research Consultant
**Note: Sales revenue excludes other operating income*

Badaling Outlets was completed in 2014 and the first phase commenced operations in October 2015. From 2016 to 2017 and from 2017 to 2018, it had achieved a sales revenue growth of 30.3% and 24.5%, respectively, to reach RMB 1.93 billion in 2018 and was ranked 7th among the outlets in China in terms of sales, which is an increase of four places since 2017.

It has a strong track record of full occupancy since its commencement of operations in 2015. As at 30 September 2019, the property has a WALE of 0.9 years (by NLA). Badaling Outlets also houses 200 brands of which more than 60 are international first tier, more than any of the other outlets within Beijing, according to the Independent Market Research Consultant.

Map of 5 Major Outlets in Beijing

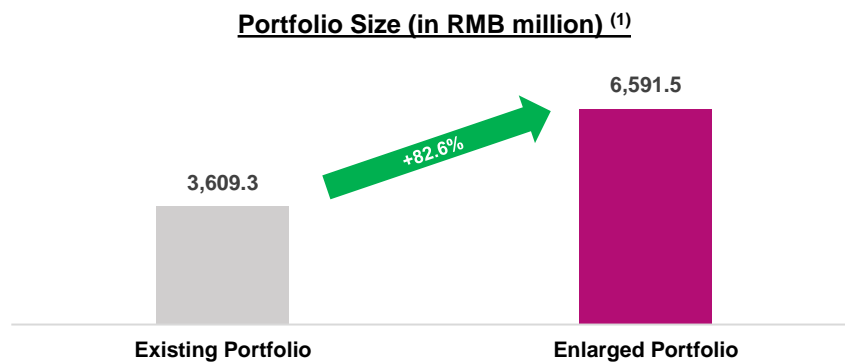


Source: Independent Market Research Consultant

According to the Independent Market Research Consultant, there are five well-recognized outlet malls in Beijing; Badaling Outlets, Capital Outlets, Lufthansa Outlets, Scitech Outlets, and Surprise Outlets. The Independent Market Research Consultant is of the view that Badaling Outlets has outstanding brand resources and retail management experience, which cannot be replicated by other competitors in Beijing, and offers the most high-end brands out of any of the other outlets. This highlights its brand diversity, giving the outlet an edge over its competitors, and providing consumers with a prime shopping experience.

6.4 Enhance BHG Retail REIT's Portfolio

6.4.1 Increase in portfolio size



Notes:

(1) Based on 60% interest in Beijing Wanliu Mall and includes Hefei Changjiangxilu Mall

The Acquisition is expected to significantly increase BHG Retail REIT's portfolio size by approximately 82.6% from RMB3,609.3 million (approximately S\$698.1 million) as at 31 December 2018 to RMB6,591.5 million (approximately S\$1.3 billion). The

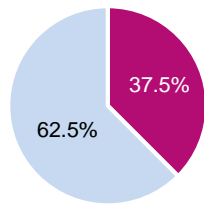
Acquisition will enlarge BHG Retail REIT's asset base, providing it with greater scale and a larger platform to grow.

6.4.2 Enhance portfolio through greater exposure to Beijing

In addition, the proposed Acquisition will increase BHG Retail REIT's overall exposure to Beijing, a Tier 1 city and one of the most developed cities in China. Aggregate gross revenue contribution from Beijing is expected to increase, on a *pro forma* basis, from 37.5% to 70.2% (based on the gross revenue for the month of September 2019).

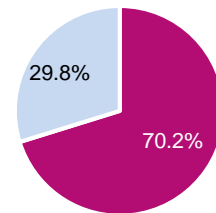
Contribution by Gross Revenue⁽¹⁾

Existing Portfolio



■ Beijing ■ Other cities

Enlarged Portfolio

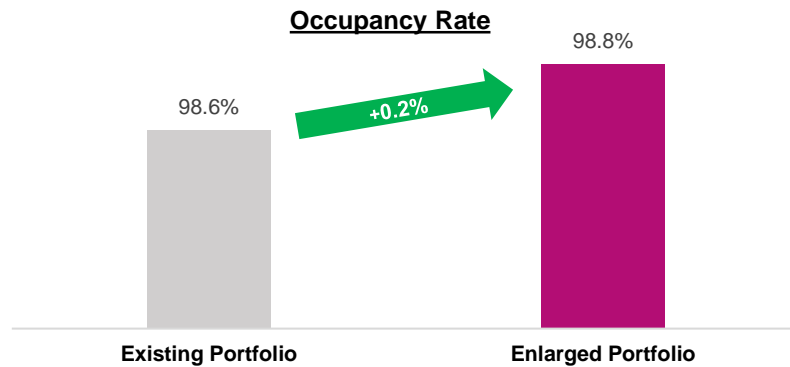


■ Beijing ■ Other cities

Note:

(1) Based on 60% interest in Beijing Wanliu Mall

6.4.3 Further improve overall occupancy rate



Badaling Outlets has been fully occupied since it commenced operations in 2015. Following the proposed Acquisition, the overall occupancy rate of BHG Retail REIT as at 30 September 2019 is expected to improve from 98.6% to 98.8%.

6.4.4 Reduce tenant concentration risk

Following the Acquisition, the aggregate exposure to the top 10 tenants/brands of BHG Retail REIT by gross revenue for the month of September 2019 on a *pro forma* basis will decrease from 24.4 % to 21.1%. In addition, the contribution to gross

revenue for the month of September 2019 by the largest tenant will be reduced from 16.3% to 7.8% on a *pro forma* basis after the proposed Acquisition.

Contribution of Top 10 tenants/brands by Gross Revenue⁽¹⁾



Note:

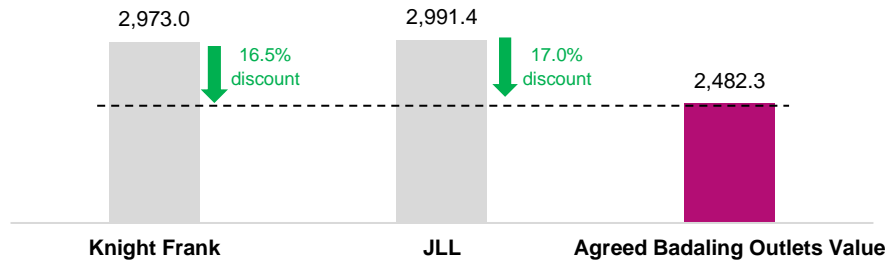
(1) Based on 60% interest in Beijing Wanliu Mall and for the month of September 2019

6.5 Attractive Value Proposition with NPI, DPU and NAV accretion¹

The Manager believes that the Acquisition provides an attractive value proposition for Unitholders given that it is done at a discount to independent valuations and is expected to be an accretive Acquisition.

The Agreed Badaling Outlets Value of RMB 2,482.3 million represents a discount of 16.5% to Knight Frank's independent valuation of RMB 2,973.0 million and a discount of 17.0% to JLL's independent valuation of RMB 2,991.4 million.

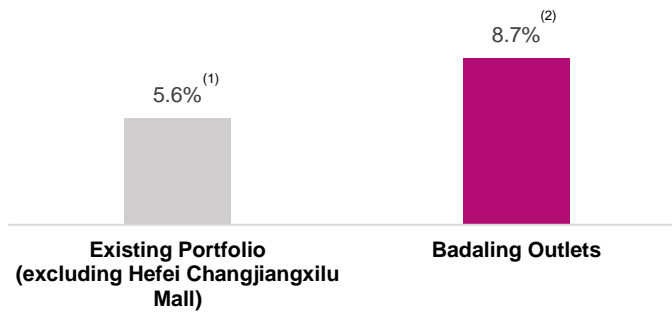
Agreed Badaling Outlets Value relative to the independent valuations (in RMB million)



Source: Knight Frank and JLL Valuation Reports

¹ For 1H 2019, based on the 1H 2019 Unaudited Financial Statements Announcement (as defined herein)

NPI Yield-Accretive

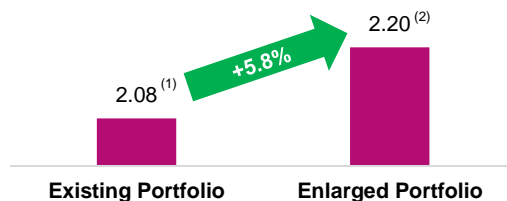


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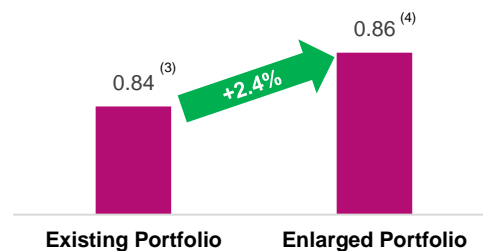
- (1) Based on NPI of the Existing Portfolio (as defined herein) (excluding Hefei Changjiangxilu Mall) for FY2018 divided by the value of the Existing Portfolio (excluding Hefei Changjiangxilu Mall) as at 31 December 2018. The acquisition of Hefei Changjiangxilu Mall was only completed in April 2019.
- (2) Based on FY2018 NPI divided by the Agreed Badaling Outlets Value.

The Agreed Badaling Outlets Value implies an NPI yield of approximately 8.7% which is higher than the existing portfolio of BHG Retail REIT (the “Existing Portfolio”)¹ (excluding Hefei Changjiangxilu Mall) NPI yield of approximately 5.6% (for FY 2018).²

Distribution Per Unit-Accretive (Singapore cents) for Pro Forma 1H 2019



NAV Per Unit-Accretive (\$\$) for Pro Forma 1H 2019



Notes:

- (1) Based on DPU for 1H2019
- (2) The *pro forma* is prepared taking into account the acquisition of Badaling Outlets which is to be funded by (i) an offshore loan of S\$260.0 million at an average interest rate of 4.70% per annum as part of the SGD Offshore Facility of S\$281.3 million to be drawn down by BHG Retail REIT (with the remaining S\$21.3 million to be used for repayment of existing onshore loans of approximately S\$20.0 million at Beijing Badaling Outlet Property Management Co., Ltd and the balance as a working capital loan) and (ii) S\$195.0 million in Consideration Units through the issuance of up to 260.0 million Units (at an issue price of S\$0.75 per Unit). The net proceeds of the Private Placement would be used to partially pay for the Total Acquisition Cost amounting to approximately S\$16.9 million and repay S\$35.0 million of BHG Retail REIT’s existing debt and balance to be used for other general corporate and working capital purposes. Please refer to paragraph 10.1 for further details on the *Pro Forma* DPU.
- (3) Based on NAV as at 30 June 2019
- (4) Based on the number of Units in issue used in computing the *pro forma* NAV per Unit includes (i) 260.0 million Consideration Units issued to the Vendor based on an issue price of S\$0.75 per Unit and (ii) 94.8 million new Units issued pursuant to the Private Placement based on an illustrative issue price of S\$0.633 per Unit. Please refer to paragraph 10.2 for further details on the *Pro Forma* NAV.

Based on the proposed method of financing, the Acquisition is also expected to be Distribution Per Unit (“DPU”) accretive by 5.8% and NAV per Unit accretive by 2.4% on a *pro forma* basis. The chart above illustrates BHG Retail REIT’s *pro forma* DPU and NAV per Unit

- 1 The Existing Portfolio comprises six retail properties, being Beijing Wanliu Mall (60%), Chengdu Konggang Mall, Hefei Mengchenglu Mall, Xining Huayuan Mall, Dalian Jinsanjiao Property and Hefei Changjiangxilu Mall located in Tier 1, Tier 2 and other cities of significant economic potential in the PRC.
- 2 The *pro forma* NPI and NPI yield have been provided strictly for illustrative purposes only and should not be construed as a representation, projection or forecast of future NPI.

for 1H 2019 for the Existing Portfolio and for the Existing Portfolio together with Badaling Outlets (collectively, the “**Enlarged Portfolio**”).

6.6 Leverage on Strong Track Record of the Entrusted Manager and BHG SKP

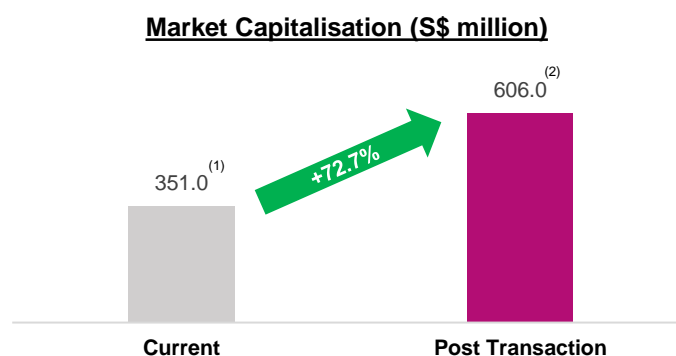
The Entrusted Manager of Badaling Outlets is Beijing Hualian Fashion Business Consulting Co., Ltd. (北京华联时尚商业咨询有限公司) (“**BHGFB**”), a wholly-owned subsidiary of BHG SKP which is the operator of the SKP departmental store brand. BHG SKP operates two internationally renowned and top-performing luxury departmental stores, namely SKP Beijing and SKP Xi’an, in China. According to the Independent Market Research Consultant, SKP Beijing, which was opened in 2007, has become one of the icons of luxury fashion department stores globally, and is one of the most upscale malls in Beijing. In 2018, BHG SKP launched its second luxury fashion department store, SKP Xi’an (located in Beilin district, in the ancient capital city of Xi’an).

BHG Retail REIT will benefit from the experience of BHG SKP through its wholly-owned subsidiary, the Entrusted Manager, who will manage the end-to-end operations of Badaling Outlets for and on behalf of BHG Retail REIT pursuant to the Entrusted Management Agreement. The Entrusted Manager is well-suited to manage Badaling Outlets as the key functions and management of Badaling Outlets were previously carried out through the Entrusted Manager.

Most of the tenants/brands in Badaling Outlets enter into short term sales-based leases/agreements, whereby the rent is determined solely based on the sales turnover instead of a fixed rent. Due to the specialised nature of outlet mall operations as well as the fact that the bulk of the revenue generated from the outlet is predominantly sales-driven, in order to maximise rental income, the management of Badaling Outlets would be resource-intensive and requires significant manpower and active cooperation with the tenants/brands to drive and maximise sales. As a result, this would require an experienced outlet mall operator such as the Entrusted Manager and a management structure under the Entrusted Management Agreement (as compared to a pure property management structure), to be able to commit experienced staff and manpower in an appropriate management framework so as to maintain operational continuity and effectiveness.

The management team of the Entrusted Manager for Badaling Outlets consists of experienced members from BHG SKP and possess deep knowledge and understanding of the outlet mall business, including securing and attracting top brands and optimal tenant/brand mixes as well as actively working with tenants/brands on promotional events, thereby consequently driving sales performance for the outlet. This would ensure smooth continuation of operations of the outlet after completion of the transaction. In addition, the Entrusted Manager can leverage on the strong relationships BHG SKP has with the luxury brands and gain access to more limited edition luxury items and offer them exclusively in Badaling Outlets.

6.7 Increase in market capitalisation



Notes:

- (1) Based on BHG Retail REIT's volume-weighted average price of S\$0.6917 per Unit on the SGX-ST on 29 November 2019, being the market day prior to the date of the Share Purchase Agreement
- (2) Based on BHG Retail REIT's volume-weighted average price of S\$0.6917 per Unit on the SGX-ST on 29 November 2019, being the market day prior to the date of the Share Purchase Agreement, gross proceeds of S\$60.0 million raised from the Private Placement and the issue of S\$195.0 million in Consideration Units to the Vendor

Assuming gross proceeds of approximately S\$60.0 million are raised from the Private Placement and with the issuance of approximately S\$195.0 million in Consideration Units to the Vendor, the market capitalisation of BHG Retail REIT is expected to grow by 72.7% from S\$351.0 million to S\$606.0 million, which will potentially improve the trading liquidity of the Units, which in turn could potentially lead to a diversification in BHG Retail REIT's unitholder base and greater investor interest in BHG Retail REIT.

7. MORATORIUM

Each of BHGIH and the Vendor (being a controlling Unitholder of BHG Retail REIT) will be providing an undertaking to, among other things, observe a moratorium on the transfer or disposal of their Units or, as the case may be, the Consideration Units and where relevant, their effective interest in the Units or, as the case may be, the Consideration Units (the "**Moratorium**"), during the six months after the date of completion of the proposed Acquisition.

Please refer to the Circular to be issued in due course for further details of the Moratorium.

8. FINANCIAL INFORMATION RELATING TO THE TARGET GROUP

The unaudited consolidated *pro forma* financial statements of the Target Group for the financial years ended 31 December 2016, 2017 and 2018 and the six-month periods ended 30 June 2018 and 2019, have been prepared in accordance with Singapore Financial Reporting Standards, and the PRC generally-accepted accounting policies respectively, aligned to the accounting policies of BHG Retail REIT where applicable, and illustrates the impact of:

- (a) the transfer of certain assets and liabilities associated with the transfer of certain assets which are no longer part of the Target Group and the execution of the Entrusted Management Agreement on the financial position of the Target Group as at 31 December 2018 and 30 June 2019, as if it had occurred on 31 December 2018 and 30 June 2019 respectively;

- (b) the execution of the Entrusted Management Agreement on the profit or loss of the Target Group for the years ended 31 December 2016, 2017 and 2018 and the six-month periods ended 30 June 2018 and 2019, as if it had occurred on 1 January 2016; and
- (c) the execution of the Entrusted Management Agreement on the cash flows of the Target Group for the year ended 31 December 2018 and the six-month period ended 30 June 2019 as it had occurred on 1 January 2018.

A summary of the unaudited consolidated *pro forma* financial information of the Target Group for the financial years ended 31 December 2016, 2017 and 2018, and the six-month periods ended 30 June 2018 and 2019, is set out in **Appendix A** of this Announcement.

9. FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

The unaudited consolidated *pro forma* financial statements of the Target Group together with BHG Retail REIT (collectively, the “**Enlarged Group**”) for the financial years ended 31 December 2016, 2017 and 2018 and the six-month periods ended 30 June 2018 and 2019, have been prepared in accordance with Singapore Financial Reporting Standards, and the PRC generally-accepted accounting policies respectively, aligned to the accounting policies of BHG Retail REIT where applicable, and illustrates the impact of:

- (a) the Acquisition and the Private Placement, on the financial position of the Enlarged Group as at 31 December 2018 and 30 June 2019, as if the Transactions had taken place on 31 December 2018 and 30 June 2019 respectively, pursuant to the terms set out above and in further details in the Circular;
- (b) the Acquisition and the Private Placement on the total returns and distribution statement of the Enlarged Group for the years ended 31 December 2016, 2017 and 2018 and the six-month periods ended 30 June 2018 and 2019, as if the Transactions had taken place on 1 January 2016; and
- (c) the Acquisition and the Private Placement on the cash flows of the Enlarged Group for the year ended 31 December 2018 and the six-month period ended 30 June 2019 as if the Transactions had taken place on 1 January 2018.

A summary of the unaudited consolidated *pro forma* financial information of the Enlarged Group for the financial years ended 31 December 2016, 2017 and 2018, and the six-month periods ended 30 June 2018 and 2019, is set out in **Appendix B** of this Announcement.

10. **PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS**

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the proposed Transactions for FY 2018 and 1H 2019 on the DPU, NAV per Unit and aggregate leverage ratio presented below are strictly for illustrative purposes only and were prepared based on:

- (i) BHG Retail REIT's latest audited financial statements for FY 2018 (the "**FY 2018 Audited Financial Statements**");
- (ii) BHG Retail REIT's results announcement for 1H 2019 (the "**1H 2019 Unaudited Financial Statements Announcement**"); and
- (iii) the audited management accounts for Badaling SPV and Premier for FY 2018 and the unaudited management accounts for Badaling SPV and Premier for 1H 2019 (the "**Badaling Outlets Management Accounts**"),

taking into account the Total Acquisition Cost, and certain assumptions including (but not limited to) the following:

- (a) in connection with the acquisition of Badaling Outlets, the transfer of certain assets and liabilities of Badaling SPV to Beijing Badaling Outlet Property Management Co., Ltd (北京八达岭精奥莱物业管理有限公司) had occurred as at 31 December 2018;
- (b) the acquisition of Badaling Outlets is funded by an offshore loan of S\$260.0 million at an average interest rate of 4.70% as part of the SGD Offshore Facility of S\$281.3 million to be drawn down by BHG Retail REIT (with the remaining S\$21.3 million to be used for repayment of existing onshore loans of approximately S\$20.0 million at Beijing Badaling Outlet Property Management Co., Ltd and the balance as a working capital loan), and S\$195.0 million in Consideration Units through the issuance of up to 260.0 million Units (at an issue price of S\$0.75 per Unit);
- (c) the valuation of Badaling Outlets is based on the average of the independent valuation reports issued by JLL and Knight Frank as at 31 August 2019, taking into consideration the property performance, and the terms of the Entrusted Management Agreement;
- (d) the SGD/RMB exchange rate used in the transaction of the financial information of Badaling Outlets is assumed to be 5.17; and
- (e) the Manager intends to use the net proceeds of the Private Placement of approximately S\$60.0 million to repay approximately S\$35.0 million of BHG Retail REIT's existing debt, and to pay approximately S\$16.9 million of the Total Acquisition Cost, including the professional and other fees and expenses incurred or to be incurred by BHG Retail REIT in connection with the Private Placement, with the balance to be used for other general corporate and working capital purposes.

10.1 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the proposed Transactions on the DPU and NPI for FY 2018 and 1H 2019 are strictly for illustrative purposes only, as if (i) BHG Retail REIT had completed the proposed Acquisition of Badaling Outlets on 1 January 2018, and Badaling Outlets is or is assumed to be generating net property income since 1 January 2018, (ii) the Private Placement was completed on 1 January 2018 and (iii) BHG Retail REIT had repaid approximately S\$35.0 million of BHG Retail REIT's existing debt on 1 January 2018, and are as follows:

	<i>Pro forma</i> effects of the proposed Transactions for FY 2018		<i>Pro forma</i> effects of the proposed Transactions for 1H 2019	
	Before the proposed Transactions ⁽¹⁾	After the proposed Transactions ⁽³⁾	Before the proposed Transactions ⁽²⁾	After the proposed Transactions ⁽³⁾
Net property income (S\$ '000)	45,647	87,546	25,218	45,220
Amount to be distributed to Unitholders(S\$ '000)	19,706	39,663	9,022 ⁽⁴⁾	17,451 ⁽⁴⁾
Total Number of Units entitled to distribution ('000)	381,495	739,069 ⁽⁵⁾	433,529	792,433 ⁽⁵⁾
DPU (Singapore cents) ⁽⁶⁾	5.16	5.37	2.08	2.20
DPU accretion (%)	—	4.1	—	5.8

Notes:

- (1) Based on the FY 2018 Audited Consolidated Financial Statements.
- (2) Based on the 1H 2019 Unaudited Financial Statements Announcement.
- (3) The *pro forma* is prepared taking into account the acquisition of Badaling Outlets which is to be funded by (i) an offshore loan of S\$260.0 million at an average interest rate of 4.70% per annum as part of the SGD Offshore Facility of S\$281.3 million to be drawn down by BHG Retail REIT (with the remaining S\$21.3 million to be used for repayment of existing onshore loans of approximately S\$20.0 million at Beijing Badaling Outlet Property Management Co., Ltd and the balance as a working capital loan) and (ii) S\$195.0 million in Consideration Units through the issuance of up to 260.0 million Units (at an issue price of S\$0.75 per Unit). The net proceeds of the Private Placement would be used to partially pay for the Total Acquisition Cost amounting to S\$16.9 million and repay approximately S\$35.0 million of BHG Retail REIT's existing debt.
- (4) The amount to be distributed to Unitholders in 1H 2019 is derived after taking into consideration a retention of 10% of total amount available for distribution in anticipation of higher operational expenses and working capital requirements of BHG Retail REIT's enlarged portfolio.
- (5) The total number of Units in issue includes (a) 260.0 million Consideration Units issued to the Vendor based on an issue price of S\$0.75 per Unit and (b) 94.8 million new Units issued pursuant to the Private Placement based on an illustrative issue price of S\$0.633 per Unit.
- (6) DPU is derived after taking into consideration waiver from strategic investor amounting to 123.2 million Units and 73.9 million Units as at 31 December 2018 and 30 June 2019 respectively.

10.2 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the proposed Transactions on the NAV per Unit as at 31 December 2018 and 30 June 2019, as if the Transactions were completed on 31 December 2018 and 30 June 2019 respectively, and BHG Retail REIT had repaid approximately S\$35.0 million of BHG Retail REIT's existing debt facilities on 31 December 2018 and 30 June 2019 respectively, are as follows:

	<i>Pro forma</i> effects of the proposed Transactions as at 31 December 2018		<i>Pro forma</i> effects of the proposed Transactions as at 30 June 2019	
	Before the proposed Transactions ⁽¹⁾	After the proposed Transactions ⁽³⁾	Before the proposed Transactions ⁽²⁾	After the proposed Transactions ⁽³⁾
NAV represented by Unitholders' funds (S\$'000)	410,423	710,133	426,247	738,681
Total No. of Units in Issue ('000)	504,677	859,464 ⁽⁴⁾	507,438	862,225 ⁽⁴⁾
NAV per Unit (including distributable income)(S\$)	0.81	0.83	0.84	0.86

Notes:

- (1) Based on the FY 2018 Audited Consolidated Financial Statements.
- (2) Based on the 1H 2019 Unaudited Financial Statements Announcement.
- (3) The *pro forma* is prepared taking into account the acquisition of Badaling Outlets which is to be funded by (i) an offshore loan of S\$260.0 million at an average interest rate of 4.70% per annum as part of the SGD Offshore Facility of S\$281.3 million to be drawn down by BHG Retail REIT (with the remaining S\$21.3 million to be used for repayment of existing onshore loans of approximately S\$20.0 million at Beijing Badaling Outlet Property Management Co., Ltd and the balance as a working capital loan) and (ii) S\$195.0 million in Consideration Units through the issuance of up to 260.0 million Units (at an issue price of S\$0.75 per Unit). The net proceeds of the Private Placement would be used to partially pay for the Total Acquisition Cost amounting to S\$16.9 million and repay approximately S\$35.0 million of BHG Retail REIT's existing debt.
- (4) The total number of Units in issue includes (a) 260.0 million Consideration Units issued to the Vendor based on an issue price of S\$0.75 per Unit and (b) 94.8 million new Units issued pursuant to the Private Placement based on an illustrative issue price of S\$0.633 per Unit.

10.3 Pro Forma aggregate leverage ratio

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the proposed Transactions on the aggregate leverage ratio of BHG Retail REIT as at 31 December 2018 and 30 June 2019, as if the Transactions were completed on 31 December 2018 and 30 June 2019 respectively, and BHG Retail REIT had repaid approximately S\$35.0 million of BHG Retail REIT's existing debt facilities on 31 December 2018 and 30 June 2019 respectively, are as follows:

	<i>Pro forma</i> effects of the proposed Transactions as at 31 December 2018		<i>Pro forma</i> effects of the proposed Transactions as at 30 June 2019	
	Before the proposed Transactions ⁽¹⁾	After the proposed Transactions ⁽³⁾	Before the proposed Transactions ⁽²⁾	After the proposed Transactions ⁽³⁾
Aggregate leverage ratio (%)	30.7	34.3	37.0	37.9

Notes:

- (1) Based on the FY 2018 Audited Consolidated Financial Statements.
- (2) Based on the 1H 2019 Unaudited Financial Statements Announcement.
- (3) The *pro forma* is prepared taking into account the acquisition of Badaling Outlets which is to be funded by (i) an offshore loan of S\$260.0 million at an average interest rate of 4.70% per annum as part of the SGD Offshore Facility of S\$281.3 million to be drawn down by BHG Retail REIT (with the remaining S\$21.3 million to be used for repayment of existing onshore loans at Beijing Badaling Outlet Property Management Co., Ltd and the balance as a working capital loan) and (ii) S\$195.0 million in Consideration Units through the issuance of approximately 260.0 million Units (at an issue price of S\$0.75 per Unit). The net proceeds of the Private Placement would be used to partially pay for the Total Acquisition Cost amounting to S\$16.9 million and repay approximately S\$35.0 million of BHG Retail REIT's existing debt.

10.4 Pro Forma capitalisation

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the proposed Transactions on the *pro forma* capitalisation of BHG Retail REIT as at 31 December 2018, as if the Transactions were completed and BHG Retail REIT had repaid approximately S\$35.0 million of BHG Retail REIT's existing debt facilities on 31 December 2018, are as follows:

	Adjusted for			
	Actual ⁽¹⁾ (Before the Transactions)	Acquisition of Badaling Outlets	Private Placement (Issue of Units and repayment of existing debt)	Pro Forma (After the Transactions)
	(S\$ million)	(S\$ million)	(S\$ million)	(S\$ million)
Short-term debt:				
Secured debt	220.9	–	(35.0)	185.9
Unsecured debt	1.2	–	–	1.2
Total short-term debt	222.1	–	(35.0)	187.1
Long-term debt:				
Secured debt	–	271.0	–	271.0
Unsecured debt	–	–	–	–
Total long-term debt	–	271.0	–	271.0
Total debt:				
Unitholders' funds	410.4	242.2	60.0	712.6
Expenses relating to the proposed Acquisition and the Private Placement	–	–	(2.5)	(2.5)
Total Unitholders' funds	410.4	242.2	57.5	710.1
Total Capitalisation	632.5	513.2	22.5	1,168.2

Note:

(1) Based on the FY 2018 Audited Consolidated Financial Statements.

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the proposed Transactions on the *pro forma* capitalisation of BHG Retail REIT as at 30 June 2019, as if the Transactions were completed and BHG Retail REIT had repaid approximately S\$35.0 million of BHG Retail REIT's existing debt facilities on 30 June 2019, are as follows:

	Unaudited ⁽¹⁾ (Before the Transactions)	Adjusted for		<i>Pro Forma</i> (After the Transactions)
		Acquisition of Badaling Outlets	Private Placement (Issue of Units and repayment of existing debt)	
	(S\$ million)	(S\$ million)	(S\$ million)	(S\$ million)
Short-term debt:				
Secured debt	16.7	–	(3.2)	13.5
Unsecured debt	1.2	–	–	1.2
Total short-term debt	17.9	–	(3.2)	14.7
Long-term debt:				
Secured debt	276.2	270.8	(31.8)	515.2
Unsecured debt	–	–	–	–
Total long-term debt	276.2	270.8	(31.8)	515.2
Total debt:				
Unitholders' funds	426.2	254.9	60.0	741.1
Expenses relating to the proposed Acquisition and the Private Placement	–	–	(2.5)	(2.5)
Total Unitholders' funds	426.2	254.9	57.5	738.6
Total Capitalisation	720.3	525.7	22.5	1,268.5

Note:

(1) Based on the 1H 2019 Unaudited Financial Statements Announcement.

11. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

As at the date of this Announcement, 507,437,560 of Units have been issued and are fully paid-up in total, and certain directors of the Manager (“**Directors**”) collectively hold an aggregate direct and indirect interest in 625,000 Units. Further details of the interests in Units of the Directors and Substantial Unitholders¹ are set out below.

Based on the Register of Directors’ Unitholdings maintained by the Manager, the direct and deemed interests of the Directors in the Units as at the date of this Announcement are as follows:

Name of Director	Direct Interest		Deemed Interest		Total No. of Units held	%
	No. of Units held	%	No. of Units held	%		
Francis Siu Wai Keung	–	–	–	–	–	–
Ben Yeo Chee Seong	–	–	–	–	–	–
Lau Teck Sien	375,000	0.07	–	–	375,000	0.07
Xiong Zhen	125,000	0.02	–	–	125,000	0.02
Peng Ge	125,000	0.02	–	–	125,000	0.02

Based on the Register of Substantial Unitholders’ Unitholdings maintained by the Manager, the Substantial Unitholders and their interests in the Units as at the date of this Announcement are as follows:

Name of Substantial Unitholder	Direct Interest		Deemed Interest		Total No. of Units held	%
	No. of Units held	%	No. of Units held	%		
Beijing Hua Lian Group (Singapore) International Trading Pte Ltd	148,310,300	29.23	–	–	148,310,300	29.23
Beijing Hualian Group Investment Holding Co. Ltd. ⁽¹⁾	–	–	178,133,160	35.10	178,133,160	35.10
Hainan Hong Ju Industrial Co. Ltd. ⁽²⁾	–	–	178,133,160	35.10	178,133,160	35.10
Hainan Hong Ju Culture Media Group Limited ⁽³⁾	–	–	178,133,160	35.10	178,133,160	35.10
China Citic Bank Asset Management	68,125,000	13.43	–	–	68,125,000	13.43
Chanchai Ruayrungruang ⁽⁴⁾	–	–	67,178,000	13.24	67,178,000	13.24

¹ “**Substantial Unitholder**” means a person with an interest in Units constituting not less than 5.0% of the total number of Units in issue

Name of Substantial Unitholder	Direct Interest		Deemed Interest		Total No. of Units held	%
	No. of Units held	%	No. of Units held	%		
Zhang Chongyu ⁽⁵⁾	-	-	46,283,440	9.12	46,283,440	9.12

Notes:

- (1) Beijing Hualian Group Investment Holding Co., Ltd. (“**BHGIH**”) wholly owns Beijing Hua Lian Group (Singapore) International Trading Pte. Ltd. (“**BHG SIT**”) and is deemed interested in the 148,310,300 Units held by BHG SIT.

BHGIH holds 29.17% of the total issued equity interest of Beijing Hualian Hypermarket Co., Ltd. (“**BHH**”) which in turn wholly owns Beijing Hualian Hypermarket (Singapore) Purchasing Pte. Ltd. (“**BHH SPP**”) and is deemed interested in the 8,125,000 Units held by BHH SPP.

BHGIH holds 25.39% of the total issued equity interest of Beijing Hualian Department Store Co., Ltd. (“**BHDS**”), which in turn wholly owns Beijing Hualian Mall (Singapore) Commercial Management Pte. Ltd. (“**BHM SCM**”). Accordingly, BHGIH is deemed interested in the 11,197,200 Units owned by BHM SCM.

BHM SCM in turn wholly-owned BHG Mall (Singapore) Property Management Pte Ltd (“**PM**”) and BHG Retail Trust Management Pte Ltd (“**RM**”). Accordingly, Beijing Hualian Group is deemed interested in the 3,775,745 Units owned by the PM and the 6,724,915 Units owned by the RM. Beijing Hualian Group is deemed interested in an aggregate of 178,133,160 Units, representing 35.10% of the total issued Units.

- (2) Hainan Hong Ju Industrial Co., Ltd. holds 30% of the total issued equity interest of BHGIH and is deemed interested in the Units that Beijing Hualian Group is deemed interested in.
- (3) Hainan Hong Ju Culture Media Group Limited holds 51% of the total issued equity interest of Hainan Hong Ju Industrial Co., Ltd and is deemed interested in the Units that Hainan Hong Ju Industrial Co., Ltd is deemed interested in.
- (4) Dr Chanchai Ruayrungruang is deemed to have an interest in the 67,178,000 Units held through his nominee.
- (5) Mr Zhang Chongyu is deemed to have an interest in the 46,283,440 Units held through his nominee.

12. APPLICATION TO THE SGX-ST FOR APPROVAL IN-PRINCIPLE

The Manager will make a formal application to the SGX-ST for the listing of, dealing in, and quotation of, the Consideration Units and Private Placement Units on the Mainboard of the SGX-ST. An appropriate announcement will be made upon the receipt of such in-principle approval from the SGX-ST.

13. FINANCIAL ADVISER

The Manager has appointed DBS Bank Ltd. as its financial adviser in relation to the proposed Acquisition.

14. INDEPENDENT FINANCIAL ADVISER

The Manager has appointed Ernst & Young Corporate Finance Pte. Ltd. as the independent financial adviser to the independent Directors, the audit, risk and compliance committee of the Manager and the Trustee in respect of the proposed entry into the Entrusted Management Agreement (including the Guarantee Agreement) and the proposed Whitewash Resolution. The advice of the independent financial adviser will be set out in the Circular to be despatched to Unitholders in due course.

15. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Manager in connection with the proposed Transactions or any other transactions contemplated in relation to the proposed Transactions.

16. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager¹ at 100 Beach Road, Shaw Tower #25-11, Singapore 189702, from the date of this Announcement up to and including the date falling three months after the date of the Circular:

- (i) the Share Purchase Agreement;
- (ii) the Entrusted Management Agreement;
- (iii) the Guarantee Agreement; and
- (iv) the valuation reports on Badaling Outlets issued by JLL and Knight Frank.

The Trust Deed will also be available for inspection at the registered office of the Manager, for so long as BHG Retail REIT is in existence.

17. CIRCULAR

Further details on the Transactions will be set out in the Circular to Unitholders to be issued to Unitholders in due course, together with a notice of the EGM that will be convened for the purpose of seeking Unitholders' approvals in connection with, among others, the Transactions and the Whitewash Resolution.

18. CAUTION

Unitholders and potential investors are advised to exercise caution in the trading of their Units. The proposed Transactions are subject to, *inter alia*, the Unitholders' approvals of the proposed Transactions and the Whitewash Resolution. There is no certainty and assurance as at the date of this Announcement that the proposed Transactions will be completed or that no changes will be made to the terms thereof.

The Manager will make the necessary announcements when there are further developments on the proposed Transactions and other matters contemplated by this Announcement. Unitholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

¹ Prior appointment with the Manager (telephone number: +65 6805 8288) will be appreciated.

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
2 December 2019

Appendix A

Unaudited Consolidated *Pro Forma* Financial Information of the Target Group

The unaudited consolidated *pro forma* financial statements of the Target Group for the financial years ended 31 December 2016, 2017 and 2018 and the six-month periods ended 30 June 2018 and 2019, have been prepared in accordance with Singapore Financial Reporting Standards, and the PRC generally-accepted accounting policies respectively, aligned to the accounting policies of BHG Retail REIT where applicable.

A summary of the unaudited consolidated *pro forma* financial information of the Target Group for the financial years ended 31 December 2016, 2017 and 2018, and the six-month periods ended 30 June 2018 and 2019, is set out below:

Unaudited *Pro Forma* Consolidated Statement of Financial Position

	As at	
	31 December 2018	30 June 2019
	S\$'000	S\$'000
Non-current assets		
Investment properties	576,828	576,828
Plant and equipment	733	628
Deferred tax assets	14	2,932
	577,575	580,388
Current assets		
Trade and other receivables	31,387	102,437
Cash and cash equivalents	46,096	4,810
	77,483	107,247
Total assets	655,058	687,635
Non-current liabilities		
Loans and borrowings	114,578	94,075
Security deposits	537	–
Deferred tax liabilities	109,894	110,773
	225,009	204,848
Current liabilities		
Loans and borrowings	13,883	35,753
Trade and other payables	89,767	105,053
Security deposits	4,131	4,619
Current tax liabilities	1,598	(31)
	109,379	145,394
Total liabilities	334,388	350,242
Net assets	320,670	337,393
Equity attributable to shareholders		
Share capital	–*	–*
Reserves	320,670	337,393
	320,670	337,393

*: Denotes amount less than S\$1,000

Unaudited Pro Forma Consolidated Statement of Profit or Loss

	Year ended			Six-month period ended	
	31 December	31 December	31 December	30 June 2018	30 June 2019
	2016	2017	2018		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Gross income from outlets	28,950	33,996	39,245	18,985	22,726
Other income	24,027	18,466	13,184	6,715	3,056
Gross revenue	52,977	52,462	52,429	25,700	25,782
Business tax	(728)	(888)	(972)	(266)	(454)
Property-related tax	(835)	(1,031)	(1,086)	(538)	(573)
Property management fees and reimbursables	(1,330)	(1,609)	(1,916)	(844)	(2,970)
Other property operating expenses	(6,641)	(5,637)	(6,556)	(2,688)	(1,782)
Total property operating expenses	(9,534)	(9,165)	(10,530)	(4,336)	(5,779)
Net property income	43,443	43,297	41,899	21,364	20,003
Other income (non-operating)	18	66	337	12	36
Other operating expenses	(92)	(64)	(89)	(30)	(26)
Finance income	43	167	1,295	109	1,997
Finance costs	(2,748)	(2,422)	(2,486)	(2,143)	(2,364)
Net finance costs	(2,705)	(2,255)	(1,191)	(2,034)	(367)
Net profit before change in fair value of investment properties and/or unrealised foreign exchange gain/(loss)	40,664	41,044	40,956	19,312	19,646
Change in fair value of investment properties	406,188	–	–	–	–
Foreign exchange gain/(loss) - unrealised	(2,113)	7,394	(1,681)	(1,709)	638
Net profit for the year / period before taxation	444,739	48,438	39,275	17,603	20,284
Taxation	(109,355)	(8,931)	(8,968)	(4,120)	(4,394)
Net profit for the year / period after taxation	335,384	39,507	30,307	13,483	15,890

Unaudited Pro Forma Consolidated Statement of Cash Flows

	Year ended 31 December 2018	Six-month period ended 30 June 2019
	S\$'000	S\$'000
Cash flows from operating activities		
Profit after tax for the year / period	349,734	15,890
Adjustments for:		
Finance income	(1,295)	(1,997)
Finance costs	2,486	2,364
Change in fair value of investment properties	(425,902)	–
Foreign exchange gain - unrealised	(1,681)	(638)
Taxation	115,443	4,394
Operating income before working capital changes	38,785	20,013
Changes in:		
Trade and other receivables	(6,637)	309
Trade and other payables	(9,449)	(3,948)
Cash generated from operating activities	22,699	16,374
Tax paid	(8,823)	(2,895)
Net cash from operating activities	13,876	13,479
Cash flows from investing activities		
Interest received	1,116	1,707
Net cash from investing activities	1,116	1,707
Cash flows from financing activities		
Interest paid	(2,486)	(1,371)
Net cash used in financing activities	(2,486)	(1,371)
Net increase in cash and cash equivalents	12,506	13,815
Cash and cash equivalents at beginning of the year / period	39,087	51,593
Cash and cash equivalents at end of the year / period	51,593	65,408

Appendix B

Unaudited Consolidated *Pro Forma* Financial Information of the Enlarged Group

The unaudited consolidated *pro forma* financial statements of the Enlarged Group for the financial years ended 31 December 2016, 2017 and 2018 and the six-month periods ended 30 June 2018 and 2019, have been prepared in accordance with Singapore Financial Reporting Standards, and the PRC generally-accepted accounting policies respectively, aligned to the accounting policies of BHG Retail REIT where applicable.

A summary of the unaudited consolidated *pro forma* financial information of the Enlarged Group for the financial years ended 31 December 2016, 2017 and 2018, and the six-month periods ended 30 June 2018 and 2019, is set out below:

Unaudited *Pro Forma* Consolidated Statement of Financial Position

	As at	
	31 December 2018	30 June 2019
	S\$'000	S\$'000
Non-current assets		
Investment properties	1,385,131	1,476,698
Plant and equipment	1,363	1,327
Trade and other receivables	36	2,992
Deferred tax assets	35	18
	1,386,565	1,481,035
Current assets		
Trade and other receivables	17,588	25,461
Cash and cash equivalents	113,150	150,236
	130,738	175,697
Total assets	1,517,303	1,656,732
Non-current liabilities		
Loans and borrowings	270,954	515,167
Trade and other payables	1,207	1,567
Security deposits	5,694	4,961
Deferred tax liabilities	45,689	58,072
Derivative liabilities	–	296
	323,544	580,063
Current liabilities		
Loans and borrowings	187,142	14,678
Trade and other payables	107,465	129,067
Security deposits	16,961	21,013
Current tax liabilities	3,399	1,079
Derivative liabilities	74	173
	315,041	166,010
Total liabilities	638,585	746,073
Net assets	878,718	910,659
Represented by:		
Unitholders' funds	710,133	738,681
Non-controlling interests	168,585	171,978
Total unitholders' funds	878,718	910,659
Units in issue	859,464	862,225

Unaudited Pro Forma Consolidated Statement of Total Returns

	31 December 2016 S\$'000	Year ended 31 December 2017 S\$'000	31 December 2018 S\$'000	Six-month period ended 30 June 2018 S\$'000	30 June 2019 S\$'000
Gross income from malls and outlets	84,511	91,721	101,775	50,663	57,989
Other income	31,051	25,260	20,323	10,203	5,869
Gross revenue	115,562	116,981	122,098	60,866	63,858
Business tax	(2,028)	(1,297)	(1,367)	(463)	(720)
Property-related tax	(5,703)	(6,066)	(7,069)	(3,553)	(3,940)
Property management fees and reimbursables	(3,397)	(3,788)	(4,335)	(2,057)	(4,393)
Other property operating expenses	(20,706)	(19,589)	(21,781)	(9,816)	(9,585)
Total property operating expenses	(31,834)	(30,740)	(34,552)	(15,889)	(18,638)
Net property income	83,728	86,241	87,546	44,977	45,220
Manager's management fees					
- Base fee	(4,141)	(4,187)	(3,966)	(2,000)	(1,938)
- Performance fee	(209)	(282)	-	-	-
Trustee's fees	(202)	(216)	(208)	(103)	(114)
Other income (non-operating)	151	579	646	34	71
Other operating expenses	(890)	(1,021)	(1,077)	(377)	(459)
Finance income	459	887	1,942	448	2,252
Finance costs	(24,129)	(24,251)	(24,912)	(13,532)	(15,953)
Net finance costs	(23,670)	(23,364)	(22,970)	(13,084)	(13,701)
Total return before change in fair value of investment properties and/or unrealised foreign exchange gain/(loss)	54,767	57,750	59,971	29,447	29,079
Change in fair value of investment properties	40,425	8,298	25,664	-	32,420
Foreign exchange gain/(loss) - unrealised	(65)	(1)	73	120	840
Total return for the year / period before taxation	95,127	66,047	85,708	29,567	62,339
Taxation	(24,961)	(18,044)	(23,306)	(8,178)	(17,029)
Total return for the year / period after taxation	70,166	48,003	62,402	21,389	45,310
Attributable to:					
Unitholders	51,260	37,472	47,911	17,138	40,685
Non-controlling interests	18,906	10,531	14,491	4,251	4,625
	70,166	48,003	62,402	21,389	45,310
Distribution per Unit (S\$ cents)	5.85	5.76	5.32	2.70	2.18

Unaudited Pro Forma Distribution Statement

	Year ended		Six-month period ended		
	31 December 2016 S\$'000	31 December 2017 S\$'000	31 December 2018 S\$'000	30 June 2018 S\$'000	30 June 2019 S\$'000
Total return attributable to Unitholders	51,260	37,472	47,911	17,138	40,685
Distribution adjustments	(9,850)	4,393	(8,248)	2,873	(21,295)
Amount available for distribution	41,410	41,865	39,663	20,011	19,390
Less: Amount retained	–	–	–	–	(1,939)
Amount to be distributed to unitholders	41,410	41,865	39,663	20,011	17,451

	Year ended		Six-month period ended		
	31 December 2016 S\$'000	31 December 2017 S\$'000	31 December 2018 S\$'000	30 June 2018 S\$'000	30 June 2019 S\$'000
Distribution adjustment items:					
- Amortisation of debt establishment costs	3,631	3,633	3,681	1,828	2,618
- Change in fair value of investment properties ⁽¹⁾	(24,190)	(4,369)	(17,510)	–	(32,420)
- Deferred taxation ⁽¹⁾	6,803	1,401	4,539	436	9,136
- Manager's management fees paid/payable in Units	4,350	4,469	3,966	2,000	1,938
- Property Manager's management fees paid/payable in Units	2,067	2,179	758	394	465
- Transfer to statutory reserve	(2,603)	(3,032)	(3,716)	(1,721)	(2,244)
- Other adjustments	92	112	34	(64)	(788)
Net effect of distributions adjustments	(9,850)	4,393	(8,248)	2,873	(21,295)

⁽¹⁾ Excludes share attributable to non-controlling interests

	Year ended		Six-month period ended		
	31 December 2016	31 December 2017	31 December 2018	30 June 2018	30 June 2019
Weighted average number of Units ('000)	707,397	726,707	745,554	742,276	798,918
<i>Pro forma</i> distribution per Unit (\$ cents)	5.85	5.76	5.32	2.70	2.18

Unaudited Pro Forma Consolidated Statement of Cash Flows

	Year ended 31 December 2018	Six-month period ended 30 June 2019
	S\$'000	S\$'000
Cash flows from operating activities		
Total return for the year / period	96,882	45,310
Adjustments for:		
Finance income	(1,942)	(2,252)
Finance costs	25,038	15,953
Loss on disposal of plant and equipment	2	8
Depreciation of plant and equipment	125	61
Manager's management fees paid/payable in Units	3,966	1,938
Property Manager's management fees paid/payable in Units	757	465
Change in fair value of investment properties	(71,638)	(32,420)
Foreign exchange gain - unrealised	(73)	(840)
Taxation	34,674	14,934
Operating income before working capital changes	87,791	43,157
Changes in:		
Trade and other receivables	(6,960)	(3,229)
Trade and other payables	(9,487)	(3,074)
Cash generated from operating activities	71,344	36,854
Tax paid	(7,400)	(7,703)
Net cash from operating activities	63,944	29,151
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(125,723)	(63,055)
Capital expenditure on investment properties	(1,127)	(3,769)
Purchase of plant and equipment	(92)	(17)
Repayment of shareholder loan	(90,361)	–
Interest received	1,763	1,963
Net cash used in investing activities	(215,540)	(64,878)
Cash flows from financing activities		
Proceeds from issue of Units	60,000	–
Distributions paid to Unitholders	(29,987)	(19,347)
Dividend paid to non-controlling interests	(4,120)	–
Decrease/(Increase) in restricted cash	13,693	(400)
Proceeds from borrowings	317,570	89,117
Repayment of borrowings	(109,379)	(10,700)
Settlement of derivative contracts	(108)	27
Interest paid	(11,849)	(10,401)
Payment of transaction related costs	(12,414)	(7,440)
Net cash from financing activities	223,406	40,856
Net increase in cash and cash equivalents	71,810	5,129
Cash and cash equivalents at beginning of the year	43,352	112,986
Effect of foreign exchange rate changes on cash balances	(2,176)	(390)
Cash and cash equivalents at end of the year / period	112,986	117,725

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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.

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